IFAD

Enabling poor rural people
to overcome poverty

Annual Review of Portfolio Performance 2012-2013

Programme Management Department

November 2013

Annual Review of Portfolio Performance 2012-2013

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Acknowledgement

This report was prepared by Shyam Khadka working under the overall guidance of Kevin Cleaver, Associate Vice President, Programme Management Department (PMD) and in close collaboration with Theresa Rice, Ursula Wieland and other staff working in the PMD Front Office; Portfolio Advisers leading the review process in the Regional Divisions, Policy and Technical Advisory Division (PTA), Environment and Climate Change Division (ECD) and staff in the Controller and Financial Services Division (CFS). The project and country level assessments, which contributed significantly to the performance assessments, were undertaken by the Country Programme Managers, Regional Economists, and the Country Programme Officers. This reports also benefited from the close interaction with the Directors of the regional divisions, PTA, ECD and CFS.

Abbreviations and acronyms

APR	Asia and the Pacific
ARRI	Annual Report on Results and Impact of IFAD Operations
ARPP	Annual Review of Portfolio Performance
CGIAR	Consultative Group on International Agricultural Research
CI	Cooperating Institution
CPIS	Country Programme Issues Sheet
CPM	Country Programme Manager
EIRR	Economic Internal Rate of Return
ESA	East and Southern Africa
DSF	Debt Sustainability Framework
GRIPS	Grants and Investment Projects System
GSR	Grant Status Report
IEE	Independent External Evaluation
LAC	Latin America and the Caribbean
LGS	Loans and Grants System
M&E	Monitoring and Evaluation
MTR	Mid Term Review
NEN	Near East, North Africa and Europe
NGO	Non-Governmental Organization
PCR	Project Completion Report
PMU	Project Management Unit
PCR	Project Completion Report
PPMS	Project and Portfolio Management System
PRG	Portfolio Review Group
PSR	Project Status Report
QA	Quality Assurance
RIDE	Report on IFAD's Development Effectiveness
RIMS	Results and Impact Management System
RMF	Results Measurement Framework
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
WCA	West and Central Africa

Executive summary

1. The Annual Review of Portfolio Performance (ARPP) provides an overview of the performance of the loans and grants portfolio in delivering results to the Fund's target group during the review period beginning 1 July 2012 and ending 30 June 2013. This report is the foundation for the Report on IFAD's Development Effectiveness (RIDE) that assesses IFAD's development and operational effectiveness, and IFAD management's response to the Annual Report on Results and Impact of IFAD operations evaluated in 2012 (the ARRI 2012 report).

2. IFAD's Results Measurement Framework 2013-15, agreed during the Ninth Replenishment Consultation and approved by IFAD's Executive Board, is the principal reference point for this report. Based on analyses of project completion reports (PCRs), IFAD's performance continues to improve in most key dimensions of development effectiveness, in particular in the areas of relevance, rural poverty impact, innovation, scaling-up, targeting and gender. Of the constituent elements of the rural poverty impact area, all domains – human, social capital and empowerment; markets; natural resources and environment; household income and net assets – show dramatic improvement in performance. Notable improvement can be observed in the food security and agricultural productivity impact domains. Of particular interest is substantial progress made in the domain of access to markets. Similarly, improvements were significant in the cases of innovation and scaling up, gender, targeting, and sustainability.

3. There are some areas – mainly, efficiency, effectiveness, and sustainability – in which, improvements are less positive and therefore will require further efforts in order to achieve the ambitious targets set for 2015. A comparison between the cohorts of projects reviewed in 2006-09 and 2010-13 shows that the effectiveness of project interventions has remained broadly constant. Likewise, economic efficiency of the projects has not improved and continues to remain the weakest among outcome indicators. Although significant progress has been made in recent years with respect to sustainability, there is still scope for further improvement. Greater sustainability would be achieved mainly by enhancing country ownership through better-quality phasing out (exit) strategies, conceived and refined from the design phase onwards. It would also require better mainstreaming of newly created institutional structures within regular governmental programmes and institutions.

4. In sum, a broad-based improvement in performance of the projects at completion point is clearly visible as evidenced by an increase in the overall project achievement from 76 to 82 per cent of projects rated moderately successful or better at completion. The positive achievements were underpinned by a positive, albeit minor, improvement in recipient governments' performance as well as by a generally improving performance of IFAD as a partner.

5. During the review period 267 projects were under implementation for at least one year and these projects reached an estimated 78.7 million people about 87 per cent of the target of 90 million set for 2015. The total value of these projects is about US$12.7 billion, of which, IFAD's share is US$5.7 billion, or about 41 per cent. As reported last year, the share of women beneficiaries accessing goods and services delivered by IFAD-funded projects is on the increase, in part explained by their disproportionately larger share among rural finance beneficiaries. This trend fits well with IFAD's policy on gender and targeting. A pronounced increase in the number of people benefitting from micro-enterprise-related services, marketing, and community institution-building can also be discerned as an aggregate trend. This reflects an increasing share of value-chain projects in the portfolio, as well as an emphasis on adopting a more inclusive approach to targeting.

6. In terms of the indicators related to the programmes and projects, aggregated results from Project Status Reports for 253 projects show innovation and learning, disbursement rate, coherence between AWPB implementation, performance of M&E as relatively low performing while poverty focus, effectiveness of targeting approach, gender focus, and the quality of beneficiary participation are high performing. In general, the process performance indicators that form part of IFAD's RMF for 2013-15 show an improvement in almost all aspects, except for pro-activity in managing problem projects and reducing their ratio in the total portfolio. Quality at entry ratings for the 21 projects reviewed during the period are robust, early implementation delays have been reduced and the implementation rate has picked up. IFAD's own performance as a partner has shown a healthy improvement.

7. In conclusion, while performance is already close to targets set for 2015 for some indicators, others need a sustained improvement during the remaining two years of the Ninth Replenishment period. This will require better performance of projects operating in fragile states, which accounted for 35 per cent of the projects completed in the last eight years and 45 per cent of the PBAS allocation for 2013-15. The portfolio that pertains to the fragile states has been performing at a lower and static

level. The performance of the governments in these states as well as of IFAD as a partner – two factors that underpin project performance – does not show any positive movement. As a result, over time, the performance differential between fragile and non-fragile states has increased. This calls for an assessment of IFAD's comparative advantage in fragile contexts, specifically taking into account how fragility be better integrated into IFAD's business model, particularly in terms of the provision of technical assistance, support for institutional development and intensity of IFAD's own supervision, follow-up and implementation support. With a large segment of rural poor people living in fragile states, improvement of the performance of these projects is perhaps the single-most important factor that IFAD needs to tackle — and with a sense of urgency.

8. Secondly, under-performing projects, even in non-fragile states, need greater pro-activity on the part of IFAD and government; sometimes, structural changes to project arrangements are necessary including the cancellation of non-performing activities, or early completion of such projects. The focus in this case should be mostly on improving the performance of projects in terms both effectiveness and efficiency. As effectiveness scores largely depend upon the expectations set during project design, new projects need to define realistic project outcomes. Reducing project complexity and strengthening the ownership of all major stakeholders are other relevant factors.

9. Project efficiency in IFAD-funded projects is often adversely affected by their orientation to serve people living in remote areas that are often difficult to reach and less endowed with natural resources. In other words, there is often a trade-off between effective targeting and achieving economic efficiency. This year's review shows that enhancing the economic efficiency of the projects would require resolving the issues of complexity of project design; inappropriateness of implementation arrangements; institutional, political and economic instability; insufficient counterpart funding; and inappropriate selection and frequent transfer of project management personnel.

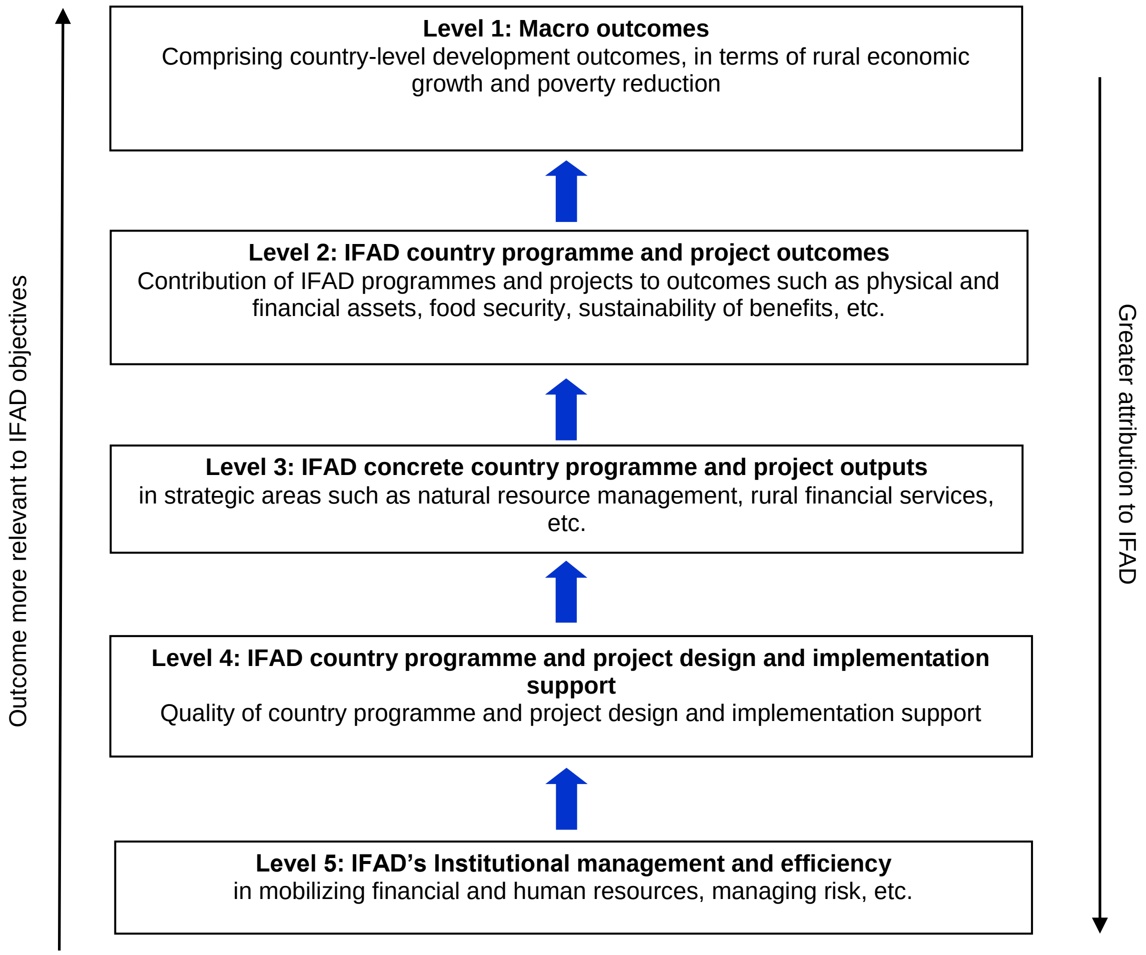
Annual Review of Portfolio Performance 2012-13

I. Introduction

1. The Annual Review of Portfolio Performance (ARPP) report provides an overview of the performance of the loans and grants portfolio in delivering results to the Fund's target group during the review period beginning 1 July 2012 and ending 30 June 2013. While doing this, this report contributes to the Report on IFAD's Development Effectiveness (RIDE) in assessing IFAD's development and operational effectiveness and to IFAD management's response to the Annual Report on Results and Impact of IFAD operations, evaluated in 2012 (the ARRI 2012 report – EB 2013/110/R.8(d)).

2. In analysing the performance and impact of the portfolio, this report uses, as an analytical and presentational framework, IFAD's Results Measurement Framework, approved by the Governing Council as part of the Replenishment Report (Document GC 35/L.4 - EB/2009/97/R.2). The RMF covers five levels, reflecting the different ways in which IFAD achieves, or contributes to the achievement of development results (see Document EB 2009/97/R.2).

Figure 1
Proposed Results Measurement Framework: The results chain



3. This report focuses exclusively on Levels 2, 3 and 4, since these results relate directly to IFAD's portfolio of loans and grants. The contents of this report have also been informed by the Portfolio Review Reports submitted by each of the regional divisions and the Policy and Technical Advisory division. These reports and the ARPP use some critical indicators of portfolio performance where these are judged to add value to the analytical process.

4. The regional reports may be accessed through the link in http://xdesk/sites/pd/portfolioreview for:

- Asia and the Pacific
- East and Southern Africa
- Latin America and the Caribbean
- Near East, North Africa and Europe
- Policy and Technical Advisory
- West and Central Africa

II. Country programme and project outcomes

5. Under IFAD's current RMF country programmes and projects represent opportunities made available for citizens in partner countries and enable IFAD to contribute to achieving its mission of empowering poor rural people to overcome poverty. Operationally, these opportunities are measured as outcomes achieved at the point of project completion and assessed in terms of:

a) **Project performance**, consisting of relevance, effectiveness, efficiency;

b) **Rural poverty impact**[1], such as household income and assets, food security and agricultural productivity, institutions and policies, etc.:

c) **Other performance criteria,** such as innovation, replicability and scaling-up; sustainability and ownership; targeting; gender, and;

d) **Partner Performance,** that of IFAD and Government;

Characteristics of the cohort of projects assessed during 2012/13

6. In analyzing the performance of project outcomes for 2013, this report mainly uses the results from 26 recently completed projects, as presented in the Project Completion Reports (PCRs).[2] These 26 PCRs cover the universe of projects completed during the review period 2012/2013. The cohort being reviewed is a completion cohort, as opposed to an entry cohort. The 26 projects reviewed were approved between 1999 and 2006. Eight projects (31%) were approved between 1999 and 2000, while the large majority (18 projects or 69%) were approved between 2001 and 2006. The approved total project cost of the 26 projects reviewed in 2013 is US$787 million, while total IFAD financing[3] of these projects is equivalent to about US$412 million (52% of the approved total amount). 23 projects (85%) were directly supervised by IFAD, whereas 3 projects were supervised by the World Bank (WB/IDA).

7. The average original implementation period of the cohort under consideration is of 6.5 years, while the average actual implementation period is 7.8 years. Sixteen projects out of 26 (58%) were extended, with the average extension period being 25.3 months. The average effectiveness delay for the 26 projects stood at 15.1 months. The average disbursement rate is of 86.4%. In this cohort, seven projects fell into the category of moderately unsatisfactory or worse category. The proportion of low-performing projects is much higher in this year's cohort when compared to the past[4].In contrast, this cohort also contains projects that performed significantly better than average[5]. A more discerning performance shows both the nature of portfolio performance and the maturity that the assessment system has gained over time.

8. Over time, the rigour of the portfolio review process, particularly in the assessment of the performance of ongoing portfolio, has increased significantly. As a result, average performance ratings assigned in the last year of the project implementation is identical to the average rating assigned by consultants assessing the performance independently at completion point. The results obtained from this year's review are presented below.

1 Impact on rural poverty is assessed using five impact domains (household income and assets; food security and agricultural productivity; human and social capital and empowerment; natural resources and environment; institutions and policies), as per IOE methodology, plus a sixth impact domain, which is access to markets.

2 Projects Identifiers (IDs) are used throughout this report to distinguish the projects.

3 This includes the following categories: IFAD Loan; IFAD Loan Sup.; IFAD Non Reg. Loan; IFAD Grant; IFAD Grant Sup.

4 Seven projects had a negative performance this year, of which five were moderately underperforming (rated "3") and two were underperforming (rated "2"). This compares very unfavourably to last year's cohort, which had only two severely underperforming projects (rated "1" and "2")

5 Of the 26 projects reviewed in 2013, two projects were assessed as outstanding (rated "6") in this review period, while 9 projects were rated as satisfactory ("5").

Table 1:
Overall Project Performance Rating, 2013

Project ID	Country	Project	PCR Rating 2012/13	PSR Rating[6] 2012
1098	Argentina	North Western Rural Development Project	4	4
1211	Benin	Participatory Artisanal Fisheries Development Support Programme	3	4
1220	Burkina Faso	Community Investment Programme for Agricultural Fertility	5	4
1296	Bhutan	Agriculture, Marketing and Enterprise Promotion Program	4	4
1223	China	Environment Conservation and Poverty-Reduction Programme in Ningxia and Shanxi	6	4
1216	Congo, Rep.	Rural Dev. Project in the Plateaux, Cuvette, and Western Cuvette Departments	3	2.5
1133	Côte d'Ivoire	Small Horticultural Producer Support Project	4	4
1215	El Salvador	Reconstruction and Rural Modernization Programme	5	5
1173	Ethiopia	Rural Financial Intermediation Programme	5	5
1147	Georgia	Rural Development Project for Mountainous and Highland Areas	2	4
1325	Georgia	Rural Development Programme	4	4
1085	Guatemala	Rural Development Programme for Las Verapaces	5	5
1063	India	Jharkhand-Chhattisgarh Tribal Development Programme	4	4
1150	Lesotho	Sustainable Agriculture and Natural Management Programme	4	4
1093	Mauritius	Rural Diversification Programme	3	4.5
1178	Morocco	Rural Development Project in the Mountain Zones of Al-Haouz Province	5	5
1230	Morocco	Livestock and Rangelands Development Project in the Eastern Region – Phase II	4	4
1184	Mozambique	Sofala Bank Artisanal Fisheries Project	5	5
1078	Pakistan	Southern Federally Administered Tribal Areas Development Project	2	1.5
1199	Panama	Sustainable Rural Dev. Project for the Ngobe-Bugle Territory and Adjoining Districts	3	3.5
1240	Peru	Market Strengthening and Livelihood Diversification in the Southern Highlands	5	5
1219	Senegal	Agricultural Development Project in Matam – Phase II	6	5
1287	Senegal	Agricultural Services and Producer Organizations Project – Phase II	5	4
1351	Sri Lanka	Post-Tsunami Livelihoods Support and Partnership Programme	3	4.5
1272	Viet Nam	Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh	4	4
1374	Viet Nam	Improving Market Participation for the Poor in the Ha Tinh and Tra Vinh Province	5	5
		Average	**4.2**	**4.2**

9. Further details on the cohort of projects included in this year's review, the guidelines for assessing the project completion reports and the quality of the project completion reports as assessed by independent consultants are detailed in Annex 1.

A. Performance overview

10. A summary of the performance review comparing the results with the past as well as with the targets set for 2015 is presented in following paragraphs.

11. **Performance over the Medium-Term.** IFAD's portfolio of completed projects demonstrates some remarkable improvements in key performance areas such as relevance, rural poverty impact, innovation, scaling-up, sustainability of project benefits, targeting and gender in the current four-year period (2010 to 2013) as compared to the previous four-year period (2006 to 2009). The improvements cover a wide range and are thus broad-based. As a result, the rate of *overall project achievement*[7] – the broadest measure of portfolio performance – has increased from 76% in 2006-09 to 82% in 2010-13[8]. There are also areas, however, which need further improvements in order to

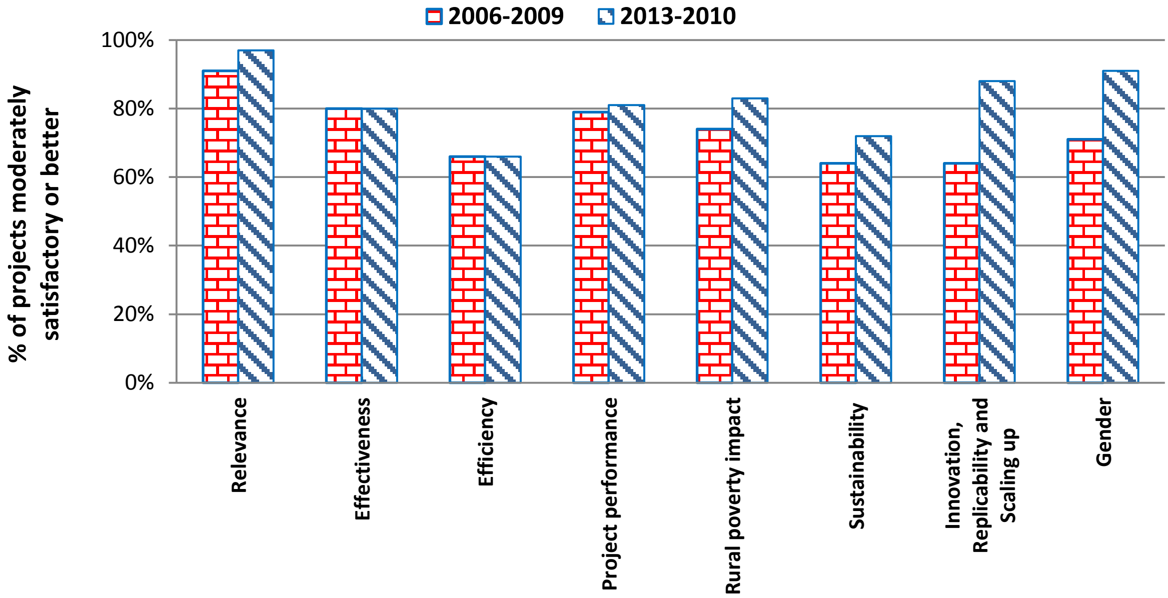
6 This is the average of two main indicators: i) likelihoods of achieving the development objectives and ii) overall implementation progress.

7 This is a composite of six other criteria, namely: relevance; effectiveness; efficiency; rural poverty impact; sustainability and ownership; innovation, replicability and scaling up.

8 IFAD's self-evaluation instruments use a six-point scale of assessment criteria. A rating of 6 is equal to highly satisfactory; 5 = satisfactory; 4 = moderately satisfactory; 3 = moderately unsatisfactory; 2 = unsatisfactory and 1 = highly unsatisfactory. Therefore a score of 4 or higher reflects overall positive performance. The indicators in this report show the per cent of projects/country programmes performing positively, which is also the measurement for the RMF. These criteria are

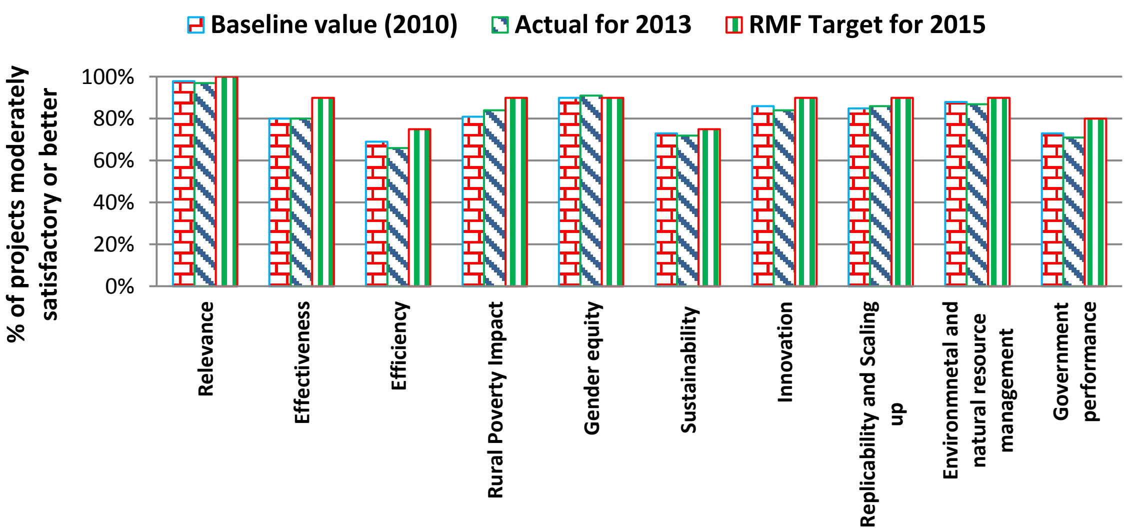
achieve the rather ambitious target set for 2015. These mainly pertain to effectiveness, efficiency, and partners', especially government's, performance.

Chart 1
Comparative project outcomes (2006-2009 and 2010-2013)



12. **Benchmarking against RMF[9] Targets for 2015.** When comparing data from the two year based moving averages for 2012-2013 against the RMF target for 2015, the current performance level is already higher than the target set for 2015 for relevance (96% vs. 90%), gender (91% vs. 75%), innovation, scaling up (87% vs. 75%). Performance in terms of rural poverty impact (83% vs. 90%) and sustainability and ownership (70% vs. 75%) is marginally lower. With some additional effort they can be achieved in next three years. The areas of project effectiveness (81% vs. 90%) and efficiency (63% vs. 75%), however, will need substantial additional efforts.

Chart 2
Project outcomes: Comparison between Baseline values, Actual for 2012-13 and RMF Target for 2015



consistent with the ratings currently used across IFAD, allowing results to be compared with those generated by IFAD's Independent Office of Evaluation (IOE).

9 The Results Measurement Framework is the central pillar of IFAD's results management system. The RMF sets the framework for measuring IFAD's contribution to global objectives (such as the Millennium Development Goal 1) through the results delivered by the country programmes and projects that it supports.

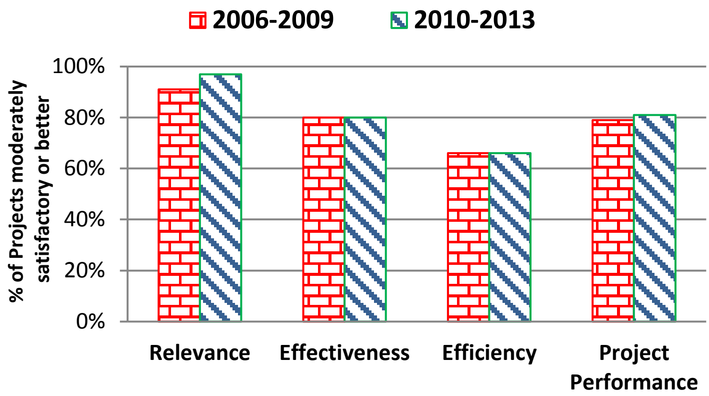
B. Detailed Review

Project Performance

13. The following paragraph contains an analysis of how the constituent elements of project performance - relevance, effectiveness, and efficiency – have performed over time. In doing so, efforts have been made to explain why the performance is as it is.

14. Overall, project performance has somewhat increased as depicted in the following chart. Among the constituent elements, while relevance has improved moderately, efficiency and effectiveness show a stable trend.

Chart 3
Project Performance (2006-2009 and 2010-2013)



Relevance

15. Relevance assesses the *extent to which the project strategy and activities are consistent with the beneficiaries' requirements, country needs, institutional priorities as well as partner and donor policies*. The relevance of IFAD projects remains high with over 97% of the projects from the 2010-13 cohort that received ratings falling within the "satisfactory zone" (i.e. moderately satisfactory ("4") or better). The figure for projects evaluated in 2006-09 was 91%, indicating that IFAD has made notable progress in enhancing project relevance.

16. Of the 26 projects reviewed in 2013, seven were found to be highly relevant (rated "6") (China, Morocco 1178, Mozambique, Senegal 1219 and 1287, Peru, Viet Nam 1374), whereas eleven were found to be relevant (rated "5") (Benin, Bhutan, Burkina Faso, Côte d'Ivoire, El Salvador, Ethiopia, Georgia 1325, Guatemala, India, Morocco 1230, Viet Nam 1272). The design of these projects was aligned with the needs of poor people, with IFAD's policies and strategies as well as with government policies and strategies. In addition, the designs were well conceived in terms of the logic and strategy for achieving development objectives. The relevance of five projects (Morocco 1230, Mozambique, Peru, Senegal 1219 and 1287) was enhanced as the project design benefitted from lessons learned from projects previously implemented projects in the same country. In other cases (as in Bhutan, China, El Salvador, Georgia 1325, Morocco 1178, Mozambique, Viet Nam 1374 and 1272) project relevance was strengthened by: i) correcting some design flaws; ii) making project design more in line with the actual local implementation capacity; iii) adapting project design to new circumstances featuring the socio, economic and political context. The present review also demonstrated that the adoption of a participatory approach, whereby the rural communities are at the centre of the project strategy, is a factor that fosters relevance of project interventions. This was seen in Benin, Burkina Faso, Côte d'Ivoire, Ethiopia, Guatemala, India, Morocco 1178 and 1230, Peru, and Viet Nam 1272.

Box 1 - Relevance of the Sofala Bank Artisanal Fisheries Project in Mozambique

The Sofala Bank Artisanal Fisheries Project (PPABAS) was the second project in a series of sequential IFAD-supported interventions aimed at promoting the development of the artisanal fisheries subsector in Mozambique. The project was in line with IFAD strategies, as well as with government investment programmes and strategies, specifically with the National Programme for Agriculture Development and the National Programme for Agriculture Extension. PPABAS investments in primary schools, health posts and drinking water supply (water points/pumps) showed a high priority in beneficiary communities. The project managed to successfully combine a bottom-up approach (through community participation) with a top-down policy (central government's framework of increasing decentralization process, whereby responsibilities and authority for public administration and services were transferred from the central to both provincial and district levels). Furthermore, the participatory and inclusive approach allowed the implementing agency (IDPPE) to appropriately respond to the targeted communities' top priorities for community development. During its life, the project successfully adjusted its intervention strategy to promptly respond to the upcoming implementation issues, which contributed to enhance project's relevance

17. Where weaknesses were observed in Georgia 1147, the issues related mainly to the followings: i) the project's design was found to be overambitious, based on several components and relying on an overly complex strategy; ii) the implementation arrangements under-pinning Programme structure were not successful, due to the weak implementation capacity of its partners and cooperating organizations; iii) the project was beset with high risks such as the dependence on uncertain pre-conditions particularly concerning political and legal reforms; iv) the Programme suffered from the lack of an agriculture-oriented policy at Government level.

Effectiveness

18. Effectiveness is the *extent to which project objectives have been achieved or are expected to be achieved*. A comparison between the 2006-09 cohort and the 2010-13 shows that the effectiveness of projects' interventions has remained broadly constant with 80% of projects rated within the satisfactory zone. In 2013, two projects were rated highly satisfactory (rated "6") (China and Senegal 1219) and eight projects were rated satisfactory ("5") (El Salvador, Ethiopia, Guatemala, Morocco 1178, Viet Nam 1374, Mozambique, Peru, Senegal 1287). Several factors helped in achieving a good effectiveness level: i) realistic and technically feasible project design; ii) appropriate implementation arrangements; iii) IFAD's strong support and close follow-up to programme management through its regular supervision and technical support missions; iv) good flexibility in redirecting project design over its implementation period; v) committed and stable PMU; vi) strong government ownership at different levels (national, local, municipal); vii) constructive and positive collaboration among project main stakeholders; viii) participatory process at project design stage as well as high beneficiary ownership during project implementation; and ix) a well-functioning M&E system.

Box 2 - Behind the unsatisfactory achievements in Benin and Georgia

In Benin, while components and activities responded to the needs of the populations, the Participatory Artisanal Fisheries Development Support Programme (PADPPA) was partly ineffective in reaching its development objectives. The Programme was hampered by wrong design features (in terms of its targeting strategy as well as the scope of its design). Its implementation also suffered from high staff turnover at national level, both within the Ministry concerned (7 Ministers) and the PCU (3 coordinators), and among African Development Bank's managers responsible for Programme supervision until the end of 2008 (7 task managers). The Programme was also affected by a general weak management and the absence of a functioning M&E system. Among the other constraining factors, was the general lack of synergy within the PCU, the non-respect of implementation schedules, cumbersome internal administrative, procurement and disbursement procedures and the difficulty of the PCU to deal simultaneously with two different IFIs (*pari-passu* financing).

19. Five projects achieved a moderately unsatisfactory rating (rated "3") (Benin, Mauritius, Panama, Sri Lanka, the Republic of Congo), while two projects achieved an unsatisfactory rating ("2") (Georgia 1147 and Pakistan). Some of the main reasons for low effectiveness were:

- Critical flaws at design level;
- Absence of an M&E system;
- Lack of vision and strategic/financial planning;
- Changing institutional circumstances between project's conception and its implementation;
- Political instability and political interference;
- Poor leadership at project coordination level;
- High staff turnover;
- Frequent changes of IFAD CPMs;
- Weak implementation capacities;
- Erratic and uncoordinated implementation process; and
- Poor government performance.

Box 3 – Achieving high efficiency in the Environment Conservation and Poverty-Reduction Programme in Ningxia and Shanxi, China

The Programme experienced an important effectiveness lag of more than two years, which was however outweighed by the benefit of having the food security needs addressed first through WFP's assistance ("food for training" and "food for relief") before embarking on training and investments activities. Programme implementation gained momentum after the MTR. Extension of the implementation period (9 months) also contributed to the attainment of the all the Programme's objectives. Total costs were estimated at US$90.38 million at appraisal and revised to US$99.41 million at MTR, due to a change in the US$-SDR exchange rate. This allowed for important efficiency gains. Average total programme costs were about US$239 per direct beneficiary and US$ 384 per household, considered satisfactory. The EIRR was 20.4% for Ningxia and 18.2% for Shanxi, which were close to the appraisal values of 22.7% and 19.2%. The IFAD loan disbursement reached 98% at completion, while Government and beneficiary contributions exceeded their initial targets (101.3% and 114.5%). WFP provided US$6.68 million of food aid, corresponding to 91.3% of the initial target.

Efficiency

20. Efficiency measures *how economically resources/inputs (funds, expertise, time, etc.) are converted into results measured on economic impact*. In 2013, a highly satisfactory (rated "6") efficiency level was achieved in Senegal 1219, while a satisfactory level was achieved in eight projects (China, El Salvador, Ethiopia, Georgia 1325, Mozambique, Senegal 1287, Viet Nam 1272 and 1374). Some key factors associated with favourable efficiency included: i) low effectiveness delay; ii) good disbursement capacity; iii) lower cost per beneficiary and/or higher EIRR than anticipated at appraisal; iv) overall satisfactory institutional arrangements; v) appropriate choice of existing and well-established partner institutions; vi) good quality and stability of PMU; and vii) use of competitive bidding processes to contract service providers.

21. In 2013, eight projects were rated moderately inefficient (rated "3") (Argentina, Benin, Georgia 1147, Guatemala, Lesotho, Morocco 1230, Panama and Sri Lanka), while three were rated inefficient (Mauritius, Pakistan, and the Republic of Congo) (rated "2"). Key factors which led to low efficiency include:

- Complex project design;
- Inappropriate implementation arrangements, with weak implementation capacities;
- High effectiveness delay;
- In-country institutional, political and economic instability;
- Slow financial and cumbersome administrative procedures;
- Budgetary restrictions;
- Slow flow of funds; and
- Frequent changes in project management personnel.

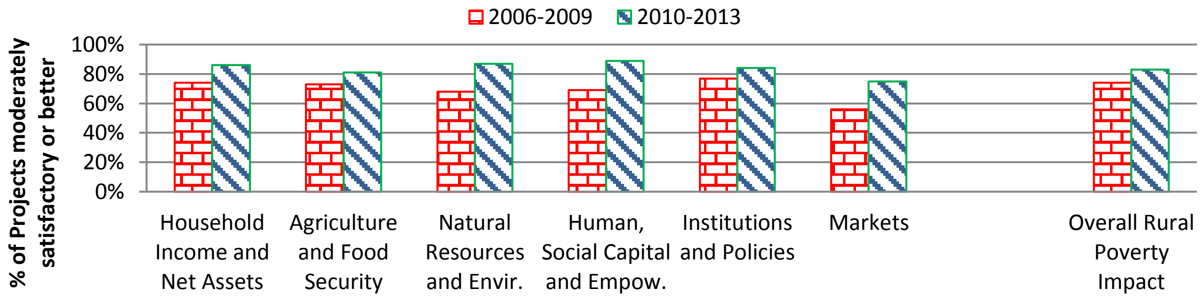
Box 4 – Factors explaining low efficiency in Pakistan Southern FATA

In the Southern Federally Administered Tribal areas Development Project (Southern FATA) in Pakistan, project's efficiency has been low due to several reasons. The project got off to a very slow start, as effectiveness started 18 months after loan signature. It then took another year before any implementation took place, partly because of the difficulties in securing satisfactory salary scales to encourage qualified staff to work in tribal areas. From the end of 2003, the project management made a commendable effort to catch up lost time. At the 2005 Mid-Term Review, the project completion date was extended by 2 years to 2010. The extension of the project was agreed to as, despite the challenging security environment, it was considered that continuation of the project would provide a positive indication of the support to the people of this troubled area. Nevertheless, disbursement at completion was only 27%, the project did not disburse for the last three years of implementation. The overall project expenditures showed a disproportionate bias to salaries and allowances of contract staff along with vehicle and equipment costs, as well as implementation costs, etc. The need for additional staff at the PMUs and the two-year extension also increased the management cost to output expenditure ratio.

Rural Poverty Impact

22. Rural poverty impact is measured in IFAD using six key impact indicators: (i) household income and net assets; (ii) food security and agricultural productivity; (iii) natural resources and environment; (iv) human and social capital and empowerment; (v) institutions and policies; and (v) access to market. Over time, there has been a dramatic improvement concerning the overall project rural poverty impact, as the proportion of projects rated within the satisfactory zone has increased from 74% in 2006-09 to 83% in 2010-13. Moreover, there has been an improvement in almost all impact domains.

Chart 4
Recent trends in rural poverty impact (2006-2009 and 2010-2013)



Household Income and Net Assets

23. This impact domain includes the *flow of economic benefits derived from the production and/or the sale of goods and services (income); the stock of accumulated infrastructure, land, housing, livestock, tools and equipment (physical assets); and savings and credit (financial assets).* Between 2006-09 and 2010-13, the proportion of projects rated within the satisfactory zone for household income and assets has increased from 74% to 86%. A second finding worth noting is that the percentage of projects with positive performance (rated "5" and "6"), increased from 41% in 2006-09 to 53% in 2010-13.

24. **Strengths**. In 2013, one project achieved a highly satisfactory impact (rated "6"), 13 projects (i.e., 50% of the entire cohort) experienced a satisfactory impact (rated "5") on this domain. In several cases (such as Burkina Faso, Guatemala, Morocco 1178, Senegal 1219), the projects facilitated the access to productive resources (including, *inter alia*, land, water, livestock, tools, equipment) and technologies needed by the poor to increase their returns from labour and their incomes. In Burkina Faso, agricultural incomes were improved through various activities aiming at land development and access to improved cropping technologies. In Guatemala, a marked increase in income through improvements in production and commercialization (in particular coffee, cardamom, mandarin and banana) was achieved for those target groups possessing land. Several projects (Burkina Faso, El Salvador, Guatemala, Mozambique, Viet Nam 1272,) also showed an increased ratio of households having valued assets such as television, radio, bikes, motorbikes, refrigerators and agriculture machinery. In other cases (such as El Salvador, Viet Nam 1374), by promoting the diversification and development of other livelihoods apart from livestock and cultivation, project interventions not only contributed to improved incomes, but also to diversifying risks and mitigating against natural disasters and climate risks. In El Salvador, as a result of project interventions, several permanent or temporary employment opportunities were created for programme beneficiaries and thus they were able to diversify their income sources (from farm and non-farm activities, rural tourism, handicraft).

25. In several projects, important interventions were achieved with regard to rural financial services. For example, in Burkina Faso, the introduction of the credit system has allowed beneficiaries to increase their income by starting Income Generating Activities (IGAs) and to sell their crops at off-season prices. In Georgia 1325, as a result of the project's intervention, the number of agro-borrowers increased more than threefold. In Mozambique, with the introduction and promotion of savings and credit services through the Accumulating Savings and Credit Associations (ASCAs) in poor rural communities, the project contributed to a way for poor families to accumulate savings and use collected funds for the purposes they wished. This has been an important initiative in a rural region with an almost total lack of financial services. In Peru, as a result of the project-led financial inclusion strategy, not only were women granted access to financial services market, but also it led to the expansion of coverage and diversification of services currently offered by other financial institutions operating in the project area. In Ethiopia, through better access to microfinance, rural households operating small-scale farm, off-farm and non-farm enterprises witnessed an increase in their household incomes, particularly in the

Box 5 – Achieving a satisfactory impact on household income and net assets in Senegal

The *Agricultural Development Project in Matam - Phase II (MATAM 2)* has had various direct and indirect impacts on household incomes and assets. Its impact on agricultural production and productivity through training, capacity strengthening and the development of irrigated land and pastoral units has directly contributed to increasing, stabilizing and diversifying household incomes sources. The project also contributed to the creation of new income sources for women and the youth. The development of fruit and vegetable production in particular opened up new income generating opportunities and helped reduce migration to the cities. The development of banana production has helped young people find a new source of income and stay in rural areas, while women are earning additional incomes by selling the bananas at almost twice the farm gate price. The construction of water points in the pastoral units also created new jobs, either directly (management of water points) or indirectly (young people helping women groups that have developed new activities around the water points, with heavy jobs such as transportation). Thanks to the improvement of food security in the project area, remittances in the Walo region, previously used for purchasing food, are now invested in housing and other needs. In the Ferlo region, implementation of the pastoral units and the improved management of boreholes and water points contributed to reducing diseases, facilitating access to water and reducing the workload. This has enabled women to start new IGAs, such as the preparation of milk products. Loans from the National Agricultural Credit Fund of Senegal (CNCAS) have allowed POs to engage in irrigated agriculture and thus, to increase incomes of the members. CNCAS loans reached CFA 1 350 billion with a reimbursement rate of 97%. Five local savings and loan associations (CAPECs) were created and have provided 7 214 loans totalling CFA 1.3 billion that have enabled women in particular to start IGAs.

diversification of enterprise and the build-up of their assets base. In Bhutan, of the people provided with loans from the Bhutan Development Bank, almost 70% of the households had not taken a loan before.

26. **Weaknesses**. In 2013, there were three moderately unsatisfactory projects (rated “3”, Benin, Panama, Sri Lanka) and three unsatisfactory projects (rated “2”, Georgia 1147, Pakistan, the Republic of Congo). In Benin, project achievements were far below the targets set at appraisal and not enough to make the population shift away from their main source of income. Some of the major reasons were: i) development of the IGAs was not seen from the value chain-perspective; ii) several IGAs were introduced only late in Programme’s life; iii) beneficiaries had not been sufficiently involved in the choice of alternative income sources. In Panama, the component aimed at strengthening sustainable economic development did not begin, due to shortages in project staffing. In the Republic of Congo, the project failed to implement a large range of activities which would have had the potential to increase and diversify household incomes and provide access to various assets. In Pakistan, project impact was insignificant due to several reasons, such as: i) security concerns; ii) failure to implement the microcredit activities; iii) unsuccessful agricultural services component.

Food Security and Agricultural Productivity

27. This combined impact domain pertains to the *changes in food security in relation to availability, access to food and stability of access*. *Changes in agricultural production are measured in terms of crop yields*. A comparison between the 2006-09 and 2010-13 cohorts shows that the share of satisfactory or better rated projects markedly increased from 73% to 81%. Moreover, the percentage of projects rated “5” or “6” increased from 41% to 47%. This result is rewarding, as this domain is central to IFAD’s mandate.

28. **Strong impact.** In 2013, against the combined impact domain of food security and agriculture productivity, a satisfactory impact (rated “5”) was achieved by fifteen projects (Bhutan, Burkina Faso, China, Côte d’Ivoire, El Salvador, Guatemala, Viet Nam 1272 and 1374, Lesotho, Mozambique, Peru, Morocco 1178 and 1230, Senegal 1219 and 1287). This is indeed an impressive achievement.

Box 6 – Achieving high agriculture productivity and food security in Morocco

The *Rural Development Project in the Mountain Zones of Al-Haouz Province* had a significant impact on agricultural production, productivity and yields. The surfaces used for the production of local fruits trees (olive, almond, apple, nut) increased by more than 10% on the average thanks to the distribution of fruit tree seedlings. The development of irrigated agriculture greatly contributed to agricultural diversification, as the improved techniques allowed yields to be increased by 18% on irrigated land and by 27% on dry land. Between 2009 and 2011, vegetable production on irrigated land increased from 13% of the total surface to 22% and yields increased by 23%. Important efforts to improve livestock production included the introduction of new races, improved fodder, fattening trials, de-worming, vaccination campaigns, beehive treatment and support to the creation of herder’s groups through a partnership with the national herder’s association. The combination of all of these efforts has led to a marked increase in meat production and consumption. Other activities, such as the planting of fodder shrubs over 720 ha (72% of target) helped improve the vegetation cover of rangelands. Lastly, land development and soil and water conservation techniques contributed to the preservation and development of the agricultural potential of the project area. As a result of the project’s support to agricultural and livestock production, food security has largely improved. Increased vegetable production and meat production have undoubtedly contributed to improving household diets. The percentage of children suffering from chronic malnutrition fell from 51% before the project to 25% at completion.

29. In Côte d’Ivoire, the project created significant impact on *agricultural productivity,* particularly for horticultural production, rice, cassava, yams and maize. These results were achieved mainly through delivery of inputs (high quality seeds, fertilizers, equipment); provision of training as well as of new production techniques; and introduction of new agricultural varieties (such as cassava and yams. In Senegal 1219, the productive potential increased by opening up 3000 ha of irrigated land and establishing 11 pastoral units. The project also facilitated the introduction of new sorghum and millet varieties as well as banana production.

30. In terms of *food security,* good results were achieved in the following countries:

- In China, as a result of project’s intervention, farmers’ food security significantly improved and child malnutrition in the Programme area was significantly reduced from 31% in 2006 to 19% in 2011. Studies indicate that there were no underweight children at the end of the project.

- In Viet Nam 1374, the project made remarkable contributions to improving local food security. This result is attributable to the participation of the rural poor in production and sales of agricultural products and to the income gained from the job linkage and skills improvement techniques.
- In Morocco 1230, food security was improved, demonstrated by a sharp reduction of the percentages of households facing a period of food shortage, down from 66% at mid-term to 4% at the end of the project.
- In Mozambique, as a result of project interventions: i) the percentage of families which always have enough food increased consistently from 12% to 28%; ii) while the percentage of families finding food availability to be a permanent problem decreased from 35% to 11%; iii) the source of income was diversified, as fishing as the main source of income has decreased from 62% to 38%, while crops has main source of income has increased from 21% to 32%.

31. **Weak Impact.** In 2013, three projects had a moderately unsatisfactory impact ("3") on this domain (Sri Lanka, Benin and Panama), while three projects had an unsatisfactory impact ("2") (Georgia 1147, Pakistan, and the Republic of Congo). In Sri Lanka, project impact was undermined by dysfunctional targeting. In Panama, poor results were attributable to the lack of an overall intervention strategy. In Benin, the Programme was not able to create alternative income sources and thus could not ensure better food security and child nutrition. In the case of Pakistan, poor results on this domain were linked to the poor overall implementation performance.

Natural Resources and Environment

32. The focus on natural resources and the environment involves assessing the extent to which project interventions contributed to preserving or rehabilitating the environment, which often represents the main source of livelihoods of the rural poor – or, on the contrary, to the further depletion of the natural resource base. There are indications of a marked improvement, as the share of projects rated moderately satisfactory or better has increased from 68% in 2006-09 to 87% in 2010-13. In corollary, the percentage of projects rated "1" or "2" has decreased from 13% to 2%.

33. **Strong impact** (rated "6" and "5"). In 2013, one project (Senegal 1219) had a highly satisfactory rating ("6") while ten projects (Argentina, Burkina Faso, China, El Salvador, Georgia 1325, India, Peru, Morocco 1178 and 1230, Viet Nam 1374) were rated satisfactory as they strongly contributed to the protection and rehabilitation of the natural resource base. A positive impact on this domain has been attained through activities (such as land leveling and terracing, rangeland rehabilitation and improved rangeland management, reforestation, improved livestock husbandry, increased fodder availability) which have contributed to improve the ecological environment by restoring the vegetation cover and reducing soil erosion and run-off (China, Morocco 1178, Peru). In Senegal 1129, the implementation of several pastoral units through the establishment of concerted management plans, contributed to improving the sustainable management and protection of the natural resource base. In some cases (Argentina, Burkina Faso, China, El Salvador, Georgia 1325, India, Morocco 1178, Viet Nam 1374), the adoption of new irrigation and production technologies led to a reduced impact on water and land. In other cases, environment-friendly pesticides as well as organic crops were adopted (Burkina Faso, El Salvador, Peru, and Viet Nam 1374). In Viet Nam 1374, the adoption of intensive rice cultivation system (SRI) helped to reduce application of pesticide and chemical fertilizers, thus reducing damage to water resources and agricultural eco-system. In Morocco 1178, the project contributed to biodiversity conservation through the regeneration of endogenous plant species. The

Box 7 - Caring for the environment in Morocco

In the *Livestock and Rangelands Development Project in the eastern Region (LRDP – Phase II)*, natural resources management (NRM) and conservation were at the core of the project's interventions. 95% of the project area consisted of rangeland and forests. The project contributed to improving NRM and reducing land degradation through direct interventions identified in Community Development Plans (regeneration of local species, forage species, improved water access and management of water resources, etc.) and training of beneficiaries and cooperatives. Training activities have greatly contributed to improving the knowledge and capacities of the populations with regard to livestock rearing and pastoral conservation (grazing on idle land, land resting, seed plots, tillage techniques, etc.). At the end of the project, clear changes in attitudes and agricultural practices were observed. Livestock farmers are now requesting, through their cooperatives, support for the implementation of conservation measures and practices. More importantly, NRM has become a collective concern and is now handled at the level of unions of cooperatives. Most striking benefits include: improved biomass, regeneration of traditional species adapted to the local conditions, improved vegetative coverage, improved soil protection and conservation of habitats.

provision of technical training and capacity building also contributed to the enhancement of the natural resource base (Argentina, China, Morocco 1178 and 1230, and Viet Nam 1374).

34. **Weak impact**. Three projects located in Mauritius, Pakistan, Panama were rated as moderately unsatisfactory and one project (Georgia 1147) had a highly unsatisfactory impact ("1"). In Panama, despite some interventions made to care for the environment, the project's impact was unsuccessful due to: i) failure to frame the environment-related activities within a well-defined intervention strategy in line with the other project's components; ii) lack of a specialist on environment-related issues; iii) huge delay to reach an agreement with the public co-executing institution in charge of the environment-related issues. In Mauritius, the activities aimed at reducing the pressure on fishing resources in the lagoon proved to be unsuccessful. In Georgia 1147, the Programme did not undertake any activities concerning the environmental sustainability as explicitly addressed in the overall Programme's goal. Moreover, contrary to the original objective, fuel-wood was not substituted by the use of liquid gas for cooking.

Human, Social Capital and Empowerment

35. The impact domain for human and social capital and empowerment assesses the extent to which projects have built the collective (social capital, such as sustainable grass-roots organizations) and individual (human capital) capacities of poor people. The rating for human and social capital and empowerment is high, as 89% of projects received satisfactory zone-ratings in 2010-13 as compared to 69% in 2006-09. A corresponding reduction in the negative performance from 11% to 2% was achieved during the period.

36. In general, the 2013 year results confirm that IFAD's impact in this area continues to be strong both in terms of human capital enhancement as well as social capital strengthening. Four projects achieved a highly satisfactory impact on this domain (China, Morocco 1178, Senegal 1219 and 1287). Eleven projects had a satisfactory impact (Bhutan, Burkina Faso, El Salvador, Ethiopia, Guatemala, India, Morocco 1230, Mozambique, Peru, Viet Nam 1272 and 1374). In Peru, rural poor families were able to acquire new knowledge and strengthen their capacities and skills to increase incomes and sustainably manage their natural, physical, cultural and financial resources. The project methodology ensured that the local organizations were fully responsible for using project funds; this greatly contributed to their empowerment. In China, the programme contributed significantly to enhancing the human capital of the beneficiaries by improving their basic education, health, nutrition and access to drinking water.

Box 8 – Developing human and social capital in Senegal

The Agricultural Services and Producer Organization Project – Phase II has been particularly successful in creating sustainable institutions representative of the beneficiaries. One of its main objectives was to empower Project Organisations (POs), enhance their social accountability and inclusiveness, and ultimately help them to better access inputs, services, markets, etc. Many of these institutions are now sustainable. About 55% of the POs improved their internal organization, 33% have better access to inputs, 29% have better access to financial resources, 29% have adopted at least one innovation among the technical solutions proposed and 92% are satisfied with the solution proposed. The Local Consultation Fora for POs (CLCOP) created in all 320 rural councils, have become an important interface between producers and local government entities. The CLCOPs are recognized institutions, which assist POs in the planning and coordination of their activities and in their exchanges with decentralized government entities (rural communities). As such, the project greatly contributed to the empowerment of POs. they are now able to identify, request and negotiate the services they receive (research needs and advisory service). They are also able to assess independently the quality of the services provided. CLCOP at national level have become true partners of the government and other national and international partners. They have gained a voice in policy-making processes affecting POs directly.

37. In Senegal 1219, the project contributed strongly to strengthening the sense of organization, initiative and social capital of beneficiaries. Members of the Project Organizations (POs) benefitted from management and technical training. The majority of the POs are operationally autonomous and their management is efficient and transparent. Similarly, the India programme had a positive impact on human assets by conducting a large number of trainings that contributed to enhancing the technical, managerial and leadership capabilities of a large number of people in programme villages, including members of the Gram Sabha Project Execution Committees, Self Help Group leaders, village animators and community health volunteers. In Morocco 1178, through the adoption of a participatory approach, the project contributed to improved social cohesion and organization, by providing support to the creation of 156 grassroots organizations as well as strengthening the capacities of 52 existing ones. All the associations have formalized their structures while this was expected for only 20% of them.

38. **Weak impact:** Three projects were rated as moderately unsatisfactory (Mauritius, Sri Lanka, and the Republic of Congo). The project implemented in Georgia 1147, had an unsatisfactory impact (rated '2'). In the Republic of Congo, the project had only a limited impact on strengthening local capacities, as sensitization and training sessions were not conducted on the basis of community development plans, due to the weak implementation capacity of the PCU and local service providers. In Sri Lanka, the positive achievements in terms of human and social capital were hindered by the flawed targeting process. In Mauritius, the achieved results were inadequate, mainly due to weak capacity building and training processes. In Georgia 1147, the direct beneficiaries reported a worsening of the health care situation, compared to a general improvement for the indirect beneficiaries and the control group.

Institutions and Policies

39. The institutions and policies domain assesses the *contribution of IFAD to the strengthening of government institutions at the federal, state/provincial and other levels, as well as the involvement of the private sector and selected institutions*. In line with all the others, this domain shows a notable improvement from 2006-09 to 2010-13, as the share of projects rated moderately satisfactory or better has increased from 77% in 2006-09 to 84% in 2010-13.

40. **Strong Impact** (rated "6" and "5"). A highly satisfactory impact was noted for five projects (China, Viet Nam 1374, Ethiopia, Senegal 1219, Peru), while six projects achieved a satisfactory impact (Argentina, Georgia 1325, Guatemala, Morocco 1178, Mozambique, Viet Nam 1272).

41. A crucial achievement of some projects (Argentina Guatemala, Mozambique, Peru), was to make an impact on the design and implementation of national policies. In Mozambique, the project led to the elaboration and establishment of a policy and regulatory framework, and of a corresponding strategy for the long-term development of artisanal fisheries. In Argentina, the project was an important player in the configuration of the political vision of the government on the rural development theme, at both central and provincial levels. In other cases (Peru, Senegal 1219, Viet Nam 1272 and 1374), the projects contributed to a marked shift toward decentralization. In Viet Nam 1272, the programme was able to implement a comprehensive decentralization strategy with the shift from top-down centralized planning to bottom-up participatory planning, which strongly contributed to improve institutional and policy implementation at local level. In Senegal 1219, the project contributed, *inter alia,* to strengthen the capacities of 454 rural councils in the area of decentralization and local development. In Peru, the implementation of project activities work in partnership with municipalities contributed to strengthening the capacity of some local governments for territorial economic development planning. In other cases (China, Georgia 1352, Morocco 1178, Senegal 1219), a major impact on this domain involved strengthening the capacities of government officials and/or public service providers, by improving their knowledge and their skills. In Georgia 1325, the project improved the capacity of local public institutions to provide services to the rural poor by focusing on institutional modernization in relation to the themes of land/property registration and food safety. In Viet Nam 1374, the project generated impact on capacity building, particularly at commune level, in understanding the role of the market economy and market-led, pro-poor participatory development planning.

Box 9 – Strengthening Institutions and Policies in Ethiopia

The Rural Financial Intermediation Programme (RUFIP) played a key role in sensitizing the Government of Ethiopia about microfinance themes and in developing a savings culture amongst poor rural households. RUFIP also brought about a paradigm shift in the financial cooperative movement in Ethiopia by contributing to change the mindset of policy makers and promoters of rural financial cooperatives. Moreover, RUFIP supported the preparation of a favourable environment for commercial banks loans to MFIs. Thanks to RUFIP support, there has been an improvement in the management, rules and regulations guiding the delivery of rural credit (for farm and non-farm activities) by MFIs and cooperatives (RUSACCOs and Unions). Similarly, RUFIP provided support to the Microfinance Supervision Division (MSD) of the National Bank of Ethiopia (NBE) which now regularly supervises the MFIs. The improved supervision and regulatory framework has enhanced compliance to the prudential and regulatory norms in the industry leading to a strong and viable rural intermediation system which is capable of sustaining the system even after the funding life of the project.

42. **Weak Impact** (rated "3" and "1"). Two projects had a moderately unsatisfactory impact (rated "3") (Lesotho and the Republic of Congo), while one project (Pakistan) was rated as highly unsatisfactory ("1"). In the Republic of Congo, the project had no impact on local policies and local institutions. In Lesotho, project impact on community-level institutions was weak. In Pakistan, the project faced huge challenges in its attempt to develop an alternative implementation mechanism (through community mobilization) to that provided by the traditional leadership system.

Markets

43. This impact domain measures the *project's impact on the physical access to markets, including roads, means of*

transportation, and market information. IFAD's performance within this impact domain has dramatically improved, as the share of satisfactory-zone ratings has increased from 56% for 2006-09 to 75% for 2010-13. Moreover, there has been also an improvement in the percentage of projects rated "5" and "6", (from 23% to 30%) and a correspondent decline in the projects rated "1" and "2" (from 19% to 5%).

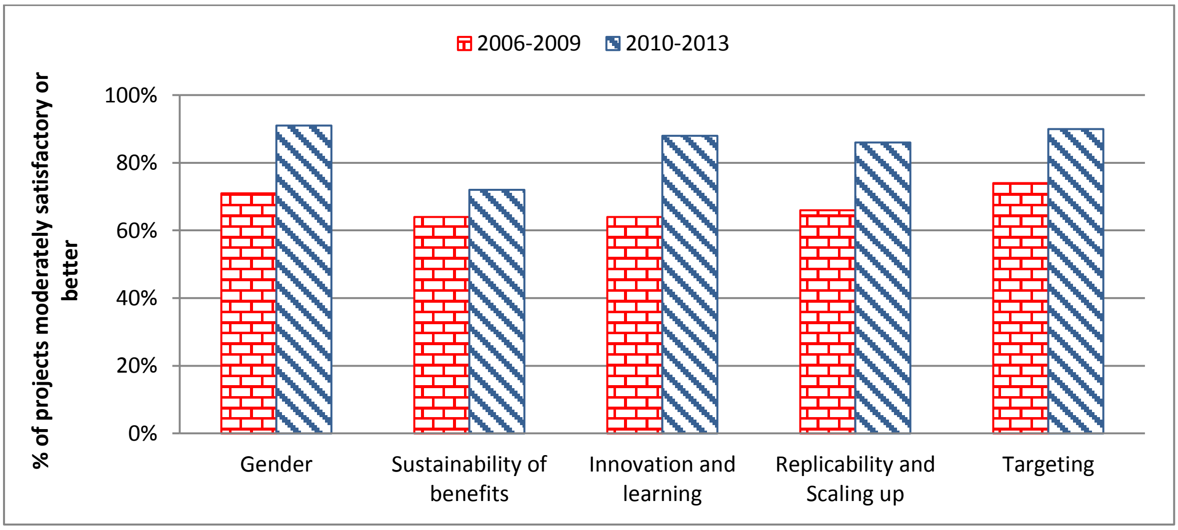
44. **Strong Impact** (rated "6" and "5"). One project had a highly satisfactory impact (Viet Nam 1374), while seven projects were found to have a satisfactory impact in this domain (China, Guatemala, India, Morocco 1178, Mozambique, Peru, Senegal 1219). In some cases (China, Guatemala, Morocco 1178, Mozambique, Senegal 1219, Viet Nam 1374), the construction of rural roads, bridges, trading points and other rural infrastructure works have allowed: i) small farmers to have a better access to input and output markets; ii) lower transportation costs and time; iii) higher transaction speed; iv) improvement in services and information. In other cases (India, Guatemala, Morocco 1178, Peru, Viet Nam 1374), market conditions were enhanced through the promotion of training courses and technical skills related to value addition, product handling, market knowledge of prices and quality, collective marketing dynamics, better transformation and processing processes. In Guatemala and Viet Nam 1374, the adoption of a new market-led development approach has contributed to enhancing market-oriented production as well as improving market awareness and poor people's access to markets. In China, farmer's access to market improved thanks to better/new technologies (such as mobile phones), as well as a result of the emerging cooperatives, which have helped farmers bridge various small gaps between production and market.

45. **Weak Impact** (rated "3" and "2"). Projects with moderately unsatisfactory ratings ("3") included five interventions in: Benin, Georgia 1147 and 1325, Lesotho, Mauritius. The project implemented in the Republic of Congo was rated as unsatisfactory ("2"). In some cases (Lesotho, Mauritius), market aspects were not given sufficient attention at design stage, thus the need to create an enabling environment for the marketing and sale of agricultural products was not recognized. In Benin, the absence of a value-chain approach prevented the Programme from developing essential input and output markets for fisheries and non-fisheries products. In Georgia 1325, the project was not able to satisfactorily link farmers to markets through an integrated and holistic commodity approach. In the Republic of Congo, the planned rehabilitation of rural roads did not take place, with the resulting failure of the expected impact on access to input/output markets.

Other Performance Areas

46. At the level of outcome and in line with the principle of the current Strategic Framework, IFAD measures results against the following four overarching factors: a) innovation and scaling-up; b) sustainability and ownership of interventions; c) targeting; d) gender. Between 2006-09 and 2010-13, all these indicators have registered considerable improvements. More specifically, a dramatic leap forward has been made in terms of the combined domain of innovation, replicability and scaling up which increased by 24 percentage points, while gender experienced an increase of 20 percentage points. Good progress is also evident with respect to targeting that increased by 16%. Some positive achievements were also reached in terms of sustainability and ownership (+8%), although this calls for further and more consistent efforts.

Chart 5
Recent trends in sustainability, innovation, replicability and scaling up, targeting, and gender (2006-2009 and 2010-2013)



Gender

47. Between the 2006-09 cohort and the 2010-13 cohort there has been a remarkable improvement in terms of addressing gender-related issues, from 71% to 91%[10]. This result indicates a higher level of awareness about gender aspects both at design and implementation than in the past. This can be seen from the other end as well: the percentage of projects with negative performance (rated “1” and “2”) has dropped from 15% to 3%.

48. In the 2013 PCR review, four projects were rated highly satisfactory (“6”) (El Salvador, Guatemala, Senegal 1219 and Viet Nam 1374), while ten projects were rated satisfactory (“5”) (China, Côte d’Ivoire, Ethiopia, India, Morocco 1178 and 1230, Mozambique, Panama, Peru, Senegal 1287).

49. Some of the key factors for these successful projects are: i) adoption of a cross-cutting approach during the project’s overall implementation; ii) presence of a gender specific objective or component; iii) establishment of new forms of associations; iv) support to women provided through a package of interventions involving the human, social, financial and business-related aspects. As a result of Programmes’ interventions, women: i) got access to new productive and business-related opportunities: ii) benefitted from higher management and technical skills as well as improved human and health-related conditions; iii) have become more independent and their self-esteem and decision making power have notably increased; iv) have acquired a higher visibility and roles within their family and communities, also playing a greater role in decision making and resource allocation processes at household and community levels; v) changes were induced in the division of roles and tasks between the sexes with a view to gradually induce more equality.

50. In a number of cases (China, Ethiopia, India, Mozambique, Peru, Senegal 1219, Viet Nam 1374) women’s financial vulnerability was reduced and their confidence and status were enhanced. In India, the Self Help Groups (SHGs) enabled women to pool small savings, get small loans to meet domestic contingencies and invest in small IGAS. In Peru, 9 155 women (366% of the original target) accessed the financial market through a saving account as well as getting facilities for money transfer, remittances management and access to life insurance policies. In Viet Nam 1374, through the development of Savings and Credit Groups (SCGs), the capacities of women were strengthened and almost 100% of women were reported to be able to manage their household economy and promote their economic roles. In El Salvador and in Senegal 1219, positive gender-related results were achieved at institutional level. In El Salvador, the creation and support of the Gender Unit in the Ministry of Agriculture has been a further step to institutionalize the gender approach from within. It also provided support to all IFAD’s country-based projects as well as other nationwide gender mainstreaming activities. In Senegal 1219, the project facilitated the creation of a Regional Gender Observatory, which is complemented by small observatories at local level. This enabled development actors to regularly assess the situation and exchange about gender issues.

Box 10 – Strengthening gender aspects in Guatemala

The *Rural Development Programme for Las Verapaces* (*PRODEVER*), by taking into account the experiences of other IFAD programmes previously implemented in Guatemala, adopted a gender-focused approach for all of its interventions. The project’s design began with an analysis of the situation of women who were discriminated against and at a clear disadvantage compared to men. The Programme interventions sought to promote greater inclusion of women in organizations and to generate conditions of equality through economic development. Gender-oriented training was also provided to technical teams and implementers.

PRODEVER’s gender strategy was oriented towards creating conditions to reduce inequality between men and women in terms of participation in decision-making processes, as well as in gaining better access to, use and control of resources for women. Women benefitted from the Programme’s interventions in terms of enhanced health, literacy, food security, and better income generation opportunities. Moreover, women also gained visibility in their communities and were able to strengthen their skills to get leadership positions within organizations and beneficiary communities

51. **Weaknesses** (rated “2” and “3”). One project achieved a moderately unsatisfactory rating (“3”) (The Republic of Congo), and another was rated as unsatisfactory (‘2”, Georgia 1147). In the Republic of Congo, although at design the need to mainstream gender aspects into the project’s operations was emphasized, the project failed to develop a specific strategy and hence did not have the tools to target women specifically, to reduce their workload and to empower them within their respective community. In Georgia 1347, while at appraisal the approach to women’s participation was well conceptualized, implementation was weak. One of the problems was the lack of female managerial and technical staff, as pointed out by the MTR.

10 This criterion assesses the extent to which gender issues were given enough attention during project implementation, whether a project was specifically designed to address the needs of women and if the project contributed to improving the situation of women in general (education, workload, access to credit, land, income generating activities, employment opportunities etc.).

Sustainability and Ownership

52. From 2006-09 to 2010-13, performance of projects in terms of sustainability and ownership[11] improved, and the share of projects rated as moderately satisfactory or better increased from 64% to 72%. However, there is no room for complacency, as this is still a relatively weak impact domain compared to the others.

53. **Strong impact** (rated "5"). In 2013, seven projects were rated satisfactory in terms of sustainability and ownership (Burkina Faso, China, Ethiopia, Guatemala, Peru, Senegal 1219, and Viet Nam 1374). Among the common features are: i) government's public policies conducive to the continuity of the activities implemented by the project; ii) strong involvement of self-reliant and existing institutions; iii) continuity of resources for local investments; iv) strong community ownership. In China and Viet Nam 1374, the sustainability of project's interventions was linked to the integration of key aspects into the activities of mainstream government agencies and other well-established institutions. In Ethiopia, the strong commitment shown by the government during the project's implementation gave an assurance for sustainability of the microfinance industry in Ethiopia. In Senegal 1219, the project ensured the sustainability of its achievements, by working with the existing structures and strengthening their organizational financial and technical capacities to become an essential tool for local development. In El Salvador, the programme managed to establish some strategic partnerships to consolidate beneficiaries' economic and productive business.

54. **Weak impact** (rated "3" and "2"). In 2013, seven projects were rated moderately unsatisfactory ("3") (Argentina, Georgia 1325, Lesotho, Mauritius, Pakistan, Panama, Sri Lanka), while one project was rated unsatisfactory ("2", Georgia 1147). Some of the major reasons for low sustainability of project interventions were: i) lack of follow-up both during the project phase, as well as in the post-operation phase; ii) lack of an exit strategy; iii) need to longer-term support for project's organizations; iv) lack of adequate budgetary resources to ensure proper operation, maintenance and up-keep of the equipment, facilities and infrastructure that were procured/rehabilitated; v) weak sustainability of beneficiary economic gains; vi) lack of capacity of the government entities to sustain project's achievements after project closure; vii) weak organizational strengthening and capacity.

55. In Lesotho, the chances for sustainability are low when project's interventions are considered to be public works (such as construction of small dams, reseeding of rangelands, structural soil conservation measures). In Pakistan, as most of the activities and community schemes have not been completed, and the benefits of the project are *de facto* negligible, it is considered unlikely that the benefits of the project would continue after its completion. In Georgia 1147, the very low rating is due to the insufficient financial resources allocated to the municipalities for maintenance of the investments in small-scale infrastructure.

Innovation and Learning

56. The review of the PCRs shows that the percentage of projects with satisfactory-zone ratings for this domain[12] has improved: from 71% in 2006-09 to 84% in 2010-13. That said, it is also important to underline that the percentage of projects with positive performance (a rating of 5 or above) has also gone up from 35% in 2006-09 to 49% in 2010-13, while the percentage of projects with negative performance has declined from 17% to 4%.

57. **Strong Impact** (rated "6" and "5"). Among those projects reviewed in 2013, there were three outstanding projects (rated "6") (Peru, Senegal 1219 and Viet Nam 1374), whereas there were nine projects which were assessed as satisfactory (rated "5") (Argentina, Burkina Faso, China, Côte d'Ivoire, El Salvador, Guatemala, Morocco 1178, Mozambique, Viet Nam 1272). Some projects (Burkina Faso, China, Mozambique, Peru, and Viet Nam 1272) were considered innovative as introducing new products and approaches linked to rural finance. In Viet Nam 1272, the Savings and Credit Groups' model was innovative as it identified a way to make credit accessible at village level, to women and with procedures much simpler than those of the formal banking system. In other cases, innovations were introduced in the agriculture sector through the adoption of innovative production methods, techniques and irrigation systems, new crop varieties (Burkina Faso, China, Guatemala, Morocco 1178, Mozambique, Senegal 1219, and Viet Nam 1272). In Guatemala, new technologies and production alternatives were introduced to improve the production and productivity of commercial

[11] Sustainability and ownership of interventions concerns 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. Prospects for and constraints on the continuation of project activities after the period of external financing, and the durability of changes and impact brought about by the project are considered in the assessment..

[12] Innovations cover the extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.

crops (coffee, cardamom, cacao). In Senegal 1219, an important innovation was the intensive rice cultivation system (SRI).

58. The promotion of a decentralized and participatory approach in the implementation of rural development projects has been a further innovative element in several cases (China, Guatemala, Peru, Morocco 1178, Mozambique, Viet Nam 1272 and 1374). In other cases (Guatemala, Mozambique, Viet Nam 1272 and 1374), a market-oriented poverty reduction approach was introduced. In Viet Nam 1374, the IMPP used a market-based approach, which showed that development of farm and non-farm businesses through **public-private partnership** (PPP) and collective interactions among the poor and non-poor households for employment generation, was the indispensable way to achieve sustainable poverty reduction. Some projects (Argentina, Burkina Faso, El Salvador, Peru) were also featured important innovations at institutional level. In Argentina, as a result of the project, a rural development approach was adopted as a national strategy. In Burkina Faso, local management committees for the implementation of micro-projects were set-up, which stand out as an instrument worth replication and scaling up by similar projects/programmes.

59. **Weak Impact** (rated “3” and “2”). The moderately unsatisfactory projects were those implemented in Bhutan, Georgia 1325, Sri Lanka and the Republic of Congo (rated “3”); two projects implemented in Georgia 1147 and Pakistan were rated as unsatisfactory (rated “2”). These projects had overall poor implementation, with few or no innovative features. In the case of Georgia 1147, the innovative elements at design level were never implemented due to overall unsuccessful implementation. The same occurred in Pakistan, where the project’s main innovations could not be tested due to the project’s poor performance.

Scaling up[13]

60. The review of the PCRs shows that the percentage of projects with satisfactory-zone ratings for this domain[14] dramatically improved: from 66% in 2006-09 to 86% in 2010-13. It is also important to underline that the percentage of projects with negative performance declined from 14% to 8%.

61. **Strong Impact** (rated “6” and “5”). Among those projects reviewed in 2013, three projects were rated as outstanding (rated "6") (Ethiopia, Peru, and Viet Nam 1374). Ten projects achieved a satisfactory rating ("5"). (Argentina, Burkina Faso, China, El Salvador, Guatemala, Morocco 1178, Mozambique, Senegal 1219 and 1278, Viet Nam 1272).These projects were positively assessed as the innovations introduced within these projects have been replicated (or deemed highly replicable) by other IFAD projects in the same country or region (Argentina, El Salvador, Ethiopia, Mozambique, Senegal 1219, Viet Nam 1272 and 1374). In other cases, the successful innovations have been adopted by the country’s government at central or local level (Argentina, Morocco 1178, Peru, Viet Nam 1272 and 1374).

Box 11 – Enhancing Innovation and Replicability in Peru

The Project for the Development of Sierra Sur (PDSS) was a highly innovative. Among the main innovations developed by PDSS, were: i) the local resource allocation committees (CLAR Model), as an instrument for citizen accountability, as well as a follow-up and monitoring tool for the implementation of business plans and natural resource management plans; ii) the development of rural financial innovations; iii) the active participation of local government and beneficiaries in the process to rescue territorial assets, through activities such as contests for cultural appreciation, thematic meetings, etc.; iv) cultural maps which were used to negotiate and prioritize territorial planning under a participatory budget framework. In terms of replicability, many of PDSS's lessons were included in the design of the Sierra Sur II Project. Moreover, PDSS greatly influenced the design and implementation of national policies. For example, PDSS approaches and strategies have been incorporated in the Government of Peru’s "CRECER PRODUCTIVO" Strategy, demonstrating the political will of the State to assimilate the field-proven experience in the new social policies.”. Several local governments have also implemented some mechanisms used by PDSS, such as the practice of making public investments, by jointly financing initiatives of rural households. The CLAR model was adopted by the Rural Municipalities Network of Peru, in other municipalities where historically IFAD was not present.

62. Similarly, in China, the government adopted the use of participatory approaches promoted by the IFAD project in the implementation of its own rural development projects. In Morocco 1178, the *douar* development approach initiated by the project, was later replicated by other national projects. In Argentina, several local governments have implemented some mechanisms used by the project, such as the practice of making public investments through joint financing of rural household initiatives independently managed by the small farmers.

[13] Scaling up and learning cover the extent to which IFAD development interventions have been (or are likely to be) replicated and scaled up by government authorities, donor organizations, the private sector or other agencies.

[14] Innovations cover the extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.

63. **Weak Impact** (rated “3” and “2”). The moderately unsatisfactory projects were those implemented in Côte d'Ivoire and Panama (rated “3”); two projects implemented in Georgia 1147 and Pakistan were rated as unsatisfactory (rated “2”). These projects had overall poor implementation, with few or no innovative interventions to be replicated or up-scaled, with the main reason being their overall unsuccessful implementation. In Côte d'Ivoire, the replicability of the project's innovations was limited by the low number of beneficiaries trained and the difficulties linked to access to water, financial resources and appropriate equipment.

Targeting

64. Although targeting[15] is not part of the RMF, it is an important performance parameter for IFAD. The comparison between 2006-09 and 2010-13 cohorts shows great improvement, with an increase from 74% to 90% of those projects falling into the satisfactory zone ratings. This positive result is complemented by the findings on the positive ratings (“5” and “6”) that went up from 32% to 48%, while the percentage of projects rated “1” or “2” fell from 12% to 3%.

65. **Strengths** (rated ”6” and “5”). In 2013, there have been two outstanding examples (China and Guatemala) that were rated “6”. In China, the targeting methodology used was based on WFP’s vulnerability analysis and mapping method. The first targeting layer was the township, then the village and finally the household. During the Participatory Rural Appraisal, the villagers undertook wealth ranking exercises to determine the beneficiary groups. In Guatemala, a focused strategy was applied that which prioritized the poorer and more isolated communities with incomes below the national poverty line. Poverty characteristics and levels were later defined in the communities to be served and communities selected according to the nature of the projects to be implemented.

Box 12 – Adopting a well-refined targeting strategy in Viet Nam 1374

The *IMPP Project* (*Improving Market Participation for the Poor in Ha Tinh and Tra Vinh Provinces*) implemented a three-stage targeting approach. The IMPP interventions firstly targeted the poorest provinces, then the poorest communes and finally the poor and vulnerable households. These households were included in programme planning, decision making and implementation of activities. The project target groups were: i) poorer households with unemployed members and with few economic assets, and thus more vulnerable to risks; ii) households with potential for agricultural production; and iii) households headed by women, Khmer or underemployed youth. In general, the project’s targeting strategy was considered as effective. At the MTR, the concept of poverty was expanded in order to include not just the poor, but also the near poor households and unemployed youth. This new target group (the better-off) was thought to act as a leverage and model for the poor who were usually afraid to take risks and who may have been reluctant to invest in production. Finally, in the *Tra Vinh* province, with the project giving priority to ethnic minorities, the Khmer households’ participation in the project's activities was also high. Thanks to their active participation in project activities, many Khmer households have been employed and have more secure income

66. As far as the other twelve projects rated satisfactory (“5”) (Argentina, Burkina Faso, Côte d’Ivoire, El Salvador, Ethiopia, Morocco 1178 and 1230, Mozambique, Peru, Senegal 1219, Viet Nam 1272 and 1374), among the key successful targeting measures used, were: i) adoption of specific criteria to identify project’s beneficiaries (poverty-level indicators; income-based indicators; non-income/land/livestock ownership based indicators); ii) geographical targeting; iii) self-targeting (including beneficiaries’ capacity to take up the intervention); iv) absence of other major poverty reduction programmes.

67. In Morocco 1178, the project targeted those mountain zones where poverty incidence was high, and selected the poorest *douars* in the country. Targeting was further fine-tuned by grouping *douars* with similar agro-ecological conditions under the same *Douar* Development Plan. In Burkina Faso, interventions were focused on those villages that had established village management plans under the National Programme for Land Management (PNGT) and that had identified erosion control, restoration of soil fertility and agricultural intensification as main development priorities to overcome problems of soil degradation and temporary livestock overpopulation. In a number of cases (such as Argentina, Côte d’Ivoire, Ethiopia, Morocco 1230 and 1178, Peru, Senegal 1219, Viet Nam 1272 and 1374), the targeting approach included priorities for women and youth, whereby project activities and interventions were purposely addressed to these two target groups. In Morocco 1230, youth benefitted from training activities that helped them to rediscover livestock rearing as a source of livelihood. This contributed to reducing – and in some cases even reversing –outmigration towards the urban centres. Finally, it is interesting to note that in two cases (Viet Nam 1272 and 1374), non-poor households were also included as beneficiaries to act as a leverage and model for the poor to invest

[15] Targeting is assessed by considering how well the project analyzed the needs of the poorest, whether specific instruments were developed to enhance their participation in the project’s activities and how successful it was in addressing their needs.

in production-related activities, as well as to encourage experience sharing and mutual assistance among poor and non-poor in applying new production models introduced by the programmes.

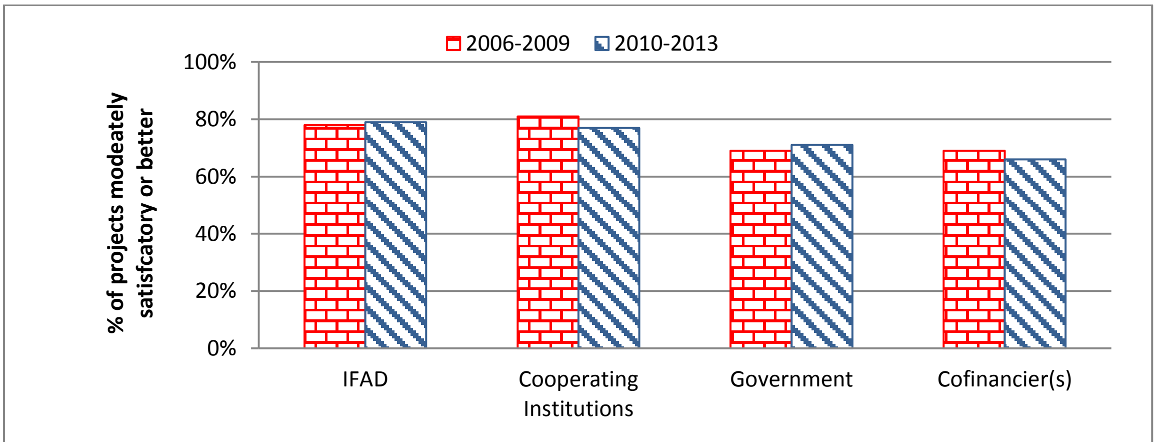
68. **Weaknesses.** In 2013, four projects were judged moderately unsatisfactory (rated "3") (Benin, Georgia 1147, Mauritius, Pakistan), while one project (Sri Lanka) was rated as unsatisfactory (rated "2"). For these projects already classified as low performing, it is reasonable to deduce that, apart from the other more substantive factors, their poor targeting strategies had a role in the projects' overall poor achievement. In Benin, although the design was oriented to provide support to the poorest fisher folk communities, during implementation, the targeting strategy lacked a focused approach, leading to scattered and uncoordinated results. In Mauritius, as the programme failed to implement a proper targeting strategy and to conduct a participatory needs assessment, its interventions did not respond to the needs of the intended beneficiaries. In Sri Lanka, different from what was envisaged at design, during implementation there was a general tendency to allocate programme resources to purposes which were useful, but which were not poverty- or gender-targeted and not related to the Tsunami. In Georgia 1147, no monitoring indicators were defined to verify whether the targeting of poor and vulnerable groups was actually occurring. In Pakistan, the targeting approach in the project design was primarily based on the establishment of formal groups of male and female organizations in each community, through which project resources would be channeled. Project implementation tended to exclude project support to communities that did not have community organizations. As a result, development needs of individuals or groups of individuals where community organizations had not been established were either bypassed or not given due consideration in extending project activities.

Partner Performance

69. Project performance depends to a large extent on the performance of implementation partners and how well they work together, with IFAD and the government being the two main actors. Overall, the 2013 PCR review, as also highlighted in previous years, has confirmed that in almost all the successful projects[16] (China, El Salvador, Ethiopia, Guatemala, Morocco 1178, Mozambique, Peru, Senegal 1219 and 1287, Viet Nam 1374), good relationship and communication among project's stakeholders, as well as constructive and positive collaboration have been key factors to ensure project success. With regard to the performance of each stakeholder, between 2006-09 and 2010-13 the performance of both IFAD and Government has remained more or less unchanged.

70. **IFAD's performance.** With regard to IFAD performance, the share of projects with the satisfactory-zone ratings increased slightly from 78% in 2006-2009 to 79% in 2010-13. However, a notable result is that the percentage of projects where IFAD's performance was rated satisfactory or higher ("5" and "6") has markedly increased from 41% in 2006-09 to 51% in 2010-13.

Chart 6
Partner performance (2006-2009 and 2010-2013)



71. The 2013 PCR review shows a correspondence between IFAD's performance and the project's overall achievement, thus confirming that IFAD plays a fundamental role in project success. Many of the factors contributing to enhancing IFAD's performance that had been identified in previous years are still valid for the 2013 PCR review, including the following: i) positive major role at design level; ii) frequent and direct provision of regular and *ad hoc* support project through close follow-up, also as a consequence of the IFAD's Direct Supervision Policy; iii) flexibility and timely responsiveness to the main implementation constraints; iv) good communication and smooth administrative processes;

[16] In terms of Overall Project Achievement.

v) timely and efficient loan administration; vi) good country presence; vii) good partnership established with other project's stakeholders.

72. Criticisms include: i) project design-related weaknesses; ii) inadequate supervision and implementation support; iii) slow response times to issues emerging during implementation; iv) limited country presence; v) frequent rotation of CPMs in some countries; v) lack of follow up in dealing with some fiduciary issues, such as delays in processing withdrawal applications and unclear procurement procedures. With regard to the seven low performing projects, the following IFAD-related aspects were highlighted: i) in Pakistan, IFAD's main shortfall was its inability to develop a crisis situation implementation support approach; ii) in Mauritius, the project was extended for a total of 4.5 years without any major action taken to address design flaws (too complex project design, low implementation capacity of national institutions involved) and implementation issues (weak implementation capacities, cumbersome administrative procedures); iii) in Burkina Faso and in the Republic of Congo, apart from the responsibility at project design, IFAD was criticized for the frequent change of CPMs, which led to an overall lack of continuity in policy dialogue and implementation support; iv) in Georgia 1147, IFAD was deemed responsible for several important flaws in the design, as well as for its delayed response to the problems faced by the programme. Finally, among these projects, there are cases where IFAD, instead of continuing to grant extensions to an already poor performing project, a more proactive approach should have been taken, including completing the project early or closing non-performing activities (such as in the case of Georgia 1147, Pakistan and the Republic of Congo).

73. **Government performance.** This is one the key determinants of IFAD-funded projects. Government performance has only shown minor improved over time, increasing from 69% in 2006-09 to 71% in 2010-13. Moreover, it has been found that project performance in countries with good government performance scores was better than in countries with lower scores. Common factors for projects rated highly satisfactory in 2013 (Senegal 1219) or satisfactory (China, Ethiopia, El Salvador, Guatemala, Morocco 1178, Mozambique, Peru, Viet Nam 1374) in terms of government performance are: i) strong project ownership and commitment; ii) delivery of adequate management and technical support during project's implementation; iii) timely provision of counterpart funds; iv) compliance with loan covenants and fiduciary aspects (including procurement rules, audit requirements); v) deployment of high quality project management team.

74. Systemic weaknesses among those projects where government performance was rated moderately unsatisfactory (Benin, Georgia 1147 and 1325, Sri Lanka, Lesotho, Mauritius, Morocco 1230, Pakistan, Panama) and unsatisfactory (The Republic of Congo) include: i) unsatisfactory support to the project, also driven by weak supervision and follow-up; ii) failure to guarantee a political as well institutional stability; iii) inability to provide timely and sufficient counterpart funds; iv) high staff turnover at PMU level; v) poor leadership at project coordination level; v) overly bureaucratic and cumbersome procurement procedures; vi) delays and transparency issues in procurement; vii) weak sense of responsibility and project ownership from government authorities; viii) failure to establish an effective M&E system and to use it as a management instrument; ix) highly centralized management and decision-making processes. In Pakistan, the government performance was unsuccessful due to many of the above cited reasons but in addition lack of coordination and interaction with local traditional leadership, line departments and political authorities. Moreover, high staff turnover and inadequacies of PMU's staffing and logistic arrangements had negative implications for the project in terms of implementation progress, retention of project knowledge and quality of work. In the Republic of Congo, the Government did not take any measures to address management problems within the PCU and no effort was made to enforce the supervision missions' recommendations. Counterpart resources were made available, but were not used appropriately.

Box 13 – Explaining low performance of governments

Although the project area of the *Sustainable Rural Development Project for the Ngobe-Bugle' Territory and Adjoining Districts* (*Ngobe-Bugle*), was of a high priority for the Government of Panama (GoP), consistent support was not provided nor was there a proactive attitude to remove obstacles that limited the project's operative capacity. More importantly, there was a tendency to centralize decision-making, as well as to take unilateral decisions on project staffing matters, leading to high staff rotation and severe discontinuity in project management. Since 2010, the GoP's decided that the project director would not be an authorised signature, with negatively consequences especially on financial-related matters. Moreover, the decision taken in January 2011 by the project's Executing Agency not to renew the contracts of over 90% of project's staff, again severely affected project's effectiveness. The project was poorly compliant with procurement, loan covenants and timeliness of audits. With regard to its financial contribution, government disbursed funds stood at 86.6% of the original allocation.

In the *Rural Diversification Programme* in Mauritius, a large range of ministries and government agencies was involved in the implementation of the sub-programmes. Staff capacities were generally weak. A Joint Programme Implementation Unit (JPIU) was responsible for overall implementation and coordination. High staff turnover within the JPIU (4 Programme Coordinators) and the limited availability of its staff (full-time government employees) affected Programme's smooth implementation. Programme implementation was further affected by cumbersome procurement procedures, which resulted in implementation delays. Implementation of micro-projects under the microenterprise/microfinance component faced implementation delays due to lengthy procedures for obtaining business permits and authorizations. Delays in the release of counterpart funds were also mentioned as an issue. Local government staff at Rodrigues was found particularly weak (limited implementation capacities, lack of motivation, high turnover). The limited understanding and ownership by the Rodrigues Regional Assembly was mentioned as a further issue. Some of these weaknesses had been pointed out by the MTR which stated that: "Inadequate human capacity-building within the implementing agencies has affected Programme implementation".

C. Performance differential among projects and its impact on overall portfolio performance

75. Over time IFAD has noticed significant divergence in project performance across the portfolio. This has led to increases in the number of projects on both sides of the scale – high as well as low. For example, of the 26 projects reviewed in 2013, two were rated highly satisfactory and six as satisfactory. In contrast, two projects were judged unsatisfactory and five projects as moderately unsatisfactory. The presence of these seven under-performing projects in the current year's review caused a significant drop in the portfolio performance. This suggests that should IFAD focus more on managing the under-performing part of the portfolio since even a moderate improvement of this sub-group would improve the overall performance quite significantly.

D. Impact of performance of Fragile States over the total portfolio

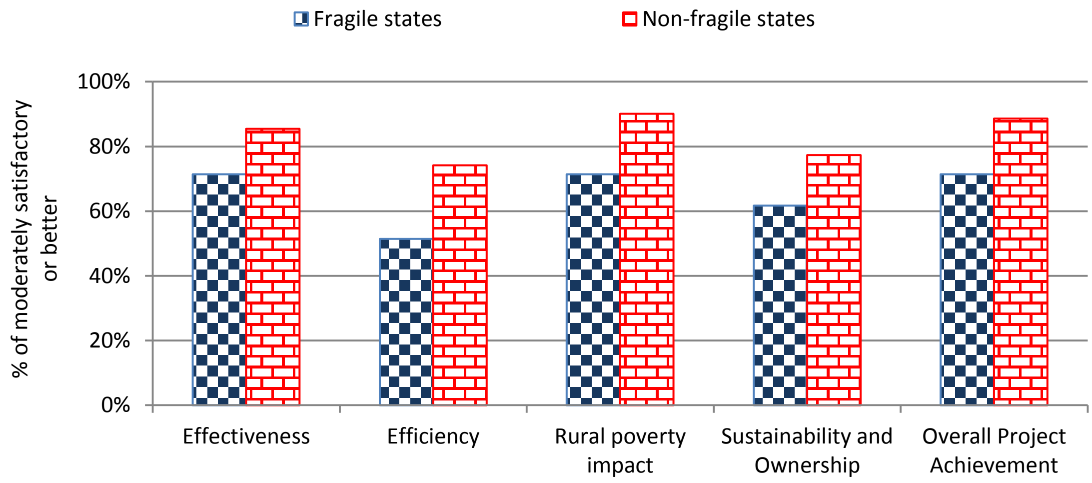
76. IFAD defines fragile states as countries characterized by weak policies, weak institutions and weak governance, resulting in meagre economic growth, widespread inequality and poor human development.[17] Operationally, it identifies as fragile all countries categorized as such by any IFI.[18] Based on this definition, 68 of the 198 projects which were completed in 2006-2013 were implemented in fragile states.

77. The performance data collected over the last eight years show that fragility is a key issue in determining portfolio performance, as the portfolio pertaining to fragile states under-performs relative to the non-fragile states in all key performance indicators, namely, effectiveness, efficiency, rural poverty impact, sustainability and ownership, and overall project achievement. A detailed analysis was undertaken as part of this year's portfolio review exercise and a summary of that report has been presented in Annex IV.

[17] 2006 IFAD Policy for crisis prevention and recovery

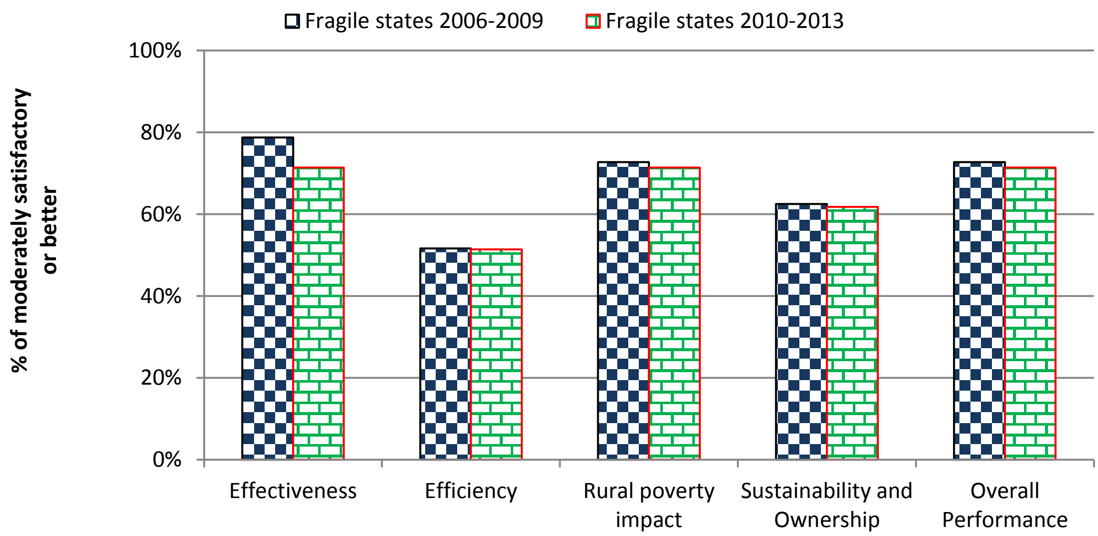
[18] This includes countries classified as fragile by the WB-AfDB Harmonised list of fragile states, by AsDB and by a recent OECD study which identifies fragile countries in light of their weak capacity to carry out basic governance functions, either at the national or sub-national level. OECD, Fragile States 2013: Resource flows and trends in a shifting world.

Chart 7
Performance differential between fragile and non-fragile states (2010-2013)



78. Moreover, while there has been an improvement in IFAD completed portfolio performance over the last eight years[19], performance in the fragile states has not improved over time. In fact, for effectiveness, it has decreased even further

Chart 8
Comparative analysis of satisfactory performance in fragile states (2006-2009 and 2010-2013)



79. The qualitative analysis of projects completed in 2010-2013 identifies several reasons for lower performance in fragile states. An overly complex design, in terms of what can be realistically achieved in very difficult contexts with weak implementing institutions, often sets out complex implementation procedures and overly ambitious targets that proved difficult to achieve and lead to low effectiveness and efficiency. A volatile context and security-related issues in some fragile states or areas within them have presented further challenges to project implementation, success, and sustainability.

80. Government performance, which is also considerably lower in fragile states and has seen no improvement over time, strongly influences the achievement of project outcomes. IFAD projects rely on governments to deliver project outputs and outcomes. Since the main feature of fragile states is the presence of weak institutions and weak capacities within them, weak government performance and unsatisfactory project performance are related.

[19] PCR 2013 Analysis – Main Report.

Table 2
Government performance in 2008-2009 and 2010-2013

Government	*Satisfactory performance 2006-2009*	*Satisfactory performance 2010-2013*
Non-fragile satisfactory	76%	81%
Fragile satisfactory	55%	54%
Difference	22%	26%

81. IFAD's performance also influences project performance to some extent. Available statistics shows that the Fund performs considerably better in non-fragile states, where counterpart institutions are stronger and improving. IFAD performance in fragile states has, on the contrary, decreased in recent years. Like other IFIs, IFAD is encountering special challenges when working in fragile states. These findings are in line with reporting by Regional Divisions in 2012 and 2013[20] regarding the difficulties faced when working in fragile contexts.

82. The main characteristic of fragile states is their structural institutional weakness. While the challenges they face are not necessarily unique to fragile states, in fragile situations these challenges are amplified and can become more intractable.[21] IFAD, like other IFIs, over time has developed a model for working in borrowing/recipient member countries. This model assumes, at a minimum, the existence of a secure situation, and of a reasonable level of state institutional capacity.[22] Where these are present the model works, as shown by IFAD's own performance in non-fragile countries.

83. In recent years, IFAD has considerably expanded its programme of loans and grants, and has consolidated the implementation of its business model. This model has contributed to a significant improvement of performance, as seen in the assessment of IFAD's overall portfolio in 2010-2013. Similar improvements were not achieved, however, in the fragile states. The lack of such improvement in fragile states over time seems to call for a new assessment of what is IFAD's comparative advantage in fragile contexts, specifically taking into account the features of the new business model – how can fragility be further integrated in it, particularly in terms of the provisioning of technical assistance, institutional development support to the fragile states, and intensity of IFAD's own supervision, follow-up and implementation support.

84. Existing IFAD policies and papers related to fragile states have also identified lessons from IFAD experience in fragile countries (Annex IV). These lessons remain valid and to a great extent reflect the success factors discussed in the qualitative analysis of satisfactory completed projects. Conversely, more systematic incorporation of these factors in IFAD operations would address to a considerable extent the weaknesses identified in the analysis of unsatisfactory performing projects. These would include: (i) deeper knowledge of the country and/or the local conditions in the area of intervention; (ii) identification of the causes of emergencies/crises/fragility and ensuring that they are adequately taken into account in RB-COSOP and project design; (iii) clearer, simpler and more flexible project design, with realistic project objectives that take into account the actual capacity of implementing partners; (iv) greater IFAD involvement in supervision, to enable a flexible approach to implementation and redesign, where applicable; and (v) improved coordination and collaboration with partners, both donors and government partners.

85. In addition, project performance in fragile states would benefit if the following aspects had greater emphasis in IFAD'S current business model:

(i) enhanced partnership arrangements, in order to increase complementarity;

(ii) more agile operational modalities and processes that allow for flexibility and adaptability to sudden context changes and low implementation capacity;

(iii) strengthened staff capacity and direct engagement in the fragile states, ensuring that all staff working in these countries are appropriately trained and preferably benefit from specific incentives package; and

(iv) additional administrative budget, for project design and supervision in fragile states, including specific security budget for countries where the security situation requires it.

[20] Regional Divisions Divisional Management Plans 2013 and 2012 and Q1 2013 Quarterly Performance Conversations.
[21] Alisa Di Caprio, AsDB Working Paper 339, Operationalizing Experience: Donor Approaches to Service Delivery in Fragile States, February 2013.
[22] 2011 World Development Report: Conflict, Security, and Development

E. Key Outputs

86. At the first level, the Results and Impact Measurement System (RIMS) reports on key outputs of its on-going operations. These outputs represent the products, goods and services that result from IFAD-supported projects and that are relevant to the achievement of outcomes. While projects report outputs on a wide range of areas, RIDE focuses on reporting performance against key outputs that form part of the RMF.

87. RIDE this year reports on the outputs of 267 projects which were under implementation during the review period. At the aggregate level these projects report reaching about 78.7 million people – about 33 per cent higher than reported last year and about 87 per cent of the target of 90 million set for 2015. IFAD's performance in terms of people receiving services from IFAD-financed projects continues to remain satisfactory. In interpreting these results it is important to consider that the total financial commitment for the project under implementation is about US$12.7 billion, of which, IFAD's share is US$5.7 billion, or about 51 per cent of the total. Other contributors who have contributed to outreach are domestic financiers including financial institutions and the government (36 per cent) and co-financiers (29 per cent).

88. A closer look at the outreach figure reveals the extent of the contribution made by the rural finance projects. Of the 10 projects with the highest outreach, five are rural finance projects implemented in Uganda, India, Bangladesh, Nigeria and Pakistan. Put together, these projects offer services to 16.4 million people. Most of these projects are built around institutions that were assisted in the past by IFAD-funded programmes and over time have assumed national or regional character.

Table 3
IFAD's contribution to country programme and project outputs (level 3)

	Indicators	***Baseline year***[a]	***Baseline value 1/***	***Achievements for 2012***
Natural resource management				
3.1	Common-property-resource land under improved management practices (ha)	2010	5.5 million	3.2 million
3.2	Area under constructed/rehabilitated irrigation schemes (ha)	2010	373 thousand	265 thousand
Agricultural technologies				
3.3	People trained in crop production practices/technologies	2010	4.51 million	4.46 million
	Male:female ratio		65:35	55:45
3.4	People trained in livestock production practices/technologies	2010	1.2 million	2.61 million
	Male:female ratio (percentage)	2010	44:56	56:44
Rural financial services				
3.5	Voluntary savers (with male:female ratio)	2010	7.86 million	5.48 million
	Male:female ratio		47:53	29:71
3.6	Active borrowers (along with male : female ratio)	2010	2.70 million	2.46 million
	Male:female ratio		43:57	26:74
3.7	Value of savings mobilized - US$ million **(new)**	2010	US$ 495 million	US$ 262 million
3.8	Value of gross loan portfolio **(new)**	2010	US$338	US$ 338 million
Marketing				
3.9	Roads constructed/rehabilitated (km)	2010	17.6 thousand	15.3 thousand
3.10	Marketing groups formed/strengthened	2010	13.2 thousand	19.7 thousand
Microenterprise				
3.11	People trained in business and entrepreneurship		716 thousand	1, 513 thousand
	Male:female ratio (percentage)	2010	39:61	16:84
3.12	Enterprises accessing facilitated non-financial services	2010	57 thousand	110 thousand
Policies and institutions				
3.13	People trained in community management topics (with male:female ratio)	2010	2.13 million	2.66 million
	Male:female ratio (percentage)	2010	33:67	16:84
3.14	Village/community action plans prepared	2010	28 thousand	37 thousand
3.15	People receiving services from IFAD-supported projects (number) a/	2011	59.1 m (target 2015: 90m)	78.7 million
	Male: female ratio (percentage)	57:43	52:48	51:49

a/ All baseline values are updated to 2010, except for people receiving services, which pertains to 2011.
These figures pertain to projects completed after 2011, not cumulative since 2010.

Source: RIMS, office records

89. As projects enter and exit the ongoing portfolio routinely and along with that the sector composition of outputs delivered in aggregate by the portfolio changes, comparison over time is not easy. The overall trend shows that recent changes in the portfolio composition are leading to more diversified outputs. This implies that an increasingly larger share of outputs is outside the realm of RIDE reporting. As reported last year, the share of women beneficiaries is on the increase, in part explained by their disproportionately larger share among rural finance beneficiaries. This trend fits well with IFAD's policy on gender and targeting. A pronounced increase in the number of people benefitting from micro-enterprise-related services, marketing, and community institution building also can be discerned as aggregate trend. These reflect increasing share of value-chain projects in the portfolio as well as the emphasis being laid on adopting a more inclusive approach to targeting.

III. IFAD's Country programme, project design, and implementation support management

90. At Level Four, RMF contains indicators that measure the performance at entry and during implementation, of both country programmes as well as investment projects. This chapter presents the achievements made against these indicators. A detailed analysis of the portfolio performance using conventional measures was also undertaken as part of the portfolio exercise and is presented in Annex III.

A. Country programmes

91. At the country programme level, quality at entry point is assessed by using an arms-length quality assurance (QA) review of COSOPs. The performance during implementation is assessed by using a client survey that collects the feedback from country partners, namely, governments, other donors and stakeholders on IFAD's contribution to: (i) increasing incomes, improving food security, and empowering rural poor women and men, (ii) adherence to the aid effectiveness agenda, (iii) engagement in national policy dialogue; and (iv) partnership building.

92. **Quality at entry of COSOPs**. All COSOPs reviewed during the period were rated satisfactory or better at-entry. This compares favourably with the baseline as well as target figure of 100 per cent for 2015.

93. **Performance during implementation.** The results of the client survey undertaken in 2013 show that of the "clients" in the 32 countries surveyed, 81 per cent contributed moderately satisfactory or better scale to increased incomes, improved food security, and empowerment of rural women and men (Table 3). While the score for adherence to aid effectiveness was lower in the cohort of countries surveyed in 2013, performance remained high and stable in terms of partnership building and improving and almost equivalent to target in engaging in national policy dialogue.

Table 4:
Better country programme management

Indicators	*Source*	*Baseline year*	*Baseline value (%)*	*Actuals for 2013 (%)*	*Target for 2015 (%)*
Country programme quality at entry					
Percentage of RB-COSOPs rated 4 or better[a]	COSOP QA[b]	2010	100	100	100
Percentage of country programmes rated 4 or better during implementation for:					
Contribution to increased incomes, improved food security, and empowerment of poor rural women and men	Client survey	2011	78	81	90
Adherence to the aid effectiveness agenda	CPIS[/]	2011	93	78	100
Engagement in national policy dialogue	Client survey	2011	55	69	70
Partnership-building[a/]	Client survey	2013	88	88	90

a/. The Baseline value is equivalent to 2013 actual and target has been set on that basis.
Source: Office records, PD Front Office and SKM/QA

B. Investment projects[23]

94. **Quality at entry**. Between 1 July 2012 and 31 December 2012, when the Eighth Replenishment period ended, 21 projects were reviewed by IFAD's quality assurance system. These reviews show that against the target set in the RM, actual achievements in 2012 are higher for overall effectiveness. More importantly, at entry all the projects reviewed were expected to be achieving moderately satisfactory or better performance in terms of their impact on rural poverty. An above

23 As some projects are financed by loans as well as grants, the term "investment projects" has been used.

target achievement was reported the likelihood of sustainability and innovation, learning and scaling up for the first time during last review period; these have been on target during this review period.

Table 5
Project quality at entry

Indicators	*Baseline year*	*Baseline value*	*2015 target*	*2013 achievement*
Percentage of projects rated 4 or better at entry for:				
Effectiveness	2008-09	93	90	95
Rural poverty impact on the target group (e.g. through physical and financial assets, food security, empowerment)	2008-09	91	90	100
Sustainability of benefits	2008-09	81	90	90
Innovation, learning and/or scaling up	2008-09	86	90	90

Source: QA Secretariat office records

95. In sum, the quality of projects at entry has been higher for all indicators when compared to baseline and on or above the target set for 2012 by the Eighth Replenishment Consultation.

96. **Portfolio management.** Among the portfolio indicators, delay in starting-up new projects made significant inroad and decreased from 17 in the baseline year (2010/11) to 15 months. If this rate of improvement continues the Ninth Replenishment target will be achieved before time. The time taken for processing withdrawal application has also decreased from 28 days in 2010/11 to 16 days. Similarly, total disbursements including both loans and DSF and component grants increased by about 16 per cent in terms of absolute amount and this helped to increase the disbursement ratio from 15.7 to 17.7 percent of the amount disbursable. The achievement is therefore close to 18 per cent – the target set for 2015. Interestingly, the disbursement performance in fragile state was even better during the review period than in the total portfolio. Given the relatively small number of projects that fall into the category, however, performance will tend to vary significantly in any given year.

97. Among other performance indicators, while projects at risk remained stable at 18 per cent of the total portfolio[24], proactivity declined marginally. The later, in particular, needs more attention since the target set for 2015 is very ambitious.

Table 6:
Portfolio management

Indicators		*Baseline year*	*Baseline value*	*2015 target*	*2013 achievements*
4.4.1.	Portfolio management				
4.4.2.	Time from project approval to first disbursement (months)	2010/2011	17	15	14
4.4.3.	Proactivity index	2010/2011	50	75	49
4.4.4.	Projects at risk	2010/2011	18	18	Tracked
4.4.5.	Project time overrun (percentage)	2010/2011	22		18
4.4.6.	Time for withdrawal application processing (days)	2009/2010	28	17	20
4.4.7.	Percentage disbursement ratio- overall portfolio	Mid-2011	15.7	17.7	18
4.4.8.	Percentage disbursement ratio – for countries in fragile situations [a/]	Mid-2011	15	22	17
4.4.9.	Gender focus in implementation (% of projects in the on-going portfolio which are moderately satisfactory or better)	Mid-2011	88	90	90
4.4.10.	Percentage of projects for which IFAD performance is rated moderately satisfactory or better	2010/2011	71	84	80

a/ This figure represents disbursements in IFAD's list of fragile states which combine the harmonised list.

98. In terms of the focus of the projects in gender-related issues during implementation, performance during the review period was highly satisfactory and it is already equal to the target set for 2015. This is an area where performance has remained strong and consistent in recent years. IFAD's own performance as measured by ARRI during 2011-13 review periods, shows significant improvement over previous year and is already higher than the target set for 2015.

24 At the end of the review period, i.e. 30 June 2013, IFAD's ongoing investment portfolio contained 48 projects, or about 18% of 267 on-going projects identified as "actual problem". In addition, 13 projects were identified as "potential problem" projects.

99. **Monitoring and evaluation.** In view of IFAD management's commitment to implement a results-based management system, some critical indicators related to the monitoring and results reporting were added in the RMF approved during the Ninth Replenishment Consultation. The progress made against these indicators show that IFAD is far above the target in undertaking base-line surveys, on-track in following-up the baseline surveys with completion impact survey and already close to 2015 target in terms of the quality of the project completion reports.

Indicators	***Baseline year***	***Baseline value (%)***	***Achievements for 2013***	***Target for 2015 (%)***
4.5.1. Percentage of projects with RIMS or equivalent baseline surveys (cumulative percentage)	Mid-2011	23	64	40
4.5.2. Percentage of projects submitting RIMS impact survey	Mid-2011	70	78	95
4.5.3. PCR quality (percentage rated 4 or better)	2010/2011	80	88	90

100. **Co-financing.** Historically, IFAD has been assessing its performance in terms of the ratio of projects co-financed and reports it in the ARPP. The Ninth Replenishment Consultation decided to further bolster this indicator by adding the amount of co-finance mobilised vis-à-vis IFAD's own financing. In terms of the co-financing ratio thus calculated, IFAD's performance improved substantially during the review period and reached to 1.45. While this is a very positive trend, maintaining such increase will require significant effort in future.

Table 7
Cofinancing

Indicators	***Baseline year***	***Baseline value (%)***	***Achievement for 2013***	***Target for 2015 (%)***
4.6.1 Cofinancing ratio	2008-10	1.34	1.45	1.6

101. **Performance of on-going portfolio.** Over time, the candour of performance assessment of the on-going projects has improved and as a consequence, the disconnect between the ratings during implementation and at completion. Such disconnect has narrowed further this year and in fact is even lower (4.1, in 1 6-point scale) than the average project performance shown by the project completion reports (4.2, in a 6-point scale).

102. For the review period, PSR data was available for 267 projects. Among low performing indicators, as perceived by the country programme managers, are innovation and learning, disbursement rate, coherence between AWPB implementation, performance of M&E. High performing areas include poverty focus of the projects, effectiveness of targeting approach, gender focus, potential for replication and scaling-up, and the quality of beneficiary participation.

Indicator	***Rating***							***Weighted average***	***% 4+***	***% 5+***
	1	**2**	**3**	**4**	**5**	**6**	**Total**			
Poverty focus			18	130	109	10	267	4.4	93%	45%
Effectiveness of targeting approach			24	130	99	7	260	4.3	91%	41%
Gender focus	1	3	24	143	85	11	267	4.3	90%	36%
Potential for scaling up and replication	1	3	25	123	92	12	256	4.3	89%	41%
Quality of beneficiary participation		1	32	139	87	8	267	4.3	88%	36%
Likelihood of achieving the development objectives	2	4	30	166	61	4	267	4.1	87%	24%
Quality and timeliness of audits	2	3	32	143	80	7	267	4.2	86%	33%
Compliance with financing covenants	3	4	32	140	79	9	267	4.2	85%	33%
Empowerment		2	36	154	63	4	259	4.1	85%	26%
Food security	1	7	34	145	69	3	259	4.1	84%	28%
Overall implementation progress	1	5	40	161	58	2	267	4.0	83%	22%
Institution building (organizations, etc.)	1	1	45	153	58	1	259	4.0	82%	23%
Compliance with procurement	2	4	44	150	62	5	267	4.1	81%	25%
Physical/financial assets	1	8	40	136	71	3	259	4.1	81%	29%
Quality of project management	1	6	46	130	75	9	267	4.1	80%	31%
Responsiveness of service providers			56	159	52		267	4.0	79%	19%
Quality of financial management	2	6	53	132	63	6	262	4.0	77%	26%
Exit strategy (readiness and quality)	1	9	48	143	41	1	243	3.9	76%	17%
Counterpart funds	2	6	**68**	91	67	33	267	4.2	72%	37%
Performance of M&E	1	8	**82**	127	47	2	267	3.8	66%	18%
Coherence between AWPB & implementation	1	19	**75**	117	45	4	261	3.8	64%	19%
Acceptable disbursement rate	10	30	**79**	78	44	26	267	3.7	55%	26%
Innovation and learning	2	36	146	69	6	8	267	3.2	31%	5%
Overall average								**4.1**	**78%**	**28%**

103. Of the summary indicators – the progress made in implementing projects and the likelihood of achieving development objectives – 83% and 87% of the projects reported moderately satisfactory performance. These levels of achievements are slightly lower than last year's performance. Overall the proportion of projects rated highly unsatisfactory (a score of "1") and unsatisfactory (score of "2") have stabilised around 3% of the projects in the portfolio. Against most indicators, the same percentage as those rated "6". This year's review, however, rated a larger proportion of projects as moderately unsatisfactory and this has caused a small drop in the mean score of performance as well as the overall percentage of projects rated moderately satisfactory or better.

IV. Summary and conclusions

A. Summary

104. The assessment of project performance undertaken at the completion point shows that IFAD's performance continues to improve in most key dimensions of development effectiveness. The comparison between the results achieved during the previous four year period (2006 to 2009) and the current three year period (2010 to 2013) shows remarkable improvements in the areas of relevance, rural poverty impact, innovation, scaling-up, targeting and gender. Almost all impact domains within the rural poverty impact area show dramatic improvements in the performance. Marked improvements have been achieved in the domains of human, social capital and empowerment, markets; natural resources and environment; household income and net assets. Performance in the food security and agricultural productivity impact domain has notably improved. Of particular interest is a substantial improvement in the domain of access to markets, which shows greater attention and efforts made in IFAD as well. Similarly, improvements were significant in the cases of innovation and scaling up, gender, targeting and sustainability and ownership. In these domains, from 2006-09 to 2010-13, the share of projects rated 4 or better has increased by 24%, 20%, 16%, 8%, respectively.

105. There are some areas – mainly, efficiency, effectiveness, and sustainability – in which, despite some improvement over time, further efforts are needed in order to achieve the ambitious targets set for 2015. With respect to the effectiveness of the projects reviewed in achieving their development objectives, IFAD needs to make additional efforts both during design and implementation phases, in order to have realistic design, clear institutional arrangements and local capacity-building, timely deployment and quality of project management teams. Economic efficiency of the projects has not improved and continues to remain weakest among outcome indicators. On sustainability of project benefits, significant improvement has been achieved in recent years, yet there is there is still scope for further substantial improvement. Higher sustainability would be achieved mainly by enhancing country ownership through better-quality phasing out strategies, conceived and worked-out from the design phase onwards. It would also require mainstreaming of newly created institutions structures within regular governmental programmes and institutions.

106. Overall, there is clearly an improvement in project performance and it is broad-based. This is evidenced by an increase in the overall project achievement – from 76 to 82 per cent. The positive achievements have been underpinned by a positive, albeit minor, improvement in recipient governments' performance as well as by a generally improving performance of IFAD as a partner

107. Over time, candour of IFAD's project performance assessment system has increased. This is evidenced by a zero net disconnect between the performance rating during the last year of implementation and during the completion review. A larger proportion of projects were rated as moderately unsatisfactory in this year's review. With respect to the 253 projects for which a PSR was completed, the country programme managers view innovation and learning, disbursement rate, coherence between AWPB implementation, performance of M&E as low performing while poverty focus of the projects, effectiveness of targeting approach, gender focus, and the quality of beneficiary participation as high performing.

108. In general, the process performance indicators that form part of IFAD's RMF for 2013-15 show an improved performance in almost all aspects during the review period, except for proactivity in managing problem projects and reducing their ratio in the total portfolio. Quality at entry ratings for the 21 projects that entered into the portfolio show robustness and early implementation delay (measured by time taken until first disbursement) as well as the implementation rate (measured by project disbursement amount as a ratio of funds awaiting disbursement) has shown clear improvement in this period. IFAD's own performance as a partner and the performance of its projects in achieving clear focus on gender have shown a healthy increase.

B. Conclusion

109. This year's review of portfolio performance shows a generally improving performance with marked increase in rural poverty impact, gender focus, scaling-up and innovation. While performance is already close to targets set for 2015 for some indicators, others need a sustained and consistent improvement in the remaining two years of Ninth Replenishment period. This, in turn requires improvement in the performance of projects operating in the fragile states, which in general have been at a consistently lower level than in the non-fragile states; performance in fragile states has not improved over time. The performance of the governments in these states as well as of IFAD as a partner – two factors that underpin project performance – also do not show any positive movement. A significant part of IFAD's portfolio – 35 percent of the project completed in last 8 years and 45 per cent of PBAS allocations for 2013-15 – are in fragile states. As a result, IFAD's future performance is unlikely to move significantly upward unless the performance of the projects in fragile states improves significantly. This is perhaps the single-most important factor that IFAD needs to tackle, and with a sense of urgency. In addition, over time performance differential has increased and there were more better-performing as well as worse-performing projects in this year's completion review cohort. This calls for more attention to the under-performing projects, while stabilising and improving the performance of better performing part of the portfolio.

110. The lack of improvement in project performance in fragile states over time seems to call for a new assessment of what is IFAD's comparative advantage in fragile contexts, specifically taking into account the features of the new business model, how can fragility be further integrated in it, particularly in terms of the provisioning of technical assistance, institutional development support to the fragile states, and intensity of IFAD's own supervision, follow-up and implementation support. Similarly, under-performing projects even in the non-fragile states need an enhanced level of pro-activity on the part of IFAD, governments and at times structural changes in the project arrangements and even an early cancellation, completion, and closure of such projects.

111. In the non-fragile states, the focus should be mostly on improving the performance of projects in terms both effectiveness and efficiency. As effectiveness score largely depends upon the expectation set during project design, new project need to set realistic ambition in terms of project outcomes. A related factor would be to reduce project's complexity, simplify implementation arrangements, and in general strengthen the ownership of all major stakeholders. Project efficiency in IFAD-funded projects often is affected by their orientation to serve remote areas and the target group that is difficult to reach. To a lesser extent it is affected by relatively less attention paid until recently in undertaking economic analyses and using the results in determining the components included or excluded from the project design.

112. The performance of IFAD-funded projects in terms of catering to the needs of IFAD has improved significantly in recent years as demonstrated by a submission of the PCRs as well as the RIMS. The information base that underpins such reporting and facilitate project level decision making, while improving, is relatively weak as shown by the ratings supervision missions have assigned. A number of initiatives are being undertaken both by concerned regional divisions and in terms of completion impact surveys by Strategy and Knowledge Management. These initiatives mainly focus on building local capacity for undertaking monitoring and evaluation activities and area expected to produce results in short to medium term

Annex I
Characteristics and quality of the 2013 cohort of project completion reports

A. Basic characteristics

1. In analyzing the performance of project outcomes for 2013, this report mainly uses the results from 26 recently completed projects, as presented in the Project Completion reports (PCRs).[25] (see Appendix 2) These 26 PCRs cover the universe of projects completed during the review period. The cohort being reviewed is a completion cohort, as opposed to an entry cohort. The 26 projects reviewed were approved between 1999 and 2006. 8 projects (31%) were approved between 1999 and 2000 (Georgia 1147, Côte d'Ivoire, India, Mauritius, Pakistan, Argentina, Morocco 1178, Guatemala) while the large majority of the projects (18 projects or 68%) were approved between 2001 and 2006 (Benin 1211, Bhutan 1296, Burkina Faso 1220, China 1223, El Salvador 1215, Ethiopia 1173, Georgia 1325, Lesotho 1150, Morocco 1230, Mozambique 1184, Panama 1199, Peru 1240, Senegal 1219 and 1287, Sri Lanka 1351, the Republic of Congo 1216, Viet Nam 1272 and 1374).

2. **Project type**. The projects of the 2013 cohort are classified into 7 different project types. The great majority (19 or 73%) of them fall into the categories of Agricultural Development (seven projects) and Rural Development (12 projects). The remaining seven projects are scattered over the other categories: 2 projects belong to the Credit and Research categories respectively, while the other 3 projects are equally distributed among the Fisheries, Irrigation and Livestock categories.

3. **Original loan and implementation periods and extensions.** The average original loan implementation period of the portfolio under consideration is 6.5 years, while the average actual loan implementation period is 7.8 years. 15 projects out of 26 (57%) were extended, with the average extension period being of 26.2 months. The average effectiveness delay for the 26 projects' cohort stood at 15.08 months, with the highest effectiveness delay standing at 41.8 months (Argentina, 1098), whereas the lowest being 4.8 months (Senegal, 1287). The average disbursement rate is 86.4%.

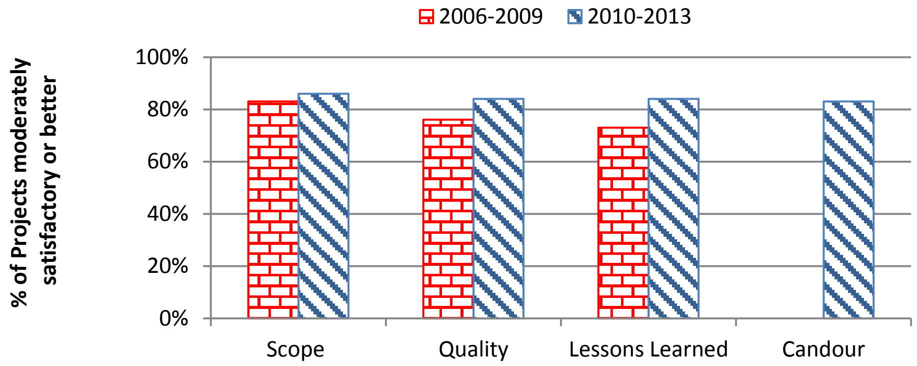
B. Disconnect between PCRs and Project Status Report (PSRs)

4. A review of the overall performance ratings attributed to all 26 projects during the last year of implementation and at completion shows that for only 18% of the concerned projects, PSRs ratings have been found to be higher than the PCR ratings (See Table 1, Main Report, page 3). This represent a notable improvement to last year, when the disconnect between PSR and PCR ratings was detected in the 54% of cases. It needs to be also noted that the average performance rating of PSRs does not differ at all from that of the PCRs. This confirms a higher alignment between the PSRs and the PCRs, as well as it reveals a higher objectivity as well as an increased rigour while conducting the self-assessment process by the regional divisions.

C. Quality of PCRs

5. **Overview.** The quality of the PCRs is measured against four indicators: (i) the scope of the report which reflects how well the guidelines were respected; (ii) the quality and depth of the analysis; (iii) the quality and relevance of the lessons learned; and (iv) the candour of the PCR. The comparison between 2006-09 and 2010-13 periods shows that there have been positive changes in the overall quality of the PCRs, with substantial improvements being detected concerning the quality and the lessons learned. Conversely, the ratings given over the period 2010-13 show that more efforts still need to be made in order to improve the scope of the PCR.

[25] Projects Identifiers (IDs) are used throughout this report to distinguish the projects.



6. **Scope.** From 2006-09 to 2010-12, the share of projects rated "4" or better for their scope of the PCR, has slightly increased from 83% to 86%. During the same period, there has been an increase of the positive ratings ("5" and "6") from 48% to 51% and a decline in the share of negative PCRs ("1" and "2"), which went from 7% to 3%. However, additional and significant efforts are still needed to make the PCRs better aligned to the PCR guidelines. In 2013, seven PCRs were assessed as being highly satisfactory with regard to their scope (China, El Salvador, India, Lesotho, Morocco 1178 and 1230, Senegal 1219), while eleven PCRs were considered being satisfactory (Bhutan, Pakistan, Viet Nam 1374 and 1272, Mozambique, Burkina Faso, Congo, Senegal, Guatemala, Peru, Georgia 1147). These PCRs were found to be fully compliant with the format and structure of the Completion Guidelines issued by Project Management Department in 2006. In the case of Lesotho, there has been a good effort in providing all the requested annexes.

7. In 2013, three PCRs were rated as moderately unsatisfactory (rated "3") (Sri Lanka, Côte d'Ivoire and Panama) and one as unsatisfactory "2" (Mauritius). In these cases, the PCRs were not structured in accordance with the PMD Guidelines for Project Completion, and/or they were lacking many of the requested annexes. In the case of Mauritius, the PCR consists of 4 separate draft reports (one for each component), which are incomplete and do not follow the guidelines. In Côte d'Ivoire, the impact section is quasi inexistent, there are no lessons learned and several annexes are missing.

8. **Quality.** With regard to the quality of the PCRs, this has significantly changed during the concerned period (2006-09 versus 2010-13), as the share of projects rated "4" or better has increased from 76% in 2006-09 to 84% in 2010-13. However, notable progress is still to be made as, whereas the share of negative ratings ("1" and "2") has dropped from 11% to 2**%,** the share of average PCRs ("3" and "4") has substantially risen from 38% to 58%, at the expenses of the positive ratings ("5" and "6"), which dropped from 51% to 40%.

9. In 2013, four PCRs were rated as highly satisfactory (China, Morocco 1178, Mozambique, Senegal 1219) while nine PCRs (Argentina, Benin, El Salvador, India, Lesotho, Morocco 1230, Peru and Viet Nam 1272 and 1374) were considered to have a satisfactory quality. The main features in a good quality PCR were found to be: i) well written, clear and concise PCR; ii) wealth and reliability of background information to back up project's assessment; iii) thorough preparation process involving meetings and workshops with various stakeholders. Above all, the highly rated PCRs benefitted from an articulated and in-depth analysis of project's main achievements and shortcomings, which was grounded on a well-functioning M&E system, based on logical frameworks and clearly defined indicators. In Mozambique, the PCR has been conducted as a 'lessons learnt' driven process, benefitting from: a considerable number of information sources; ii) results of the representative impact surveys; iii) stakeholders' workshops; iv) primary information collected through direct observation. In India, the PCR was prepared over a thorough preparation process, as well as it drew on two separate validation missions, which took place in each of the Programme's States. In Argentina, the PCR benefitted from a close IFAD's involvement, such as notable support was provided to prepare a programme of work underlying the preparation of the PCR.

10. Two PCRs (Sri Lanka and Panama) were rated as moderately unsatisfactory ("3") in terms of their quality, whereas one PCR (Mauritius) was considered to be unsatisfactory ("2"). The main common factors among these PCRs are: i) the lack of quantitative as well as qualitative data and information to substantiate the findings; ii) a lack of an in-depth analysis to understand the causes and effects; iii) failure to establish important linkages to draw conclusions; iv) no distinction between outputs/outcomes and impacts; v) confusion between objectives and components; vi) no comparison between ex-ante and post-project situation. In Panama, the lack of an M&E system as well as the troublesome project's high staff turnover prevented from having a solid base to move beyond the

measurement of outputs and to grasp the exact magnitude of project's achievements. In Sri Lanka, the PCR has been seriously affected by an overall lack of supporting data and information; this is reflected in a PCR which is incomplete and fairly simplistic in its assessment.

11. **Lessons Learned.** A comparison between the 2006-09 and 2010-13 cohorts of PCRs shows that there has been a substantial improvement in the quality of the lessons learned, as evidenced in the share of PCRs rated "4" o better which has passed from 73% in 2006-09 to 84% in 2010-13. The same improvement is evidenced by the decrease in the share of negative ratings which have gone down from 10% in 2006-09 to 1% in 2010-13.

12. In 2013, a highly satisfactory rating ("6") was awarded to seven PCRs (China, El Salvador, Georgia 1325, Morocco 1178 and 1230, Mozambique, Peru), while twelve PCRs were given a rating of "5" (Argentina, Benin, Bhutan, Burkina Faso, Ethiopia, India, Lesotho, Pakistan, Senegal 1287, Viet Nam 1272 and 1374, the Republic of Congo). In terms of lessons learned, these PCRs share some common findings: i) the lessons learned are relevant and critically draw on the project's main strengths and shortcomings; ii) they are meaningful and substantive enough to provide important inputs for future interventions. In Ethiopia, despite being a few, the PCR contained relevant lessons learned, which were concise and straight to the point.

13. Conversely, in two PCRs (Côte d'Ivoire and Sri Lanka), lessons learned have been rated as only moderately unsatisfactory ("3"). The main issues are: i) the lessons learned were actually an account of project's main achievements rather than actual lessons; ii) some of the lessons learned were not generated from an in-depth analysis; iii) the lessons learned were not complete, as addressing only some of project's crucial aspects. In Sri Lanka, the lessons learned dealt only with the Programme's fiduciary aspects, while other important aspects have not been taken into account. In Côte d'Ivoire, the recommendations provided in the PCR were more attuned to a supervision report, rather than of a completion report.

14. **Candour.** This indicator highlights if the PCRs have been transparent in their assessments, as well as self-critical in highlight both positive and problem areas. As it has been introduced for the first time in 2011, no comparison can be made on a four-year base, between the 2010-13 cohort and the 2006-09 cohort. However, if considering the period 2011-2013, the share of PCRs rated "4" o better in terms of candour stands at 83%, which is a positive achievement. Moreover, the share of PCRs with positive ratings ("5" and "6") was of 54%, and the share of PCRs with average ratings ("3" or "4") was 46%. Thus, no PCR was rated "1" and "2" in terms of their candour.

15. In 2013, 88% of PCRs have been assessed as satisfactory or better in terms of candour. At the same time, no PCR has received a negative rating ("1" and "2"). Seven PCRs (China, El Salvador, Morocco 1178, Mozambique, Peru, Senegal 1219 and 1287) were awarded with a rating of "6", ten PCRs (Argentina, Ethiopia, Georgia 1325, Guatemala, India, Lesotho, Pakistan, Viet Nam 1272 and 1374, the Republic of Congo) were rated "5". The main common features among these PCRs were: i) their objectivity and honesty in presenting the project's main strengths and weaknesses; ii) their consistency with the findings of other project's documents (such as supervision mission reports, MTR, PSRs).

16. Conversely, three PCRs (Georgia 1147, Panama, Sri Lanka), were given a rate of "3". This is because they were found to be: i) over-optimistic on their assessments, which were based on a limited verifiable evidence; ii) sub-critical and biased towards a too positive appreciation of the project's results; iii) they had a tendency to provide a positive picture of a poorly performing project. For example, in Sri Lanka, the PCR has provided a too positive assessment of the Programme's main achievements. In Panama, the PCR lacks a full objectivity in its assessments, and the overall tone is too positive compared to the final modest project's achievements.

Appendix 1
PCR assessment guidelines – 2013 PCR Review

Criterion	Guiding Performance Questions
	Core Performance Criteria
Relevance	• Were project objectives realistic and consistent with national agriculture and rural development strategies and poverty reduction strategies? • Was project design focusing on the priorities and the needs of the rural poor? Did the project remain consistent with the rural poor's needs during its implementation? Did time overtake the project in ways that render it irrelevant? • Did project goal and objectives reflect IFAD's strategy in the country as embedded in the COSOP, as well as relevant IFAD sector and subsector policies? Were IFAD policy concerns (targeting, innovation, etc.) adequately incorporated into design? • Was the project design and objectives realistic and logical? Was the logical framework adequate? Were the outcome, impact and input/output indicators appropriate? Were planned outputs meaningful to achieving project objectives and goals? • Were appropriate M&E arrangements embedded into project design? • Were human, physical and financial resources sufficient and well-targeted to achieve the expected outcomes? • Were arrangements for annual work planning and budgeting, progress monitoring and impact evaluation adequate? Were the roles of the implementing agencies appropriate considering institutional mind-sets and past performance? • Did design adequately reflect lessons learnt from relevant, past rural development programmes and operations by IFAD and/or others? **Design-related issues** • Was the process design participatory in the sense that it took into consideration the inputs and needs of key stakeholders, and analysed their asset bases and the development opportunities open to them? • Were inappropriate design assumptions promptly identified? Was the project changed or restructured accordingly? Was the logical framework updated to reflect changes during implementation? • During project preparation, were alternative approaches considered and evaluated? • What are the main factors that contributed to a positive or less positive assessment of relevance?
Effectiveness	• To what extent have the objectives of the project been achieved both in quantitative and in qualitative terms? • If the project is not yet complete, is it likely that so far objectives may be accomplished in full/in part before its closure? • What factors in project design and implementation account for the estimated results in terms of effectiveness? • If there were shortfalls, what caused them? Include problems that may have arisen from poor design or implementation. • Did the project provide the expected benefits to the target population? • What changes in the overall context (e.g. policy framework, political situation, institutional set up, economic shocks, civil unrest, etc.) have affected or are likely to affect project implementation and overall results? • Were the M&E systems in place and operational? Were stakeholders and beneficiaries consultations included as routine M&E activities?
Efficiency	• How efficiently was the project implemented? • What are the costs of investments to develop specific project outputs (e.g. what is the cost of constructing one kilometre of rural road)? The quality of works/supplies needs to be fully (and explicitly) recognized for such input/output comparisons. • Is the cost ratio of inputs to outputs comparable to local, national or regional benchmarks? • What are the costs per beneficiaries (both at the time of appraisal and at the time of evaluation) and how do they compare to other operations (or those of other donors) in the same countries or in other countries? • For the resources spent, is the number/quality of outputs an efficient and appropriate investment? Could the project have produced more with the same resources or the same with less money? • Where available, how does IRR compare to with EIRR (estimated during design)? • Were timetables adequately met? Were there any cost overruns? Also note if any cost-/time-saving measures were/could have been taken. • Was the project affected by delays in loan effectiveness and implementation? What were the causes? Could any of the problems have been anticipated? • By how much time was the original closing date extended, and what were the additional administrative costs that were incurred during the extension period? • What factors help account for project efficiency performance?
Project Performance	This overall rating is calculated as an arithmetic average of the ratings for the three core performance criteria (Relevance, Effectiveness, Efficiency).

Criterion	Guiding Performance Questions
(i) Partner Performance	
IFAD	• How did IFAD perform with respect to the roles defined in the project design? • Did IFAD mobilize adequate technical expertise in preparatory and project design works? • Was the design process participatory (with nation and local agencies, grassroots organizations) and did it promote ownership by the borrower? • Did IFAD adequately integrate comments made by its quality enhancement and quality assurance processes? • How did IFAD perform in terms of capacity of dealing with changes in project environment, including amendments to the loan agreement? Were any measures taken to adjust the project in response to inadequacies in the original design or changes in the context, especially during the MTR? • What was the performance of IFAD in projects that are under the direct supervision and implementation support? Did IFAD exercise its developmental and fiduciary responsibilities, including compliance with loan and grant agreement? Where applicable, what is the role and performance of IFAD's country presence team (including proxy country presence arrangements)? • Was prompt action taken to ensure the timely implementation of recommendations stemming from the supervision and implementation support missions, including the MTR? Were specific efforts made to incorporate the lessons learned and recommendations from previous independent evaluations in project design and implementation? • Has IFAD been active in creating an effective partnership for implementation as well as maintaining coordination among key partners to ensure the achievement of project objectives, including the replication and scaling up of pro-poor innovations? • How was the relationship between IFAD and other partners? Did IFAD support the CI by taking prompt action whenever required? Did IFAD help to enforce CI recommendations? • Has IFAD sought to influence poverty policies? Has IFAD made proactive efforts to be engaged in policy dialogue activities at different levels, in order to ensure, inter alia, the replication and scaling up of pro-poor innovations? • Has IFAD, together with government, contributed to planning an exit strategy?
Cooperating Institution	• How did the CI perform with respect to the roles defined in the project? • Has the supervision programme been properly managed (frequency, composition, continuity)? Did supervision mission provide adequate services and support? Was there an adequate balance between fiduciary supervision and implementation support? • Has the CI been effective in financial management? • Has the CI been responsive to requests and advice from IFAD when carrying out its supervision and project implementation processes? • Have implementation problems been highlighted and appropriate remedies suggested? • Were CI reports from supervision missions adequate? Were reports filed in a timely manner? • Has the CI sought to monitor project impacts and IFAD concerns (e.g. targeting, participation, empowerment and gender aspects)?
Government	• To what extent was the Government involved in project design steps? Has cooperation with key potential implementation staff being maximised? • Has the Government correctly assumed ownership and responsibility for the project? • Did Government assure adequate staff and project management? Did government follow up on the recommendations of donors and support missions? • By its actions and policies, has Government been fully supporting of project goals? Did government provide policy guidance to project management staff when required? • Did government ensure suitable coordination of the various departments involved in execution? • Did government comply with loan covenants, and if foreseen/required, allocated adequate funds for continued operations and maintenance after project completion? Was counterpart funding provided as agreed? • Have the flow of funds and procurement procedures been suitable for ensuring timely implementation? • Has auditing been undertaken in a timely manner and reports submitted as required? • Did the government (and IFAD) take the initiative to suitably modify the project design (if required) during implementation in response to any major changes in the context? • Was prompt action taken to ensure the timely implementation of recommendations from supervision and implementation support missions, including the MTR? • Has an effective M&E system put in place and does it generate information on performance and impact which is useful for project managers when they are called upon to take critical decisions? • Has the government (and IFAD) contributed to planning and exit strategy and/or making arrangements for continued funding of certain activities? • Has the government engaged in a policy dialogue with IFAD concerning the promotion of pro-poor innovations?
NGO/CBOs	• How did NGOs perform with respect to the roles defined in the project? Did they fulfil their contractual service agreements? (This may be based on timeliness and quality of service delivery, adherence to schedules and contracts, etc.) • Have NGOs/CBOs acted to strengthen the capacities of rural poor organizations? • Can NGOs/CBOs contribute to the sustainability of project activities?
Combined Partner Performance	• As a whole, how did they perform? How well did they work together? (No need to come give an overall rating)

Criterion	Guiding Performance Questions
-Rural Poverty Impact[26]	
Household income and Net assets	• Did the project affect the composition and level of household incomes (more incomes sources, more diversification, higher incomes)? • Did households' ownership and access to land, water, livestock, tools, equipment, infrastructure and technology change? Did other household assets change (house, bicycles, radios, television sets, telephones, etc.)? • Were the poor able to access financial markets more easily? • Did the poor have better access to input and output markets? • Did the project improve entitlement security of land, productive resources and technologies? • Did the project improve the availability of financial services for investment and consumption to the rural poor?
Food Security	• Did the project affected food availability, whether produced or purchased, to ensure a minimum necessary intake by all members? • Did the project improve children nutritional status and household food security? • To what extent did the rural poor improve their access to input and output markets that could help them enhance their productivity and access to food?
Agricultural Productivity	• Did the project contribute to increase agricultural, livestock and fish productivity measured in terms of cropping intensity, yields and land productivity?
Natural Resources and Environment[27]	• Did the project contribute to the protection or rehabilitation of natural and common property resources (land, water, forests and pastures)? • Were environmental concerns taken into consideration during project implementation? I.e., was environmental impact discussed in agricultural expansion/intensification, infrastructure development, natural resources management activities, etc.? • Did local communities access to natural resources change (in general and specifically for the poor)? • Has the degree of environmental vulnerability changed (e.g. exposure to pollutants, climate change effects, volatility in resources, potential natural disasters)?
Human and Social Capital and Empowerment	• Did the project affect knowledge and skills of the rural poor? Did the poor gain access to better health and education facilities? • Did the project improve access of the rural poor to safe water sources? • Did rural people's organizations and grassroots institutions change? • Did the project affect the capacity of rural poor to influence decision making either on individual or collective basis? To what extent did the project empower the rural poor vis-a-vis development actors and local and national public authorities? • Did the project improve the collective capacity of rural poor to grasp potential economic opportunities and to develop stronger links with markets and external partners? • Did the project impact on social capital, social cohesion and self-help capacity of rural communities?
Institutions and Policies	• Did the project affect institutions, policies or regulatory frameworks? • Did the project improve the capacity of local public institutions in servicing the rural poor and reorienting institutions' existing policies in favour of the poor? • Did the project affected sector and/or national policies relevant for the rural poor? • Did the project improve institutional framework for rural financial services? Were there any changes in rural financial institutions (e.g. in facilitating access for the rural poor)? • Did market structures and other institutional factors affecting poor producers' access to markets change?
Markets	• Did the project improve rural people's access to markets through better transport routs and means of transportation? • Did the project affect the participation of poor rural producers in competitive agribusiness value chain on equitable or favourable conditions?
Rural Poverty Impact	• Provide a weighted average which gives a general view of project impact. This should not be the arithmetic average of impact domain ratings. Intended project objectives should be considered.
Other Performance Criteria	
Pro-Poor Innovation Replicability and Scaling up	• How innovative was the project? What are the characteristics of innovation(s) promoted by the project or programme? • Did the project introduce innovative ideas into the project area? (Innovations can be completely new, new to the country, new to the region, or new to the target population) • How did the innovation originate (e.g. through the beneficiaries, government, IFAD, NGOs, research institutions, etc.)? • Was the project designed to lead to innovation, for instance, by pilot testing new concepts or technologies, evaluating, up-scaling them and was it adapted in any particular way during project/programme design? • Was the innovative part of the project implemented as planned? • Was the successfully promoted innovations documented and shared? • Have these innovations been replicated and scaled up and, if so, by whom? If not, what are the realistic prospects that they can and will be replicated and scaled up by the government, other donors and/or the private sector?

26 Rate each domain. Refer to both intended and unintended impact. Other factors that positively or negatively contributed to impact should be mentioned. If information is not provided, not relevant, or not assessable, say so. Rating should take into consideration the sustainability of benefits

27 Positive changes are high numbers (4-6); negative changes are low numbers (1-3). No impact would not be rated.

Criterion	Guiding Performance Questions
Sustainability and Ownership	• Was a specific exit strategy or approach prepared and agreed upon by key partners to ensure post-project sustainability? • What are the chances that project impacts may be sustainable beyond project interventions? What is the likely resilience of economic activities to shocks or progressive exposure to competition and reduction of subsidies? Can they continue without external financing/support? How vulnerable is project continuity to political/economic change? Are there any institutional or capacity issues that could/should have been addressed to ensure sustainability? Did the project include a strategy for transferring ownership and responsibilities for managing project facilities after project completion to local stakeholders? If so, how well designed and effective was this strategy? • Is there a clear indication of government commitment after the loan closing date, for example in terms of provision of funds for selected activities, human resources availability, continuity of pro-poor policies and participatory development approaches, and institutional support? • Do project activities benefit from the engagement, participation and ownership of local communities, grassroots organizations, and the rural poor? • Are adopted approaches technically viable? Do project users have access to adequate training for maintenance and to spare parts and repairs? • Are the ecosystem and environmental resources (e.g. fresh water availability, soil fertility, vegetative cover) likely to contribute to project benefits or is there a depletion process taking place?
Targeting	• Did the project include instruments and/or criteria for enhancing participation of vulnerable socio-economic categories in planning, prioritisation and implementation of project initiatives? If yes, were they effective? Was the targeting approach appropriate to the country context? • Did the project provide benefits to the poorest socio-economic categories, including women, youth and indigenous people? • Were efforts to identify poverty characteristics and locations comprehensive, especially concerning women, youth and other disadvantaged people? (KSF 2.2) • Did the project analyse the needs of the rural poor and determine specific strategies to address their needs? Were different groups of poor identified and different strategies defined for each group? • What measures were included in the project to ensure service and goods produced by the project were relevant and accessible to the poor, or to ensure the poor were not excluded from accessing project benefits? Did the project meet priority needs of the poor?
Gender equality and women's empowerment	• Were gender issues given enough attention during project implementation? (KSF 2.3) • Was the project designed to specifically target the needs of women? • Did women's situation (workloads, access to credit, healthcare, primary education, literacy) change? Did the project contribute to increase social capital, income earning and employment opportunities for women?
Overall Performance	• Provide a rating of project overall performance based on the ratings of six evaluation criteria (relevance, effectiveness, efficiency, rural poverty impact, sustainability and innovation, replication and scaling up). The project is rated as a whole.
Estimated number of beneficiaries	• Specify whether it refers to individuals, households, communities, etc.

PCR Quality	
Scope	• Does the PCR cover all or nearly all of the elements outlined in Chapter VI of the 2006 guidelines? Note major omissions.
Quality	• Are the description, analysis and conclusions convincing or flawed? • Are data well chosen, well analysed and well presented? Quantitative or qualitative. Is there a re-estimated ERR? • Ease of assessment. How easy was it to find all the relevant information for this assessment?
Lessons learned	• Are the lessons clearly drawn? Are these relevant?
Candour	• How objectively the performance is assessed?

Appendix 2
List of project completion reports included in the 2013 review

Region	Country	Project Id	Project Name	Project Type	IFAD Approved Financing (USD '000)	Project Board Approval	Entry into Force	Project Completion Date	Current Closing	Cooperating Institution	Per cent Disbursed Loan/Grant	
APR	Bhutan	1296	Agriculture, Marketing and Enterprise Promotion Programme	RURAL	14 007	19 Apr 05	14 Jun 06	30 Jun 12	31 Dec 12	IFAD/IFAD	60	94
APR	China	1223	Environment Conservation and Poverty-Reduction Programme in Ningxia and Shanxi	AGRIC	28 966	11 Dec 02	11 Feb 05	31 Dec 11	30 Jun 12	IFAD/IFAD	87	-
APR	India	1063	Jharkhand-Chhattisgarh Tribal Development Programme	RURAL	23 000	29 Apr 99	21 Jun 01	30 Jun 12	31 Dec 12	IFAD Pilot	68	-
APR	Pakistan	1078	Southern Federally Administered Tribal Areas Development Project	IRRIG	17 154	07 Dec 00	24 Jul 02	30 Sep 10	30 Sep 11	IFAD/IFAD	93	73
APR	Sri Lanka	1351	Post-Tsunami Livelihoods Support and Partnership Programme	RURAL	4 698	19 Apr 05	09 Mar 06	31 Mar 10	30 Sep 10	IFAD/IFAD	96	93
APR	Viet Nam	1272	Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces	RURAL	24752	02 Dec 04	17 Aug 05	30 Sep 11	31 Mar 12	IFAD/IFAD	99	81
APR	Viet Nam	1374	Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces	RURAL	26 388	14 Sep 06	18 Apr 07	30 Jun 12	31 Dec 12	IFAD/IFAD	99	100
ESA	Ethiopia	1173	Rural Financial Intermediation Programme	CREDI	25 690	06 Dec 01	06 Jan 03	31 Dec 10	30 Jun 11	World Bank: IDA	96	-
ESA	Lesotho	1150	Sustainable Agriculture and Natural Resource Management Programme	AGRIC	10 129	02 Dec 04	23 May 05	30 Jun 11	31 Mar 12	IFAD/IFAD	89	100
ESA	Mauritius	1093	Rural Diversification Programme	AGRIC	11 117	29 Apr 99	04 Apr 00	31 Dec 10	30 Jun 11	IFAD/IFAD	96	98
ESA	Mozambique	1184	Sofala Bank Artisanal Fisheries Project	RURAL	18 000	12 Sep 01	02 Sep 02	31 Mar 11	30 Sep 11	IFAD/IFAD	100	100
LAC	Argentina	1098	North Western Rural Development Project	RSRCH	17 500	08 Sep 99	04 Mar 03	03 Apr 00	30 Jun 12	IFAD/IFAD	98	-
LAC	El Salvador	1215	Reconstruction and Rural Modernization Programme	AGRIC	20 000	06 Dec 01	23 Dec 02	31 Dec 11	30 Jun 12	IFAD/IFAD	80	91
LAC	Guatemala	1085	Rural Development Programme for Las Verapaces	RURAL	15 004	08 Dec 99	06 Sep 01	30 Sep 11	31 Mar 12	IFAD/IFAD	27	69
LAC	Panama	1199	Sustainable Rural Development Project for the Ngöbe-Buglé Territory and Adjoining Districts	RURAL	25 000	06 Dec 01	16 Sep 03	30 Sep 11	31 Mar 12	IFAD/IFAD	100	-
LAC	Peru	1240	Market Strengthening and Livelihood Diversification in the Southern Highlands Project	RURAL	24 586	11 Dec 02	22 Apr 05	31 Dec 13	30 Jun 14	IFAD/IFAD	100	100
NEN	Georgia	1147	Rural Development Programme for Mountainous and Highland Areas	AGRIC	8 000	13 Sep 00	04 Sep 01	30 Sep 11	31 Mar 12	IFAD/IFAD	100	100
NEN	Georgia	1325	Rural Development Project	CREDI	10 000	19 Apr 05	22 May 06	31 Dec 11	30 Jun 12	World Bank: IDA	100	-
NEN	Morocco	1178	Rural Development Project in the Mountain Zones of Al-Haouz Province	AGRIC	18 028	07 Dec 00	22 Jan 02	30 Sep 10	31 Mar 11	IFAD/IFAD	99	-
NEN	Morocco	1230	Livestock and Rangelands Development Project in the Eastern Region - Phase II	LIVST	6 361	11 Sep 03	08 Nov 04	31 Dec 10	30 Jun 11	IFAD/IFAD	98	-
WCA	Benin	1211	Participatory Artisanal Fisheries Development Support Programme	FISH	10 009	06 Dec 01	19 Feb 03	30 Jun 11	31 Dec 11	IFAD/IFAD	42	-
WCA	Burkina Faso	1220	Community Investment Programme for Agricultural Fertility	AGRIC	12 067	11 Sep 03	22 Oct 04	30 Jun 12	31 Dec 12	IFAD/IFAD	97/74	53
WCA	Congo Rep.	1216	Rural Development Project in the Plateaux, Cuvette, and Western Cuvette Departments	RURAL	11 909	21 Apr 04	27 Oct 04	31 Dec 11	30 Jun 12	IFAD/IFAD	95	87
WCA	Côte d'Ivoire	1133	Small Horticultural Producer Support Project	RURAL	11 174	04 May 00	11 Sep 01	31 Dec 11	30 Jun 12	IFAD/IFAD	87	70
WCA	Senegal	1219	Agricultural Development Project in Matam - Phase II	RURAL	12 508	10 Apr 03	01 Nov 03	31 Dec 11	30 Jun 12	IFAD/IFAD	56	-
WCA	Senegal	1287	Agricultural Services and Producer Organizations Project - Phase II	RSRCH	6 300	14 Sep 06	06 Feb 07	31 Mar 11	31 Jul 11	World Bank: IDA	95	-

Annex II
Tools for measuring portfolio performance and project outputs

A. Overview

1. The portfolio review allows for the aggregation of the results to represent the entire portfolio on an annual basis. The process, the results of which are presented annually in this corporate report and the divisional reports is a continuous process at the operational and management level, and is one of the main management tools used by CPMs, PMD management and senior management to monitor and self-assess the performance of the portfolio during implementation. This includes measuring outputs, assessing efficiency, effectiveness and impact, identifying problems and appropriate solutions, mitigating deteriorating trends and drawing lessons and experiences. The formal departmental portfolio review is carried out annually, covering the period 1 July to 30 June of the previous year. Some regional divisions have also instituted more informal mid-year reviews as a complement to the annual review.

2. The shift to direct supervision and the establishment of country offices have helped IFAD become more responsive to project needs and changing country circumstances. Currently some 93 per cent of the portfolio is being directly supervised and 40 country offices have been approved by the Executive Board. These operational changes have led to swifter identification of performance-related risks and a more honest assessment of project-related problems and progress. All review tools now feed into the integrated Results Measurement Framework; therefore, a results focus is incorporated into all aspects of IFAD's operational work and the associated monitoring and portfolio review systems. The annual review of the portfolio performance focuses on the results produced by the portfolio under Level 2, 3 and 4 of the RMF (country level outcomes, key outputs that underpin the country-level outcomes and the quality of country programme and project design and implementation).

3. At the level of country programme and project outcomes, the results are primarily from the review of the Project Completion Reports (PCR). For country programme and project outputs, the results are derived from the Results and Impact Management Systems (RIMS). For the quality of project design and implementation, information is drawn from the Quality Assurance reviews, from the corporate information systems such as the Project and Portfolio Management System (PPMS), Grants and Investment Projects System (GRIPS)[1] and the Loans and Grants System (LGS), and reporting tools used to supervise the ongoing portfolio such as the Project Status Report (PSR), Grant Status Report (GSR) and the Country Programme Issues Sheets (CPIS).

4. The processes are coordinated by the PMD Front Office and the Portfolio Review Group (PRG). The PRG was established with representatives from PMD divisions (all the regional divisions, PTA, ECD and the Front Office). The PRG was entrusted with reviewing the Portfolio Review Guidelines and building ownership of the process across PMD divisions. The PRG fosters a more thorough and critical review process at divisional/departmental level, deeper analysis of the data and information produced through the portfolio review process and better quality reports. The PRG also decided on changes and updates to the structure of the divisional portfolio performance reports to keep up with the changing nature of programmes and other global/regional trends, particularly revisions of the criteria for the PSR/GSR ratings.

5. Online corporate tools that have been mainstreamed into the review process include the PSR Online and the RIMS Online systems that have been used across the portfolio and allow for more coherent analyses of data and facilitate comparison across indicators and divisions to ensure consistency in reporting. In addition, the Operations Dashboard that was developed in 2010 enables staff and management to monitor and track the characteristics and performance of the portfolio in real time.

6. With regard to the rigour of the review tools, all divisions have instituted different quality check mechanisms to assess and review PSR ratings after supervision missions and before finalising the ratings for the divisional reviews. These include interviews between CPMs and portfolio advisers or peer review within divisions or with PDMTs. Three of the regional divisions have introduced a structured peer review process after each supervision, providing additional quality control on both the

[1] Implemented during the second quarter of this year; first as a repository of information on stand-alone grants, and will be expanded to include the investment projects now managed through PPMS.

supervision report and PSR ratings. The other two regional divisions are planning to adopt something similar.

7. At the departmental level, statistical tests are conducted to exam the distribution of ratings within divisions and to identify discrepancies. Anomalies are discussed during the divisional portfolio reviews and adjustments made to the ratings as necessary.

8. **Project reviews** are undertaken by governments, project staff and IFAD staff and consultants on a periodic basis during supervision and implementation support missions. The information generated is presented in the supervision report, which is the principal source for the end of the period PSR. **Country programme reviews** assess country strategies and programmes in an integrated manner, identify common implementation issues and analyse the combined effect of all IFAD supported project and non-project activities in a country, including knowledge management and policy dialogue. RB-COSOP review workshops form an important element of this review. Other sources include country programme evaluations and country programme assessments. Video conference (or other electronic means) was used for discussions with country teams located in IFAD Country Offices. In some instances, the headquarters portfolio review team took the review to the field, gathering ICO teams at one of the field offices for country level reviews.

9. **Divisional portfolio reviews** are undertaken to discuss common implementation issues, review institutional arrangements with major partners, discuss implementation performance, suggest improvements and encourage knowledge management. These reviews highlight innovations and the up-scaling of best practices, and assess the impact of regional trends and events. They also serve as a "quality control" mechanism for the project assessments, ensuring consistency and candour in reporting at the project and programme level across the division. This culminates in the divisional portfolio reports, which are submitted to the AVP/PMD. Along with this corporate review, the divisional review documents are now disclosed.

10. The PMD Front Office and AVP/PMD then review the reports and conduct divisional review meetings. The meetings focus on lessons learned, identification of problems and trends, consistency of reporting (including through the statistical tests, PSR reviews mentioned above), corrective action and forward planning. The **Departmental Review** (this report, the Annual Review of Portfolio Performance) by the AVP/PD consolidates reporting on the regional portfolios. It focuses on the quality and impact of the portfolio of loans and grants, giving particular attention to problem-projects and lessons learned, and reports progress in terms of impact and results across the different levels of the Results Measurement Framework. This also feeds directly into the Report on IFAD's Development Effectiveness (RIDE).

11. The major portfolio review tools used during the review process, which underpin the information and results in this report, are briefly outlined below. A summary of the main findings with respect to this year's review is also provided.

B. Country Programme Issues Sheet

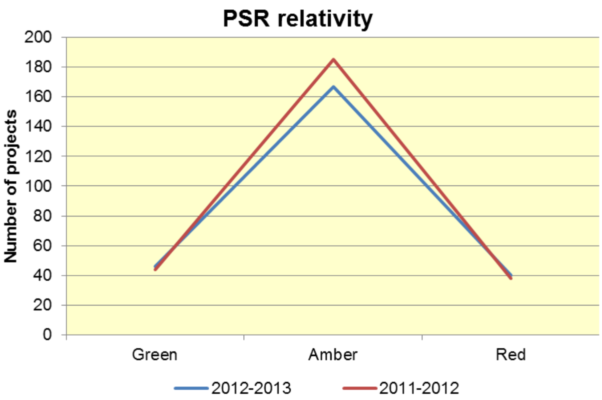
12. The CPIS is a synthetic document prepared by the country team which summarizes the issues that affect implementation of the country programme, articulating synergies between the various interventions and highlighting opportunities and weaknesses. A section summarizing the country programme's progress with respect to achieving targets and risks and mitigation strategies is included. The CPIS also includes a section for rating the country programme with respect to four key indicators measured under the Corporate Results Framework: increased incomes, improved food security, empowerment and aid effectiveness. The CPIS helps to contextualise the projects, taking into account other IFAD supported-projects, policy dialogue at country level, partnerships and country-wide implementation issues.

13. This year the CPIS was completed for 99 countries, countries in which there are no current operations or which have recently re-engaged with IFAD are not required to complete the CPIS. Over the years, the quality of the CPIS has improved significantly, in particular the identification and analysis of both cross-cutting opportunities and threats. IFAD supervision of its projects and its in-country presence are the major factors contributing to a more holistic approach to country programmes. The CPIS ratings for increased incomes and food security were found to be in line with the PSR indicators of physical/financial assets and food security. On average, the PSR ratings were less than one-quarter of a point higher than the CPIS, i.e., a difference of 3.9% and 6.3%, respectively.

14. The CPIS ratings were also compared to similar indicators from the client survey.[2] Respondents to the client survey rated the IFAD country programme higher for all indicators: increased incomes (0.86); food security (0.91), empowerment (0.58); and harmonization/aid effectiveness (0.34).

C. Project Status Report (PSR)

15. The PSR focuses on rating implementation performance, identifying key risks and defining agreed follow-up actions. The PSR is an integral part of the documentation for supervision, and provides managers with a snapshot of project implementation performance. It also provides the basis for much of the analysis of the regional and IFAD-wide portfolios. The indicators contained in the PSR are grouped into four quadrants: fiduciary aspects, implementation progress, outputs and outcomes and sustainability. In line with the CMR, the PSR also includes ratings for project progress in increasing physical/financial assets, improving food security, and innovation and learning. PSRs are obligatory for projects that were under implementation for all or part of the reporting period and which had been effective for more than six months. This year, PSRs were completed for 267 projects.[3]



16. Over the last few years, the process has improved due to a strong focus on consistency and rigour in the ratings and in the reporting. The statistical tests conducted to determine the consistency of PSR ratings revealed that all divisions have accurately identified the problem projects. For a few indicators, regional divisions were requested to review ratings and make changes to the PSR when warranted. The graph shows the number of projects categorised according to whether the average is one standard deviation greater than the average ('green"), within one Standard Deviation (STD) of the average or less than one STD from the average ("red"). For both review periods, the curves are virtually identical for the 'amber' category, although there has been a decrease of two projects in absolute terms of 'green' and 'red' projects during this review period, in percentage terms the decrease was only about 4%..

17. Other statistical analyses performed include ranking of PSRs by region and the overall portfolio points to atypical PAR ratings. Regional comparisons of averages for each of the PSR ratings are also made that shows areas of both strengths and weaknesses within the portfolio. Weighted averages for each indicator by region are also calculated in order to indicate areas where the regional portfolio is performing more or less better than the average. These analyses are used during the portfolio review meetings.

D. Results and Impact Management System

18. Implementation of RIMS commenced following its approval by the Executive Board in December 2003 (document EB 2003/80/R.6/Rev.1). The first results were reported to the Executive Board in 2005. A rating-based approach for reporting second-level results was introduced in 2007, and reported in 2008. The first level results measure financial and physical progress; they are quantitative (numbers and percentages, e.g., kilometres of roads constructed/rehabilitated) and are reported on an annual basis. These indicators are measures of results at either the activity, or output levels of the logical framework (Logframe).

19. The RIMS second-level results (outcomes) look at the extent to which project activities were successful in reaching their expected results — assessment of effectiveness — and at the extent to which the benefits of project initiatives are likely to be sustainable after the end of project support — assessment of sustainability. It is recommended that 2nd level reports are provided after mid-term or after the third year of project implementation. IFAD encourages projects to honestly assess second-level results taking into consideration all available information. Poor results should be used to identify corrective actions and therefore increase the likelihood that development objectives will be achieved. Projects choose the most suitable method for measuring second-level results based on local context and characteristics, including that of existing monitoring and evaluation systems and secondary data sources. The ratings-based approach also better aligns RIMS reporting with self-assessment and evaluation processes.

[2] A CPIS was completed for 33 countries that qualified for the client survey.
[3] PSRs are completed for projects that were effective for at least six months during the review period.

20. Reporting at the third level (impact) measure the combined effects of the first and second level results. The RIMS impact manual identifies five anchor indicators around which project impact can be measured: household asset index, child malnutrition, female/male literacy, access to safe water, and access to improved sanitation (the first two - household assets and child malnutrition - are mandatory indicators). Projects are encouraged to conduct surveys (one at the beginning and one at completion) to measure changes in the indicators. Alternately, projects can also provide results based on data gleaned from other secondary sources (UNICEF/World Bank surveys/datasets).

21. For the year 2012 (projects report on the first and second level annually), a total of 199 projects provided RIMS data, i.e., 94% of projects required reported on 1st level indicators and 133 reported on 2nd level indicators, or about 90% of those required. The 199 reports received represent a 13% increase from last year's compliance for first level indicators, but only a slight increase in terms of the projects reporting second level indicators. The projects reporting first level indicators cover about 78 per cent of the ongoing portfolio, while the projects reporting on second-level indicators represent slightly more than 50 per cent of the ongoing portfolio.

RIMS reporting compliance

	1st level			2nd level		
Region	Due	Reported	Not reported	Due	Reported	Not reported
APR	47	46	1	34	33	1
ESA	46	43	3	31	24	7
LAC	31	26	5	20	19	1
NEN	41	39	2	31	28	3
WCA	47	45	2	31	29	2
Total	212	199	13	147	133	14

22. The results reported under RIMS are used for a variety of corporate reporting purposes, but principally through the RIDE to report on established results indicators. Data reported under RIMS is extrapolated to estimate results across the entire portfolio. From a portfolio management perspective, an encouraging trend can be noted since the inception of RIMS — fewer first level reported are 'unplanned', i.e., an annual target was established before the results are reported, and more of these results are being achieved.[4]

23. This year saw continued emphasis on obtaining comparable outreach figures from reporting projects. Outreach figures can be difficult for project management units to measure with total accuracy and to avoid double counting. Outreach data, however, is key in terms of estimating the number of people that IFAD has lifted out of poverty. In this respect, greater efforts have been made to determine the total number of people in the household benefitting from IFAD interventions.

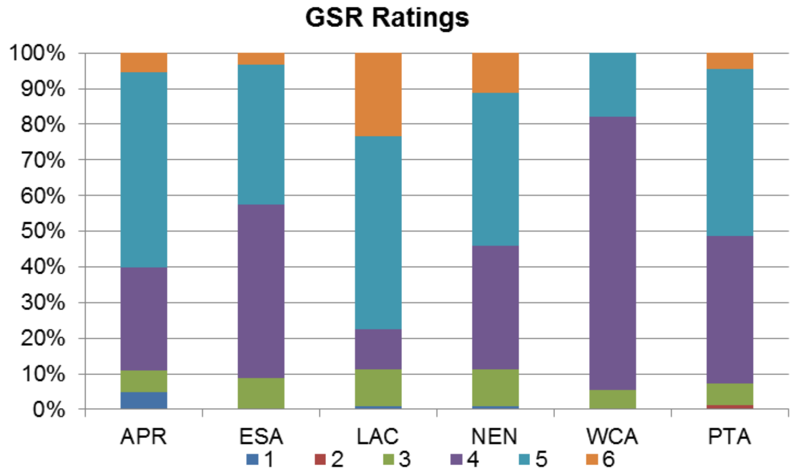
24. There has been a concerted effort to conduct baseline surveys and RIMS benchmark surveys, capturing impact indicators across the portfolio. There has also been a focus on tracking the surveys conducted and the planning for future surveys, with individual follow up across the portfolio for recently effective projects. By the end of the review period, baseline surveys had been conducted for about 150 projects. Completion surveys have been undertaken for 28 of these projects. All survey reports are available in IFAD headquarters, and the back-end datasets are also being tracked. IFAD is currently on track to report on the impact achieved for individual projects along three key dimensions: child malnutrition, ownership of assets and food security, as indicated in the Results Measurement Framework. It is anticipated that by 2015, IFAD will report on the impact achieved through its operations, building on the results from a sizeable number of completion surveys as well as findings from targeted impact surveys carried out by the Statistics and Studies Division. This is in line with the commitments made during the Ninth Replenishment Consultation.

25. As RIMS data is dependent on project M&E systems, indeed most of the information should be drawn directly from such systems, improvements to project M&E systems is a necessary condition for better reporting under RIMS. IFAD project designs and early implementation support need to focus on establishing functioning M&E systems, which will allow project managements to submit timely and accurate reports in compliance with RIMS.

[4] Results are considered achieved when the annual target is met or exceeded, mostly met if at least 70% of the target is achieved, otherwise they are considered below.

E. Grant Status Reports

26. GSRs were completed for 87 large grants (i.e., those approved by the Executive Board). The Policy and Technical Advisory Division has the largest number of grants (both large and small) in its portfolio, accounting for about 32 per cent of the GSRs submitted. APR has the next largest portfolio, about one-third of grants managed by regional divisions. Only three GSRs were for grants stemming from the "country" window. The average duration (i.e., from entry into force to 30 June 2013) of the large grants was about two years and four months.



27. The averages for the GSRs cluster around 4.4, signally a portfolio that is somewhat more than moderately satisfactory. Fewer than 15% of the GSRs had an average score of less than 4. Grants managed by the LAC region were rated the highest. Of the GSRs where nine or more indicators were rated (84), gender focus was rated on average the lowest at 4.27 followed by the quality and timeliness of financial reporting averaging only 4.34, a slight increase from last period, whereas 'relevance' received the highest average score of 4.67 followed by innovation at 4.63. Unlike the PSR ratings, there is little dispersal of the ratings, a few grants receive scores of 1 or 2, but most ratings cluster around 4 or 5, as shown in the chart, some 84% of the indicators are rated 4 or 5.

F. Project completion reports

28. As part of the IFAD General Conditions for Agricultural Development Financing, a project completion report (PCR) is prepared at the end of the project. The final report is submitted by the date stipulated in the financing agreement, normally within six months of the completion date. The guidelines for preparation of the PCR are aligned with the Methodological Framework for Evaluation. Project performance is assessed in terms of standard evaluation criteria: relevance, efficiency, effectiveness, impact, sustainability, innovations, replicability and up-scaling, performance of partners and lessons learned. Once the report is submitted, the PCR is reviewed in-house at IFAD HQ. In terms of the process, external consultants are used to objectively assess the project results and impact across the criteria. Guidelines are in place for both the preparation of the report by the project (to ensure quality, comprehensiveness and coherence) and for in-house review in IFAD headquarters (to ensure rigour during the review and rating process).

29. While the assessment template used for assessing the performance of the completed projects has been presented in Appendix 1, the characteristics of the PCRs reviewed in the current review period is presented in Annex III.

Annex III
Portfolio Characteristics and Status[1]

The Project Portfolio

A. Approvals

1. During the period July 2012 to June 2013 (period under review), 28 new projects were approved for financing, bringing the total number of projects approved by IFAD to 926[2] and the amount approved to almost US$14.0 billion.

2. In number terms, approvals by region during the last five years show little variation compared to long-term totals (1978-2013). Variations of plus or minus 1% have been the trend for the last few years, indicating that the spread of projects across the regions has remained stable over the years. Of the 28 projects approved, 11 were for Sub-Saharan African[3] (SSA) countries (39% of the total, down somewhat from medium and long term averages). In the last five years, 43% of projects approved were for that region. Some 61% of the projects approved during the period were directed to the poorest countries, i.e. lending on highly concessional terms or grant financing under the Debt Sustainability Framework. Due to the increased number of countries that have moved from highly concessional or grant financing to blend (intermediate) or ordinary terms, the average during this period is lower than the long-term average of 73%.

Table IV-1 Projects Approved in the Last Five Years
(Period 1 July to 30 June)

						Total 2009-2013		Total 1978-2013	
Region	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**Number**	**%**	**Number**	**%**
West and Central Africa[4]	9	6	6	8	7	36	23	204	22
East and Southern Africa	8	5	5	6	4	28	18	173	19
Asia and the Pacific	8	7	7	8	9	39	25	231	25
Latin America and the Caribbean	4	6	4	7	5	26	16	156	17
Near East, North Africa, and Europe	5	7	8	6	3	29	18	162	17
Total	**34**	**31**	**30**	**35**	**28**	**158**	**100**	**926**	**100**
of which Sub-Saharan Africa (SSA)	**17**	**13**	**12**	**15**	**11**	**68**	**43**	**405**	**44**

3. IFAD financing amounted to US$860 million for the 28 projects and "top-up" financing approved during the period under review, bringing the total amount of IFAD financing over the last five years just below US$4.0 billion. In terms of the value of financing, APR and ESA received the highest share over the last five years (32% and 23%, respectively). Both ESA and WCA have seen an increase in their five-year share relative to the long-term average, up by about 3%. Financing of projects in sub-Saharan countries during the 2012/2013 period was about US$344 million equivalent to about 40% of funds committed; and although below the five year share of 46%, it is equal to the long-term figure. It is expected that the long-term share of financing to sub-Saharan Africa will continue to hover around 40% in coming years.

4. Complying with the *Lending Policies and Criteria for IFAD Financing*, which states that "the largest portion of the Fund's resources should be on highly concessional terms", financing of projects on highly concessional or grant terms was US$580 million or about 67% of financing during the period, below both the five year average (76%) and the long-term average of 74%. Although the core of IFAD financing is directed towards the most impoverished countries, in the last year efforts to engage countries with more advanced economies and in particular middle income countries have borne fruit. In addition, as countries with large allocations under the Performance Based Allocation System (PBAS, e.g., China) graduate to intermediate or ordinary terms, the value share of highly concessional or grant financing may decline.

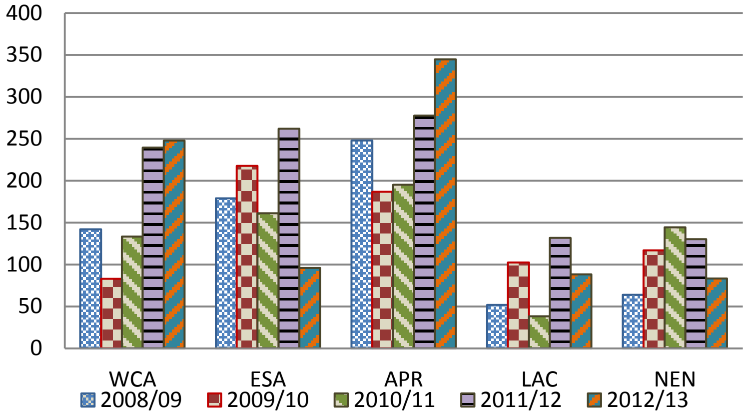
[1] This review covers the period 1 July 2012 to 30 June 2013; the same period as covered by the portfolio reviews of the regional and technical divisions.
[2] Net of fully cancelled projects.
[3] Includes all countries in WCA and ESA regions, as well as Djibouti, Somalia and the Sudan.
[4] Includes GASFP financed project in Sierra Leone to which IFAD has contributed no financing but has responsibility for supervision.

Table IV-2: Value of projects approved in the last five years[a/]
(US$ million, Period 1 July to 30 June)

Region	2008/09	2009/10	2010/11	2011/12	2012/13	2008/09-2012/13 Value	2008/09-2012/13 %	1978-2013 Value	1978-2013 %
West and Central Africa	142	83	133	239	248	845	21	2 580	18
East and Southern Africa	179	218	161	262	96	915	23	2 754	20
Asia and the Pacific	248	187	195	278	345	1252	32	4 516	32
Latin America and the Caribbean	52	102	38	132	88	412	10	1 942	14
Near East, North Africa and Europe	64	117	144	130	83	538	14	2 206	16
Total amount of IFAD financing	**684**	**706**	**672**	**1 041**	**860**	**3 962**	**100**	**13 998**	**100**
of which Sub-Saharan Africa (SSA)	**321**	**316**	**311**	**511**	**344**	**1 803**	**46**	**5 629**	**40**

a/ Top-up financing shown in the approval year.

Chart IV-1: Financing by region 2008/09 to 2012/13



5. As shown in Table IV-2 and Chart IV-1, approved financing[5] by region fluctuates year to year. It is expected that financing for the next three periods will be on par with this year's period. During this review period, financing in APR and WCA increased from the previous period; while financing in the other three regions was down from the previous year. ESA shows the biggest decline, just above one-third of the previous year's commitments and only about half of the five year average for the region. Declines in LAC and NEN were less sharp, about two-thirds as compared to the previous year; LAC financing for this year was about equal to the five year average and NEN's was above three-fourths of the average. Average financing during the period under review was about US$30.7 up slightly (3%) from the last period (see Attachment I, Table A). Financing for populous and well performing countries is above this average. The implications of larger projects on project development, implementation support and supervision will continue to be monitored in the coming years.

6. IFAD's financing shows a fair level of dispersion. Of the US$7.3 billion approved during the last thirteen years (period 2000/01 to 2012/13), rural financial services and credit took the largest chunk (16%), followed by marketing and related infrastructure (15%), project management/coordination (13%), policy and institutional development (10%), community driven development (8%), research, extension and training (8%) (Attachment I, Table D)[6]. The percentages have changed very little over the past five years.

Table IV-3: Top-up financing (US$ million)

Region	2008/09	2009/10	2010/11	2011/12	2012/13	Total
WCA	-	9	46	11	50	116
ESA	6	54	-	10	18	88
APR	-	30	3	5	14	52
LAC	3	22	-	19	-	44
NEN	4	8	3	9	24	47
Total	**13**	**122**	**52**	**55**	**105**	**347**

7. **Top-up financing**. Over the last five review periods, IFAD has provided additional financing ("top-ups") to 42 existing projects mainly as a means to fill funding gaps or increase out-reach. The value of this financing totals US$347 million, during the period under review some US$105 million was approved for eleven projects. The largest top-up was for a project in Burkina Faso, for US$29 million, which had been foreseen in the original project design. The use of top-up financing helps to maintain the size of the portfolio at a manageable level; and only limited design costs are incurred. However, greater efforts need to be made to ensure rapid entry into force of the top-up financing and to effect faster disbursement, so as to reduce the need for extensions and cancellations. More rigorous criteria for the submission of top-up financing is expected to be put in place later beginning 2014 and will address *inter alia* these concerns.

5 Includes loan, DSF and loan component grant financing.
6 A wide fluctuation across activities continues to characterise annual approvals and thus the trend can be discerned only over a longer period with 3 or 4 year averages.

B. Current Portfolio

8. The current portfolio (i.e., projects approved but not completed) has remained fairly stable in number terms over the last three years, varying by only about 3%; however, in value terms the current portfolio increased by some 19% as compared to 2010/2011 and 6% as compared to the last period. The current portfolio shows trends similar to approvals but with some differences. APR continues as the largest portfolio, followed by ESA. In terms of financing, APR represents 31.6% of the current portfolio, reflecting the larger projects in the region. The financing share for WCA is somewhat lower than its project share (19.6% as compared to 21.7%) indicating smaller projects in that region. With about 75% of PBAS resources allocated to the two Africa regions and APR, the trend in terms of value shares of the portfolio is expected to continue. The value share of the current portfolio directed towards Sub-Saharan Africa stands at about 44%.

Table IV-4: Current portfolio by region (US$ million)[a/b/]

Region	01/07/20011				01/07/2012				01/07/2013			
	No. of projects	% of Total	IFAD Fin.	% of Total	No. of projects	% of Total	IFAD Fin.	% of Total	No. of projects	% of Total	IFAD Fin.	% of Total
WCA[c/]	57	22.0	833	17.3	58	21.6	991	18.2	58	21.7	1 126	19.6
ESA	52	20.1	1110	23.0	55	20.4	1 328	24.3	53	19.9	1 321	22.9
APR	59	22.8	1484	30.8	61	22.7	1 618	29.7	65	24.3	1 819	31.6
LAC	40	15.4	615	12.7	43	16.0	669	12.3	45	16.9	683	11.9
NEN	51	19.7	782	16.2	52	19.3	851	15.6	46	17.2	810	14.1
Total[/]	**259**	**100.0**	**4 824**	**100.0**	269	100.0	**5 457**	**100.0**	**267**	**100.0**	**5 760**	**100.0**

a/ The value of top-up financing shown in the approval year. Includes grant and loan financing. Fully cancelled projects not included.
b/ Annual variations of current portfolio reflect cancellations, early completion, etc.
c/ Includes a project in Sierra Leone approved under the GAFSP for which IFAD is the supervising institution but does not provide financing from its own resources.

9. The number of projects exiting the portfolio increased during this review period, from 25 last year to 30; while the number of projects approved was down slightly (see Chart IV-2). The completions this year have resulted in a long-term (ten year) completion to approval ratio of 87% for the portfolio overall (down slightly from last year's 89%) The LAC portfolio has the highest approval to completion ratio at 100%, with APR the lowest at 76%. The lower completion ratio in the APR region may be partly explained by the relatively large number of projects approved this year and last. The ratio for the current portfolio should converge towards parity over the next three years as some 125 projects are scheduled to be completed. Efforts will continue to close non-performing projects and to reduce the number of extensions (see also Table IV-8) with a view towards increasing the ratio to above 100%. The number of projects that entered into force (became effective) during the period was slightly above approvals, but is likely to reach parity with approvals in the coming years, mainly due to the change in the General Conditions (see also Attachment I, Table B).

Chart IV-2: Projects approved, effective and completed

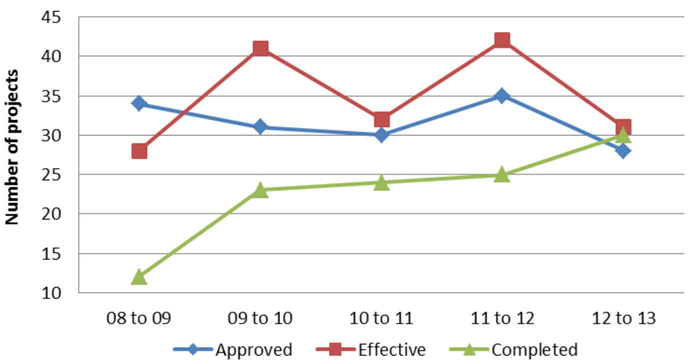
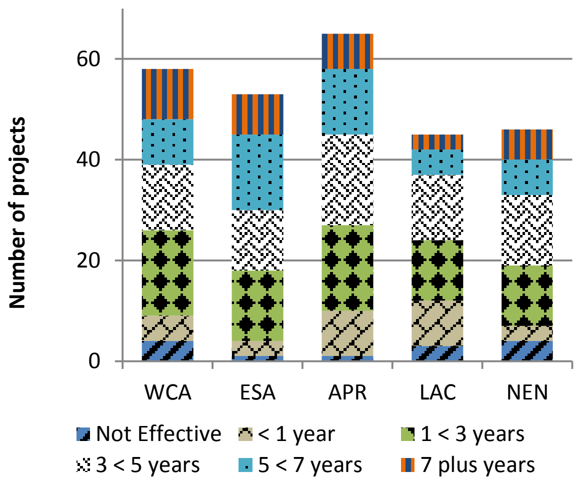


Chart IV-3: Age of the portfolio by region



C. Age of the Portfolio

10. As shown in Chart IV-3, the portfolio is aging slightly as compared to last year; but is still relatively young, with less than half of projects in the current portfolio either not effective or under implementation for less than three years. LAC has the youngest portfolio, 53% of projects are less than

3 years old. About 16% of the overall portfolio is not effective or has been under implementation for less than one year. Almost one-third of the projects are five years or older. These ‘older’ projects are concentrated in WCA, ESA and APR (see also Attachment I, Table C).

D. Signing and Entry into Force

11. During this review period, good progress was made in reducing the number of projects that have not yet entered into force. As at the end of June 2013, only thirteen approved projects have yet to enter into force, down from 17 during the last review period. Financing agreements for six of which have already been signed. Only two of the unsigned agreements were approved more than one year ago, and IFAD is following up on those agreements that remain unsigned, in particular those that have remained unsigned for more than one year.[7] About $343 million of financing has yet to enter into force. The non-effective projects cover Board approvals from December 2011 to April 2013. Of the six that have not yet entered into force, all but two were approved after 2011.

12. Financing agreements for 33 projects[8] were signed during the review period, valued at US$878 million. Of those, 22 were signed within four months of approval; two projects (in Brazil) that had been approved in 2009 were also signed during the period. It took an average of about six months from Executive Board approval to signature for all projects signed during the review period; however removing the two projects approved in 2009, reduces the average to just more than 4 months. The time to signing has shown a consistent improvement in recent years. Because of the link between signing and entry into force, greater efforts need to be made before and after approval to effect signing of financing agreements more quickly and to ensure implementation readiness at signing.

13. Thirty-one (31) projects, with IFAD financing of $812 million entered into force during the review period, about 10 less than the last review period. The average time elapsed between Board approval and entry into force was 8.3 months, somewhat above last year’s average but well below the five year and long-term average of 12.0 months (Table IV-5). LAC continued to take significantly longer than the rest of the portfolio – about double the portfolio average for this review period, but lower than the region’s short and medium term (at 18.6 months and 17.6 months, respectively). The length of time reflects more complicated signing/ratification processes in the countries of the region. Most of the delays can be attributed to delays in signing. Performance in three regions improved, notably in WCA and ESA where the time elapsed to entry into force during this period was less than four months, however, the period rose slightly in APR, but still well below medium and long-term averages.

Table IV-5: Average time elapsed between Board Approval and entry into force (months)
Only projects that became effective during the period, July-June

						Average	
Region	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2008-2013**	**1978-2013**
WCA	8.7	11.5	10.4	5.7	3.7	8.5	12.9
ESA	6.0	11.0	7.2	5.9	3.6	7.3	11.2
APR	13.1	9.8	6.2	3.6	5.0	7.3	8.8
LAC	25.1	23.4	13.2	14.9	16.5	18.6	17.6
NEN	11.2	6.8	5.7	10.3	7.4	8.8	11.2
Total	**13.7**	**12.4**	**8.5**	**7.6**	**8.3**	**10.0**	**12.0**

14. IFAD country offices have proven to be an important instrument to resolve issues surrounding entry into force. Close to half (15) of the projects that entered into force during the period under review were located in countries with an operational country office. The elapsed time between approval and entry into force for these projects was about one month longer than the average during this period due to two ‘older’ projects in Brazil. It is worthwhile noting that a third project in Brazil entered into force this year with an elapsed time of about one month longer than the average – a significant reduction.

E. Ongoing Portfolio

15. At mid-year 2013, the ongoing portfolio comprised 254 projects, with a value of IFAD financing of about US$5 418 million. While the number of projects remained virtually the same, the value increased by about 6% over the last period. Since mid-year 2009, the ongoing portfolio has increased by 61 projects and US$1 959 million in terms of IFAD financing. Over the last five years, the portfolio

[7] Financing agreements have not been signed more than one year after approval for Bosnia and Herzegovina (#1593) and Uzbekistan (#1606).
[8] Does not include signing of top-up instruments.

has increased by about 21% in number terms, and somewhat more than 50% in value terms, further indicating the trend for larger financing per project.

16. The size of the ongoing portfolio has been stable for the last two years and is expected to remain so over the near term due to the relatively constant programme of work, and the practice of "over designing", i.e., projects that can absorb additional resources based on fulfilment of triggers defined during the final design. Along with approvals, the main drivers of the size of the ongoing portfolio are the number of projects that enter into force and that are completed. Through its portfolio review process, PMD is making efforts to identify and possibly complete early non-performing projects. These numbers will be carefully monitored to ensure the availability of adequate and appropriate human resources for efficient and successful project supervision and implementation support.

Table IV-6: Ongoing portfolio (US$ million)
(Period July-June)

	at 1 July 2009		at 1 July 2010		at 1 July 2011		at 1 July 2012		at 1 July 2013		Variance 2009-2013	
Region	**No.**	**IFAD Fin**	**No.**	**IFAD Fin**	**No.**	**IFAD Fin**	**No.**	**IFAD Fin**	**No.**	**IFAD Fin**	**No.**	**IFAD Fin**
WCA	46	584	50	638	54	783	55	889	54	935	8	351
ESA	45	774	50	947	50	1 090	55	1 328	52	1 318	7	544
APR	48	1084	53	1 276	54	1 348	59	1 532	64	1 768	16	684
LAC	31	537	33	531	33	505	36	531	42	642	11	105
NEN	40	592	42	637	45	683	48	811	42	755	2	163
Total	**210**	**3 571**	**228**	**4 029**	**236**	**4 410**	**253**	**5 091**	**254**	**5 418**	**44**	**1 847**

Note: Ongoing portfolio includes projects that have entered into force but not yet completed.

F. First disbursement

17. IFAD continues to fulfil its fiduciary responsibility in terms of defining conditions for disbursement and in judging whether the project institutional framework is acceptable for start-up. To that end, the period between approval and first disbursement was introduced to measure performance in this respect. This replaces effectiveness lag as an indicator of project readiness. The first disbursement was made to 41 projects[9] during the review period, slightly more than in the previous period. Significant progress was made during this review period in shortening the time to first disbursement. For projects with a first disbursement in 2012/13, the average between approval and first disbursement was 15.2 months as compared to the historic IFAD average of about 18.7 months, and about two months shorter than in the previous year. The seven projects financed through ordinary term loans took, on average, 21.9 months from Board Approval to first disbursement. Projects financed through both a loan and grant ('yellow') were the quickest at 10.8 months. Projects in LAC and NEN, six in each region, took an average of almost two years for first disbursement (23.5 and 24.8 months, respectively). First disbursement for the project jointly financed with the World Bank Multi-Donor Trust Fund (MDTF) in the Sudan (#1476) took the longest, however, it was foreseen during the design that disbursements would first come from the MDTF and that IFAD disbursements would not begin until 2012; in addition, disbursement was further delayed pending the extension of the cooperation agreement between IFAD and the World Bank. IFAD will seek to further improve its procedures and systems to effect these first disbursements more quickly, without compromising its oversight responsibilities.

G. Completions and extensions

18. Thirty projects were completed during the period under review, of which 14 had been extended beyond the original implementation period, and two of which were completed before their scheduled completion date. The average implementation period for projects completed this year was 7.4 years (in line with trends in the last five years), see Table IV-7. The time over-run rose decreased slightly this year from 12% to 10% this year, slightly the five year-average and but well below the long-term average of 29%.

[9] 49 loans/grants.

Table IV-7: Projects completed (2008 to 2012)

	2008/09	2009/10	2010/11	2011/12	2012/13	2007/12	1981/12
Number of projects	13	22	24	25	30	114	659
of which completed early	1	3	2	0	1	7	30
Expected duration (years)	6.7	6.7	6.7	6.7	6.7	6.7	5.5
Period of extension (years)	0.3	0.7	1.1	1.1	0.7	0.8	1.6
Actual project duration (years)	6.9	7.4	7.8	7.9	7.4	7.5	7.1
Average time overrun (%)	4	10	16	17	10	12	29
Extended Projects							
Number	4	10	15	13	14	56	462
Percentage	31	45	63	52	47	49	70

19. The projects completed during the period under review had an average disbursement of 94% (of the original loan amount) at completion, which is well above the average disbursement rate of 85% for closed loans over the last ten review periods. Since not all the loan accounts have been closed, it is expected that the disbursement rate will increase somewhat.

20. Extensions are seen as an important portfolio management tool, granted in cases where implementation activities were slow to start but for which clear improvement has been evident and thus an extension is warranted. During the period under review, project completion and closing dates were extended for 14 projects. The average duration of the extensions was just under 16 months. The average expected implementation period for these projects is almost 8 and one-half years, above the IFAD average for completed projects of 7.1 years. The relatively high average can be partially explained by the inclusion of two FLM projects in this cohort, for which the original expected implementation period was twelve years

21. Ten projects were extended for the first time, two of which have had top-up financing approved. No further extensions are likely to be approved for projects that had already been extended as diminishing returns to project implementation, including disbursements, will begin to set in for any future extensions.

H. Cancellations

22. Cancellations of financing during the period are estimated at SDR27.5 million, down by 40% from the previous period. The 2010/2011 period was the only time during the past five years that posted cancellations during implementation[10]. To reduce the level of cancellations at completion, greater efforts need to be made with government to identify non-performing activities and take the necessary action. This is not an easy decision, however, it is needed in order to achieve better results. See also the regional breakdown in Attachment I, Table F.

Table IV-8: Cancellations during the review period (2009 to 2013, SDR million)

	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Fully cancelled		26.90	23.85	11.70	10.90	73.35
During implementation			8.76			8.76
After completion	26.21	35.95	25.80	34.56	16.67	139.20
Total	26.21	62.85	58.41	46.26	27.57	221.30

Source: Loans and Grants Systems (LGS

I. Suspensions

23. Three loans in the Sudan were suspended during the previous period and the suspension lifted for all 17 October 2012. Five loans in Mali were twice suspended, but the last suspension was lifted for all the loans on 30 May 2013. The only loan still suspended is Venezuela 771, suspended on 4 April 2013 due to delays in the submission of audit reports.

J. Disbursements

24. Some US$702 million (historical exchange rates) was disbursed[11] during the period under review, an increase of 16% over the last review period. Disbursements in ESA increased by almost 75%, led by disbursements (loan and DSF grant) to the Rural Financial Intermediation Project in Ethiopia of about US$48.7 million. NEN disbursed about 45% more than during the previous review period and disbursements in WCA increased by some 26%, while those APR and LAC dropped by

[10] Cancellations made more than six months before the completion date are considered "during implementation".
[11] Includes loan, component and DSF grant financing for investment projects.

22% and 13% respectively. The top ten disbursing projects accounted for just more than 20% of all disbursement during the period. ESA had the highest disbursing project (Ethiopia #1521) at about US$48.72, mostly for incremental credit and posted six projects in the top ten disbursing projects. APR the traditional leading region in terms of disbursement posted three projects in the top ten, while one in WCA was third.

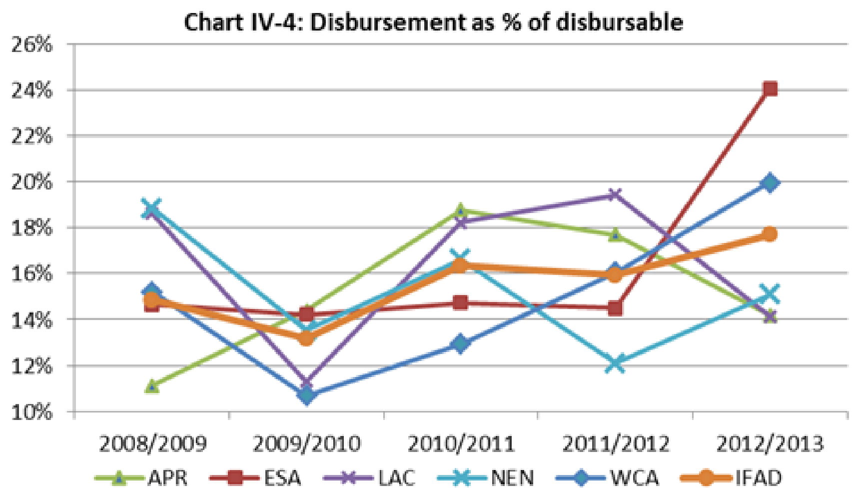
25. For the total portfolio, average disbursement per project[12] stood at about US$2.72 million; more than 17% higher than last year's average. The highest average disbursement was in the ESA region (US$3.89 million). Disbursements for projects financed by DSF and other grants significantly picked up during the period under review, total grant disbursement for investment projects was some 44% higher than last year.

Table IV-8: Disbursements under regular programme, DSF and component grants
(US$ million**,** historic)

	2008/09		2009/10		2010/11		2011/12		2012/13	
Region	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
WCA	72	17	68	16	82	14	113	19	143	24
ESA	80	19	122	29	129	23	131	22	227	38
APR	102	25	177	43	211	37	209	35	164	27
LAC	78	19	61	15	69	12	79	13	68	11
NEN	84	20	69	17	77	14	69	12	100	17
Total	**416**	**100**	**498**	**100**	**568**	**100**	**601**	**100**	**702**	**100**

Note: Amount = amount disbursed. % = share of the region in total disbursement.
Source: Loans and Grants System (LGS), calculations by Programme Management Department.

26. Monitoring the amount disbursed as a percentage of disbursable[13] allows for comparisons without regard to the absolute size of the portfolio or the disbursement – a measure that would not be meaningful in the light of changing size of portfolio. The analysis of disbursements as a percentage of disbursable indicates significant annual regional variations, but little fluctuation of the entire portfolio (see Chart IV-4), except this year and due to the strong performance in particular of ESA and WCA, the amount disbursed as a percentage of disbursable rose to 20%. For fragile states, the percentage was even higher – 22% of disbursable.



K. Co-financing

27. Co-financing from non-IFAD sources projects fell somewhat from the last review period, but are still above 2009/10 levels. The main determinant was the sharp reduction in co-financing from domestic resources, which fell by about 50%. Financing from non-domestic resources rebounded during this period, increasing by about 23%.

12 Disbursements for 256 projects from 323 loans and grants.
13 Value of loans/grants that have reached effectiveness as at the end of reporting period minus cumulative disbursement from previous period.

Table IV-9: Project financing by source: 2008/09-2012/13 (US$ million)
(Period July-June)

Source of Funding	2008/09 Amt	2008/09 % of Total	2009/10 Amt	2009/10 % of Total	2010/11 Amt	2010/11 % of Total	2011/12 Amt	2011/12 % of Total	2012/13 Amt	2012/13 % of Total
IFAD[a/]	684	48	706	32	672	29	1041	57	860	47
Cofinancing	329	23	348	16	710	31	348	19	429	23
Domestic	389	27	366	17	804	35	889	49	539	30
Total	**1 401**	**100**	**1 420**	**100**	**2 186**	**100**	**2 278**	**100**	**1 828**	**100**
Leveraging factor	**1.05**		**1.01**		**2.25**		**1.19**		**1.13**	

a/ Top-up financing shown in the approval year.

28. With the additional funding in 2012/13, the total amount of resources mobilised by IFAD reached US$34.2 billion. Of this, IFAD's financing constitutes just over one-third of total resources mobilised, US$13.2 billion, or about 38%. In 2012/13, IFAD's leveraging factor, i.e., the amount of financing generated beyond IFAD's resources fell to 1.13. The lower leveraging factor is due to the reduction in co-financing from domestic resources.

Table V-10: Sources of domestic financing (US$ million)

	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Beneficiaries	62	85	90	61	160	458
Domestic financial insts.	51	33	13	10	254	361
Government (local)	32	42	27	3	42	146
Government (national)	132	205	156	676	361	1 530
Government non-fiscal	0	0	0	0	34	34
Other domestic	13	23	88	54	37	215
Total	**289**	**389**	**375**	**804**	**889**	**2 745**

Note: Government non-fiscal includes financing from debt swaps, resources related to HIPIC, etc. Other domestic financing comes from sources such as local NGOs and the local private sector.

29. Sources of domestic financing were more widely dispersed during this review period than in previous years. National governments continue to contribute the majority of domestic financing /2012 (about 41%); with domestic financing institutions contributing some 29%, which makes up some 70% of the five year total. The majority of this financing (87%) came from projects in India and Ethiopia, for which domestic financing institutions were the largest financers. Contributions from beneficiaries also increased significantly this year, with a share of 18%. Financing from other domestic partners was close to the level contributed by direct beneficiaries.

30. During this review period, co-financing from international resources saw a slight increase as shown in Table IV-10. The amount co-financed from sources external to the country fluctuates significantly from year to year (as can be seen from the five-year trend). This is not unnatural given that the partnership opportunities are determined by a large number of factors such as commonality in development strategy and geographic overlap of the operating area among partners, preference of the borrowing governments for resource blending. In meeting the challenge of rural poverty alleviation. IFAD needs to keep adapting its overall development strategy, but more importantly its country programme strategies to respond to emerging and articulated demands. The Fund must also seek to align its intervention instruments in the context of specific country requirements and donor harmonisation efforts.

31. The number of projects co-financed by non-domestic resources decreased slightly this year, from 22 in 2011/12 to 18 in 2012/13, accounting for close to 65% of the projects approved in the year (similar to last year). In terms of co-financing mobilised from non-domestic partners, almost 76% was financing for IFAD initiated projects[14], indicating the attractiveness of IFAD investments to other international partners. This is an increase over the past five year average of about 67%. Some variations in the level of co-financing can also be discerned among the regions; in the period under review, about 40% of the co-financing was for IFAD-initiated projects in sub-Saharan Africa,

[14] The project initiated by the Asian Development Bank accounted for all of the funds from projects initiated by a CI.

Table IV-11: Non-domestic cofinancing by cofinancier type

	Projects Initiated by Cooperating Institution						IFAD-Initiated Projects					
	1978-Jun 2013		2009/13		2012/13		1978-Jun 2013		2009/13		2012/13	
Cofinancier	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Bilateral	652	13	21	3		0	1 008	24	426	30	129	40
Multilateral	4 489	86	692	97	104	100	2 735	66	708	51	100	31
NGO	10	0	-	0		0	36	1	18	1	3	1
Other[a/]	56	1	-	0		0	360	9	250	18	94	29
Total	**5 207**	**100**	**713**	**100**	**104**	**100**	**4 139**	**100**	**1 402**	**100**	**325**	**100**

Note: "Other" category includes financing under basket or similar funding arrangements, financing from private sector resources or financing that may not have been confirmed at Executive Board approval. Differences in figures are due to rounding.

L. Project Supervision

32. With the approval of IFAD's Supervision and Implementation Support Policy, IFAD's changed its supervision modalities with the result that most IFAD projects have come under IFAD's direct supervision. At the end of the period, of the 253 projects that were to be supervised, 236 or 94% were directly supervised by IFAD and the rest (17) were supervised by cooperating institutions[15]. Among these, the World Bank (12) has the largest share of the portfolio and the five others are supervised by the Asian Development Bank (see Attachment I, Table G). Since July 2011, only the World Bank and Asian Development Bank have been allocated supervision responsibilities for IFAD financed projects, in most cases these projects are both jointly supervised and jointly financed.

The Grants Portfolio

A. Grants Approved in 2012/2013

33. The grant policy approved in 2003 called for better alignment of IFAD's lending and grant activities in support of rural poverty reduction. The new directions for grant support have sought to enhance the comparative advantage of grants over loans, in particular by financing initiatives from civil society (NGOs, farmers' organisations, etc.) and the need for grants to complement the lending programme. The policy was reviewed at the 85th session of the Executive Board (September 2005), and a revised grants policy was approved in December 2008. The major changes to the grants policy affecting approvals were the increase in the funding level for small grants (to US$500 000) and inclusion of grants to the private sector. Grant financing, totalling US$52.3 million, financed some 65 interventions during the period under review.[16/17].

Table IV-12: IFAD grants approved in 2011/12

	Large		Small		Total	
Department/Window	**Number**	**US$ million**	**Number**	**US$ million**	**Number**	**US$ million**
PMD	**35**	**43.6**	**17**	**6.5**	**52**	**50**
Regional/global	26	31.9	9	3.4	35	35.2
CGIAR	*4*	*5.3*	*1*	*0.5*	*5*	*5.8*
Non -CGIAR	*22*	*26.5*	*8*	*2.9*	*30*	*29.4*
PMD Country-specific	9	11.7	8	3.1	17	14.8
Component	*8*	*10.8*	*3*	*1.4*	*11*	*12.3*
Other	*1*	*0.9*	*5*	*1.7*	*6*	*2.6*
Non PMD regional/global	**0**	**0.0**	**13**	**2.6**	**13**	**2.6**
Total	**35**	**43.6**	**30**	**9.1**	**65**	**52.6**

Discrepancies in totals are due to rounding.
Source: Loans and Grants System (LGS)
Excludes DSF financing for investment projects.

34. IFAD's partnership with CGIAR institutions continued during this review period, but the share of grant financing to CGIAR institutions has decreased somewhat. However, a new sub-window under the global regional window has been defined for grants directed at Agricultural Research for Development was created in 2013. Not including, component grants, the largest number of grants were given to NGOs or not-for-profit organisations – 10 grants IFAD financing valued at US$7.5 million, followed by United Nations agencies (9 grants valued at US$3.3 million), CGIAR organisations

15 Figures do not include grant financed project in the Gaza Strip that is directly administered by IFAD.
16 Figures exclude DSF financing of investment projects.
17 A new IT system was implemented during the 2nd quarter 2013 that provides better management and reporting information on IFAD's grants portfolio and the recipients.

(7 grants valued at US$ 6.8 million) and farmer/producer organisations (6 grants valued at US$3.5 million). One grant was made to a private sector organisation (Making Cents International) to promote rural youth employment in the NEN region. Other themes financed through large regional/global grants, beef and rice value chains, financial services, business and marketing, climate risk management and agricultural technology development.

35. Seventeen country specific grants for a value totalling US$14.8 million were approved during this review period. Eleven grants worth $12.3 million were in support project components (the same number but more than double the amount of last year), eight of which are large. The grant financing will mainly be used for local capacity building and to enhance policy dialogue. Six other country-specific grants were also approved for US$2.6 million. Small grants were extended to support capacity building, and policy dialogue and some were targeted at specific sectors such as agriculture or rural financial services. Recipients of small country specific grants were governments, NGOs/not for profit organisations and inter-governmental organisations.

36. The average value of the grants (excluding loan component grants) was US$925 000 for large country specific grants, US$335 400 for small country-specific, US$1.225 million for large global/ regional and US$270 000 for small global/regional; the average size of grants during this review period was US$748 000, about 7% higher than last year.

B. Ongoing Grants Portfolio

37. The grant portfolio by window is shown in the following table. All grants under the old policy have become effective. About 94% of the grants approved under the new policy are effective. Procedures are being reviewed to streamline processes related to grants, from design through completion. During the period under review, IFAD continued to 'clean' its grant portfolio, mainly by closing non-performing grants.

Table IV-13: Ongoing grants portfolio
(US$ million)

	Current Portfolio a/		Effective Portfolio			
					Cumulative Disbursed	
	Number	Amount	Number	Approved	Amount	Percent
Under Previous Grant Policy						
CGIAR	0	0.0	0	0.0	0.0	0
Research Non-CGIAR	1	0.8	1	0.8	0.5	73
Component[b/]	2	0.6	2	0.6	0.6	100
Subtotal Previous Grant Policy	3	1.4	3	1.4	1.6	87
Under New Grant Policy						
Regional/Global window	211	172.2	201	165.5	100.	60
Country window	132	79.6	120	68.3	36.3	53
Subtotal New Grant Policy	**343**	**251.8**	**321**	**233.8**	**136.3**	**58**
Total	**346**	**253.2**	**324**	**235.1**	**137.4**	**58**

a/ Current portfolio includes grants approved, not closed.
b/ Grants approved in SDR, exchange rate fluctuations may result in disbursement higher than US$ amount at the time of approval.
Source: Loans and Grants System (LGS).
Excludes DSF financing for investment projects

C. Disbursements

38. Disbursements of grants amounted to about US$44.5 million, somewhat less than in the previous period. The grant types of Environment, NGO and SOF are deleted from the table if no disbursements have been recorded in any of the five year periods. These types of activities are funded out of either the research/training/country-specific type or through the administrative budget (former PDFF).

Table IV-14: Grant disbursements (US$'000)

Grant type	2008/09	2009/10	2010/11	2011/12	2012/13
Research/training/country-specific	34 747	39 349	40 043	30 335	37 422
Component	1 630	2 517	3 960	13 539	5 461
NGO	27	4	1	-	
DSF	163	1 817	1 347	2 832	1 666
Grand Total	36 568	43 687	45 351	46 706	44 549

Attachment I, Table A: Average project financing by region 2007-2011 (US$ '000)

Region	2	2009/10	2010/11	2011/12	2012/13	Average 2009 to 2013
West and Central Africa	15 766	13 785	22 171	29 902	35 407	23 464
East and Southern Africa	22 355	43 530	32 251	43 635	23 927	32 688
Asia and the Pacific	30 972	26 691	27 882	34 705	38 285	32 102
Latin America and the Caribbean	12 923	17 025	9 500	18 838	17 670	15 848
Near East, North Africa, and Europe	12 748	16 688	18 044	21 720	27 749	18 568
Total [a/]	**20 116**	**22 779**	**22 394**	**29 739**	**30 704**	**25 079**

[a/] Supplementary financing shown in the approval year

Attachment I, Table B: Approved and completed projects 2002-2011 (Period 1 July - 30 June)

Year		WCA	ESA	APR	LAC	NEN	Total
03 to 04	Approved	7	5	4	3	5	24
	Completed	5	5	8	6	2	26
04 to 05	Approved	4	5	12	5	7	33
	Completed	8	3	6	5	7	29
05 to 06	Approved	4	7	5	2	5	23
	Completed	5	9	5	7	4	30
06 to 07	Approved	7	7	6	4	4	28
	Completed	6	6	7	5	6	30
07 to 08	Approved	5	6	9	6	5	31
	Completed	3	5	5	5	10	28
08 to 09	Approved	9	8	8	4	5	34
	Completed	3	3	4	1	1	12
09 to 10	Approved	6	5	7	6	7	31
	Completed	6	3	6	5	3	23
10 to 11	Approved	6	5	7	4	8	30
	Completed	4	7	5	5	3	24
11 to 12	Approved	8	6	8	7	6	35
	Completed	7	3	6	4	5	25
12 to 13	Approved	7	4	9	5	3	28
	Completed	7	6	5	3	9	30
Total	Approved	63	58	75	46	55	297
	Completed	54	50	57	46	50	257
Percentage completed/approved		86	86	76	100	100	87

Attachment I, Table C: Age of the portfolio

	WCA	ESA	APR	LAC	NEN	Total	% of Total	Cumulative %
Not Signed	1	-	1	2	2	6	2	5
Not Effective	3	1	-	1	2	7	3	8
Less than 1 year	5	3	9	9	3	29	11	19
1 year to less than 2	9	8	11	7	7	42	16	35
2 years to less than 3	8	6	6	5	5	30	11	46
3 years to less than 4	10	8	11	7	6	42	16	62
4 years to less than 5	3	4	7	6	8	28	10	72
5 years to less than 6	6	11	8	3	4	32	12	84
6 years to less than 7	3	4	5	2	3	17	6	90
7 years to less than 8	5	4	3	1	1	14	5	95
8 years to less than 9	3	3	-	1	1	8	3	98
9 plus years	2	1	4	1	4	12	4	100
Total	**58**	**53**	**65**	**45**	**46**	**267**	**100**	
Average	**5**	**5**	**7**	**4**	**4**			

Attachment I, Table D: IFAD portfolio financing by results categories (Jul 00 to Jun 12)
(Approved amounts in US$ million)

Sector	Result Category	00 to 01	01 to 02	02 to 03	03 to 04	04 to 05	05 to 06	06 to 07	07 to 08	08 to 09	09 to 10	10 to 11	11 to 12	12 to 13	Total	% of financing
Agricultural production	Food production	24.89	7.42	3.33	0.97	5	2.04	7.67	2.26	8.41	0.43	4.65	27.04	38.75	132.86	
	Fruit trees/orchards	1.14		2.05	1.91	0.95			1.69			14.38	5.28		27.40	
	Horticulture	0.13		0.46	2.68	0.78		3.78			5.20		2.28	11.98	27.29	
	Industrial/cash crops		0.24	6.85				14.48			36.20		38.25	10.03	106.05	
	Input supply				5.38	2.76	3.72	5.2		17.95	11.78	7.88	33.06	1.73	89.46	
	Mechanisation services					0.05						1.33			1.38	
	Pest management			0.04			2.18								2.22	
	Seed prod./multiplication	1.64	1.19		2.62		2.18	1.89	0.64	8.87	6.09	4.01	6.23	26.08	61.45	
Agricultural production subtotal		**27.8**	**8.85**	**12.73**	**13.56**	**9.54**	**10.12**	**33.02**	**4.59**	**35.22**	**59.71**	**32.26**	**112.14**	**88.57**	**448.11**	**6%**
Community driven development	Community development	10.43	22.7	4.28	31.58	16.38	6.74	17.88	13.99	7.07	1.63	22.6	16.49	14.62	186.39	
	Development funds	16.82	26.48	13.57	9.62	27.13	23.7	26.38	46.62	92.24	54.06	49.19	31.6	16.62	434.02	
Community driven development subtotal		**27.25**	**49.18**	**17.85**	**41.2**	**43.51**	**30.44**	**44.26**	**60.61**	**99.30**	**55.69**	**71.79**	**48.09**	**31.24**	**620.41**	**8%**
Fisheries	Aquaculture		5.88			0.09			0.63	19.63		1.01	1.27	0.96	29.47	
	Fisheries infrastructure					7.72	7.73					17.36			32.81	
	Fisheries/marine conserv.		3.55			0.32	0.32	0.32			0.37	0.32	0.02	4.25	9.47	
	Fishing (capture)		1.67		1.16						6.92	4.75			14.50	
Fisheries subtotal		**0**	**11.1**	**0**	**1.16**	**8.14**	**8.05**	**0.32**	**0.63**	**19.63**	**7.29**	**23.44**	**1.29**	**5.21**	**86.26**	**1%**
Human development	Drinking water/sanitation	2.8	6.72	0.87	2.43	8.59	1.94	5.3	2.7	4.79	2.45	5.07	6.58	3.29	53.53	
	Education primary/second		0.2	4.51		1.76	3.53				0.80	0.2			11.00	
	Health and nutrition	1.96	2.53	5.47	4.13	0.5	3.11			6.67		0.15			24.52	
	Housing		0.18			3.6	22.14								25.92	
	Literacy	3.28	0.65	1.74		1.22	0.26				0.13		0.18	3.69	11.15	
Human development subtotal		**8.04**	**10.28**	**12.59**	**6.56**	**15.67**	**30.98**	**5.3**	**2.7**	**11.46**	**3.37**	**5.42**	**6.76**	**6.98**	**126.11**	**2%**
Irrigation	Irrigation infrastructure	19.46	4.02	14.81	12.36	12.13	17.78	29.67	14.33	4.82	83.1	17.08	43.2	71.99	344.75	
	Irrigation management	1.82	1.3		2.34	5.43	1.46	0.34	1.63	0.4	1.35			3.18	19.25	
Irrigation subtotal		**21.28**	**5.32**	**14.81**	**14.7**	**17.56**	**19.24**	**30.01**	**15.96**	**5.22**	**84.45**	**17.08**	**43.2**	**75.17**	**364.00**	**5%**
Livestock and rangelands	Animal distribution					4.66	7.35			4.86	12.41	11.73	0.10	39.22	80.33	
	Animal feed	0.44	0.3	0.47				0.25				0.44	0.28		2.18	
	Animal health	1.94	2.08	0.97	0.37		9.78	4.2		4.71	0.82	2.21		6.09	33.17	
	Animal production	9.07	0.78	1.21	7.46	2.92	8.71	13.63	1.81	6.7	11.82	15.27	7.56		86.94	
	Rangeland/pastures	1.72	2.67	8.77	6.6	3.73	3	7.12	1.38	3.29	17.06	16.11	6.51	12.60	90.56	
Livestock and rangelands subtotal		**13.16**	**5.84**	**11.42**	**14.43**	**11.31**	**28.85**	**25.2**	**3.19**	**19.55**	**42.11**	**45.75**	**14.45**	**57.90**	**293.17**	**4%**
Market and related infrastructure	Market information/study	0.07	4.33	0.8	0.66	1.85	0.97	2.75	10.47	3.92	6.87	0.57	2.02		35.28	
	Market infrastructure					0.95	7	3.59	6.73	15.93	5.97		3.24	5.82	49.23	
	Marketing: inputs/outputs	3.98	7.59	3.06	6.64	10.99	16.8	1.12	19.33	17.53	57.93	27.81	35.9	21.73	230.40	
	Processing	0.55	1.02	6.14	0.51			1.59		0.1	0.47	3.09			13.47	
	Storage		0.47			0.06					1.66	3.67	3.04	0.77	9.68	
	Roads/tracks	11.72	9.2	3.95	9.9	17.93	28.52	21.56	10.91	11.53	48.00	29.61	47.18	95.49	345.50	
	Rural infrastructure	14.28	48.59	22.88	24.69	33.98	8.39		9.51	34.32	56.06	34.31	58.36	31.89	377.27	
Market and related infrastructure subtotal		**30.59**	**71.19**	**36.84**	**42.4**	**65.76**	**61.68**	**30.62**	**56.95**	**83.33**	**176.95**	**99.07**	**149.74**	**155.70**	**1 061**	**15%**

Sector	Result Category	00 to 01	01 to 02	02 to 03	03 to 04	04 to 05	05 to 06	06 to 07	07 to 08	08 to 09	09 to 10	10 to 11	11 to 12	12 to 13	Total	% of financing
Natural resources management	Forestry	2.23	6.06		5.31	1.62	4.07			2.89	7.08	0.06	6.23	19.25	54.80	
	Land improvement	0.26	2.59	7.71	3.21	3.95				6.96		3.3		4.49	32.47	
	Resource mgmnt/protect.	3.67	4.62	12.56	16.1	13.76	11.4	4.02	30.21	10.87	22.54	0.15	70.98	9.37	210.25	
	Soil & water conservation	4.37	11.21	2.54	10.45	3.84	2.32	0.93	0.14	28.71	0.19	4.9	9.63	26.99	106.22	
Natural resources management subtotal		**10.52**	**24.47**	**22.8**	**35.08**	**23.18**	**17.79**	**4.95**	**30.36**	**49.42**	**29.81**	**8.40**	**86.84**	**60.10**	**403.74**	**6%**
Policy and institutional support	Institutional support	5.9	21.91	10.26	18.05	14.84	7.14	16.13	11.36	22.42	19.77	10.54	14.34	21.53	194.19	
	Land reform/titles	0.61	2.68			1.81	2	3.49			0.4		1.21	7.43	19.63	
	Legal assistance					0.66	2.06	0.27			0.31				3.30	
	Local capacity building	14.16	49.51	26.86	31.19	32.48	49.22	33.3	31.89	52.47	22.74	21.12	49.03	47.68	461.65	
	Policy support/develop				0.89	3.76	5.33	11.73	5.92	1.47	0.61	2.27	1.37		33.35	
	Standards and regulations									0.66	1.87	1.57		0.03	4.13	
Policy and institutional support subtotal		**20.68**	**74.1**	**37.13**	**50.13**	**53.54**	**65.75**	**64.92**	**49.16**	**77.01**	**45.70**	**35.50**	**65.95**	**76.66**	**716.24**	**10%**
Research, extension and training	Technology development	4.54	4.07	5.99	1.21	1.46	3.86	4.25	6.96	1.87	3.57	16.84	12.52	2.43	69.57	
	Technology transfer	20.97	12.93	12.03	24.23	35.9	25.43	29.58	19.66	46.21	47.71	30.28	62.98	72.18	440.09	
	Training	6.92	9.15	4.58	4.22	11.79	7.38	9.11	3.06	10.42	4.03	3.71	3.19	14.98	92.54	
Research, extension and training subtotal		**32.43**	**26.16**	**22.59**	**29.66**	**49.15**	**36.67**	**42.94**	**29.68**	**58.50**	**55.30**	**50.83**	**78.69**	**89.58**	**602.19**	**8%**
Rural financial services	Credit	41.75	37.11	17.85	24.01	84.86	38.57	36.7	53.56	11.45	16.86	7.5	157.12	12.35	539.70	
	Insurance/risk transfer					0.44	0.44		1.25						2.13	
	Rural financial services	34.3	24.26	25.3	34.1	29.06	17.11	57.33	56.13	61.62	30.38	116.45	85.26	53.20	624.50	
	Venture capital	0.13							6.53						6.66	
Rural financial services subtotal		**76.18**	**61.38**	**43.15**	**58.11**	**114.36**	**56.12**	**94.03**	**117.46**	**73.07**	**47.24**	**123.95**	**242.38**	**65.55**	**1 172.98**	**16%**
Small and micro enterprises	Business development			6.48		10.96	20.13	45.41	18.03	14.53	13.20	14.3	48.13	35.06	226.23	
	Micro-enterprises	1.45	3.54	6.2	15.15	13.15	20.68	1.9	22.12	12.2	1.49	14.15	8.59	19.73	140.35	
	Rural enterprises	1.81		3.42		8.56	1.32		0.8	4.72		32.56	2.25		55.44	
Small and micro enterprises subtotal		**3.27**	**3.54**	**16.1**	**15.15**	**32.67**	**42.13**	**47.3**	**40.95**	**31.45**	**14.70**	**61.01**	**58.97**	**54.78**	**422.02**	**6%**
Other	Communication	6.58		1.91	0.16	0.57	0.53	5.2	2.52	2.03	0.7	0.59	2.12	0.55	23.46	
	Culture/heritage									0.1	0.96				1.06	
	Disarmament/demobilisation				0.36										0.36	
	Disaster mitigation					0.04	0.04	0.74			10.71				11.53	
	Energy production									30.13			0.42		30.55	
	Post-crisis management									0.27					0.27	
	Rural settlement		0.61												0.61	
	Unallocated	2.23	3.52	1.44	1.33	0.05			0.13	0.14		0.32			9.16	
Other subtotal		**8.81**	**4.14**	**3.35**	**1.85**	**0.65**	**0.57**	**5.94**	**2.64**	**32.67**	**12.37**	**0.91**	**2.54**	**0.55**	**77.00**	**1%**
Management	Financing/prep. charges							0.15					1		0.95	
	Management/coordination	45.01	41.04	39.47	56.38	66.32	44.54	63.2	53.31	80.31	68.44	92.10	120.05	87.14	857.31	
	Monitoring & evaluation	4.3	2.77	5.03	2.72	5.44	1.98	3.35	6.13	7.8	2.94	4.29	8.97	4.58	60.30	
Management subtotal		**49.31**	**43.82**	**44.5**	**59.11**	**71.76**	**46.52**	**66.71**	**59.44**	**88.11**	**71.39**	**96.39**	**129.82**	**91.72**	**918.57**	**13%**
Total		**329.31**	**399.36**	**295.85**	**383.08**	**516.81**	**454.92**	**495.53**	**474.29**	**683.95**	**706.08**	**671.80**	**1 040.86**	**859.72**	**7 311.63**	**100%**

Attachment I, Table E: Project financing by region and source (US$ '000)[a/]

Region	2008/09	2009/10	2010/11	2011/12	2012/13	Total
IFAD [a/]						
WCA	141 898	82 711	133 028	239 217	247 847	844 701
ESA	178 838	217 648	161 254	261 807	95 707	915 254
APR	247 779	186 835	195 173	277 640	344 566	1 251 993
LAC	51 693	102 150	38 000	131 868	88 348	412 059
NENACEN	63 739	116 813	144 351	130 320	83 246	538 469
IFAD total	**683 947**	**706 157**	**671 806**	**1 040 852**	**859 714**	**3 962 476**
Cofinancing						
WCA	93 973	55 932	230 381	92 511	112 771	585 568
ESA	156 370	111 466	252 259	44 411	55 831	620 337
APR	34 799	137 722	29 384	35 284	192 973	430 162
LAC	26 873	7 700	57 002	137 949	38 348	267 872
NEN	16 857	35 647	140 988	37 977	28 809	260 278
Cofinancing total	**328 872**	**348 467**	**710 014**	**348 132**	**428 732**	**2 164 217**
Domestic						
WCA	74 051	18 880	58 750	154 855	69 934	376 470
ESA	83 582	135 825	575 222	193 157	33 180	1 020 966
APR	182 934	81 605	57 236	268 207	255 162	845 144
LAC	19 220	82 575	17 281	186 392	127 917	433 385
NEN	28 787	46 861	95 223	86 062	53 257	310 190
Domestic total	**388 574**	**365 746**	**803 712**	**888 673**	**539 450**	**2 986 155**
Total Financing						
WCA	309 922	157 523	422 159	486 583	430 552	1 806 739
ESA	418 790	464 939	988 735	499 375	184 718	2 556 557
APR	465 512	406 162	281 793	581 131	792 701	2 527 299
LAC	97 786	192 425	112 283	456 209	254 613	1 113 316
NEN	109 383	199 321	380 562	254 359	165 312	1 108 937
Grand Total	1 401 393	1 420 370	**2 185 532**	**2 277 657**	**1 827 896**	**9 112 848**

a IFAD additional financing shown in the approval year

Attachment I, Table F: Cancellations during the review period by region (SDR million)

Region	2008/09	2009/10	2010/11	2011/12	2012/13	Total
WCA	9.30	38.91	20.55	8.21	4.43	81.39
ESA	1.44	4.15	0.21	1.84	1.57	9.21
APR	4.18	1.76	3.91	33.31	2.03	45.19
LAC	7.51	17.06	31.08	2.30	15.38	73.33
NEN	3.78	0.97	2.66	0.61	4.16	12.17
Total	26.21	62.85	58.41	46.26	27.57	221.30

Attachment I, Table G: Allocation of the ongoing portfolio by cooperating institution (US$ million)
(Period 1 July - 30 June)

	as at 1 Jul 2009			as at 1 Jul 2010			as at 1 Jul 2011			as at 1 Jul 2012			as at 1 Jul 2013		
	No. of Projects	IFAD Amount	% of Amount	No. of Projects	IFAD Amount	% of Amount	No. of Projects	IFAD Amount	% of Amount	No. of Projects	IFAD Amount	% of Amount	No. of Projects	IFAD Amount	% of Amount
IFAD	**169**	**2 930**	**73**	**210**	**3 709**	**84**	**220**	**4 096**	**80**	**237**	**4 814**	**94**	**236**	**5 132**	**94**
Cooperating Institution															
African Development Bank (AfDB)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Arab Fund for Economic and Social Development (AFESD)[a/]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Asian Development Bank (AsDB)	1	3	0	4	63	1	4	63	1	4	63	1	5	83	2
Central American Bank for Economic Integration (BCIE)	3	44	1	0	0	0	0	0	0	0	0	0	0	0	0
BOAD	2	27	1	0	0	0	0	0	0	0	0	0	0	0	0
CAF	1	12	0	0	0	0	0	0	0	0	0	0	0	0	0
Caribbean Development Bank (CDB)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
UNOPS	16	197	5	2	26	1	0	0	0	0	0	0	0	0	0
World Bank	17	321	8	14	240	5	14	261	5	13	232	5	12	220	4
Total Cooperating Institutions	**40**	**603**	**15**	**20**	**329**	**7**	**18**	**324**	**6**	**17**	**295**	**6**	**17**	**303**	**6**
Total IFAD and Cooperating Institutions	**209**	**3 533**	**100**	**230**	**4 038**	**100**	**238**	**4 420**	**86.514**	**254**	**5 109**	**100**	**253**	**5 435**	**100**

Annex IV
IFAD's performance in Fragile States

I. Introduction

1. In late 2012, IFAD management committed to reporting to the Executive Board in the course of 2013 on IFAD's performance in Fragile States. This annex intends to fulfill that commitment.

2. The paper is organised as follows. Section II outlines IFAD's definition of fragile states. Section III highlights the importance of Fragile States within IFAD's lending programme by looking at the share of ongoing projects and of the current portfolio in FS, as well as at the PBAS allocation to fragile states for 2013-2015; it also provides an overview of IFAD Policies and Guidelines on fragile states, as well as of IFAD8 and IFAD9 commitments related to fragile states. Section IV provides an overview of Multilateral Development Banks (MDBs) current approach to working in these countries, and highlights commonalities and differences with IFAD's approach. Section V provides a quantitative and qualitative analysis of completed operations in fragile states in the period 2006-2013, and looks at IFAD and Government performance during the same timeframe. Section VI derives conclusions from the analysis and provides recommendations for further action and analysis.

II. IFAD's definition of Fragile States

3. The 2006 IFAD Policy for crisis prevention and recovery defines fragile states as countries characterized by weak policies, weak institutions and weak governance, resulting in meagre economic growth, widespread inequality and poor human development. In its 2008 paper on Fragile States for the IFAD8 Replenishment Consultation, in order to identify which countries IFAD would considered fragile, the Fund adopted the following definition: "For the purposes of this paper, all countries currently categorized as fragile or weakly performing by any IFI are included in the list. Importantly, the operational definitions adopted by IFIs for defining fragility are based on several criteria and thus do not limit the category of fragile states to conflict-affected countries." At that time, these numbered 46 countries, of which 40 were members of IFAD. [1]

4. For the purposes of the current analysis, the same criterion has been used – therefore all countries in the 2013 WB-AfDB Harmonized list of FS countries and the AsDB Fragile and Conflict Affected Situations (FCAS) country list are considered – with the addition of a further fifteen countries[2] which a recent study by the OECD considers fragile in light of their weak capacity to carry out basic governance functions, either at the national or sub-national level[3]. IFAD not only works in countries that are formally classified as FS, but also in non-fragile countries within which specific fragile areas are present, as these are the areas where IFAD's target group is typically located. The development challenges faced in specific fragile areas and in countries classified as fragile are very similar[4]. This way, the total number of FS in 2013 reaches 54 countries and territories, of which **48 are IFAD members** (full list is presented in Appendix 1).

III. IFAD engagement in Fragile States

A. Ongoing portfolio and programme budget allocations to fragile States

5. **Fragile states are very well-represented in IFAD's portfolio.** Of the 95 countries in which IFAD had ongoing operations in 2012, a total of 38, or 40%, were classified as fragile. Out of the 254 ongoing projects, a total of 105, or 41%, were being implemented in FS. Similarly, 40% of the projects in the current portfolio are in FS.

[1] At the time the paper was produced these countries were known as Low-Income Countries Under Stress (LICUS). Since 2008 instead a Harmonized List of Fragile Situations has been produced by the World Bank, and the African Development Bank. The Asian Development Bank has developed its own list for a number of years but is currently in the process of aligning it with the WB-AfDB harmonised list.

[2] Bangladesh, Cameroon, Ethiopia, Georgia, Iran, Kenya, Korea, D.R, Kyrgyzstan, Malawi, Niger, Nigeria, Pakistan, Rwanda, Sri Lanka, Uganda.

[3] OECD, Fragile States 2013: Resource flows and trends in a shifting world. The report considers fragile countries in the WB-AfDB Harmonised list of fragile and post-conflict countries for 2012, the AsDB list of fragile and conflict affected situations (FCAS) as well as countries in the 2011 Failed State Index (FSI).

[4] IFAD management reiterated this argument in its response to the ARRI 2012, where it pointed out that even in countries that are considered "non-fragile"; IFAD operates with target groups in areas that are characterized by fragility (e.g. weak institutions, widespread social discontent and unrest, lack of basic physical infrastructure, etc.). The formal classification obtained by applying the Harmonized List of Fragile Situations may therefore not lead to an accurate analysis in relation to IFAD's work. EB 2012/107/R.7/Add.1

Table 1
List of 46 FS countries with PBA allocations during IFAD9

APR	Afghanistan	**ESA**	Angola	**LAC**	Haiti	**WCA**	Cameroon
	Bangladesh		Burundi	**NEN**	Bosnia and Herzegovina		Central African Republic
	Iran		Comoros		Georgia		Chad
	Kiribati		Eritrea		Iraq		Congo, Dem. Rep.
	Korea DPR		Ethiopia		Kyrgyzstan		Congo, Rep.
	Marshall Islands		Kenya		Libya		Côte d'Ivoire
	Myanmar		Malawi		Somalia		Guinea
	Nepal		Rwanda		Sudan		Guinea-Bissau
	Pakistan		South Sudan		Syria		Liberia
	Solomon Islands		Uganda		Yemen		Niger
	Sri Lanka		Zimbabwe				Nigeria
	Timor Leste						Sierra Leone
							Togo

6. IFAD will continue to work in FS during IFAD9. In 2013-2015 IFAD will finance operations in a total of 98 countries. Of these, 48 are classified as fragile; 46 of them will receive IFAD financing.[5] FS therefore make about **48%** of the countries in which IFAD will be engaged during IFAD9. The resources they have been allocated make about **45%** of the total allocations for the current performance-based allocation (PBA) cycle (Appendix 2).

Table 2
IFAD9 allocations to FS by lending terms (46 countries)

Lending terms	Amount	%
Grants	387 425 465	33%
Highly Concessional	719 715 447	61%
Ordinary	79 055 397	7%
Total	1 186 196 309	100%

B. Policies and procedures guiding IFAD's operation in Fragile States

IFAD's Framework for Bridging Post-Crisis Recovery and Long-Term Development

7. Over the years, IFAD has produced several documents which guide its engagement in FS. In 1998, IFAD's Executive Board approved the **Framework for Bridging Post-Crisis Recovery and Long-Term Development**[6]. The Framework was prompted by the need to deal with problems connected with crises, which may arise from: (a) natural disasters; and (b) man-made disasters. The rationale for IFAD engagement in post crises was that in both cases, agriculture and food production are inevitably the major casualties, albeit with varied extent and severity depending on the nature of crisis. The framework also acknowledged the interaction and mutually reinforcing nature of poverty and emergencies, whereby emergencies have greater impact on the poorer segments of society because of their vulnerability; it also identifies chronic poverty as an important source of emergencies and even armed conflict.

8. According to the Framework, **IFAD's comparative advantage** in crises situations was its capacity to **undertake micro-level and location-specific projects for rural poverty alleviation**. This specificity was found particularly useful for area-based rural development interventions immediately following a crisis, which are designed to restore productive capacity and promote self-reliance.

[5] The total number of countries in the combined WB/AfDB/AsDB/OECD list of FS is 55; some of these are not IFAD members' states.

[6] EB 98/64/R.8, Framework for Bridging Post-Crisis Recovery and Long-Term Development. In developing the Framework, IFAD took into account the WB Framework for Post emergency assistance and for Early Involvement in Post-Conflict Situations (1995), the OECD policy statement on post conflict assistance (1997), and assessments of NGOs perspectives on post-emergency support.

9. The **objective** of IFAD involvement in post-crisis recovery was identified as helping its target groups to resume their normal production activities (hence a first phase of a longer-term development process) and to enhance their coping capacity and resilience to future crises. IFAD's involvement in post-crisis assistance is based on the following:

(a) **Case-by-case approach**. IFAD would involve itself in post-crisis situations based on the requests of governments to ensure their commitment to the longer-term aspects of development.

(b) **Enabling factor**. IFAD's intervention would be implemented only once the crisis has subsided, and would in no case be undertaken until the minimum requirements for security of project implementing and supervisory staff has been put in place.

(c) **Close inter-agency cooperation and coordination**. In all cases, close cooperation and coordination with other partners must be considered as a prerequisite for IFAD support in order to enhance complementarity and avoid duplication.

(d) **Selection criteria**. IFAD would take the following criteria into account when providing support to post-crisis recovery: (a) complementarity of IFAD support with the activities of other partners in the overall framework of donor assistance to a specific situation; (b) impact on restoring the target group's agricultural productivity and on the implementation of ongoing projects; (c) prospects for bridging the gap between relief and development; (d) potential for enhancing the coping capacity of the target group; and (e) expected economic benefits.

IFAD Policy on crisis prevention and recovery

10. In 2006, the Fund replaced the framework through the **IFAD Policy on crisis prevention and recovery**.[7] In so doing, IFAD reaffirmed the need to help its target group increase their resilience to external shocks and their capacity to cope more effectively with crisis situations, and to restore the means of livelihood upset by crisis. The **specific objectives** of the policy were to:

(a) reinforce IFAD's approach to the prevention of crisis, especially among those people who are the most vulnerable;

(b) clarify the role for IFAD in post-crisis situations;

(c) define the resource allocation process with respect to the financing of post-crisis interventions; and

(d) enhance programme implementation procedures and processes so as to operate more effectively in crisis-prone and crisis-affected countries.

11. The policy identified following key **lessons** from IFAD's experience:

(i) design interventions within a coherent IFAD policy framework rather than on the basis of ad hoc decisions justified by exceptional circumstances;

(ii) take the risk of crisis facing the target group and the causes of weak community resilience more into account in the design of both pre- and post-crisis interventions and include risk mitigation and defence strategies;

(iii) pay particular attention to the principles of "do no harm" so as to ensure that short-term survival strategies do not impede the longer-term development of the target population; and

(iv) coordinate more closely with other agencies to secure complementarity among interventions with respect to activities at the field level, priority-setting, the approach to linking relief and development, and policy dialogue with host governments and other parties involved.

12. The policy identified three **key strategic initiatives** as the basis for the positive outcomes of IFAD interventions in crisis areas:

(a) empowering communities, by building robust and transparent rural community-based organizations with clear objectives and access to resources to implement their own micro-projects, to ensure a role for rural poor people in the decision-making processes that affect their livelihoods;

[7] EB 2006/87/R.3/Rev.1

(b) supporting an active role for women in community organizations and in other local public governance institutions; and

(c) mobilizing NGOs and civil society organizations to complement and, in some cases, compete with public administrations in providing services to rural communities.

13. The Policy identified **IFAD's comparative advantage as its ability to address the issues associated with poverty reduction from the perspectives of poor people with and through their own organizations and institutions**. This comparative advantage was considered applicable to the problems of the rural poor in crisis situations.

14. **Recognised IFAD core competencies** with particular application to crisis situations included:

(a) effective instruments to reach large numbers of poor and vulnerable people through community organizations and the ability to mobilize international and national civil society organizations to provide key services to rural communities;

(b) long experience in addressing issues of social cohesion and community resilience in rural areas; and

(c) experience in integrating the assistance required by vulnerable people for their broader human, social, institutional and economic development with complementary assistance for short-term survival, i.e. IFAD complements relief activities with measures focused on livelihood recovery.

15. As regards resource allocation, following approval of the Policy, and revisions made to the performance-based allocation system (PBAS)[8], post-conflict countries defined by IDA as eligible started to receive a normal PBAS-generated allocation and, in addition, an amount of 30-100 per cent of their normal PBAS allocation.

16. As regards IFAD programme implementation procedures, the Policy committed IFAD to develop new instruments for analysing (e.g. conflict risk assessment) and strategically assisting (such as through revised COSOP) in crisis-prone and crisis-affected countries. In order to implement the Policy, IFAD foresaw the mainstreaming of procedures related to post-crisis situations into other, existing procedure, and the provision of guidance (to be formulated) to staff and consultants, particularly in the area of programme/project design, to ensure that the policy is effectively applied.

17. **Specific actions** foreseen in relation to the implementation of the Policy related to country strategy formulation, programme and project design, restructuring and reorientation of ongoing programmes and projects, and monitoring and evaluation of project performance, including though the use of crisis-sensitive indicators and the development and implementation of a results framework for monitoring the effectiveness of the Policy. Lastly, the Policy foresaw that training sessions would be organised to facilitate the internalisation of the approach among staff, with particular attention to conflict prevention.

IFAD's role in fragile states – IFAD8 Replenishment Consultation

18. During the **8th Replenishment** of IFAD resources, IFAD was asked to provide representatives of Member States with a paper outlining its role in fragile states. The paper reviewed IFAD's role in fragile states, outlined several changes to its approach and committed the Fund to improve its development effectiveness in these countries.[9] Since development agencies use different criteria to identify FS, and there are no internationally agreed upon definition of fragile states, for the purposes of the paper **all countries categorised as fragile or weakly performing by any IFI were considered fragile**. In general terms, the paper defined FS as **two separate country groupings**: states in conflict or post-conflict situations and states with chronically poor performance in terms of achieving economic growth and creating effective institutions over a sustained period of time.

19. When analysing its development effectiveness in FS, IFAD found that **most positive elements appear to relate to programmes that are implemented at the community level and that support strong participation, particularly of rural women**.

[8] EB 2005/85/R.3
[9] REPL.VIII/4/R.5

Box 1
Lessons identified by the IFAD8 paper

A review of project completion and project evaluation reports yielded a number of **lessons** for IFAD in order to achieve satisfactory impact more consistently in fragile states:

- **More profound in-country knowledge is needed**. IFAD needs to invest more in analytical work in fragile states, for instance, in conducting contextual studies and in documenting the knowledge generated by the projects and programmes it has funded.
- **Project objectives and design in fragile states should be clearer and simpler**. Complexity of design should be balanced with the capacity to implement the design. Project objectives must be realistic.
- **Donor coordination** needs careful examination in fragile states, as the capacity for internal coordination among line ministries in the partner country also needs to be taken into account.
- **IFAD needs to be more involved in supervision** to help adapt and reshape projects and programmes during implementation. Intensive supervision of projects in fragile states will however require additional resources.
- **Governance issues affecting IFAD's programmes must be tackled at the national level**.
- **IFAD must carefully evaluate whether it is matching the right instruments to specific situations and whether these instruments are being used flexibly in fragile states**. At the time the paper was produced an undifferentiated approach was being used with respect to decisions regarding country programme managers (CPMs), country presence, supervision, quality enhancement procedures, etc. The approach in fragile states should allow for the provision of **additional** technical assistance for programme development if needed, and be sufficiently **flexible** to adapt projects and programmes over time.

20. The paper concluded that the range of activities that IFAD covers as part of its regular strategy for low-income countries is of direct relevance to fragile states and does not need to be separately "packaged". Rather than a global strategy for fragile states, the Paper suggested a flexible and differentiated approach, underpinned by adequate **knowledge** of how circumstances differ from country to country, and how conditions in a given country also change at different times. At the same time, programme design should to reflect **IFAD's comparative advantages**. Two areas were identified:

(a) First, in line with its crisis prevention policy, IFAD would engage in conflict prevention by incorporating during country strategy and project formulation, measures to mitigate the risk of foreseeable crises, natural and otherwise, and their impact on the Fund's target population.

(b) Second, IFAD would continue to emphasize "inclusive development" as per its policy on targeting and to build the capacity of IFAD's target population as individuals and strengthen community-level organizations to cope with shocks when they occur.

21. The paper provided a detailed list of the actions that IFAD would need to undertake regarding the development of deeper country knowledge, reducing projects complexity, stepping-up supervision efforts, and enhancing partnerships in order to apply lessons learned to future activities in fragile states.

22. The paper concluded that, as had been the experience in other IFIs, IFAD would need to devote additional resources to the fragile state programmes. Additional financing would be required to enhance staffing, provide adequate country presence, and improve security arrangements. Larger allocations would also be needed for supervision. The paper acknowledged that while a portion of the necessary resources could be obtained by reallocating across country programmes, **net additional resources may be required**, especially for more intensive supervision in fragile states with relatively small portfolios and in the countries where new country presence initiatives are established.

23. In line with this analysis, IFAD committed to improve its development effectiveness in fragile states. The IFAD8 Consultation endorsed IFAD's approach to fragile states in 2010-2012, and agreed that **such approach should be characterized by the following**: [10]

(i) A flexible approach to programme and project design, with a strong focus on building the capacity of community and government institutions.

(ii) More focus on the key issues of vulnerability and resilience, economic empowerment, gender, food security, land rights and natural resource management, and particular targeting of vulnerable population groups including displaced female-headed households,

[10] GC 32/L.5, paragraphs 50-53.

indigenous peoples and rural communities with demobilized combatants requiring reintegration.

(iii) Greater simplicity in project objectives and activities, to take account of the limited capacity of many fragile states to manage and implement development projects.

(iv) Attention to mitigating, and responding to, risks of natural disaster and conflict – particularly local conflicts, e.g. over access to natural resources.

(v) Expanded knowledge-sharing, including working with partners able to address a broader range of the causes of fragility than IFAD alone is able to do.

(vi) Cofinancing, wherever possible through harmonized procedures, in order to avoid increasing transaction costs to governments.

(vii) Strengthened capacity for analysis to underpin programme and project design and implementation, including through expanded IFAD country presence and direct supervision.

(viii) Particular attention to the management of risk associated with engagement in fragile states, including security of the workforce.

24. IFAD committed to incorporate this approach into relevant IFAD operational guidelines (COSOP guidelines, project design and supervision guidelines and quality assurance and quality enhancement guidelines) during 2009 and 2010.

IFAD Guidelines for disaster early recovery

25. In 2011 the Fund developed the **IFAD Guidelines for disaster early recovery**, designed to operationalize the IFAD Framework for Bridging Post-Crisis Recovery and Long-term Development (1998) and the IFAD Policy on Crisis Prevention and Recovery (2006) discussed above. The Guidelines emphasise the need for IFAD involvement in early recovery to support the rehabilitation of rural livelihoods and ensure the transition from relief to long-term sustainable development. The Guidelines provide the **principles of engagement** which guide IFAD's work in a crisis or disaster resulting from natural or non-natural hazards, such as those arising from conflict and civil unrest. According to the Guidelines, when intervening in a post-disaster context, the following principles must be upheld:

(i) Interventions should be timely, flexible and simple.

(ii) Responses should be speedy without compromising quality.

(iii) The principle of 'do no harm' should prevail.

(iv) Avoid the restoration of unsustainable livelihoods.

(v) Synergies with other agencies and specialized (relief) organizations should be maximized and duplication of efforts avoided.

(vi) National ownership should be supported and participation should be ensured in the development and implementation of early recovery activities.

(vii) IFAD should not engage in peace-making or peace enforcing operations or in humanitarian relief operations.

The Ninth Replenishment Consultation

26. In 2011, during the **9th Replenishment** of IFAD resources, IFAD updated the Consultation on progress in the implementation of IFAD8 commitments related to FS, and reported that implementation of all commitments was completed or ongoing.[11]

[11] REPL.IX/1/R.2, IFAD at the Midterm of the Eighth Replenishment. The Midterm Review reported that fragility-related issues were being introduced in the COSOP Guidelines, Supervision Guidelines and the Project Design Report outline, all of which were being finalised at the time of reporting (last quarter of 2010). IFAD also reported that fragility issues were taken into account by both the Quality Enhancement and Quality Assurance function. See also GC 35/L.4, Report of the Consultation on the ninth Replenishment of IFAD's Resources.

Box 2
Reporting on IFAD8 commitments on fragile states[12]

COSOPs: relevant findings from a review of experiences in fragile states are reflected in the updated COSOP guidelines.

Supervision: the guidelines update has been finalized and state fragility issues have been introduced.

Project design: the project design report outline has been revised and became effective in January 2011. The outline takes into account state fragility issues.

Quality assurance: state fragility issues (such as risks, implementation capacity and sustainability) are duly taken into consideration in QA reviews.

Quality enhancement: the guidance notes for the application of key success factors (KSFs) for project design, which reflect those outlined in IFAD's Quality Enhancement for Project Design Guidelines, specifically refer to fragility issues under KSF 3.

27. The IFAD9 Consultation requested no specific document on Fragile States. However, several commitments were agreed upon in order to improve IFAD's development effectiveness in these countries.[13] In line with agreements reached at the Busan Fourth High-Level Forum, IFAD committed to achieving better results in fragile states through increased support for country leadership and ownership and strengthening of local capacities and systems. To achieve this, IFAD committed to:

- Adopt a flexible approach to programme design and implementation support in fragile states, with a strong focus on building the capacity of community and government institutions, including through appropriate country presence arrangements, and close collaboration with other multilateral and bilateral partners.
- Enhance the quality of programme design and implementation support in fragile states by performing deeper analysis of the causes of fragility.
- Ensure simplicity of objectives and activities of projects in fragile states.
- Strengthen application of risk management in the context of programmes in fragile states, including for security of the workforce.

28. IFAD will report on how the above commitments are being implemented at the first session of the IFAD10 Replenishment Consultation in February 2014 through the Midterm review of IFAD9 report.

The Results Measurement Framework 2013-2015

29. In the context of the IFAD9 Consultation IFAD also adopted a new **Results Measurement Framework** (RMF) for 2013-2015.[14] Since IFAD committed to devote **greater attention to special conditions and requirements prevailing in fragile states**, this was set as one of the principal thrusts for results management and measurement in IFAD9 with respect to the operational effectiveness of country programmes and projects. For this reason, specific indicators to monitor projects and programmes' performance in fragile states were included in the RMF. IFAD will report on performance against these indicators for the first time at the December 2013 Executive Board session through the Report on IFAD's Development Effectiveness.

Table 3
Indicators on Fragile States performance in the Results Measurement Framework 2013-2015

Operational effectiveness of country programmes and projects (level 4)
Percentage of projects rated 4 or better at entry: Overall average for projects in fragile states only
Percentage disbursement ratio – for countries in fragile situations

Annual Report on Results and Impact 2012

30. In 2012, the Annual Report on Results and Impact (ARRI),[15] produced by IFAD's Office of Evaluation (IOE) underlined the importance of country context for project success and concluded that project performance in fragile states is lower than in non-fragile contexts. According to the ARRI, in fragile states only 9 per cent of projects are satisfactory and almost half are moderately unsatisfactory or unsatisfactory. In light of this, in 2014 IOE will undertake a Corporate Level Evaluation on IFAD's

[12] GC 35/L.4, Report of the Consultation on the ninth Replenishment of IFAD's Resources.
[13] GC 35/L.4, Report of the Consultation on the ninth Replenishment of IFAD's Resources.
[14] REPL.IX/3/R.4, Results Measurement Framework 2013-2015.
[15] EC 2012/74/W.P.3

performance in FS. The evaluation will try to identify the explanatory factors that lie behind current performance in FS looking at what, for example, are the common characteristics of the 9 per cent of projects in fragile states that are rated as satisfactory.

IV. Performance of the IFAD portfolio in fragile states

A. Performance trend

31. Since it started assessing its performance at completion through the analysis of project completion reports (PCRs) in 2006, IFAD has reviewed a total of 198 PCRs. This year, PMD's self-assessment analysed project performance comparatively over two four-year cycles, 2006-2009, and 2010-2013 (101 and 97 projects respectively). The review revealed that there has been a consistent improvement in IFAD completed portfolio performance over the last eight years[16]. In 2010-2013 the overall rate of project achievement reached 82%, against 76% in 2006-2009.

Portfolio performance in fragile states

32. Building on the PCR analysis undertaken since 2006, this section undertakes a comparative assessment of completed portfolio performance in fragile and non-fragile states. The analysis focuses on performance in seven key performance indicators: effectiveness, efficiency, rural poverty impact, sustainability and ownership, overall project performance, and IFAD and Government performance. These are the indicators that IFAD's self-assessment function as well as its Independent Office of Evaluation uses to assess project and partners' performance[17]. Similarly, satisfactory and unsatisfactory performance is established in line with self and independent evaluation criteria; on a 1-6 scale, 1-3 represents unsatisfactory, and 4-6 satisfactory performance.

33. Overall, **68 projects** - or **35%** of all projects completed in 2006-2013 – were implemented in FS in 2006-2013.

Table 4
Number of projects completed in Fragile and Non-Fragile States – 2006-2013

Timeframe	Fragile	Non-Fragile	Total
2006-2009	33	68	101
2010-2013	35	62	97
2006-2013	**68**	**130**	**198**

34. Table 5 compares to what extent completed projects performed satisfactorily in fragile and non-fragile states in 2006-2013. As we can see, **projects in non-fragile states performed consistently better**. While the difference in satisfactory performance is less pronounced for effectiveness and overall project achievement, for efficiency it is remarkably high.

Table 5
Satisfactory performance: completed operations in fragile and non-fragile states 2006-2013

Satisfactory performance 2006-2013	Effectiveness	Efficiency	Rural poverty impact (composite)	Sustainability and Ownership	Overall Project Achievement
% Non-Fragile satisfactory	83%	73%	82%	71%	83%
% Fragile satisfactory	75%	52%	72%	62%	72%
Difference	8%	22%	10%	9%	11%

35. Performance in 2006-2009: The regional distribution of the 101 projects completed in 2006-2009 is shown in table 6. During this timeframe, the highest number of projects in FS was in ESA (12 projects, twice as many as in non-FS), followed by APR (9).

16 PCR 2013 Analysis – Main Report.
17 For specific definitions see: Annual Report on Results and Impact 2012, Annex III: https://webapps.ifad.org/members/eb/107/docs/EB-2012-107-R-7.pdf

Table 6
Total number of projects completed in Fragile and non-Fragile countries in 2006-2009, regional distribution

Region	Fragile	Non-Fragile	Total no of projects completed 2006-2009
APR	9	16	25
ESA	12	6	18
LAC	1	19	20
NEN	4	13	17
WCA	7	14	21
Total	**33**	**68**	**101**

36. A comparative analysis of satisfactory performance ratings in Fragile and Non-Fragile States in 2006-2009 (Table 7) shows that projects performed fairly similarly in terms of effectiveness, rural poverty impact, sustainability and overall performance. **Projects in Fragile-States instead were less efficient**.

Table 7
Overall project satisfactory performance: Completed operations in Fragile and non-Fragile States – 2006-2009 (101 projects)

Satisfactory performance 2006-2009	Effective ness	Efficiency	Rural poverty impact (composite)	Sustainability and Ownership	Overall Project Achievement
% Non-Fragile satisfactory	81%	72%	75%	65%	78%
% Fragile satisfactory	79%	52%	73%	63%	73%
Difference	2%	21%	2%	2%	5%

37. Performance in 2010-2013: The regional distribution of the 97 completed projects assessed in 2010-2013 is illustrated in table 8. In 2010-2013 projects in FS are more evenly distributed than in 2006-2009, with 9 projects each in APR and ESA and 8 each in NEN and WCA.

Table 8
Total number of projects completed in Fragile and non-Fragile countries in 2010-2013, regional distribution

Region	Fragile	Non-Fragile	Total no of projects completed 2010-2013
APR	9	15	24
ESA	9	7	16
LAC	1	18	19
NEN	8	11	19
WCA	8	11	19
Total	**35**	**62**	**97**

38. As shown in Table 9, in 2010-2013 the share of satisfactory performing projects in FS against projects with satisfactory performance in non-FS decreased for all performance indicators. This is due both to a slight decrease in satisfactory performance in FS as well as to an improvement in project performance in non-FS (as can be seen in the next section). As in 2006-2009, efficiency is the lowest performing indicator.

Table 9
Overall project satisfactory performance: Completed operations in Fragile and non-Fragile States 2010-2013

Satisfactory performance 2010-2013	Effectiveness	Efficiency	Rural poverty impact (composite)	Sustainability and Ownership	Overall Project Achievement
% Non-Fragile satisfactory	85%	74%	90%	77%	89%
% Fragile satisfactory	71%	51%	71%	62%	71%
Difference	14%	23%	19%	16%	17%

Project performance in FS and non-FS over time

39. The comparison of the 2006-2009 and 2010-2013 sets of data on project performance in FS shows that **there has been almost or no change over time in project performance in Fragile States. Project effectiveness has actually decreased** (table 10). In **non-Fragile States** instead, portfolio performance has consistently improved over the last eight years, as shown in Table 11.

Table 10
Comparative analysis of satisfactory performance in FS (2006-2009 and 2010-2013)

Performance 2006-2009 / 2010-2013	Effectiveness	Efficiency	Rural poverty impact	Sustainability and Ownership	Overall Performance
Fragile satisfactory 2010-2013	71%	51%	71%	62%	71%
Fragile satisfactory 2006-2009	79%	52%	73%	63%	73%
Difference	-7%	0%	-1%	-1%	-1%

Table 11
Comparative analysis of satisfactory performance in non-FS (2006-2009 and 2010-2013)

Performance 2006-2009 / 2010-2013	Effectiveness	Efficiency	Rural poverty impact	Sustainability and Ownership	Overall Performance
Non-fragile satisfactory 2010-2013	85%	74%	90%	77%	89%
Non-fragile satisfactory 2006-2009	81%	72%	75%	65%	78%
Difference	5%	2%	15%	13%	11%

40. Summing up, the project performance data analysed in this section show that the overall performance of IFAD's portfolio improved in 2006-2013. The analysis of the portfolio in FS and non-FS divided in two four-year datasets (2006-2009 and 2010-2013) shows instead that while this is true also for projects in non-FS, **projects in FS perform less satisfactorily and their performance has seen no improvement over the last eight years.** The analysis therefore seems to indicate that fragility is a key issue in determining portfolio performance.

41. **FS projects efficiency performance was and remains very low, with only about 50% of** projects performing satisfactorily. In non-FS, about 70-75% of projects have performed efficiently in 2006-2013. While this leaves room for improvement, efficiency satisfactory performance is nevertheless considerably higher than in non-FS.

Performance of the governments and IFAD in fragile states

42. IFAD's self-assessment function assesses IFAD's own performance as well as the performance of its partner Governments. In 2006-2013, both IFAD and Government partners performed better in non-fragile than in fragile states. Government performance in particular is considerably higher in non-FS. Since IFAD itself defines fragile states as countries characterized by weak policies, weak institutions and weak governance,[18] this finding should not be surprising.

Table 12
IFAD and Government performance 2006-2013

Satisfactory performance 2006-2013 (number of projects)	IFAD	Government
% Non-Fragile satisfactory	81%	78%
% Fragile satisfactory	73%	54%
Difference	9%	24%

43. Dividing the timeframe in two four-year cycles to assess performance over time, as in Table 13, we can observe that not only partner Governments performed considerably better in non-FS, their performance has also improved over the last four years. In FS, Government satisfactory performance has consistently remained low at around 55% of cases.

18 IFAD Policy for crisis prevention and recovery, 2006.

Table 13
Government performance in 2006-2013

Government	Satisfactory performance 2006-2009	Satisfactory performance 2010-2013
Non-fragile satisfactory	76%	81%
Fragile satisfactory	55%	54%
Difference	22%	26%

44. As regards IFAD's performance, the 2006-2009 analysis shows good performance both in FS and Non-FS. However, the 2006-2009 assessment is somewhat limited as IFAD's role in determining project performance then was not as strong as it is today. At the time, IFAD had not systematically introduced the Direct Supervision function across its portfolio nor had any of these projects been supervised by IFAD for any relevant period of time. IFAD did not have a widespread country presence yet and the role of the Cooperating Institution (CI) instead was very important. Therefore, performance in 2010-2013 is considered more relevant for the analysis.

45. IFAD's satisfactory performance in FS in 2010-2013 stands at 63% of the completed projects considered. This is considerably lower than the 89% satisfactory performance in non-FS during the same timeframe. Indeed, these findings are in line with reporting by Regional Divisions in 2012 and 2013[19] regarding the difficulties faced when working in fragile contexts. Political instability, risk of unrest, volatility, a post-conflict environment, security issues, and cumbersome administrative procedures are cited as the most common obstacles to working effectively in these countries. While IFAD performance is somewhat linked to the specific country context in which it works, the Fund should strive to develop the capacity and tools to improve its performance in these countries.

Table 14
IFAD performance in 2006-2013

IFAD	Satisfactory performance 2006-2009	Satisfactory performance 2010-2013
Non-fragile satisfactory	75%	89%
Fragile satisfactory	84%	63%
Difference	-9%	26%

B. Determinants of portfolio performance in fragile states

46. This section attempts to explain why IFAD completed projects perform as they do. It does so by summarizing the findings of the qualitative analysis of the Project Completion Reports of the projects completed in 2010-2013 which performance ratings were considered in section 6. It also seeks to identify which factors contributed to partner Governments and IFAD positive or unsatisfactory performance, using the same source.

47. For comparative purposes, the section below first reports the findings of the 2013 PCR Review on what led to positive performance in the completed projects which were rated satisfactorily in 2013.

48. The 2013 PCR review[20] confirmed the assessment made in previous years. It confirmed that in almost all the successful projects (in terms of overall project achievement), good relationship and communication among project's stakeholders, as well as constructive and positive collaboration have been key factors to ensure project success. The review also identified factors which contributed to IFAD and Government positive performance.

49. For IFAD, the relevant factors that were identified were: (i) positive major role at design level; (ii) frequent and direct provision of regular and ad hoc support to the project through a close follow-up, also as a consequence of IFAD's Direct Supervision Policy; (iii) flexibility and timely response to project implementation constraints; (iv) good communication and smooth administrative processes; (v) timely and efficient loan administration; (vi) good country presence; and (vii) good partnership established with other project stakeholders.

[19] Regional Divisions Divisional Management Plans 2013 and 2012 and Q1 2013 Quarterly Performance Conversations.

50. For the governments, the factors identified were: (i) strong project ownership; (ii) delivery of adequate management and technical support during project implementation; (iii) timely provision of counterpart funds; (iv) compliance with loan covenants and fiduciary aspects (encompassing procurement rules, audit requirements); (v) deployment of high quality project management team.

51. A review of the ten (out of 35) projects completed in 2010-2013 in FS which were rated unsatisfactory reveals some common factors that contributed to this result. These are mainly related to the factors described below.

Factors explaining weak performance

52. **Project design**. The main design-related feature of unsatisfactory performing projects is their over-ambitious nature. In several cases, what the project could achieve in the specific country context, and in light of the weak capacity of implementing partners, was overestimated, making the overall project design overambitious. This was particularly so in those projects with complex design in terms of approach (e.g. over-complex participatory approach, which proved impractical), components (multi-fold components, complex strategies), and implementation area (multi-implementation areas, spatially separated). While most of these projects were in line with Government and beneficiaries' priorities, as well as with IFAD policies, this proved insufficient to ensure sound and solid design, causing implementation delays and shortcomings which had a negative impact also on other impact domains, such as effectiveness, efficiency and overall project impact.

53. **Efficiency**. As seen from the foregoing analyses, efficiency continues to remain an area of concern in terms of overall portfolio performance. As said in the previous section, because of the structural weakness of FS institutions, including those responsible for project implementation, this finding should not be surprising. There are however some common factors which determine low efficiency performance which can be tackled. A long effectiveness lag is often combined with project difficulties taking off. Such difficulties may be linked to the design shortcomings described above, but may also be unrelated. Long staff recruitment processes and high staff turnover, leading to lack of continuity in implementation for example can considerably extend the project implementation period, hence affecting overall project efficiency. Low disbursement rates, leading to higher management costs, as well as low or delayed release of counterpart funds also badly affect project efficiency. Cumbersome administrative procedures, common to the public administration of many IFAD partner countries, also lead to inefficiencies in implementation.

54. **Conflict and insecurity**. Three of the ten projects that were rated unsatisfactory in 2010-2013 in FS were implemented in conflict/instability/insecurity-affected countries. These projects faced similar difficulties to the other FS. But they also faced challenges specific to their conflict or post-conflict status, whether this was nationwide or specific to the project area. This resulted in IFAD's inability to field supervision missions, lack of or reduced Government support, increased inefficiency, and the need to redirect the projects to adapt them to the changed situation. This was not always done satisfactorily. In one case, the project was redesigned but the lack of collaboration between Government authorities and the project implementation unit made successful implementation impossible. In another, as the security situation deteriorated during implementation, the project would have benefited from "crisis situation implementation support" from IFAD. Failure to do so led to disbursement suspension and de facto project completion.

55. **Government performance**. As seen in the previous section, government performance in FS is considerably lower than in non-FS. This has a very strong impact on overall project performance, since IFAD finances the projects the governments implement. As implementing partners, Governments' main tasks relate to the compliance with fiduciary conditions agreed upon in the loan agreement; the setting up of a project implementation/coordination unit with the capacity to manage project implementation; and maintaining support to project implementation at national and sub-national level all throughout the duration of the project. Government buy-in and support at all project stages is crucial to project success.

56. FS often have difficulties in the provision of sufficient and timely counterpart funds; this slows project implementation and undermines project management, consequently affecting the achievement of project goals and project efficiency. Incompliance with loan covenants, infrequent meetings of the project coordination group/committee, lack of interest in and failure to participate in project supervision are some of the ways partner Governments' lack of interest in the project can manifest. All or any of these can happen during project implementation for reasons which may or may not be linked to the project itself. Lastly, one of the main causes of project failure is the lack of skilled staff to implement it.

A solid project implementation unit may lead to positive project outcomes even when design shortcomings are present and the implementation context is challenging. Contrarily, lack of qualified project staff constitutes a structural obstacle to project success. Long recruitment processes or high staff turnover also hamper the achievement of project outcomes.

57. **IFAD performance**. The performance of the Fund is assessed by looking at the extent to which services and support provided by IFAD ensured a sound project design; facilitated participation by the rural poor and partners; supported implementation effectively; facilitated partnerships and policy dialogue; and ensured sustainability of project benefits. Clearly, this is the domain on which IFAD has strongest influence, and it is therefore particularly important to address known shortcomings. Most of the projects in FS that performed unsatisfactorily were characterised by weak project design, and this is the main reason why IFAD's performance was also considered unsatisfactory. As explained in the section on project design, over-complex, overambitious designs which go beyond implementing partners' capabilities represent the first step towards project failure.

58. Similarly, in several cases, IFAD's support during implementation has been uneven. Changing of the Country Programme Manager (CPM) responsible for the country/project during implementation for example causes considerable difficulties to partner Governments. It places a burden on them as they need to adjust to working with different managers, and undermines the creation of a collaborative relation. It causes loss of institutional memory as well. In one of the projects considered in the analysis, the CPM changed five times during implementation; in others, three or four times. Furthermore, there were cases in which IFAD did not process withdrawal applications promptly, causing implementation delays, or it failed to respond and provide support to projects which were encountering implementation difficulties.

Factors explaining strong performance

59. Nine of the 35 projects completed in FS in 2010-2013 were rated satisfactory (none was rated highly satisfactory (6)). Some common success factors are identified below.

60. **Solid but flexible project design**. All projects rated satisfactorily were relevant to Government priorities and policies, and most were designed in a participatory manner. They were therefore considered relevant, well-designed projects which responded to the needs of the target population. However, most of projects required some adjustment during implementation as further areas for intervention were identified, population needs changed or unexpected events occurred. The capacity of partners (both IFAD and Government partners) to recognise this and to take the necessary actions determines project success. Flexible design and flexible partnership arrangement seem to be equally important.

61. **Government and implementing agency/PIU performance**. Commitment by the recipient government is absolutely essential to project success. Such commitment is demonstrated through active participation to project design and continuous engagement during implementation; maintaining or developing a conducive policy environment to project implementation; complying with loan covenants and providing counterpart funds adequately. Another key aspect of Government performance is the use of skilled implementing agencies and a solid and capable PIU/PCU, staffed to the specific needs of the project in question. This can be achieved through the use of existing and functioning institutions, as well as through the hiring of staff on a competitive basis.

62. **IFAD performance**. In most of the projects in FS rated satisfactorily IFAD was appreciated for its technical inputs at design and its engagement during implementation, both before and after it became responsible for direct supervision. IFAD's flexible approach and willingness to adapt to changing circumstances were also appreciated. Its cooperation with partner Governments was valued, as was its engagement with projects' PIU/PCU, with whom it ensured close follow up on project implementation.

63. **Partners' engagement and commitment**. A constructive working relation among project partners is essential to project success. A constructive relation is built over time, before and during project design, and cultivated throughout implementation. This is also what leads to continued engagement of all parties until project completion. Initiatives that help build good relations are for example joint design and supervision missions, which help develop and maintain trust among partners, as well as clarify roles and responsibilities.

V. Conclusions and recommendations

64. Fragile states constitute a considerable part of IFAD's member countries and of the countries in which IFAD finances development operations. IFAD will finance operations in 46 countries classified as fragile during the IFAD9 implementation period. Over time, IFAD has developed a policy and guidelines to working in fragile contexts, and has addressed this issue during the IFAD8 replenishment Consultation process. As part of the Ninth Replenishment Consultation, IFAD has committed itself to adopting a flexible approach to working in these countries, improve the quality of project design (including through the setting of simple and realistic objectives), and strengthen the application of risk management to projects and programmes in FS.

65. This review also shows that the portfolio performance of IFAD in fragile states is consistently lower than in non-fragile states. Government and IFAD performance is also lower in fragile states. Even worse, neither IFAD portfolio, nor Government or IFAD performance in fragile states have improved over time. The analysis of causal factors shows that project performance is strongly linked to partners' performance; hence these findings should not be surprising. This conclusion is true for both fragile and non-fragile states, as demonstrated by the overall PCR review 2013. In fact, with the exception of the three projects which were affected by conflict/instability, most of the shortcomings identified in the analysis of unsatisfactory FS performance are similar to that determining project failure in non-FS as well. Similarly, the determinants of project success in FS are not different from the success factors identified in the overall portfolio assessment. Good and flexible design, sound project management and a close partnership between all partners involved are key to success both in fragile and non-FS.

66. So, what is special about fragile states? Mainly, that they are characterised by very weak Government institutions, which are unable to provide basic services to their population. Since Government institutions are the direct recipients of IFIs and IFAD financing, and are the main implementing partner, it is not surprising that in most cases projects' and Government performance are moderately unsatisfactory at best. Indeed, while the challenges they face are not necessarily unique to fragile states, in fragile situations they are amplified and often become more intractable.[21]

67. This seems to call for reflection on the appropriateness of the IFIs financing model and approach, which sees state institutions as implementers of development assistance, in fragile contexts. The WDI 2011 reflects on the fact that: "Multilateral responses are constrained by historical arrangements suited to more stable environments. For example, the international financial institutions' procurement procedures were based on the assumption of ongoing security, a reasonable level of state institutional capacity, and competitive markets. They thus have difficulty adapting to situations where security conditions change between the design and tendering of a project, where a small number of qualified government counterparts struggle to manage complex procurement documentation, and where the number of qualified contractors prepared to compete and mobilize is very limited."[22]

68. In spite of the above, a recent evaluation of (multilateral and bilateral) donors' service delivery in fragile states points out that donors' assumption is that "even in the most problematic situations, economic development is possible and donor assistance can be designed in a way that goes beyond emergency assistance."[23] The assumption among international development stakeholders that the IFIs financing development model is applicable to fragile states therefore remains. Consequently, much attention has been devoted to adapting the IFI approach to fragile countries' special circumstances, as seen in Section IV, and MDBs have dedicated much time and resources to developing special administrative, operational and financing procedures for fragile countries. However, as concluded by the OECD 2011 survey on the implementation of the Principles for Good Engagement in Fragile States and Situations, a wide gap remains between the development of policies at headquarter level and their implementation on the ground.[24]

69. IFAD itself has developed a range of guidelines and policies to guide its work in fragile states. This makes sense as a considerable part of the member countries where it operates are considered fragile. Existing policies related to FS have identified IFAD's comparative advantage in these contexts. In 1998, IFAD's comparative advantage was found to be its capacity to undertake micro-level and

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[21] Alisa Di Caprio, AsDB Working Paper 339, Operationalizing Experience: Donor Approaches to Service Delivery in Fragile States, February 2013.

[22] 2011 World Development Report: Conflict, Security, and Development

[23] Alisa Di Caprio, AsDB Working Paper 339, Operationalizing Experience: Donor Approaches to Service Delivery in Fragile States, February 2013.

[24] OECD (2011), Conflict and Fragility, International Engagement in Fragile States – Can't we do better? OECD Publishing.

location-specific projects for rural poverty alleviation. In 2006, the Policy for Crisis Prevention and recovery identified IFAD's comparative advantage as its ability to address the issues associated with poverty reduction from the perspectives of poor people with and through their own organizations and institutions. In 2008, the IFAD8 paper on fragile states found that IFAD performed better in terms of development effectiveness through programmes that are implemented at the community level and that support strong participation, particularly of rural women. Summing up, IFAD's participatory approach and its engagement with farmers/producers organisations enable it to reflect the needs of its target population in the operations it finances; this is its main comparative advantage. Moreover, IFAD operations work best when implemented at the community level with strong beneficiaries' participation, women in particular.

70. Since these comparative advantages were identified, IFAD has considerably expanded its programme of loans and grants, and has consolidated its "new operating model", which introduced: a strategic country programme approach; results-based country strategic opportunities programmes (RB-COSOPs); direct supervision of country operations; opening and staffing of offices in partner countries; new project design guidelines; and an upgraded quality enhancement (QE) and quality assurance (QA) system. The new operating model – with IFAD Country Offices and direct supervision as its most salient features - has significantly changed the way IFAD manages its lending programme. The new operating model has contributed to the current improvement of performance, as seen in the assessment of IFAD's overall portfolio in 2010-2013. The lack of improvement in fragile states despite the changes in the operating model over time however seems to call for a new and fresher assessment of what is IFAD's comparative advantage in fragile contexts, specifically taking into account the features of the new operating model, how can fragility be further integrated in it, and what the model implies in FS, particularly in terms of implementation support and direct supervision.

71. Existing IFAD policies and papers related to FS have also identified lessons from IFAD experience in fragile countries (Section III B). These lessons remain valid and to a great extent reflect the success factors discussed in the causal analysis of satisfactorily completed projects. Conversely, their systematic incorporation in IFAD operations would address to a considerable extent the weaknesses identified in the analysis of unsatisfactorily performing projects:

(i) Need for deeper country knowledge and/or the local conditions in the area of intervention;

(ii) Identifying the causes of emergencies/crises/fragility and ensure they are adequately taken into account in COSOP and project design;

(iii) Clearer, simpler and more flexible project design, with realistic project objectives, which take into account the actual capacity of implementing partners;

(iv) Greater IFAD involvement in supervision, to enable a flexible approach to implementation when needed;

(v) Improved coordination and collaboration with partners, both donors and government partners.

72. The IFAD8 paper provides a detailed analysis of the actions that IFAD would need to take in order to apply the above lessons learned to future activities in fragile states (Annex 3).

73. In addition to these lessons, IFAD can also learn from partner MDBs and the analysis of the administrative and operational procedures they have undertaken in recent years. The following can be added to the lessons mentioned above:

(i) Increase efforts for partnership building to increase complementarity;

(ii) Develop more agile operational policies which allow for flexibility and adaptability to sudden context changes and low implementation capacity;

(iii) Strengthen staff capacity and direct engagement in FS, ensuring that all staff working in these countries is appropriately trained. The right set of skills needs to be developed and deployed in fragile countries, if necessary accompanied by a specific incentives package for staff;

(iv) Additional administrative budget may be needed for project supervision in fragile states, in addition to specific security budget in countries where the security situation requires it.

74. These lessons are in line with the findings of the causal analysis, which pointed to the need for further IFAD flexibility in terms of operational procedures in fragile states, to the importance of IFAD staff engagement in implementation support and to the need to adapt to working in countries with

special security needs. Changes to the security situation in fragile countries are not uncommon. To address this, in recent years the WB has spent nearly three times as much in bank budget per dollar of IDA lending in fragile states compared to non-fragile countries.[25] The WDI 2011 argues that political exclusion and inequality affecting regional, religious or ethnic groups are associated with higher risks of civil war, while inequality between richer and poorer households is associated with higher risks of violent crime. The security risks are therefore multi-dimensional, and increase the fixed costs of working in FS, even in those which are relatively stable (see Annex 3).

75. In general terms, IFAD would benefit from a reassessment of its approach to FS in light of the implementation and consolidation of the new operating model, the lessons learned in recent years both by IFAD and partner MDBs, as well as of the findings of more recent research on the features of fragility. As mentioned in Section IV, this would be a first step towards improving IFAD's operational and development effectiveness in fragile states. Concrete and effective ways for implementing any policy updates in practice must be set in place, ensuring, among other things, staff capacity, the allocation of adequate budgeting, and the setting up of realistic timeframes of engagement. As concluded by the OECD,[26] traditional development frameworks fall short of providing an adequate basis for effective action to address the challenges of conflict related and fragile states. Any further reflection on IFAD's engagement in these countries would benefit from taking this factor into consideration.

76. At strategic level, another issue to consider when reflecting on IFAD's engagement in FS is its recent shift towards fewer and larger operations. This shift responds to the IFAD9 commitment to reach 90 million people and to lift 80 million people out of poverty by 2015, hence the need to reach increasingly more beneficiaries with limited resources. It also reflects constraints on total administrative budget and administrative budget allocated for operations, which have led regional divisions to design fewer and larger operations, often engaging the whole country allocation to a single project/programme (often covering two PBA allocation cycles), or to provide additional financing to existing operations in order to expand their coverage.

77. Achieving results in fragile states requires more time and more resources than in non-FS (as acknowledged by IFAD relevant policies and guidelines as well as partner MDBs experience), and at a greater risk. These are, for the most part, scarcely and sparsely populated countries. While the relevance of IFAD's work in FS is unquestionable, it would be worth reflecting on the cost associated with reaching to the poorest households living in fragile situations. Quite clearly, there would often be a trade-off between reaching to the poor and vulnerable living in fragile situations and efficiently achieving the target of lifting 80 million people out of poverty. The answer perhaps is not either this or that one- it would be reckoning higher costs associated with lifting the poor and vulnerable living in fragile situations out of poverty and achieving that objective with maximum possible efficiency and effectiveness possible under the circumstance.

[25] IDA 17, IDA's Support to Fragile and Conflict-Affected States, IDA Resource Mobilization Department Concessional Finance and Global Partnerships, March 2013.

[26] OECD (2011), Conflict and Fragility, International Engagement in Fragile States – Can't we do better? OECD Publishing.

Appendix 1
Fragile States List – IFIs classifications

WB FY13[75]	AfDB[76]	AsDB[77]	Harmonised list of fragile situations FY13 (AfDB and IDA)[78]	OECD[79]	IFAD's combined list
Afghanistan		Afghanistan	Afghanistan	Afghanistan	Afghanistan
Angola	Angola		Angola	Angola	Angola
				Bangladesh	Bangladesh
Bosnia and Herzegovina			Bosnia and Herzegovina	Bosnia and Herzegovina	Bosnia and Herzegovina
Burundi	Burundi		Burundi	Burundi	Burundi
				Cameroon	Cameroon
Central African Republic	Central African Republic		Central African Republic	Central African Republic	Central African Republic
Chad	Chad		Chad	Chad	Chad
Comoros	Comoros		Comoros	Comoros	Comoros
Congo D.R.	Congo D.R.		Congo D.R.	Congo D.R.	Congo D.R.
Congo, Republic of	Congo, Republic		Congo, Republic	Congo, Republic	Congo, Republic
Cote d'Ivoire	Cote d'Ivoire		Cote d'Ivoire	Cote d'Ivoire	Cote d'Ivoire
Eritrea	Eritrea		Eritrea	Eritrea	Eritrea
				Ethiopia	Ethiopia
				Georgia	Georgia
Guinea	Guinea		Guinea	Guinea	Guinea
Guinea Bissau	Guinea Bissau		Guinea Bissau	Guinea Bissau	Guinea Bissau
Haiti			Haiti	Haiti	Haiti
				Iran	Iran
			Iraq*	Iraq	Iraq
				Kenya	Kenya
Kiribati		Kiribati	Kiribati	Kiribati	Kiribati
				Korea, D.R.	Korea, D.R.
Kosovo			Kosovo	Kosovo	Kosovo
				Kyrgyzstan	Kyrgyzstan
Liberia	Liberia		Liberia	Liberia	Liberia
	Libya		Libya*		Libya
				Malawi	Malawi
Marshall Islands		Marshall Islands	Marshall Islands	Marshall Islands	Marshall Islands
Micronesia, FS		Micronesia, FS	Micronesia, FS	Micronesia, FS	Micronesia, FS
Myanmar			Myanmar***	Myanmar	Myanmar
Nepal			Nepal	Nepal	Nepal

75 IDA 17 FCS paper March 2013,IDA-eligible FCS countries - Annex I.
76 Review of AfDB engagement in FS-2013
77 2012 - Staff Handbook
78 Available at: http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/FCSHarmonizedListFY13.pdf, last retrieved 12/11/2013.
79 OECD, Fragile States 2013: Resource flows and trends in a shifting world

WB FY13[75]	AfDB[76]	AsDB[77]	Harmonised list of fragile situations FY13 (AfDB and IDA)[78]	OECD[79]	IFAD's combined list
				Niger	Niger
				Nigeria	Nigeria
				Pakistan	Pakistan
				Rwanda	Rwanda
Sierra Leone	Sierra Leone		Sierra Leone	Sierra Leone	Sierra Leone
Solomon Islands		Solomon Islands	Solomon Islands	Solomon Islands	Solomon Islands
Somalia	Somalia		Somalia	Somalia	Somalia
South Sudan	South Sudan		South Sudan	South Sudan	South Sudan
				Sri Lanka	Sri Lanka
Sudan	Sudan		Sudan	Sudan	Sudan
			Syria*		Syria
Timor-Leste		Timor-Leste	Timor-Leste	Timor-Leste	Timor-Leste
Togo	Togo		Togo	Togo	Togo
Tuvalu		Tuvalu	Tuvalu		Tuvalu
				Uganda	Uganda
			West Bank & Gaza**	West Bank & Gaza	West Bank & Gaza
Yemen			Yemen	Yemen	Yemen
Zimbabwe	Zimbabwe		Zimbabwe	Zimbabwe	Zimbabwe
		Nauru			Nauru
		Palau			Palau
		Papua New Guinea			Papua New Guinea
		Vanuatu			Vanuatu

Notes:

* Iraq, Lybia and Syria are not in the WB list because it includes IDA-eligible countries only

** West Bank & Gaza is in none of the individual lists given its territory status

*** AsBD Replenishment paper (May 2012): Donors agreed that ADB should closely monitor the evolving situation in Myanmar and consult them on its possible reengagement once the situation is deemed conducive for ADF support. January 2013: AsDB provided an initial special allocation of ADF resources to Myanmar.

Appendix 2
IFAD allocations to FS 2013-2015

Country	Green	Red	Yellow	Grand Total
APR				
AFGHANISTAN		50 605 088		50 605 088
BANGLADESH	99 207 595			99 207 595
IRAN	-			-
KIRIBATI		3 000 000		3 000 000
KOREA DPR	-			-
MARSHALL ISLANDS		-		-
MYANMAR	36 484 723			36 484 723
NEPAL			41 354 388	41 354 388
PAKISTAN	64 423 941			64 423 941
SOLOMON ISLANDS			4 213 978	4 213 978
SRI LANKA	21 170 625			21 170 625
TIMOR LESTE	4 677 613			4 677 613
ESA				
ANGOLA	6 670 442			6 670 442
BURUNDI		39 449 912		39 449 912
COMOROS		4 634 766		4 634 766
ERITREA		-		-
ETHIOPIA	84 552 716			84 552 716
KENYA	56 063 341			56 063 341
MALAWI			39 376 678	39 376 678
RWANDA			41 931 266	41 931 266
SOUTH SUDAN	10 291 295			10 291 295
UGANDA	76 899 776			76 899 776
ZIMBABWE	-			-
LAC				
HAITI		19 656 262		19 656 262
NEN				
BOSNIA AND HERZEGOVINA	12 581 429			12 581 429
GEORGIA	13 637 523			13 637 523
IRAQ	19 317 764			19 317 764
KYRGYZSTAN			22 009 540	22 009 540
LIBYA	-			-
SOMALIA	-			-
SUDAN		26 014 995		26 014 995
SYRIA	1 000 000			1 000 000
YEMEN		31 915 757		31 915 757
WCA				
CAMEROON	23 685 979			23 685 979
CENTRAL AFRICAN REPUBLIC			11 479 815	11 479 815
CHAD			17 054 547	17 054 547
CONGO, DEM. REP.		36 672 385		36 672 385
CONGO, REP.	7 534 249			7 534 249
CÔTE D'IVOIRE			26 346 636	26 346 636
GUINEA		22 865 573		22 865 573
GUINEA-BISSAU			9 950 173	9 950 173
LIBERIA	20 491 587			20 491 587
NIGER			42 529 778	42 529 778
NIGERIA	87 469 518			87 469 518
SIERRA LEONE			28 287 367	28 287 367
TOGO			20 687 288	20 687 288
Total	**646 160 117**	**234 814 738**	**305 221 454**	**1 186 196 309**

Appendix 3
Security risk assessment in the UN system

1. The **goal** of the UN security risk assessment system (UNSMS) is to enable the conduct of United Nations activities while ensuring the safety, security and well-being of personnel and the security of United Nations premises and assets.

2. To achieve this goal, all organizations shall maintain a robust and cohesive security management system and adhere to three **principles**:

- Determination of acceptable risk;
- Provision of adequate and sustainable resources to manage the risk to personnel and their eligible dependants, premises and assets; and
- Development and implementation of security policies and procedures.

3. At single organisational level, Executive Heads are responsible for implementing the provisions of the UNSMS. This includes but is not limited to implementing the "no programme without security, no security without resources" strategy; ensuring that safety and security are core components of all programmes and activities, and that security risk assessments are considered and given due priority from the start of all planning processes; has a "duty of care" to ensure that personnel employed by his/her own organization and their recognized dependants are not exposed to unacceptable risk and that all measures are taken to mitigate risks.[1]

4. The UNSMS identifies five types of **security threats** in any given country: terrorism, armed conflict, civil unrest, crime and hazards. For each threat it assigns a score on a 1-5 scale (1 is the lowest, 5 the highest). The weighted combination of the five security threats automatically determines the overall level of danger (**risk**) in the country, expressed in Security Levels on a 1-6 scale (1 is Minimal Risk, 6 is Extreme). Importantly, because of how the overall country assessment is produced, a specific threat, such as crime for example, may be assigned a very high risk level, while the overall Security Level will result as moderate because of the combination of other low rated security risks. This is particularly relevant in fragile states, where one security challenge may be sufficient to endanger their citizens and development partners working there. The UNSMS is also used to assess security risk at the local level, as it is rare for threats and hazards to be the same throughout an entire country. Therefore most countries require more than one Security Level Area.[2] Insecure areas are often present in fragile states which are otherwise classified as safe, and different areas may have different security phases for different security threats. These areas are often the rural areas where IFAD works. The risk level determines also the Minimum Operational Security Standards (MOSS) applicable to UN operations in a given area. MOSS are determined across the board without taking into account single agency's specific exposure. The participation to the UN security management system in the country and compliance with MOSS in the area of operations have a cost that varies from country to country depending on the level of threat that these tailored security measures are set up to mitigate.

[1] UNSMS, Security Policy Manual, Chapter II, Section B, Framework for accountability for the United Nations Security management System.
[2] UNSMS, Security Policy Manual, Chapter IV, Section B, Security Management, Security Level System.