



INTERNATIONAL  
FUND FOR  
AGRICULTURAL  
DEVELOPMENT

OFFICE OF EVALUATION

# Annual Report

on the Results and Impact of  
Operations Evaluated in 2005







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## FOREWORD

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IFAD's Office of Evaluation is pleased to present the Annual Report on the Results and Impact of IFAD's Operations evaluated in 2005 (ARRI), which provides a systematic overview of the results and impact of the Fund's operations. The ARRI focuses on development effectiveness to determine and understand the results and impact IFAD has achieved in its efforts to reduce rural poverty, in addition to evaluating the performance of IFAD, its cooperating institutions and the borrowers. Moreover, the ARRI includes insights on a number of cross-cutting issues and themes, and offers recommendations that aim to enhance the performance and impact of the Fund and its partners.

The report draws on the findings and insights contained in eleven project evaluations, three country programme evaluations, one thematic and one corporate evaluation completed by OE in 2005. The project evaluation ratings are supplemented by those of an additional 21 projects that were part of IFAD's portfolio in the three countries where the country programme evaluations were conducted. This has greatly increased the sample size of project evaluation ratings covered by this report, from 11 to 32. In addition, the report compares the 2005 composite ratings with the findings from the 29 projects evaluated between 2002 and 2004. We are also pleased to present a new feature of the ARRI - the introduction of target scores for each evaluation criterion, which are used as benchmarks for performance and results management.

The results and impact of IFAD operations in 2005 included some interesting observations: compared with a figure of 39% for 2002-2004, 58% of projects in 2005 were rated moderately successful or better. This figure is even higher in IFAD's directly-supervised projects, where follow-up has improved and the organization's broader objectives – such as policy dialogue, improved targeting and gender equality – receive greater attention. Nearly two-thirds of the projects evaluated have shown that IFAD has closed the gap between its institutional performance and that of governments and cooperating institutions. However, many projects still do not benefit the poorest people to the extent intended.

The ARRI includes a number of considerations for the future: one being that IFAD strive to design projects with goals and objectives that are more realistically achievable. In addition, the report suggests that IFAD develop a risk management assessment process to address in a timely manner the various problems that may affect project implementation and impact. Finally, the ARRI advocates a broad-based discussion on sustainability issues, as this is an area of concern identified by this and previous ARRIs.

The lead evaluator for this year's ARRI was Caroline Heider, OE's Deputy Director, who supervised a team comprising Michael Heppell, lead consultant, who provided the main substantive contribution, and Michael Carbon, Chiara Grimaldi, Sylvia Schweitzer and Kendra White who provided technical and statistical support.

It is our hope that this report will stimulate further discussion on ways to increase effectiveness of IFAD-funded projects, as well as on key issues in the wider development community.

*Luciano Lavizzari*

*Director, OE*



## EXECUTIVE SUMMARY

The fourth Annual Report on Results and Impact of IFAD Operations (ARRI) synthesizes the findings of 16 project, country programme, corporate-level and thematic evaluations conducted by the Office of Evaluation (OE) in 2005. For comparative statistical purposes, 21 projects rated in the three country programme evaluations are combined with the 11 projects individually evaluated to provide a sample of 32 projects rated against OE's evaluation criteria. The composite ratings are compared with ratings for the 29 projects evaluated in 2002-2004, to show how project performance in 2005 compares with previous years.

This year's ARRI report introduces a benchmark to illustrate how target rates can be used as an instrument for managing for results. This experiment aims to demonstrate the usefulness of such a system rather than suggest a specific target score. A target score that has been set is intended to prove realistic yet challenging for overall performance against each of OE's evaluation criteria. These evaluation criteria lay out a set of conditions which, if satisfied, imply that a successful overall impact has been achieved. Assigning a target rating to each criterion provides a set of benchmarks that enables assessment of IFAD's overall performance, facilitates comparisons of IFAD's performance from year to year and provides more compelling quantitative evidence of how well or how poorly IFAD is performing against each of OE's evaluation criteria. It also supports the IFAD Action Plan for Improving its Development Effectiveness, which has set medium-term targets for relevance, effectiveness and efficiency in IFAD rural poverty programmes.

A target score of 4.2 is proposed for all criteria other than relevance. This score corresponds to 50 per cent of projects being successful and 5 per cent, highly successful. Given the difficult and innovative nature of IFAD's work, it is reasonable to expect some projects to fall short of complete success. This explains why the target rating has been set at 4.2; a rating of 5 would be equivalent to all projects being successful. The target score for relevance has been set at 5, which is lower than the Action Plan's target.

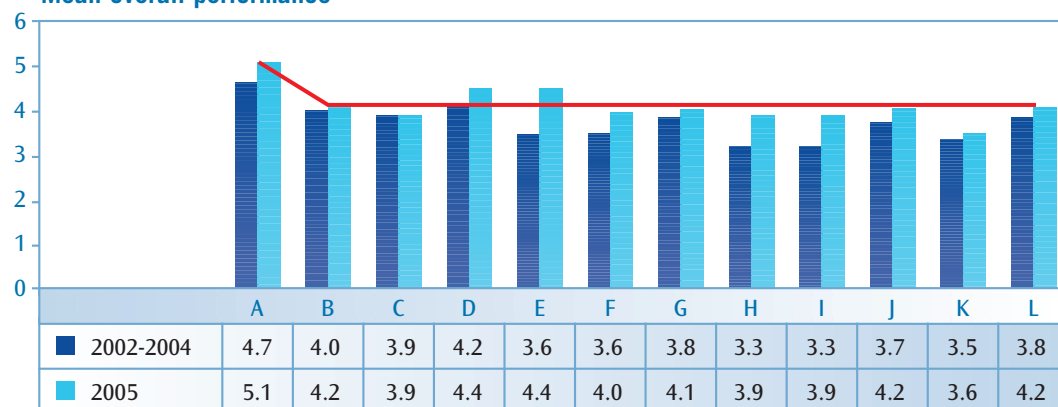
Compared with a figure of 59 per cent for 2002-2004, 78 per cent of projects in 2005 were rated moderately successful or better. Figure 1 summarizes the mean overall performance of projects evaluated in 2005, and compares them with performance ratings in 2002-2004, applying the target score introduced in this ARRI report. It shows that:

- Ratings improved against all performance criteria, except efficiency, which remained the same;
- Ratings for three performance criteria exceeded the target score, namely relevance, impact on physical and financial assets, and impact on human assets;
- Ratings for a further three performance criteria met the target score of 4.2; these were: effectiveness, gender and innovation;
- Sustainability was the worst performing criterion and will require considerable attention if the Action Plan's target is to be reached;

## KEY FINDINGS

IFAD's performance has improved markedly with 58 per cent of projects rated moderately successful or better compared with 39 per cent for the previous period. This figure improved further when IFAD directly supervised projects, producing shorter time overruns and advancing IFAD's broader objectives. One way in which IFAD could immediately enhance performance is by identifying and addressing emerging problems in projects as they become apparent rather than waiting several years for a mid-term review to address all the issues of concern.

**Mean overall performance**



**Notes:**

A = Relevance; B = Effectiveness; C = Efficiency; D = Physical and Financial Assets; E = Human Assets; F = Social Capital & Empowerment; G = Food Security; H = Environment; I = Institutions & Policy; J = Gender; K = Sustainability; L = Innovation & Replication.

## UNDERLYING REASONS

According to the ARRI report, IFAD's business model needs to address a number of important weaknesses that contribute to the less satisfactory performance of some projects. The most significant of these is that key success factors are not identified. Key success factors indicate what is critical for project effectiveness and sustainability, so that project management knows what factors to manage most carefully. Key success factors enable IFAD to monitor progress more efficiently as it can concentrate on the achievement of these factors with the confidence that a project will be successful if they are implemented effectively, and also to deal with important problems more expeditiously when they occur. At present, monitoring systems do not produce the quality of information required for effective management action.

## RECOMMENDATIONS

The ARRI report recommends that IFAD adopt a number of measures to address its weaknesses. The identification of key success factors and risks is probably the most important management tool for subsequent monitoring of design and implementation effectiveness. Building on the risk assessments to be included in country strategy and project design documents (following the adoption of the new guidelines for these documents at the Executive Board meeting in September 2006), IFAD should develop a risk management system to ensure that necessary risk assessments are carried out competently and that risks are managed.



The key success factors identified should be essential to achieving rural poverty reduction impact and sustainability. If a key success factor fails to reach intermediate targets or if reports identify problems in project implementation, time-bound action plans should be developed to address the problems, and progress formally tracked. This should be part of a programme review process aimed at addressing emerging problems on an annual basis rather than waiting for a mid-term review.

## I. INTRODUCTION

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**Objective.** This is the fourth Annual Report on Results and Impact of IFAD Operations (ARRI) produced by the Office of Evaluation (OE). As in the past, the ARRI report consolidates and synthesizes the results and impact of IFAD's operations based on a cohort of project and country programme evaluations conducted in 2005. It presents an analysis of last year's evaluation findings and a comparison with results of previous years (2002-2004), with the objectives of contributing to accountability in terms of IFAD's performance, and of learning from evaluation findings. The ARRI report's key findings aim to prompt discussion of necessary corrective action and changes in the way IFAD conducts its business. The ARRI report does not focus on the follow-up action taken by the Programme Management Department to evaluation recommendations, as these are discussed in the President's Report on the Implementation Status of Evaluation Recommendations and Management Action.

**New feature: target score.** This year's ARRI report introduces target scores for each evaluation criterion as an internal benchmark to illustrate how such scores can be used for performance and results management. This is an experimental exercise to demonstrate the usefulness of such a system rather than to suggest a specific target score. Performance targets will focus on how effectively IFAD is addressing the criteria that are important to development effectiveness. The assumptions used in this ARRI report are based on a six-point rating scale that introduces greater differentiation between ratings and allows for a more nuanced performance assessment<sup>1</sup>. Using this scale, it is reasonable, on balance, to expect 5 per cent of projects to be highly successful and 50 per cent to be successful. If an organization cannot achieve a success rate of more than 50 per cent, questions about its performance may be justified. It is also true that given the difficult and innovative nature of IFAD's work, some relative shortcomings are understandable. Therefore, targets of 20 per cent of projects being classed as moderately successful, 15 per cent as moderately unsuccessful and 5 per cent being classed in the bottom two categories (unsuccessful and highly unsuccessful) might be expected. These percentages produce a target mean of 4.2, which is just above a moderately successful rating. The only exception is relevance (one of the three project performance criteria), for which a mean target rating of 5 was set, as clearly all IFAD projects should have this characteristic.

**Trend data.** Comparing results from the two periods in which the evaluations took place (2002-2004 and 2005) provides one perspective on trend data, with the initial conclusion that performance seems to be improving. In an attempt to explain performance trends, the ARRI report analysed data for the first time taking the approval year of the project as the basis of comparison, in addition to the evaluation year as has been the past practice. This perspective was adopted to explore whether projects approved more recently are performing better than older projects. Projects were grouped into three time segments (1989-1994, 1995-1996 and 1997 onwards), which produced about the same sample size for each period. This analysis shows that

younger-generation projects are generally performing better against evaluation criteria, with the exception of effectiveness where project completion is necessary for the attaining of objectives. Future ARRI reports will continue to analyse and explain data trends.

**Report structure.** The ARRI report follows the same structure as previous years. Section II provides an outline of the evaluations conducted in 2005. Sections III-V provide a synthesis of evaluation findings for project performance, rural poverty impact and partner performance, which are the main evaluation criteria used by IFAD (annex I provides an overview of the methodological framework). Section VI summarizes overall achievements and discusses the contribution of evaluated projects to IFAD's strategic objectives and to the Millennium Development Goals (MDGs). Finally, section VII presents the report's key findings and recommendations.

## II. PROJECTS AND COUNTRY PROGRAMMES EVALUATED

**Coverage.** The 2006 ARRI report consolidates and synthesizes the results and impact of IFAD operations based on 3 country programme evaluations (CPEs), 11 project evaluations, one corporate-level evaluation and one thematic evaluation conducted in 2005 (see table 1). The project evaluation ratings are supplemented by ratings given in CPEs to a further 21 projects that were part of IFAD's portfolio in the three countries where the CPEs were conducted. This has increased the sample size of project evaluation ratings considered by this report from 11 to 32. In addition, annex II provides a summary of how country programmes performed against a number of criteria for assessing the quality of the country strategies. The findings of the corporate-level evaluation on direct supervision were used to underpin the findings on project performance (section III). The results of the thematic evaluation on decentralization in East Africa were used in the discussion of social capital and empowerment (section IV).

**Total resources.** The 11 project evaluations represent US\$156.7 million in IFAD lending and a total project cost of US\$273.8 million. The CPEs cover 21 projects amounting to US\$265.4 million in IFAD lending and a total project value of US\$761.7 million.

**Geographical representation.** The inclusion of project ratings from CPEs introduces a geographic bias into the ratings. Table 2 shows the distribution of projects evaluated compared with the percentage distribution of ongoing IFAD projects as at the end of 2005. The distortion of geographical representativeness can be explained by the fact that the three CPEs undertaken by OE in 2005 involved the Eastern and Southern Africa region, Asia and the Pacific region, and Latin America and the Caribbean region and therefore did not cover all five programme divisions of IFAD. In 2006, CPEs will be undertaken for Mali and Morocco, re-introducing greater balance into the sample.

### PROJECTS EVALUATED

**Table 1: Evaluations undertaken in 2005**

Project/ programme evaluation	IFAD loan	Cofinancing	Government contribution	Beneficiary contribution	Total project/ programme cost
Millions of United States dollars					
China: Southwest Anhui Integrated Agricultural Development Project	26,5	2,8	21,6	4,8	55,7
Ghana: Upper-East Region Land Conservation and Smallholder Rehabilitation Project – Phase II	12,5	0,5	2,0	-	15,0
Ghana: Upper West Agricultural Development Project	10,1	-	0,7	0,5	11,3
Guinea: Fouta Djallon and Local Development Agricultural Rehabilitation	10,0	4,5	2,5	1,2	18,2
India: North Eastern Region Community Resource Management Project for Upland Areas	22,9	1,2	5,6	3,5	33,2
Mexico: Rural Development Project of the Mayan Communities in the Yucatan Peninsula	10,4	-	6,8	-	17,2
Mongolia: Arhangai Rural Poverty Alleviation Project	5,04	-	0,4	-	5,4
Morocco: Tafilalet and Dades Rural Development	22,3	12,7	16,1	1,5	52,6
Mozambique: Niassa Agricultural Development Project	12,4	4,1	3,6	-	20,1
Uganda: District Development Support Programme	12,6	5,6	1,6	0,9	20,7
Venezuela: Economic Development of Poor Rural Communities Project	12,0	2,8	9,6	-	24,4
<b>Total</b>	<b>156,7</b>	<b>34,2</b>	<b>70,5</b>	<b>12,4</b>	<b>273,8</b>
	Total number of loans from IFAD	Number of projects/ programmes covered by CPE	Total amount of IFAD loans covered by CPE	Total cost of projects/ programmes covered by CPE	
Country programme evaluation (CPE)					
Millions of United States dollars					
Bangladesh	22	9	118	390	
Mexico	7	6	114	236	
Rwanda	12	6	33	136	
<b>Total</b>	<b>41</b>	<b>21</b>	<b>265</b>	<b>762</b>	
Thematic evaluation					
Decentralization in East Africa	-	-	-	-	
Corporate-level evaluation					
Direct Supervision Pilot Programme	-	-	-	-	

**Table 2: Geographical representativeness of projects evaluated in 2005**

Regional division	Number of ongoing IFAD projects	Project evaluations (only)	Projects evaluated and projects in CPE (Included in this ARRI report)
Western and Central Africa	23%	18%	6%
Eastern and Southern Africa	21%	27%	29%
Asia and the Pacific	21%	27%	39%
Latin America and the Caribbean	17%	18%	23%
Near East and North Africa	18%	10%	3%
<b>Total number of projects</b>	<b>181</b>	<b>11</b>	<b>32</b>

**Data limitations.** One constraint on conducting evaluations and producing the ARRI report, noted also in previous years, is the poor quality of monitoring and evaluation (M&E) systems. In addition, ratings are not given for all evaluation categories, reducing the consistency of the data set. Although the sample size has been expanded through the addition of ratings from the CPEs to a total of 32, it is still relatively small. Therefore, aggregate findings and trend data presented in the ARRI report are not entirely representative, but are valuable in highlighting performance management issues.

Common objectives of the projects evaluated in 2005 were increasing agricultural production, provision of credit, provision of infrastructure (predominantly roads and improved irrigation) and, to a lesser extent, enhancing participatory planning. Uganda was exceptional in the sense that it addressed child health and school sanitation issues. The stated target population of the projects considered by the ARRI report were poor people and, in some cases, the very poor.

### III. PROJECT PERFORMANCE

This section summarizes the findings from the 32 projects evaluated in 2005 with respect to the three performance criteria of relevance, effectiveness and efficiency. The ratings for the 32 projects are compared with the ratings for the 29 evaluations conducted in 2002-2004, with the ratings given by the Independent External Evaluation (IEE), and with the mean target scores.

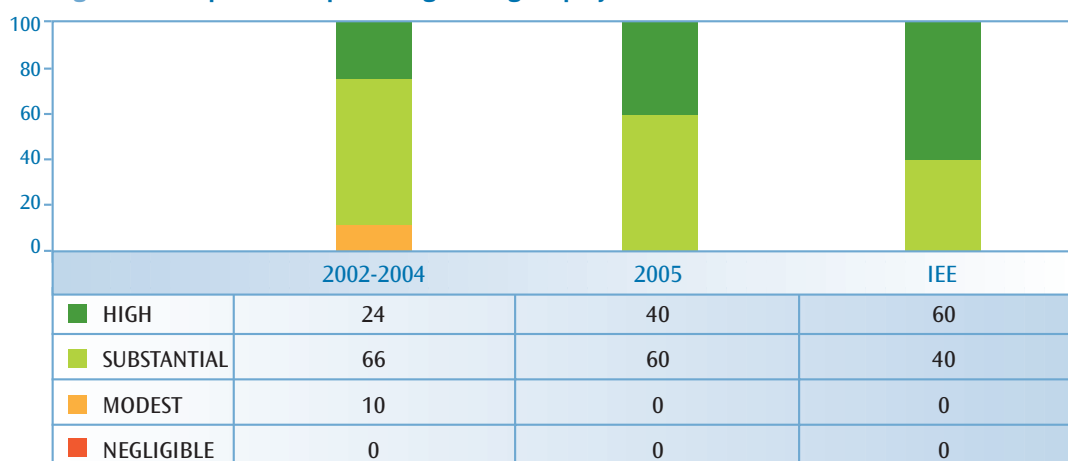
**Continued high ratings for relevance.** IFAD projects continued to enjoy a high rating for relevance, upholding the IEE's conclusion that the fit between objectives and needs is high. Ratings of 83 per cent of projects as relevant or better are testimony to the consistency of project design with the mandate of IFAD, the policies of countries and the needs of beneficiaries. A comparison of data for 2002-2004 with data for 2005 shows an improvement in performance, although a comparison with the IEE findings indicates that projects evaluated in 2005

#### PROJECT OBJECTIVES

#### RELEVANCE<sup>2</sup>

were not rated quite as relevant as those reviewed in the IEE. Figure 1 traces the improvement in the ratings. The mean score of 5.1 is above the target score of 5 and significantly higher than the 4.7 achieved in 2002-2004.

**Figure 1: Comparison of percentage ratings – project relevance**



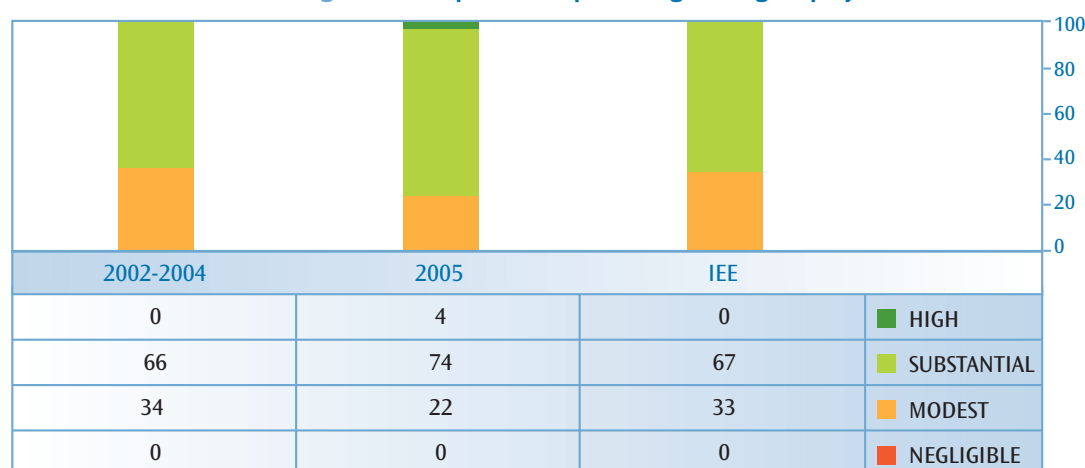
**Targeting.** One measure of relevance is how well a project targets poor people. As in the past, a key problem continues to be the absence of a targeting policy that states clearly who IFAD's target group is, which can then be followed through in consistent project design and implementation. Evaluations aimed to ascertain whether agreed targeted groups were actually reached, and revealed that generally projects failed either to identify the target group explicitly or to reach the poorest and most vulnerable groups when these were targeted. In some cases, the problem was attributable to weak design, exemplified in the following two cases. In Uganda, imprecise project objectives (e.g. raising incomes and improving health) allowed the project to shift its attention away from the very poor to the so-called active poor. In other cases, the population targeted in project design was altered during implementation. This arose in Mongolia, where the ability to repay was made the main criterion in determining eligibility for credit, thus excluding the target group of the very poor.

**Improved effectiveness ratings.** At the project level, 78 per cent of projects were rated substantial and better, compared with 66 per cent in 2002-2004. Figure 2 shows a similar profile for ratings of earlier ARRI reports and of the IEE and a gradual improvement in overall effectiveness. The mean rating was 4.2 (i.e. on target), an improvement on the 4.0 mean for 2002-2004 evaluations.

Physical targets were generally met, benefiting everybody in the target areas of the projects considered in the ARRI report. However, Guinea failed in this respect, with only 27 per cent of the infrastructure budget used; and Mozambique partly failed as only 51 per cent of primary road rehabilitation was achieved, but 131 per cent of feeder roads were improved. Rural finance had a mixed record. It was effective in providing financial resources to poor people and helping them

rise out of poverty in Uganda, north-east India and China. However, in many cases there were high transaction costs, making the product unprofitable. In other countries, project effectiveness was diminished by the fact that very poor people did not obtain access to rural financial services. For example, in Uganda, credit did not reach the very poor 25 per cent of the population; in Mexico, poor smallholders benefited less than the non-poor; and in Guinea, women were under-represented.

**Figure 2: Comparison of percentage ratings – project effectiveness**



**Limited assessment of economic rates of return.** The IEE report noted that projects were rarely subjected to economic analysis and insufficient attention was paid to indicators of cost-effectiveness<sup>5</sup>. In the projects evaluated in 2005, the economic rate of return was provided in only two cases<sup>6</sup>. China delivered the very high rate of return of 34.2 per cent compared with the projected 22.6 per cent. In contrast, Mozambique had a negative return compared with the projected 15.7 per cent. This had been calculated solely on the basis of incremental crop production, which did not materialize.

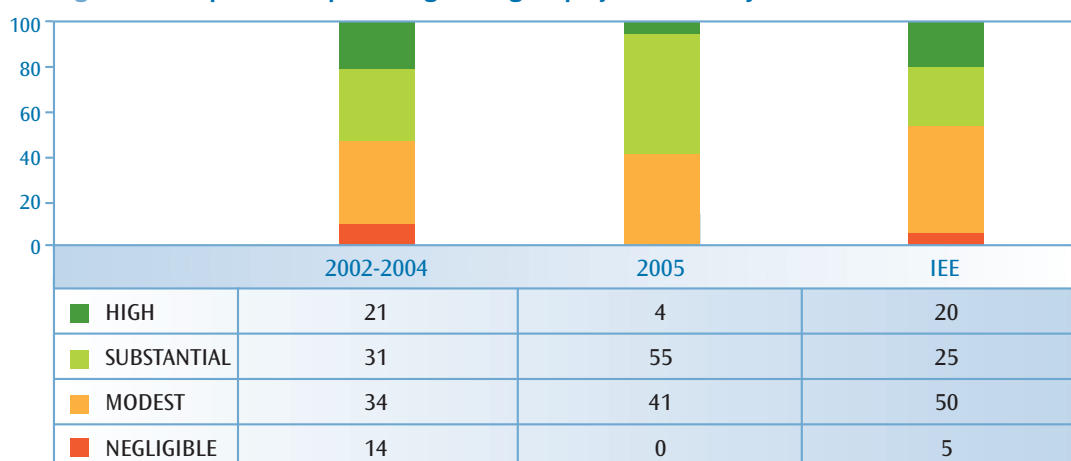
**Alternative efficiency measures.** In addition to the economic rate of return, other efficiency measures used by OE include unit cost and least cost options, operating cost over investments, and time measures. Despite the absence of highly successful ratings, examples exist where a satisfactory level of efficiency was achieved: (i) in Uganda infrastructure costs were kept within “very reasonable limits”; (ii) costs of irrigation rehabilitation in Ghana were at the lower end of the benchmark range; and (iii) also in Ghana, the average ratio of operating costs per outstanding loan compared “very favourably” with benchmarks for sub-Saharan Africa. On the other hand, the costs of supervision for rural credit were often high, though that is more likely a result of the small size of each loan and the remote location of the borrowers.

**Time measures of efficiency.** The time that elapses between loan approval, loan effectiveness and project completion has efficiency costs. Annex III shows details of time lapses and project overruns.

The average 13 months of elapsed time for the projects evaluated compares favourably with an average 14-17 months reported by the IEE for the period 1998-2003, but less favourably with the average eight months experienced by the African Development Bank and World Bank in 2003 and 2002. An average project overrun of 22 months compared with, for example, the 17-month average of the direct supervision pilot programme, inevitably increases the ratio of administration costs to overall project costs.

**Efficiency under direct control of management.** Given the variety of projects, the different geographical location/physical conditions in which they were implemented and the absence of comparative costs, project evaluations faced difficulties in assessing efficiency. The same is true for country programme evaluations. The country programmes for Bangladesh and Rwanda were rated moderately efficient, while Mexico was rated as moderately inefficient. While only 4 per cent of projects were rated highly efficient and a further 55 per cent as efficient or moderately efficient (i.e. 59 per cent were above average), these ratings compared favourably with 2002-2004 where 52 per cent of projects were assessed as above average (figure 3). The mean score of 3.9, which is identical to the score for 2002-2004, indicates the need for further improvement, although data limitations in assessing efficiency must be overcome in order to obtain more insight into this performance criterion.

**Figure 3: Comparison of percentage ratings – project efficiency**



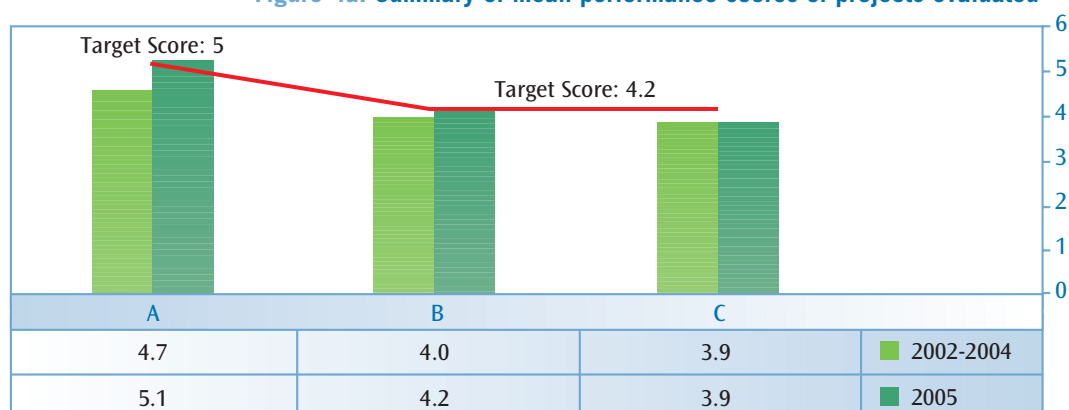
## PROJECT PERFORMANCE ASSESSMENT

Figure 4a shows mean scores for relevance, effectiveness and efficiency for 2002-2004 and for 2005. It shows that:

- Relevance ratings improved; previously below the target mean score, they have now surpassed it.
- Effectiveness ratings improved and have now reached the target score; and.
- Efficiency rates did not improve and continued to be the worst performing of the three criteria, although this observation may be due to data limitations.



**Figure 4a: Summary of mean performance scores of projects evaluated**

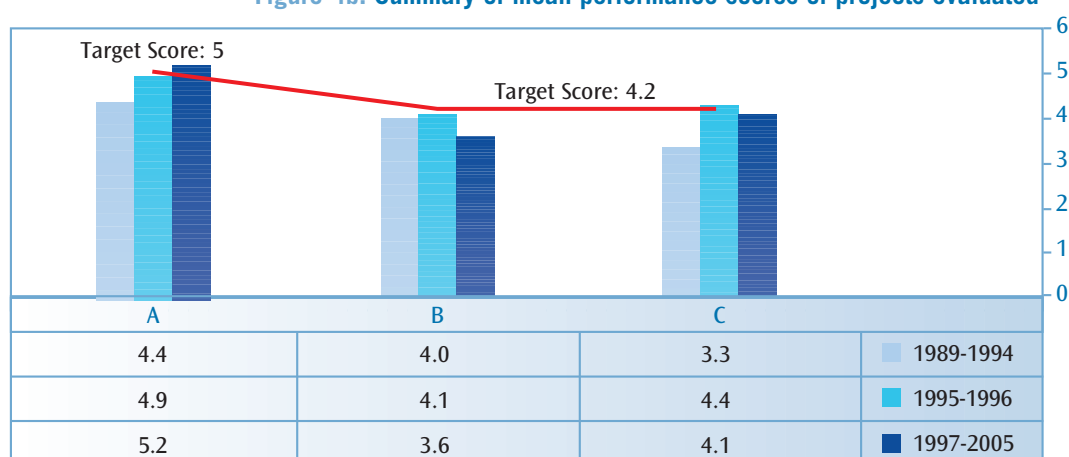


**Notes:**

A = Relevance; B = Effectiveness; C = Efficiency.

A comparison of changes in performance on the basis of the year of project approval (rather than the year in which the evaluation took place) illustrates that relevance ratings have increased for more recent projects (those approved between 1997-2005) against those approved in 1989-1994 or 1995-1996 (figure 4b). By contrast, the effectiveness ratings for more recent projects are lower. This can be explained by the fact that some of these projects are not completed and thus have not yet reached their objectives<sup>7</sup>. The efficiency ratings were highest for projects approved in 1995-1996.

**Figure 4b: Summary of mean performance scores of projects evaluated**



**Notes:**

A = Relevance; B = Effectiveness; C = Efficiency.

## IV. IMPACT ON RURAL POVERTY

### IMPACT DOMAINS

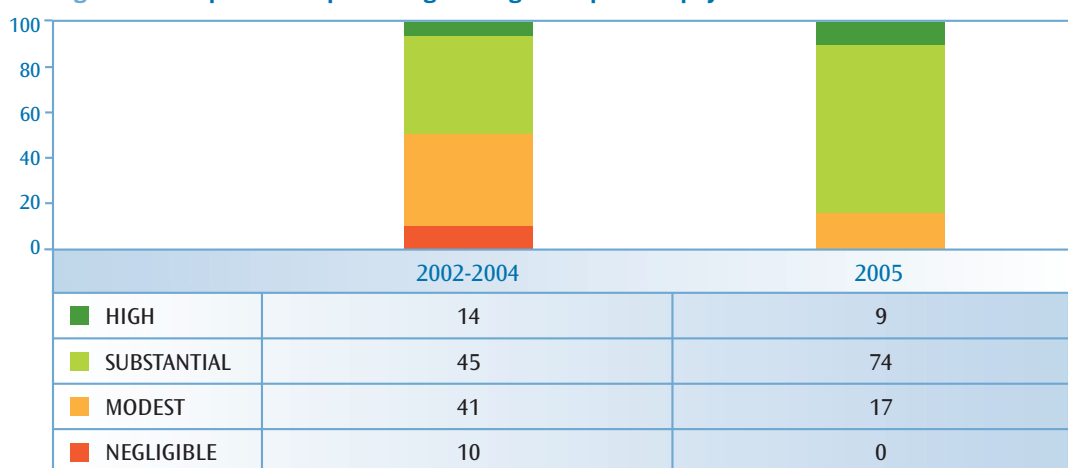
### PHYSICAL AND FINANCIAL ASSETS

OE's evaluation methodology identifies six impact domains; each is discussed individually in this section.

**Impressive results.** The impact of projects on physical and financial assets was impressive: 83 per cent of projects were rated as having substantial impact or better, improving markedly on the 2002-2004 figure of 59 per cent (figure 5 illustrates trend data). The mean score of 4.4 was well above the target score of 4.2 and the score of 4.2 obtained in 2002-2004.

**Improving physical assets.** The higher scores can be explained by the following factors: (i) an increase in household income in eight of the projects; these included China, where average incomes increased by 36.8 per cent and grain production by 13.3 per cent; (ii) a considerable increase in the quantity of livestock in Uganda, Ghana, Morocco and Mexico. Conversely, in Mongolia, a significant number (as high as 54 per cent in one province) of beneficiary households had less livestock after two severe winters. The worst affected were the poorest herders. Guinea and Mozambique achieved little increase in production; and (iii) in a number of countries, profits from non-farm activities were ploughed back into agricultural activities, increasing production and food security.

Figure 5: Comparison of percentage ratings – impact on physical and financial assets



**Improving financial assets.** Previous ARRI reports and the IEE observed that the general experience with financial service components was disappointing. In this report, only Mongolia and, to a lesser extent Mexico, were regarded as dissatisfactory in terms of credit. Elsewhere, the 2005 evaluations found greater success: (i) in China almost 100 000 households obtained credit, although the overall recovery rates stand at around 85 per cent; and (ii) in Uganda, development associations mobilized over 400 million Ugandan shillings in savings; in Venezuela, rural savings banks accumulated US\$800 000, in India the figure was US\$235 000, and in Ghana, in the Upper West Agricultural Development Project, the figure was US\$640 000 (about 60 per cent of the target). In Uganda, many associations had reached

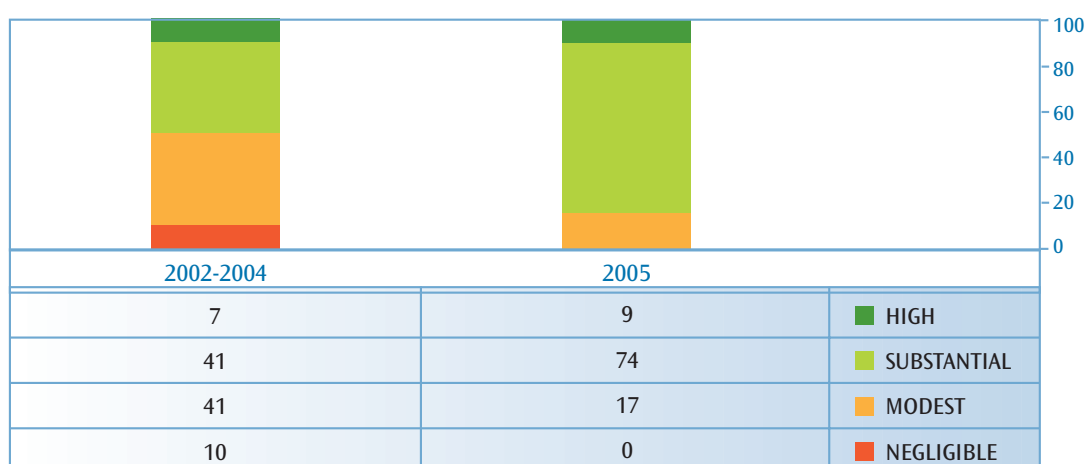
the stage of being able to operate as independent microfinance institutions, without external support. Overall, women often did less well than planned. For example, in Ghana only 47 per cent of the 56 per cent targeted received loans. In China, the provision of credit has become accepted as a mechanism to improve incomes and living standards despite the suspicion with which it was greeted at the outset of the project. In Uganda and Ghana, the provision of credit enabled women to establish a credit history, which opened up their access to banks.

**Greater impact on human assets.** The impact on human assets showed a striking improvement in 2005, as illustrated in figure 6. Only 17 per cent of projects were rated modest or negligible in this report as compared with 51 per cent in the 2002-2004 period. The mean score of 4.4 is above the 4.2 target and is an impressive climb from the 3.6 mean score for 2002-2004.

**Improvements achieved through various channels.** Major factors contributing to this result were: (i) better hygiene and health standards stemming from improved washing facilities and reduced distances to travel for safe drinking water. This brought improvements in children's health in Venezuela, China, Guinea, Morocco, Mozambique and Uganda; (ii) increases in income, enabling poor families to afford schooling for their children in China, Guinea and Morocco (in the latter, 35 per cent of young girls now go to school compared with 2 per cent at the beginning of the project). In Mozambique, the rehabilitation and construction of primary schools boosted enrolment and curbed drop-out rates. However, in Mongolia, young males were sent away to work as migrant labourers, often in mines, as the project failed to produce any income among the very poorest; and (iii) in Ghana, in the Upper-East Region Land Conservation and Smallholder Rehabilitation Project, and in Uganda, new farming practices were adopted with good results. Paradoxically, in the Upper West Agricultural Development Project in Ghana non-participating communities in the neighbourhood were so impressed by the social cohesiveness of the project groups that they adopted the new farming practices.

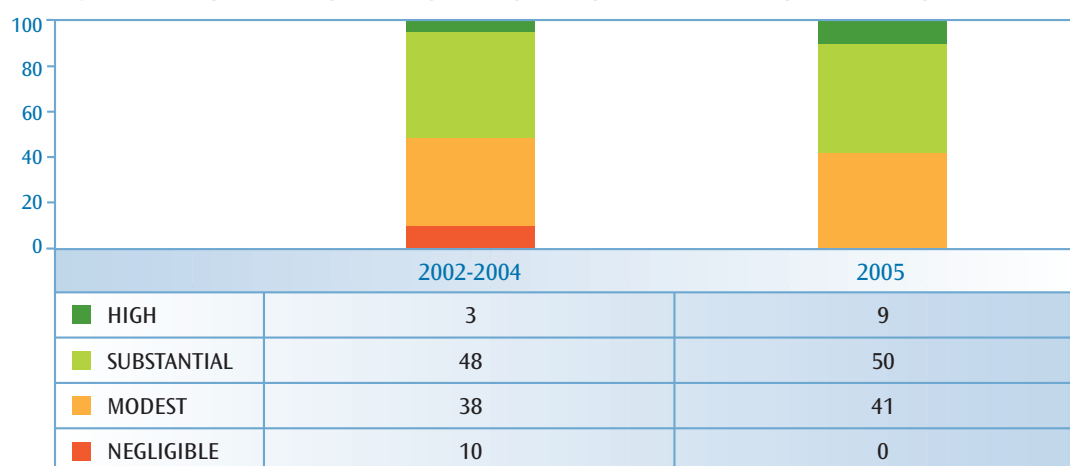
## HUMAN ASSETS

Figure 6: Comparison of percentage ratings – impact on human assets



**Slight growth in impact on social capital.** Above average performance reached 59 per cent, which compares well with 51 per cent in 2002-2004 (figure 7). However, the 41 per cent of projects performing well below satisfactory gives cause for concern in this impact domain regarded as central to IFAD's mandate. Overall, the mean score of 4.0 points to a need for improvement, but it is still up on the 3.6 score for 2002-2004.

**Figure 7: Comparison of percentage ratings – impact on social capital and empowerment**



**Explaining improving trend data.** The star performer was the North Eastern Region Community Resource Management Project for Upland Areas in India, which had a remarkable impact on social capital formation and people's empowerment. The level of participation, community self-reliance and involvement, and empowerment that has been attained among farmers, and particularly among women, is exemplary. The impact was achieved partly through the demand-driven and group approach adopted, and partly through the uplift of financial and human assets and the manner in which the project delivered rapid and tangible benefits. In China, the formation of viable community-based organizations has provided the impetus for village implementation groups to take on a life of their own as the unit responsible for managing village development plans. In Uganda, subcounty associations have become a force in local communities. In Guinea, development committees were instrumental in enabling communities to become financially self-sufficient. In Mexico, regional funds enjoyed greater participation, with a significant improvement in the situation of women. Similarly, in Venezuela the value that community members attach to the organizations formed under the project is reflected in such comments as "we never used to share among ourselves; being organized has made us stronger". In contrast, in one project in Ghana, the premature establishment of water user associations gave rise to demotivation among members and none of the associations became financially viable. Overall, Mongolia and Mozambique pulled the mean score down. In each case, there was little or no grass-roots institution-building, suggesting that the quality control of design should ensure that projects always address IFAD's strategic objectives.

**Further analysis.** Given the importance of social capital and empowerment, and the relatively weak performance recorded in the IEE and the 2005 ARRI report, this topic was reviewed in order to explore how social capital and empowerment relates to community-based and community-driven development (see annex IV for a summary of findings)<sup>8</sup>. Two questions were considered, based on a desk review of information available in IFAD and elsewhere. These were: how effective have community-based development and community-driven development been in improving the circumstances of poor communities? And is the conventional development model of community-based development and community-driven development sufficient to reach the very poor and improve social capital and empowerment among them within the development context of their communities?

The review would have benefited from a clearly articulated IFAD-wide approach to community-based development and from better information on project components and results. Interesting approaches are used by some of IFAD's regional divisions, but these have yet to be developed into a consistent organization-wide approach. The review found that community-based development projects in which participatory approaches to design and implementation figured prominently had been far more successful at improving the circumstances of poor communities than projects using non-participative approaches. There are serious doubts, however, about the success of community-based development projects in addressing the second question. The evidence suggests that there is nothing in the community-based development model per se to ensure that the very poor benefit from projects once all the basic social needs of a community have been met. The review concluded that greater consideration should be given to involving independent and reputable Non-Governmental Organizations (NGOs) to work on behalf of the very poor in a long-term engagement.

**Performance has improved but remains below expectations.**

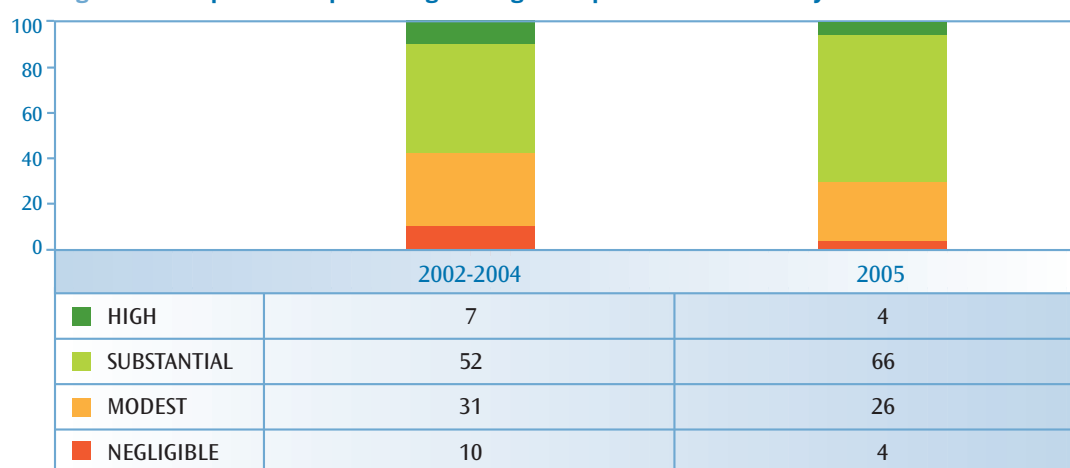
Promoting household food security is a principal objective of IFAD, and figure 8 shows that the 2005 impact ratings are better than those for 2002-2004, climbing from 59 per cent of projects being rated above average to 70 per cent. Nonetheless, for an impact domain so critical to IFAD's core mandate, the mean score of 4.1 still falls short of the 4.2 benchmark, even though it is a marked improvement on the score of 3.8 for 2002-2004.

**Information gaps.** Data on food security was scarce. In China, food security statistics are no longer compiled by the Government; in Uganda, no statistics have been documented; and in Ghana, Mongolia, and Venezuela there was no baseline information. In India, a small survey of 85 households provided some information: 70 of these households experienced food insecurity in 1999/2000 and only 24 in 2004. In Morocco, 52 per cent of households said that their weekly food budget had increased.

**Anecdotal information confirmed positive contributions of projects.** In China, higher incomes and the wide availability of food brought by market liberalization increased food security. In Uganda,

improved access to drinking water afforded women more time to tend vegetable gardens and produce more food. In Ghana, in the Upper West Agricultural Development Project, the building of dams led to greater agricultural output, and in the Land Conservation and Smallholder Rehabilitation Project the credit obtained and cash earned during the dry season had the same effect. Mexico and India also reported improvements. Interestingly, Venezuela was distinguished by communities gaining the skills to have food programmes introduced into schools and pre-schools. Only in Mongolia and Mozambique did projects have little impact. In Mongolia, many households, particularly poor ones, lost most of their livestock to two hard winters during the project, although the vegetable production component did make some contribution to improved nutrition. In Mozambique, swidden agriculturalists continued to produce only sufficient food for their own needs as there were no markets for surplus, whereas the poorest communities living in lakeside areas received no assistance to enhance their principal source of livelihood, fishing.

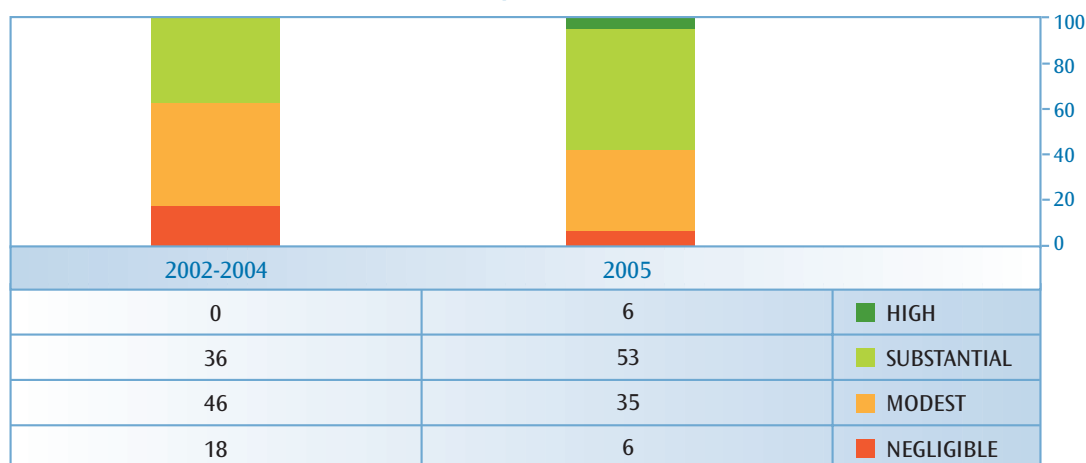
**Figure 8: Comparison of percentage ratings – impact on food security**



## ENVIRONMENT AND COMMON RESOURCE BASE

There are two sides to environmental and common resource base impact: one addresses rehabilitating an already degraded environment; the second focuses on conservation, i.e. preventing interventions particularly of an infrastructural nature from having a negative environmental effect. This impact domain has seen an impressive upswing from 36 per cent of projects being rated substantial or better in 2002-2004, to 59 per cent (figure 9). Although the mean score of 3.9 is considerably better than the 3.3 score for 2002-2004, it is still below target<sup>9</sup>. The inadequate performance in this area points to the need for continued attention by IFAD and its partners.

Figure 9: Comparison of percentage ratings – impact on environment and common resource base



**Improving environmental degradation.** The North Eastern Region Community Resource Management Project for Upland Areas in India was successful in one respect: it reduced swiddens by 10 000 hectares and reversed the onset of land degradation. It did less well in farm soil conservation, organically based integrated pest management and the use of improved plant nutrition technologies. In Mongolia, failure to carry out the proposed rangeland monitoring and pasture management studies made it impossible to assess degradation quantitatively. The evaluation however was in little doubt that the provision of credit for building up goat herds had adversely affected pasture.

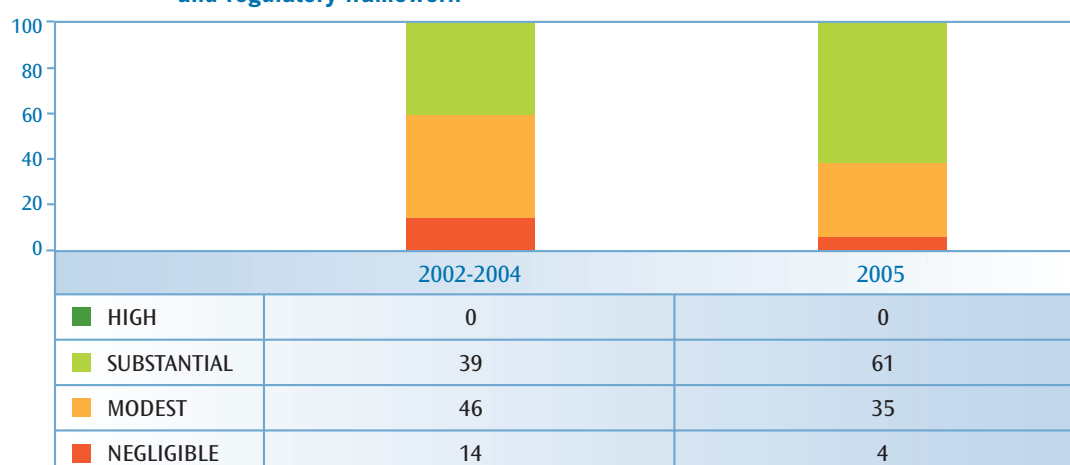
**Conserving the environment.** In China, the Southwest Anhui Integrated Agricultural Project resulted in an increase in tree cover, which had a positive impact on the environment. In Uganda and Ghana, soil conservation techniques improved catchment protection. Interventions in Mexico were small-scale and had little impact on the environment. Similarly, in Guinea, Mozambique and Morocco, environmental impact was minimal, although in Morocco approaches to protecting the natural heritage were enhanced.

**Weak diagnostics and insufficient action to ensure institutional improvements.** Institutional capacity is frequently a serious constraint on project sustainability because government institutions usually have to sustain project benefits after closure. The IEE noted weaknesses in the diagnostic assessments of institutional capacity. The project evaluation for China is a case in point: the rural credit corporations that facilitated credit provision had low capacity. This was not addressed in the project design and, consequently, little attention was initially paid to strengthening the corporations. The IEE also noted that even when management problems occur at the outset, they often remain unchecked long into a project<sup>10</sup>. This criticism applies to the Mongolia project where the implementing unit took scant notice of supervision missions, mid-term reviews and all other attempts to convince the unit to follow project design.

## INSTITUTIONS, POLICY AND REGULATORY FRAMEWORK

**Weak impact domains.** The institutions and policy impact domain is one of the two least successful domains, in spite of much better performance ratings: 61 per cent of projects, against the previous 39 per cent, were rated substantial in 2005. While a mean rating of 3.9 is a marked improvement on 3.3 (for 2002-2004), the average performance is still “moderately unsuccessful”, confirming that this domain requires close attention and that IFAD needs to devise a corporate approach to address capacity-building more effectively.

**Figure 10: Comparison of percentage ratings – impact on institutions, policy and regulatory framework**



**A few positive examples.** The majority of projects had little impact on institutions and policies. This was the case in Ghana, India, Mongolia, Guinea and Morocco, though in the last two countries, the capacity of community-based organizations was enhanced. However, there are some positive examples. For instance, in China institutional improvements were made to government extension services by introducing a number of new crops, which paved the way for a range of new and improved services. In Mozambique, institutional capacity was strengthened at the provincial and district levels. In Mexico, innovations such as the granting of credit, technical assistance in the implementation of the projects, strengthening of the administrative/accountancy processes in regional funds, and new regulations and standard practices/policies were adopted by the Government. The experience in Venezuela stood out because of the development of rural savings banks with management and administration in the hands of the population, which led to similar initiatives in other areas. Indeed, these rural savings banks are considered the most successful microfinance institutions in the country, if not in Latin America.

#### Gender

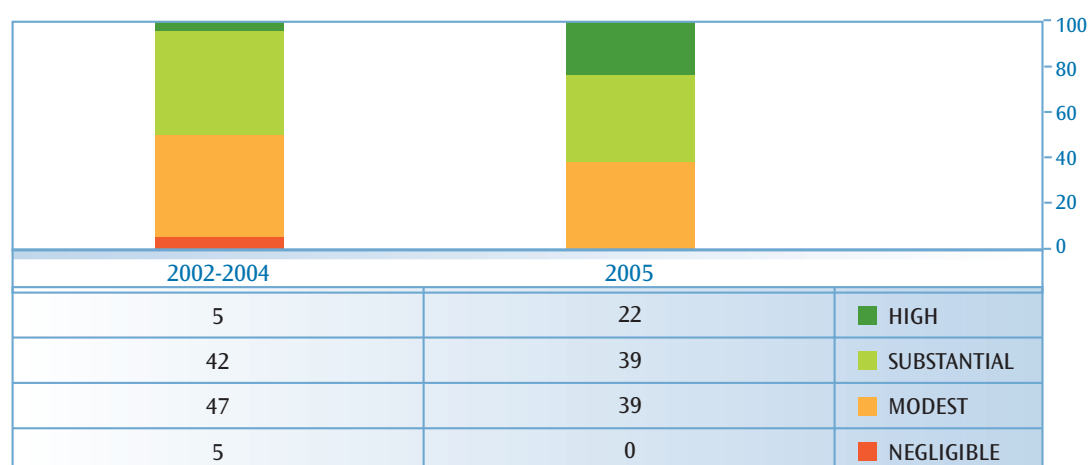
**Marked improvement in 2005 assessment.** In terms of addressing gender issues, projects performed much better in the 2005 evaluations with 48 per cent of projects rated successful or better and a further 13 per cent moderately successful. Figure 11 traces the improvement over the period 2002-2004. The mean score of 4.2 is a significant



increase on the 3.7 score of 2002-2004 and meets the formance target of 4.2. The improvement pays testimony to effective management in this area.

**Mixed success.** Most projects reported greater confidence and visibility on the part of women in local affairs. This was achieved largely through training delivered to communities, particularly to increase skill levels among women, which enabled them to engage in income-generating activities, as was the case in China and Uganda. Women were also encouraged to play a greater role in groups and associations, for example, in community-based organizations in China (where women held 23.4 per cent of positions in decision-making bodies), subcounty associations in Uganda, water user associations in Ghana, community organizations in Venezuela and self-help groups in India. In Guinea, women were supposed to benefit from training but, as a result of inaccurate targeting, the vast majority of women still take little or no part in decision-making processes. In Mozambique, a failure to appoint any women extension workers meant that no services were provided to women farmers, who comprise 60 per cent of the agricultural labour force. Providing women with access to credit produced unimpressive results: in China 32 per cent of loans were made to women; in Ghana this figure was 52 per cent despite a target of 100 per cent; and in Mongolia, women-headed households were reported to carry a larger debt repayment burden than other households.

Figure 11: Comparison of percentage ratings – impact on gender

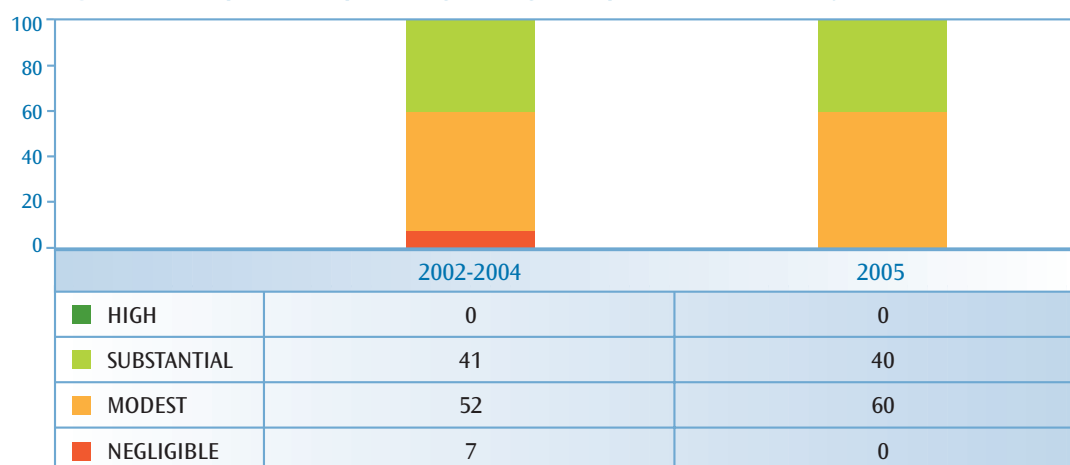


### Sustainability

**Sustainability remains weak.** The sustainability impact domain is the second-lowest performing category. It has an extremely low success rate, with 60 per cent of projects rated modest. Figure 12 shows a slight decline in 2005 against 2002-2004, while the mean rating of 3.6 is slightly better than the mean of 3.5 for 2002-2004. In the country programmes, Rwanda received a rating of 5 for sustainability, Bangladesh a rating of 4, and Mexico an unsuccessful 2. The rating is similar to that given in the IEE, which was 41 per cent for completed projects, although the IEE rated 60 per cent of projects sustainable when the sample included ongoing projects.

**Sustainability: the most difficult domain.** The fact that sustainability is the weakest impact domain suggests that IFAD and its partners need to concentrate more on: sustainability constraints such as under-resourced institutional capacity; projects that fail to establish the self-sufficient community organizations necessary to sustain project outputs; the development of appropriate exit strategies, for example a period where continuing support is provided on a diminishing scale each year in areas of critical institutional weakness.

**Figure 12: Comparison of percentage ratings – impact on sustainability**



**Explaining the lack of sustainability.** The best-performing project in terms of sustainability was in China, where government support remained strong and the commercial success of investments created the incentive to continue and expand the activities started under the project. Rural credit corporations had become competent in managing their affairs. Village implementation groups were also fully capable of organizing village development plans, which had become institutionalized. Elsewhere sustainability was more problematic, although poor performance was, in some cases, counterbalanced by some positive examples. Overall, some useful lessons can be drawn from the following:

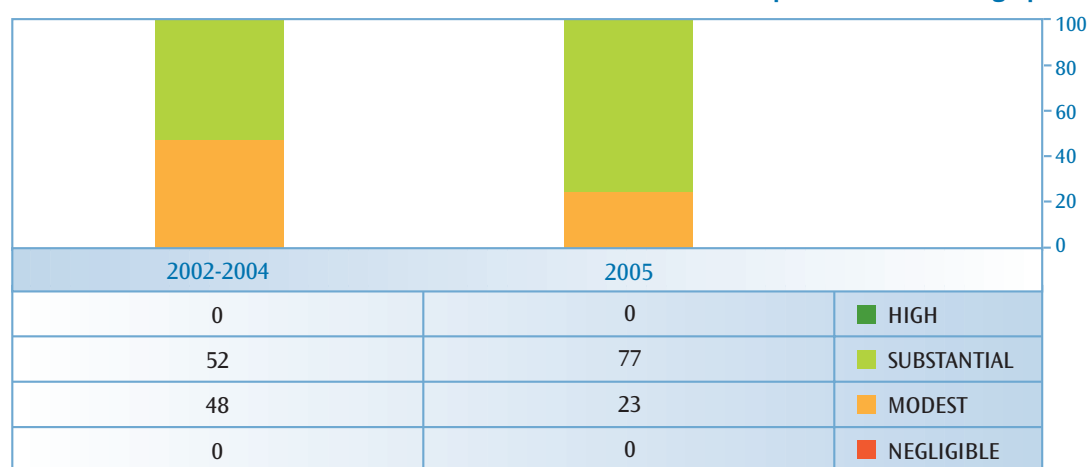
- In Uganda and Ghana, responsibility for infrastructure maintenance was transferred to local stakeholders (water user groups) at a time when these groups were unable to raise sufficient finance to manage irrigation facilities;
- In Uganda, farming associations and adult literacy programmes still required further involvement from the project, in contrast to the experience in Ghana where the modified farming practices were adopted and sustained even in non-project communities;
- The 2005 evaluations showed that the sustainability of rural financial services was impeded when the intermediaries were nationalized commercial banks or small NGOs, particularly when providing revolving credit funds. These institutions were not managed to operate at cost-recovery rates, rendering them unsustainable once external assistance ceased. These observations contrast with the evaluation results concerning the rural savings banks in Venezuela, which have a more promising future;

- In India, government agencies were not supportive of some of the project initiatives, and this threatened their sustainability. Elsewhere, governments did not pledge funds to operations and maintenance, except in Mozambique where activities considered a core government responsibility continued to be funded appropriately;
- Access to water bodies was granted to poor people as part of a project, but post-project renewal of that access tended to be resisted by the vested interests supplanted by the project.

### Innovation, replicability and scaling up

**Improving scores for innovation.** Innovation is rightly regarded as central to the achievement of IFAD's mandate. The IEE concluded that while a few IFAD projects are highly innovative, many are not. IFAD's contribution to the capture, learning, promotion and replication of innovation was criticized as unsystematic and inadequate<sup>11</sup>. In 2005, 77 per cent of projects were rated substantial<sup>12</sup> in this area, which is a significant improvement over 52 per cent for the 2002-2004 period, as illustrated in figure 13. The mean score of 4.2 now reaches the target and is higher than the 2002-2004 score of 3.8.

**Figure 13: Comparison of percentage ratings – impact on innovation, replication and scaling up**



**Examples of innovation.** The rural savings banks introduced in Venezuela are a testimony to successful replication. This model was first developed for Costa Rica, where it exceeded all expectations. It is now being replicated in other projects in Costa Rica and in the region. Another successful example of innovation is found in the Land Conservation and Smallholder Rehabilitation Project in Ghana where initiatives such as guinea fowl-raising, composting, using neem for crop protection and the formation of literacy groups have spread from farmer to farmer. Elsewhere, the degree of innovation might have been overstated:

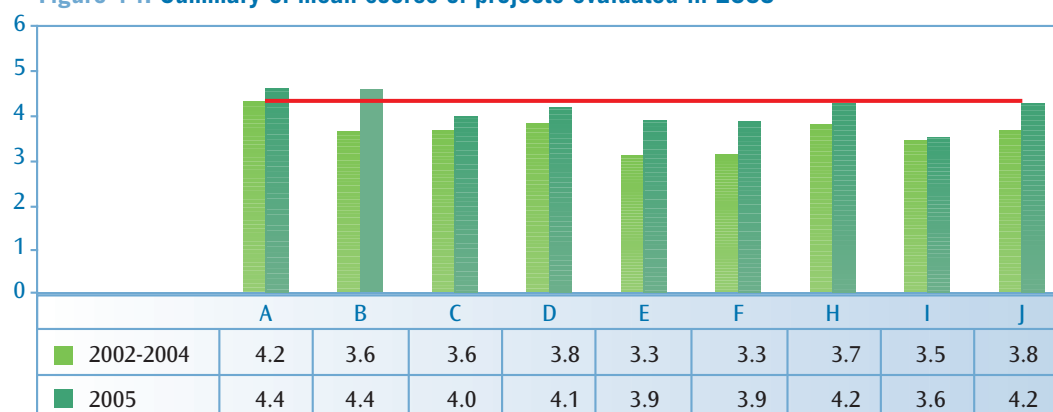
- In China, the principal innovation was the successful twinning of household choice and village-level planning regarding economic trees;

- The establishment of an agency to supervise and support credit associations in Uganda was innovative. Insufficient time however was provided for this to become self-sufficient. Another successful innovation was to channel all funds collected for operation and maintenance into a revolving fund for water users;
- In India, grass-roots mobilization and participation to form groups and pioneer savings and thrift activities, and their linkage to formal rural financial services was regarded as innovative. The activities met with success: one state government adopted the grass-roots mobilization approach for many of its routine line department operations. The participatory approach to managing irrigation facilities adopted in Morocco was also regarded as innovative;
- The Mongolia project was innovative in the sense that it was a pioneering project in pastoralism in Central Asia. It was so innovative, however, that it should have been formulated as an experimental project with the design constantly subjected to refinement in the light of experience;
- In Mozambique and Mongolia, innovative features of project design were not implemented. In Mozambique, participatory research and development and farmer-driven extension never materialized and in Mongolia, pasture research suffered the same fate.

## OVERALL RURAL POVERTY IMPACT

**Impact ratings are improving but still fall short of the target mean score.** Figure 14 summarizes the overall impact rating for 2005 and 2002-2004, revealing improved performance in all domains. The average mean score of 4.2 (equivalent to a moderately successful rating) has been surpassed in two impact domains: physical and financial assets, and human assets, and reached in two overarching concerns: gender and innovation. Ratings for the impact domain of food security almost reached the target score.

**Figure 14: Summary of mean scores of projects evaluated in 2005**



**Notes:**

A = Relevance; B = Effectiveness; C = Efficiency; D = Physical and Financial Assets; E = Human Assets; F = Social Capital & Empowerment; G = Food Security; H = Environment; I = Institutions & Policy; J = Gender.

Comparing changes in performance using the year of project approval as the basis indicates that projects approved in 1995-1996 were the worst performing in all impact domains. The performance

scores reveal that more recent projects perform better on almost all counts, although it must be noted that ratings were not given in all impact domains for all projects. On average, 72 per cent of projects were rated for all impact domains, and 68 per cent for overarching factors. Thus, performance trends may change in future years when a larger body of evaluations has been produced for each of the years and when ratings are given for all evaluation criteria. Annex V provides a summary diagram of the data.

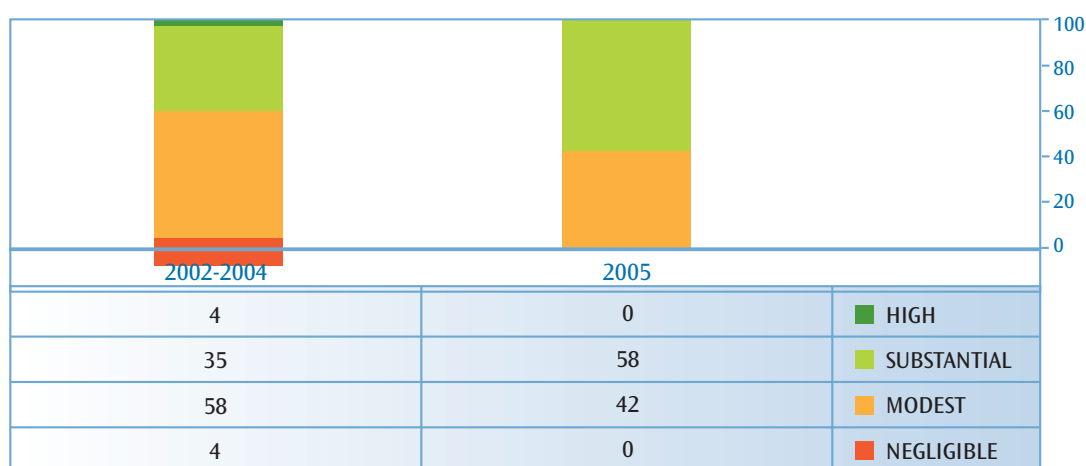
## V. PERFORMANCE OF PARTNERS

This section discusses the performance of IFAD, cooperating institutions, governments and NGOs. Activities vary widely across these institutions. IFAD's main involvement is in project design, which it undertakes in cooperation with the government and with the cofinancier, if one exists. Predominantly, however, the cooperating institutions are responsible for supervising projects. This to some extent involves IFAD through mid-term reviews and through responses to supervision reports. The principal responsibility of the government is project implementation, in which it is supported by guidance from IFAD. NGOs may be contracted to deliver services, or sometimes may play a prominent role in engaging with communities.

**Continuing upward trend.** Historically, evaluations have been critical of IFAD's performance. In 2002-2003, only 30 per cent of projects had a satisfactory rating in terms of IFAD's performance. In 2004, the rating improved considerably with 55 per cent of projects considered substantial. This trend has continued into 2005 with 58 per cent of project evaluations rating IFAD's performance satisfactory. The positive trend line is shown in figure 15. The mean score of 3.9 is well below the benchmark of 4.2, and while it is an improvement on the 3.6 score for 2002-2004, it still places performance in the moderately unsuccessful area, a fact which should be of concern to IFAD.

### IFAD'S PERFORMANCE

Figure 15: Comparison of percentage ratings for IFAD's performance



**Strengths and weaknesses.** While the 2005 evaluations rated IFAD's performance in the main as being moderately successful or better, they paid more attention to IFAD's weaknesses than its strengths and this resulted in a more critical assessment of IFAD's performance. The two most successful projects were in China and India. Positive features were the use of local consultants in the design stage in China, and the highly participatory approach adopted to project formulation in India. In Mexico, IFAD performed well, participating in all aspects of the project, including close supervision. In other areas, performance was mixed. In China, a diagnostic failure at design meant that weakness of rural credit corporations might have threatened the "bold" new approach to credit that had been formulated. In Mongolia, the project was allowed to focus almost exclusively on credit-related activities directed largely at the less poor, and IFAD failed to take the appropriate action to remedy a project implementation failure. In Uganda and Mongolia, IFAD's performance was criticized for lack of policy dialogue, a failing that did reduce the impact of both projects as the Governments changed policies in health (in Uganda) and agriculture (in Mongolia). The criticism did not indicate how country programme managers (CPMs), from afar, might be able to anticipate unexpected policy changes and influence political decisions.

**Insufficient follow-up to supervision reports.** Five projects were criticized for lax supervision. In the Upper West Agricultural Development Project in Ghana, and in the Mongolia, Mozambique and Guinea projects, there was an inadequate response to design and implementation problems. In Venezuela, IFAD took scant notice of the serious problems signalled by the project implementation unit and supervision missions, with the result that 45 per cent of the IFAD loan was never utilized. In contrast, in Uganda, direct supervision was seen as a particular strength; all programme officials agreed that the consistent and painstaking supervision missions by IFAD had been invaluable in steering implementation and reinforcing the objectives of the project.

**Risk management.** The intensity of supervision should be guided by the degree of risk in a project. IFAD does not seem to give great prominence to risk management in its projects. In terms of supervision, IFAD treats all projects alike, as if they all carried the same risk: there is a set number of supervision missions each year and a mid-term review towards the middle of a project. With risk management, the probability of a project not achieving sustainable effectiveness is assessed. If such probability is high, an action plan is prepared to mitigate that risk. A high-risk project would, for example, be prioritized for direct supervision.

**Inadequate monitoring and evaluation without exception.** In Mozambique, provision for establishing effective monitoring and evaluation (M&E) was a condition of loan effectiveness but this conditionality was ignored by IFAD. The persistent and universal under-performance of M&E systems suggests that more efforts need to be made to adopt the IFAD Guide for Project M&E and to ensure that systems are tailored to the requirements of a particular project.

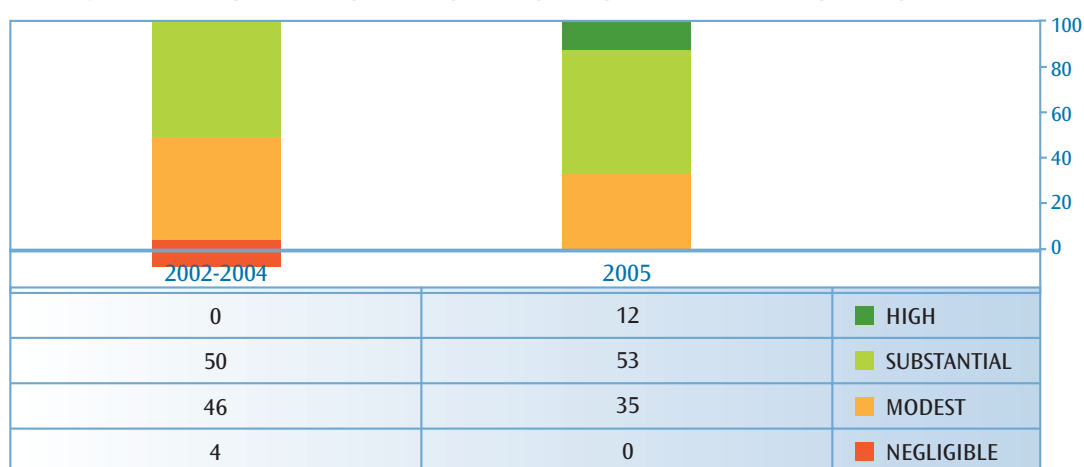
Such adaptation should ensure that the M&E system is designed to respond to the information needs of different stakeholders, and that training is provided to those generating and using M&E data for decision-making.

**Mean performance score meets expectation.** The United Nations Office for Project Services (UNOPS) was responsible for supervision in nine projects and participated in the directly supervised project in Uganda. The 2002-2004 evaluations rated the performance of cooperating institutions as being substantial in 50 per cent of cases. The 2005 evaluations were considerably better: 65 per cent were above the mid-point and 35 per cent were rated successful or better (figure 16). The mean rating of 4.2 is an improvement on the 3.7 score of 2002-2004, and meets the mean target rate.

**A number of performance challenges.** Uganda, where UNOPS worked closely with the country programme manager, received a very favourable report. In Mexico, UNOPS actively participated in the launch of the project and thereafter systematically, though not frequently enough, made observations and proposals for improvements. In Venezuela, the Andean Development Corporation was very professional in conducting its supervisory responsibilities. Elsewhere, despite the satisfactory ratings, the performance of UNOPS drew some criticism, for example that: (i) annual missions lacked sufficient technical expertise, and membership was inconsistent in two projects; (ii) unsatisfactory handover between changing desk officers produced long delays in the approvals of payments in two projects; (iii) relationships between government officials and implementing units were not strong in three projects; (iv) supervision reports neglected to be translated into the vernacular, which was particularly unfortunate in Mongolia; and (v) no management reporting system had been implemented in at least two projects.

## PERFORMANCE OF THE COOPERATING INSTITUTIONS

**Figure 16: Comparison of percentage ratings for performance of cooperating institutions**



**High ratings but not without performance problems.** Government performance is difficult to assess as it affects so many levels of activity. Changes in policy at the national level were unfortunate for the project in Uganda, meagre support at the district level affected the India project, and inefficient local administrations plagued other projects. In the past, the performance of governments and related agencies has generally been rated highly in evaluations. In 2005, 22 per cent of project evaluations rated government performance highly successful, which is an improvement over the 2002-2004 period. In aggregate the trend is negative: 61 per cent of project evaluations rated government performance successful or better in 2005, as compared with 69 per cent for the preceding period (figure 17). However, since more projects were rated highly successful, the mean score improved to 4.2, which is an improvement on the 4.0 figure of 2002-2004, and is on target.

**Contributions at various levels of government.** In China, project management offices were effective managers and were well supported by village implementation groups. In Uganda, the Ministry of Local Government was a highly rated partner. In Ghana, the Ministry of Food and Agriculture generally performed creditably, while the Irrigation Development Authority did not. In Guinea, major delays in the payment of government contributions were highly detrimental to the project. In Mongolia, the project suffered as a result of IFAD's failure to ensure that relationships and responsibilities were clearly defined at the outset, which meant that central ministries, particularly the Ministry of Finance, frequently made decisions that were not in the best interests of the project or the people involved. In Mexico, the project was constrained by a change in government and a transfer of executing agency responsibility to another national agency, which did not have the capacity to implement such a project. Venezuela had a similar experience with political turbulence, but an effective implementing unit was generally able to continue managing the project effectively despite these changes.

Figure 17: Comparison of percentage ratings for impact of Government performance

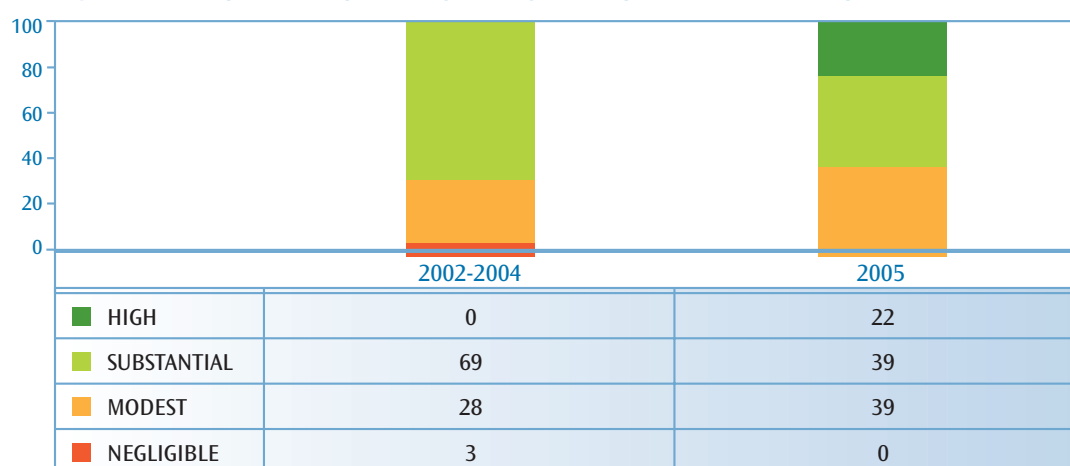
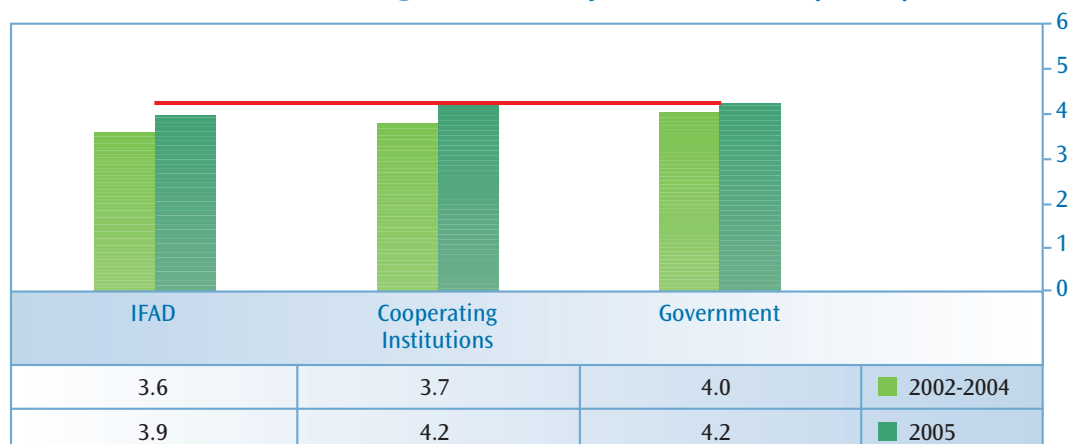




Figure 18 charts the performance of partners in the projects evaluated. From a management perspective, the most significant gains were made where IFAD had most control. IFAD's own performance improved, as did the performance of cooperating institutions, another area that can be influenced by IFAD management. These improvements are correlated with improvements in project performance and project impact.

Figure 18: Summary of mean scores of partner performance

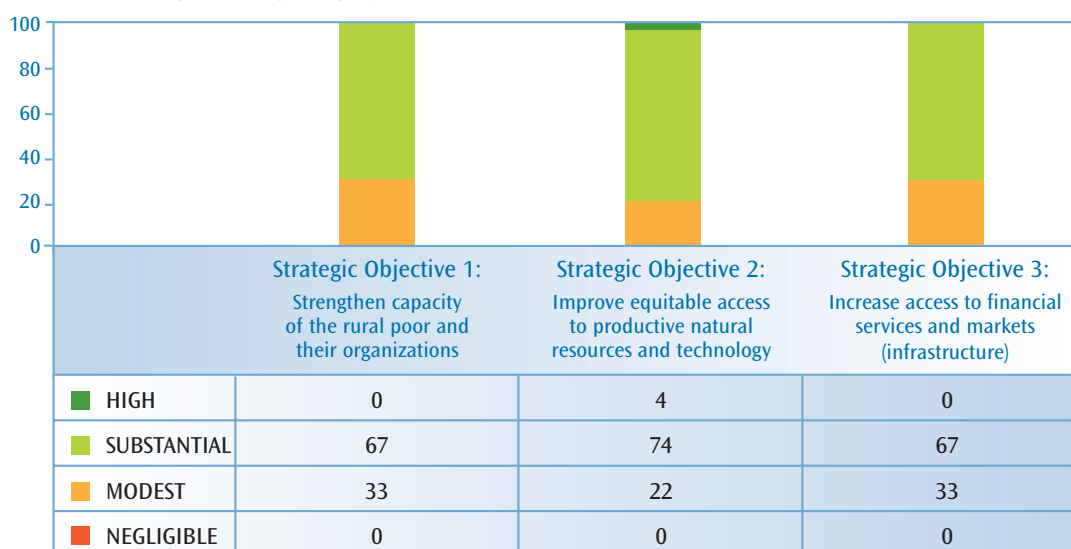


## VI. OVERALL ACHIEVEMENTS

The Strategic Framework for IFAD for 2002-2006 defines three strategic objectives in the pursuit of its goal to enable the rural poor to overcome poverty: (i) strengthening the capacity of the rural poor and their organizations; (ii) improving equitable access to productive natural resources and technology; and (iii) increasing access to financial services and markets. As in previous ARRI reports, the impact ratings have been regrouped according to IFAD's three strategic objectives.

Figure 19 below presents the impact ratings for each of IFAD's strategic objectives based on a consolidation of results from the project evaluations of 2005. Two thirds or more of projects achieved high or substantial impact against all objectives, with "improving equitable access to productive natural resources and technology" achieving the best result. Performance against the first and third strategic objective is almost the same as that observed for the period 2002-2004, while against the second, performance improved: the 53 per cent of projects rated substantial or better rose to 78 per cent in 2005.

Figure 19: Project impact by IFAD strategic objective  
(percentage of projects evaluated, 2005)

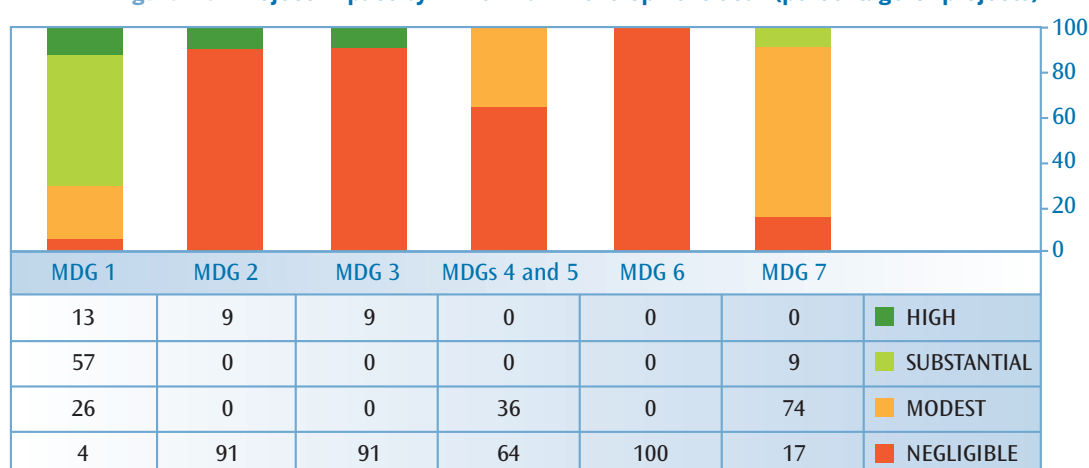


## MILLENNIUM DEVELOPMENT GOALS

The 2005 evaluation reports make no assessment of contributions by projects to Millennium Development Goals (MDGs). Given its objectives, IFAD would be expected to have a significant impact only on MDG1 (eradicating extreme poverty and hunger). The results for the impact domains food security and physical/financial assets indicate that 70 per cent of projects had a substantial or high impact on MDG1, though the beneficiaries tended to be the economically active poor rather than the poorest of the poor. In terms of MDG7b, to reduce by half, by 2015, the proportion of people without sustainable access to safe drinking water, projects were particularly effective. In Uganda, for example, just under 200 000 people gained access to safe water.

Figure 20 shows that impact on MDGs other than MDG1 was limited. IFAD projects may have an indirect or – occasionally – direct impact (as was the case with the health component under the District Development Support Programme in Uganda). For example, IFAD could contribute to: (i) MDG2 (achieving universal primary education) by reducing the need for young children of poor families to be involved in income-producing activities and by making school more affordable; (ii) MDG3 (promoting gender equality) by making school more affordable for girls of primary school-going age; (iii) MDG4 and MDG5 (reducing child mortality and improving maternal health) by improving diet, hygiene and access to potable water. As MDG6 targets HIV/AIDS, malaria and other diseases, it is difficult to attribute indirect impact. Under MDG7, however, there was no evidence of IFAD having any influence on the integration of the principles of sustainable development into country policies and IFAD had no impact on the lives of slum dwellers, who are targeted under this MDG.

Figure 20: Project impact by Millennium Development Goal (percentage of projects)



**Notes:**

MDG1 = Eradicate extreme poverty and hunger; MDG2 = Achieve universal primary education; MDG3 = Eliminate gender disparity in primary and secondary education; MDG4 and 5 = Reduce child mortality and improve maternal health; MDG6 = Combat HIV/AIDS, malaria and other diseases; and MDG7 = Ensure environmental sustainability (including safe water).

**BENCHMARKING**

Project performance was benchmarked internally for relevance, effectiveness and efficiency, showing consistency between the ARRI reports, IEE and country programme evaluation findings. Comparing the target scores and ratings from the 2005 evaluations with the targets set in 2005 by the IFAD Action Plan for Improving its Development Effectiveness, it can be said that:

- 40 per cent of projects were highly relevant and 60 per cent substantially relevant, compared with the Action Plan's target of 60 per cent as high and 40 per cent as substantial;
- 78 per cent of projects were moderately effective or better compared with the Action Plan's target of 80 per cent;
- 40 per cent were moderately successful compared with the Action Plan's target of 80 per cent;
- 77 per cent of projects were rated substantially to moderately innovative, producing the increase in the innovation rating sought by the Action Plan;
- 59 per cent of projects were moderately efficient or better, almost reaching the Action Plan target of 60 per cent (for 2009).

Performance in terms of problem projects was benchmarked externally against international finance institutions (IFIs). This presented methodological difficulties as the entire portfolios of other IFIs include better-performing sectors than rural development and agriculture. However, the same comparison was made in the IEE. Table 3 illustrates that the percentage of IFAD's problem projects, as rated in the self-assessments undertaken by the Programme Management Department, is higher than those of comparators.

**Table 3: Problem projects – IFAD and other IFIs**

		Percentage
Worldwide (Entire portfolio)	World Bank <sup>a</sup> (2005)	16
	Asian Development Bank (2003)	15
	African Development Bank (2002-2004)	11
IFAD <sup>b</sup> (2005)		21
Rural sector Agriculture	World Bank (2005)	11
	African Development Bank (2002-2004)	11

**Sources:**

IFAD Portfolio Performance Reports; IEE; World Bank Business Warehouse (May 2005), World Bank; Quality Assurance at the World Bank – A Presentation to IFAD Management and Staff, 11 May 2006; African Development Bank, Annual Report of Development Effectiveness (2006).

<sup>a</sup> The World Bank figures refer to “projects at risk” rather than “problem projects.”

<sup>b</sup> The IFAD figure refers to both projects at risk and problem projects.

On an outcome rating calculated from a mean score of relevance, effectiveness and efficiency, IFAD’s performance for the 26 projects in the ARRI report sample was the same as the World Bank’s performance in the rural sector, i.e. 81 per cent (assuming that a rating of moderately successful would rank as successful with the World Bank).

The Asian Development Bank (AsDB) found that projects in finance and agriculture are the sectors where it performs least well, and also that performance in these two sectors is significantly worse than in any other sector. In its annual review of development results<sup>14</sup>, the AsDB success rates in agriculture were about 47 per cent for the period 1990-1996 using a rating system similar to the four-point rating system used by OE prior to 2005. This information reflects the difficulty of achieving success in agricultural and rural development and indicates that the performance of IFAD-supported projects is similar to those of comparator agencies.

## VII. FINDINGS AND RECOMMENDATIONS

**Improved project ratings in 2005 compared with 2002-2004.** Overall, 78 per cent of projects were rated moderately successful or better compared with 59 per cent for 2002-2004. However, only two impact domains – physical and financial assets and human assets – exceeded the mean target score of 4.2 introduced in this ARRI report. Seven per cent of the remaining evaluation criteria were within 5 per cent of the benchmark and a further 4 per cent were within 10 per cent. The criteria of environmental impact, institutional impact and sustainability failed to come within 20 per cent of the target.

**Performance management through mid-term reviews.** The IEE observed that half the projects it reviewed were redesigned at mid-term, many of them substantially. Rather than be resolved earlier, problems were only first addressed at the mid-term review (MTR)<sup>15</sup>.

### KEY FINDINGS

This observation by the IEE applies to a number of projects evaluated during 2005. In Mozambique, for example, significant design failures should have been addressed long before the MTR. Similarly, in India, a village development fund was introduced only after the MTR in order to foster stronger participation and financing procedures, prompt more rapid absorption of funds, and widen and deepen coverage and impact. These observations underpin the continued need for better management practices that resolve problems as they emerge rather than delay decisions to take corrective action until formal reviews such as MTRs take place.

**Performance improvements through direct supervision.** The evaluation of the direct supervision pilot programme showed that project performance could be improved through direct supervision. In particular, directly supervised projects received greater attention from CPMs, doubled the number of supervision missions, and enabled CPMs to stay on top of implementation issues and to take necessary corrective action when needed. The faster response to queries and more expeditious follow-up of supervision recommendations led, among other things, to significantly shorter overruns than in projects supervised by cooperating institutions. Direct supervision also helped advance IFAD's broader objectives, such as policy dialogue, targeting, and gender equality. Supervision reports of directly supervised projects provided better coverage of issues of concern to IFAD, even though these reports did not automatically ensure that lessons were incorporated into project design or improvements made to all supervision activities. The higher direct supervision cost was outweighed by the benefits derived from the direct supervision.

**Many projects did not benefit the poorest.** As in the 2004 evaluations, a significant number of projects did not benefit the poorest and most vulnerable to the extent intended. While project design targeted the poorest, implementation was guided by scheduling requirements that set a higher priority on moving project implementation along. Consequently, the active poor (who invariably were "not so poor") took the place of the very poor to ensure achieving the desired progress. This problem arose from the absence of an assessment of whether reaching the very poor was a key success factor in reducing rural poverty and from the lack of a monitoring system to ensure that any changes in the actual beneficiary group were detected and corrected.

**Weak sustainability.** As in the 2004 evaluations, the rating for sustainability was poor. So too was the rating for impact on institutions. The two ratings are connected. Government, local government and community-based agencies and organizations that do not have the capacity to operate and maintain the infrastructure and new systems provided by a project will erode the work of a project, and eventually lead to unsustainability. IFAD's record in capacity-building in most projects in the 2005 sample was unimpressive. Neglect to provide for exit strategies or any further assistance, where it was known that institutional development was incomplete, further exacerbated the situation.

**IFAD's institutional performance improved markedly.** In 2005, IFAD managed to close the gap that existed between IFAD's

institutional performance and that of governments and cooperating institutions. IFAD's performance was moderately successful or better in 58 per cent of projects compared with 65 per cent for cooperating institutions and 61 per cent for governments. A 58 per cent success rate, that includes ratings of moderately successful, is not a record of which to be proud. It is conceivable also that these ratings are generous. This is rooted in the anomaly that if the three partners are achieving scores of around 60 per cent in the design, implementation and supervision of projects, why are only 40 per cent of projects sustainable? Part of this anomaly might be explained by the finding of the thematic evaluation on decentralization in East Africa that government agencies were the weak link in sustaining project outputs. This suggests that assessments by OE of government performance might be generous. The in-depth analysis on social capital (section IV.D) also provided information on this issue. In its sample, only 20 per cent of community-based organizations had become self-sufficient by project completion, suggesting that estimates at the design stage were over-optimistic about the time required for community-based organizations to obtain self-sufficiency, or that implementation support had been inadequate.

## UNDERLYING REASONS

The 2005 ARRI report concluded that there were three underlying reasons for performance weaknesses: limited stakeholder and beneficiary ownership; project effectiveness being influenced by the context in which it was implemented; and weak project design and implementation. Problems of unsustainability became more pronounced when new institutions were created that lacked stakeholder ownership and were not equipped to continue to function once project assistance ceased. These problems arose largely because such institutions tended to focus on the project per se rather than on capacity-building to sustain future activities.

The review on social capital underpins this point and presents compelling evidence about weaknesses during design, which, as noted in last year's report, also have implications for the sustainability of project results and impact. In the sample, no diagnostics were performed of local government capacity and in only a third of projects were diagnostics performed of community-based organization capacity. Very few projects conducted baseline studies of the poor, increasing the likelihood that the very poor would not be identified. The lack of such studies poses the risk that programme management units may concentrate on the willing during implementation, as the real targeted beneficiaries remain anonymous. The thematic evaluation on decentralization found that little attention was being paid to the importance of a pro-poor policy environment, resulting in many projects being implemented in a non-supportive policy environment.

IFAD's implementation business model reveals a number of limitations:

- Managers do not assess projects for risk management. The lack of a pro-poor policy environment, for example, is a risk factor, so too is prior implementation experience, as previously argued in the report. Institutional capacity of government agencies and community-based organizations is yet another. In the absence

of risk management assessments, all projects, regardless of risk, are supervised in much the same way. Significant risks are not specifically or closely monitored;

- Key success factors are not identified and monitored. The identification of key success factors informs a programme management unit about what is important in a project and, consequently, what needs careful management. Progress in the implementation of key success factors tells stakeholders how well a project is performing. Too many key success factors would indicate that a project is too complex, a weakness found in a number of evaluated projects in 2005;
- Failure to ensure that effective M&E systems are installed. In at least 7 of the 11 projects evaluated in 2005, the M&E systems were unable to report impact. In part, this may be attributed to the fact that the evaluated projects were designed prior to the publication of the Guide for Project M&E<sup>16</sup>. Yet, after so many years of activity, such experience reflects poorly on IFAD;
- Weak management follow-up of adverse reports on project performance. A common finding of evaluation reports was that recommendations were ignored by programme management units and IFAD operational management did little to rectify the situation.

This year's ARRI report recommends that IFAD Management adopt measures to improve the way in which it designs and manages its operations to ensure better performance, higher impact and greater sustainability:

- Install a risk management assessment process to determine prudent ways of handling matters such as project size and complexity, and degree of supervision. Such a process should establish criteria for assessing risks (e.g. country risk profile, innovativeness of the project and depth of IFAD experience) and calculate a risk ratio that signals the degree of risk and the need to manage the project more closely. The revised formats for the country strategic opportunities programme document and for the report and recommendation of the President for projects, which were approved by the Executive Board at its session in September 2006, include sections on risks and risk management that should form the basis for a more comprehensive risk management system. Such a system is needed to ensure that: (i) appropriate information is included in the country and project risk assessments; (ii) IFAD takes note of different levels of risks and responds with the allocation of appropriate resources to manage these risks; and (iii) IFAD takes necessary decisions and corrective actions when problems arise;
- Develop a management checklist to ensure that project design addresses all criteria that might be regarded as key success factors. The checklist would show that baseline studies of the poor, institutional diagnostics, and situational analyses of a government's policy framework have been conducted, and that exit strategies have been included in project design;

## RECOMMENDATIONS

- Introduce a procedure whereby time-bound action plans are developed to address problems identified in supervision and other reports, and are then tracked by operational management;
- Adapt and use the IFAD Guide to Project M&E more systematically for all projects. The system should capture and analyse core data to enable programme management units and partners to monitor project effectiveness and impact;
- Reduce “design ambition”. While poverty is often complex, designs should be rigorously pared down to the minimum. Complexity should be related to risk assessment, especially that of IFAD’s previous experience in a country;
- Determine how a project will address capacity-building. CPMs cannot be expected to be experts in designing institutional capacity-building components when their primary competencies must be in rural development, in project design and in innovation. Capacity-building and institutional development require considerable professional expertise and years of experience. The cross-cultural context in which IFAD operates makes the task even more difficult. Given these circumstances, the most promising options are to recruit a core of staff with this expertise or to seek partnerships with organizations with a track record in the area.

In addition, OE recommends that IFAD hold a broad-based discussion on sustainability issues in order to understand better what analyses are needed to resolve the problems observed in the IEE and in several ARRI reports.

Finally, it is recommended that the Executive Board consider the experiment regarding the target score presented in this report and advise management and OE accordingly.



## THE METHODOLOGICAL FRAMEWORK FOR PROJECT EVALUATION

The methodological framework for evaluation (MFE) consists of three main composite evaluation criteria: (a) project performance; (b) impact on rural poverty; and (c) performance of partners. Each criterion is divided into a number of elements or subcriteria (see chart on next page).

The first criterion – **project performance** – captures the extent to which the project objectives are consistent with the priorities of the rural poor and other stakeholders (relevance); how well the project performed in delivering against objectives (effectiveness); and how economically resources were converted into results (efficiency).

The second criterion – **impact on rural poverty** – assesses the changes that have occurred by project completion. IFAD defines rural poverty impact as the changes in the lives of the rural poor, intended or unintended – as they and their partners perceive them at the time of the evaluation – to which IFAD's interventions have contributed. Impact has been divided into six domains that are addressed by IFAD projects to varying degrees and into the overarching factors of sustainability, innovation and replicability/scaling up, and gender equality. The six impact domains are:

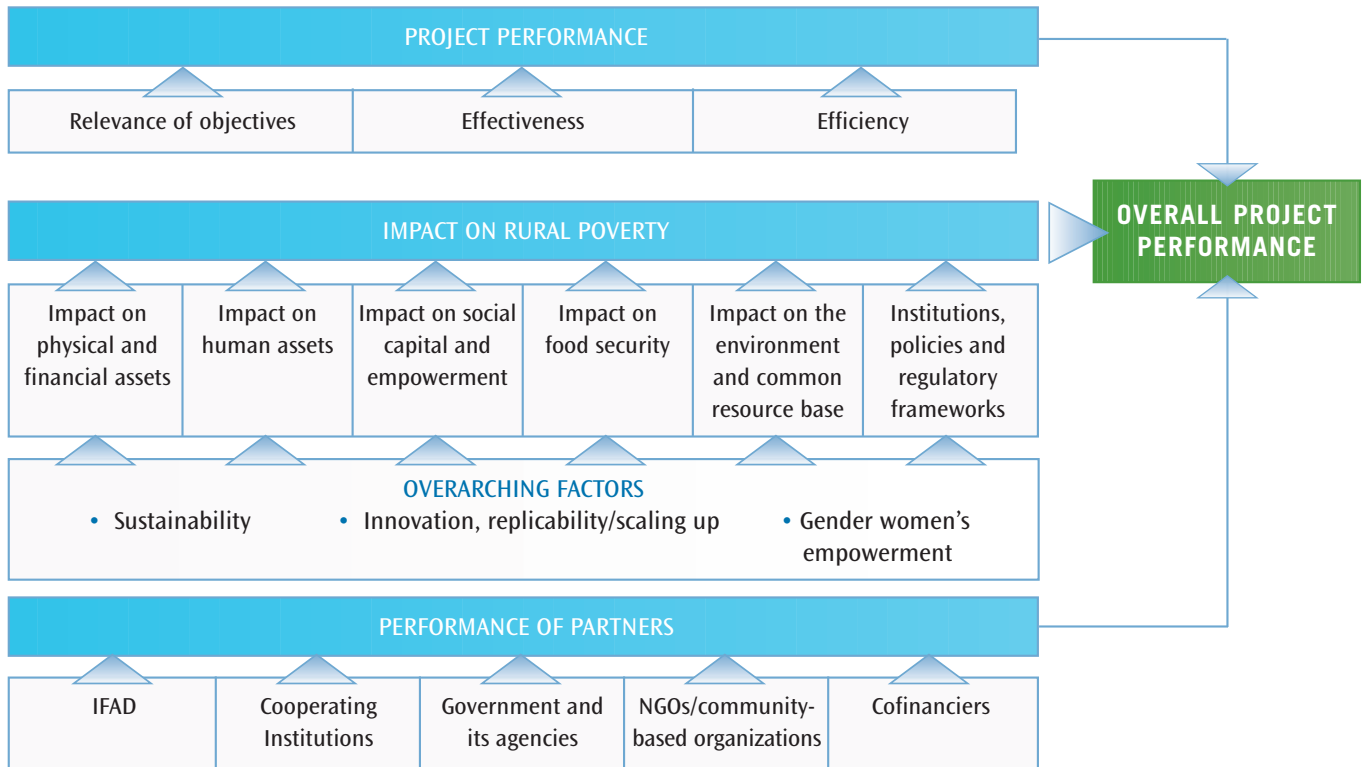
- physical and financial assets
- human assets
- social capital and empowerment
- food security
- environment and common resource base
- institutions, policies and regulatory frameworks

For each impact domain, there is a set of key evaluation questions that every evaluation attempts to answer (see table below). These and other questions provide the basis in the evaluation of projects for a consistent assessment of changes in social capital and empowerment. Regrouping these questions also allows for reporting against IFAD's strategic objectives (see table below).

The third criterion – **performance of partners** – assesses the performance of the primary partners in the project: IFAD, cooperating institutions, the government agencies responsible for implementing the project, the NGOs/community-based organizations involved in project implementation and project cofinanciers. Here again, a number of questions are put forward to be answered by the evaluations (see table). They assess how well IFAD and its partners identified, prepared and supervised the project, and the contribution each made to project success during implementation.

The 2005 project evaluations have applied a six-point rating scale to each criterion and sub-criterion, based on the combined judgement of the rural poor, partners and the evaluators, normally through an end-of-evaluation workshop. The resultant ratings were recorded in a detailed matrix covering all impact criteria. This report is based on the ratings contained in these matrices, and on a thorough analysis of the evaluation reports themselves.

## METHODOLOGICAL FRAMEWORK FOR PROJECT EVALUATION



## EVALUATION FRAMEWORK FOR PROJECT EVALUATION: THE DOMAINS OF IMPACT

Main domains of impact	Key questions for impact assessment in rural communities affected by the project (Changes to which the project has contributed)	IFAD Strategic framework objective	Millennium Development Goal
I. Physical and financial assets	Did farm households' physical assets change (e.g. farmland, water, livestock, trees, equipment)?	2	
	Did other household assets change (houses, bicycles, radios, other durables, etc.)?		Poverty and hunger
	Did infrastructure and people's access to markets change (transport, roads, storage, communication facilities, etc.)?	3	
	Did households' financial assets change (savings and debts)?		Poverty and hunger
	Did rural people's access to financial services change (credit, saving, insurances, etc.)?	3	
II. Human assets	Did rural people's access to potable water change?		Environment (incl. water)
	Did access to basic health and disease prevention services change?		Disease
	Did the incidence of HIV infection change?		Disease
	Did maternal mortality change?		Mortality rate
	Did access to primary education change?		Primary schooling
	Did primary school enrolment for girls change?		Primary schooling
	Did women's and children's workload change?		
	Did the adult literacy rate and/or access to information and knowledge change?	1	
III. Social capital and empowerment	Did rural people's organizations and institutions change?	1	
	Did social cohesion and the self-help capacity of rural communities change?	1	
	Did gender equity and/or women's conditions change?		Gender disparity
	Did rural people feel empowered vis-à-vis local and national public authorities and development partners? (Do they play a more effective role in decision-making?)	1	
	Did rural producers feel empowered vis-à-vis the market place? Are they in better control of input supply and the marketing of their products?	1	
IV. Food security (production, income and consumption)	Did children's nutritional status change?		Poverty and hunger
	Did household food security change?		Poverty and hunger
	Did farming technology and practices change?	2	
	Did the frequency of food shortages change?		Poverty and hunger
	Did agricultural production change (area, yield, production mix, etc.)?	2	
V. Environment and common resource base	Did the status of the natural resource base change (land, water, forest, pasture, fish stocks, etc.)?		Environment (incl. water)
	Did exposure to environmental risks change?		Environment (incl. water)
VI. Institutions, policies, and regulatory frameworks	Did rural financial institutions change?	3	
	Did local public institutions and service provision change?	1	
	Did national/sectoral policies affecting the rural poor change?	1, 3	
	Did the regulatory framework affecting the rural poor change?	1, 2, 3	
	Were there other changes in institutions and policies?		

## ANNEX II

# GOALS OF COUNTRY PROGRAMMES AND INDIVIDUAL PROJECTS EVALUATED

## GOALS OF COUNTRY STRATEGIES

The goals and objectives of the three country strategies are summarized below:

- (i) In Bangladesh, the goal was to promote self-managing grass-roots community organizations that will create and sustain viable, cost-effective institutions and also empower the rural poor which translated into the objectives:
  - strengthen the capacity of the poor and their organizations;
  - improve access to natural resources and technology;
  - increase access to financial services.
- (ii) In Mexico, the 1999 country strategic opportunities paper strategy was to reinforce the empowerment of the groups of producers and propose the following basic strategic elements:
  - The promotion and consolidation of community-based organizations of small producers, groups of women, communal land and indigenous communities; and
  - The continued support of the campesino sector, the households of small producers, members of ejidos and indigenous communities, etc.

Added emphasis was to be placed on production of basic grains for self-consumption and the dissemination of improved technology, linked to product diversification.

The 1999 strategy succeeded a general strategy produced in 1992 which focused on rural development of small producers and improvement of the productive capacity of the poor.

- (iii) In Rwanda, the goal was to promote fair and efficient links with markets, grow rural financial systems, broaden access to land and water and improve their management, and create an improved system for knowledge, information and technology management.

**PROJECT GOALS AND PER CAPITA INCOMES OF BENEFICIARY POPULATIONS**  
The goals of each project evaluated are given below

Project	Goals
<b>China</b> – Southwest Anhui Integrated Agricultural Project	Reduce chronic food shortages of 123 400 households, 80 per cent of which were poor or very poor (10-15 per cent), microcredit being the principal mechanism, reaching 77-78 per cent of all households and 91 per cent of targeted ones with an overall recovery rate of 85 per cent.
<b>Uganda</b> – District Development Support Programme	Alleviate chronic poverty of 51 000 “actively poor” households through raising rural incomes; improving health, food security and nutrition; the participation of farmers in commercialized agriculture; and the enhancement of local governance.
<b>Ghana</b> – Upper West Agricultural Development Project	Improve food security and increase the income of 20 000 poor smallholder households in an area where 84 per cent of the population live in poverty.
<b>Ghana</b> – Land Conservation and Smallholder Rehabilitation Project	Empower rural populations living in poverty to access improved technology services and credit in a region with 88 per cent of the population living in poverty, targeting the community level and inclusive of all households within a targeted community.
<b>India</b> – North Eastern Region Community Resource Management Project for Upland Areas	Improve the livelihoods of vulnerable groups in a sustainable manner through improved management of their natural resource base, targeted at households with small farms dependent on shifting cultivation, rainfed cultivation, and with particular focus on disadvantaged and vulnerable groups.
<b>Mongolia</b> – Arhangai Rural Poverty Alleviation Project	Reduce rural poverty through the distribution of livestock to poor and very poor herder households through income-generating activities and the development of vegetable production.
<b>Guinea</b> – Fouta Djallon Local Development and Agricultural Rehabilitation Programme	Increase yield and distribution of crops and livestock for 145 000 people in an area where 50 per cent live in poverty; stimulate communities’ involvement in resource management by introducing soil conservation; enhance women’s participation in decision-making; improve tracks; and implement viable self-managed microcredit.
<b>Mozambique</b> – Niassa Agricultural Development Project	Improve the levels of income, employment and food security of 45 000 poor farm households in two districts.
<b>Venezuela</b> – Economic Development of Rural Communities Project	Improve standard of living of rural poor small producers through participation in local development, and increase their agricultural incomes.
<b>Mexico</b> – Development Project of the Mayan Communities in the Yucatan Peninsula	Improve income and living conditions of the target group and reduce the risk and vulnerability of families faced with adverse situations; strengthen the development of local institutions so that they can manage technical financial support services for production and trading; and establish mechanisms that favour equitable distribution to project beneficiaries.
<b>Morocco</b> – Tafilalet and Dades Rural Development Project	Increase yields by improving water supply; increase irrigable land area; increase pasture yields while protecting the environment; protect villages and irrigation networks from desertification; construct rural amenities; and promote women’s social and economic development.

## ANNEX III

## ELAPSED TIME BETWEEN LOAN APPROVAL AND LOAN EFFECTIVENESS AND TIME OVERRUNS

Project /programme	Loan approval	Loan effectiveness	Elapsed time in months	Planned completion date	Actual completion date	Overrun months	Supervision
China	Sep-97	Dec-97	3	Dec-02	Jun-04	18	UNOPS
Ghana	Apr-99	Jan-00	8	Jun-97	Jun-97	0	UNOPS
Ghana	Sep-05	Mar-96	6	Sep-03	Jun-04	9	UNOPS
Guinea	Feb-97	Sep-98	18	Dec-95	Jun-96	6	UNOPS
India	Apr-97	Feb-99	22	Mar-04	Mar-08	48	UNOPS
Mexico	Dec-95	Nov-97	23	Dec-01	Dec-04	36	UNOPS
Mongolia	Apr-96	Dec-96	8	Jun-03	Dec-03	6	UNOPS
Morocco	Apr-94	Mar-95	11	Dec-01	Dec-03	24	Arab Fund for Economic and Social Development (FADES)
Mozambique	Apr-94	Oct-94	6	Dec-02	Dec-05	36	World Bank/UNOPS
Uganda	Sep-98	May-00	21	Dec-04	Jun-06	18	IFAD/UNOPS
Venezuela	Sep-96	Jun-98	19	Jun-04	Dec-07	42	Andean Development Corporation
<b>Average</b>			<b>13</b>			<b>22</b>	

### Notes:

China: Southwest Anhui Integrated Agricultural Development Project; Ghana: Upper-East Region Land Conservation and Smallholder Rehabilitation Project – Phase II; Ghana: Upper West Agricultural Development Project; Guinea: Fouta Djallon and Local Development Agricultural Rehabilitation; India: North Eastern Region Community Resource Management Project for Upland Areas; Mexico: Rural Development Project of the Mayan Communities in the Yucatan Peninsula; Mongolia: Arhangai Rural Poverty Alleviation Project; Morocco: Tafilalet and Dades Rural Development; Mozambique: Niassa Agricultural Development Project; Uganda: District Development Support Programme; Venezuela: Economic Development of Poor Rural Communities Project.

## ANNEX IV

# SUMMARY OF FINDINGS

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The analysis of social capital and empowerment rendered a number of observations. The most important are:

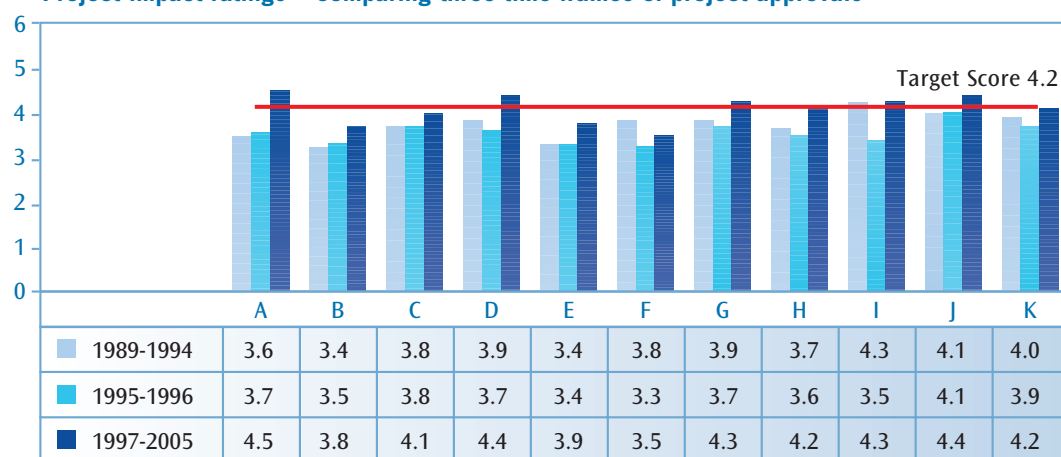
- (i) The thematic evaluation decentralization in East Africa found that in only one of 12 projects was policy dialogue included as an objective. It concluded that little attention was paid to the importance of an appropriate pro-poor policy environment. Empowerment as a focus fared poorly in the three country programmes considered by the ARRI report. The programmes concentrated on participation rather than empowerment, and projects, as a consequence, were operationalized with “little enthusiasm” for empowerment.
- (ii) Very poor people were frequently not reached effectively by projects. Organizations independent from governments such as NGOs could assist the very poor in becoming more empowered. Reputable NGOs could also assist them in claiming their rights from government departments, and in the absence of reliable M&E systems, could also assist project management in ensuring that targeted beneficiaries are reached effectively by projects.
- (iii) The decentralization evaluation concluded that government agencies are the weak link in sustaining project outputs. One area affected is social capital and empowerment.
- (iv) IFAD research in West Africa<sup>17</sup> found that communities in the community-driven development model generally placed very basic social needs like potable water and health services at the top of their list of priorities, followed by income-generation activities once these basic needs are satisfied. The latter activities are more likely to favour the well established than the poor. The conclusion drawn is that the very poorest communities look after their basic needs first, which benefits poor and non-poor alike.
- (v) A small survey of participative IFAD projects evaluated in 2004-2005 found that none of the projects performed diagnostics of local government capacity, a third of the projects surveyed performed diagnostics of community-based organization capacity and only very few conducted baseline studies of the poor. The evaluations found that institutional strengthening of government agencies was moderately unsuccessful; that community-based organizations had become self-sufficient at project completion in only 20 per cent of projects; and that very few projects effectively reached the poor. An inescapable conclusion was that when the groundwork for project design is not exhaustive, projects suffer, particularly in terms of sustainability.

- (vi) The sample of community-based development projects significantly outperformed a control group of non-participative projects for effectiveness, efficiency, sustainability, innovation and replication, and for impact on social capital and empowerment, and influence on institutions.
- (vii) The sample of evaluated projects using participatory or community-based approaches compared favourably with a World Bank sample for effectiveness and institutional impact. They compared negatively for sustainability. Possible reasons were the infrequency of exit strategies and the little applied knowledge about how long it will take a community-based organization to become self-sufficient in the particular circumstances that it faces. Project impact ratings – comparing three time frames of project approvals.

## ANNEX V

# PROJECT IMPACT RATINGS- COMPARING THREE TIME FRAMES OF PROJECT APPROVALS

Project impact ratings – comparing three time frames of project approvals



### Notes:

A = Gender; B = Sustainability; C = Replication; D = Innovation; E = Institutions and Policies; F = Environment; G = Food Security; H = Social Capital; I = Human Assets; J = Physical and Financial Assets; K = Overall Impact.



## RESPONSE OF IFAD MANAGEMENT TO THE ANNUAL REPORT ON RESULTS AND IMPACT OF IFAD OPERATIONS EVALUATED IN 2005

IFAD Management considers this year's annual report on results and impact of IFAD operations (ARRI) an important contribution to enhancing Management's understanding of the issues facing the IFAD loan portfolio. It also agrees with the report's conclusion that, while not entirely representative, the findings and data trends presented are valuable in highlighting portfolio management issues. Management appreciates the efforts made by the Office of Evaluation to improve the report's quality and to make it issue-oriented.

In line with the decision of the Executive Board taken in September 2004, Management reports on how it is responding to the ARRI report in its handling of the ongoing portfolio by way of the portfolio performance report, being submitted to the December 2006 session of the Board. The present note focuses therefore on IFAD Management's response to some of the broader issues related to the 2005 ARRI report.

As indicated in the portfolio performance report, IFAD Management broadly agrees with the key findings of the 2005 ARRI report, namely that overall performance, including IFAD's own, has improved. Project sustainability, mid-course project corrections and supervision arrangements need further improvement. It also shares the concerns raised with respect to targeting and has addressed this by adopting a policy on targeting. Management further agrees with the recommendation on setting up a risk management system, the need to reduce design ambition, and the need to address problems identified during project implementation more effectively. IFAD's Action Plan for Improving its Development Effectiveness in response to the Independent External Evaluation undertaken in 2003 is intended to address many of these issues.

This year's ARRI report introduces a target score for various project impact domains. IFAD Management appreciates the potential value of such a system in enabling comparison of IFAD's performance against an absolute standard. Proposed targets are being reviewed and, in the light of this review, management will establish target scores against which implementation performance could be measured. IFAD Management will do this keeping in view the development effectiveness targets it has committed to under the Action Plan. IFAD will also learn from the experiences of comparable institutions in setting such standards. In this light, Management will propose a system of target scores for the Action plan deliverables and other relevant indicators which will be presented to the Executive Board through the Development Effectiveness Report in December 2007. In keeping with the spirit of harmonizing self- and independent evaluation systems, the Programme Management Department will work closely with the Office of Evaluation (OE) in preparing this proposal.

IFAD Management has noted the increase in the sample size in this year's ARRI report, which has supplemented 11 project evaluations with ratings of another 21 projects that were part of country programme evaluations (CPEs). This enhances the robustness of the findings and is therefore welcome. Two factors need consideration, however. First, inclusion of the CPEs introduces projects designed over a longer period. This makes the sample more heterogeneous and less amenable to generating a performance pattern. Second, the rating of individual projects as part of CPEs is necessarily effort-intensive. This can imply less robust ratings if the process is not adequately resourced. IFAD Management would like OE to consider analysing this trade-off between the larger sample size and a potentially less rigorous evaluation process.

IFAD Management subscribes fully to the Millennium Development Goals (MDGs) and thus appreciates OE's work in presenting the impact of IFAD projects towards achievement of all the MDGs. Management believes, however, that IFAD's contribution should be overwhelmingly in terms of eradicating extreme poverty and hunger (MDG 1). A more in-depth assessment of IFAD's performance against this indicator – rather than analysis relative to all MDG indicators – would therefore be more useful. For example, IFAD's impact on urban poverty, while interesting, tends to suggest an expansion of IFAD's mandate and may create expectations that cannot be met by IFAD with regard to impact on urban poverty. IFAD Management would like to underline that its mandate constitutes the basic framework for assessing its performance.

Of the important project issues identified by the 2005 ARRI report, weak monitoring systems is a recurring one. Improving monitoring and evaluation (M&E) systems in rural development projects is often difficult and this is also the experience of other development agencies. Given these factors, IFAD will seek to build and mobilize national capabilities, including for self-assessment by target groups, and pursue close collaboration with other donors. It will also integrate the reporting system at headquarters in a way that will enhance the usability of information derived from M&E systems as an IFAD management tool.

IFAD Management agrees with this year's ARRI report finding that over one third of IFAD projects are supported by only modestly performing supervision arrangements and that a number of performance challenges persist with respect to the outsourcing of supervision arrangement. The ARRI report indicates that performance of governments is improving, and this is generally confirmed by the project completion reports (PCRs), although the latter also show unsatisfactory performance in one fifth of the projects. The PCRs, which are prepared by governments, have rated IFAD's performance better than the ARRI report has done, so the disconnect with the ARRI report in this domain is therefore very high. The PCRs noted some IFAD issues, such as lack of timely correction of project management problems, infrequent IFAD participation in supervision missions and delay in addressing design failures until the mid-term review. The issues identified are in line with the findings of the Independent

External Evaluation and subsequent ARRI reports, and are being addressed through the Action Plan.

The recent adoption of IFAD's Policy on Targeting is expected to fill the gaps observed by the ARRI report in clearly defining IFAD's target groups. The new policy requires IFAD Management to undertake more rigorous diagnostic studies and to better monitor targeting performance. It is also becoming increasingly clear that the low asset base, landlessness or access to only severely degraded land, social exclusion, and exposure to low intensity conflicts that characterize the poorest tend to undermine the sustainability of IFAD's assistance, which is geared towards such vulnerable groups. This situation tends to be further exacerbated by modest government support and therefore relatively weak institutional infrastructure, both in the formal and informal sectors. IFAD faces a significant challenge in assuring the sustainability of interventions in situations where the institutional human and physical asset base is very weak. In such situations, achieving sustainability while targeting the poorest within the limited period of a single project, presents a particular challenge and, when appropriate, may require second-phase projects.

In the light of the foregoing, future projects will allow adequate time for building self-sufficient community organizations crucial for sustaining project outputs and will also undertake protective measures for resource conservation, which usually produce results only in the longer term. Furthermore, IFAD Management will enhance the quality of baseline surveys to fill information gaps and thus enable more responsive designs, improve partnership with other donors, achieve better integration with country-owned strategies, and strive for better M&E systems. It would also emphasize treating the creation of social capital as an organic process and thereby better ensuring sustainability. IFAD works in a very difficult environment and in striving to achieve the Action Plan target of 80 per cent sustainability, this aspect will be kept fully in mind in the design and implementation of its projects.

Realizing the complexity inherent in the issue of sustainability and the need therefore to tackle it from the design phase onwards, the new format of the President's report for projects contains a separate section describing the arrangements for post-project sustainability.

IFAD Management agrees with the recommendation of the 2005 ARRI report with respect to strengthening its risk management system. It will calculate a risk ratio that signals the degree of risk and that allows Management to calibrate its response. This will be facilitated by the revised framework for the results-based country strategic opportunities programmes and further strengthened by the revised President's report format. Enhanced risk assessment at the design stage will be complemented by a more rigorous analysis of the risks present in projects in the ongoing portfolio. With this objective in mind, the portfolio-at-risk analysis has been significantly strengthened in this year's portfolio review process and a more nuanced system of classification, allowing for early identification of projects with potential risk, has been introduced. The next step would be to more closely align the supervision and implementation support resources

with the risk profiles of individual projects. The system of prompt follow-up to supervision recommendations on implementation will be strengthened, and design-related issues will be addressed without waiting for mid-term reviews.

IFAD Management agrees in principle with the recommendation of OE to engage in broad-based discussion on the type of analysis required to resolve the issues related to sustainability. In fact, it believes that the overall findings of the ARRI report could be used more effectively for enhancing learning among staff across IFAD. Management will therefore work closely with OE in further optimizing the learning aspects associated with independent evaluations.

<sup>1</sup> Evaluation ratings for 2005 are based on a six-point scale (6 = highly successful; 5 = successful; 4 = moderately successful; 3 = moderately unsuccessful; 2 = unsuccessful; and 1 = highly unsuccessful). This six-point scale was used to establish the target score. However, to allow comparison with 2002-2004 ratings, it was necessary to aggregate 2005 ratings using the four-point scale that was used prior to 2005. In future, the ARRI report will present its findings using the six-point scale.

<sup>2</sup> Relevance is defined as the extent to which project objectives are consistent with: the needs of the rural poor; IFAD's strategic framework and policies; and the country's current policies and strategies for poverty reduction.

<sup>3</sup> Effectiveness is defined as the extent to which project objectives were achieved at project completion.

<sup>4</sup> Efficiency is a measure of how economically inputs (funds, expertise, time, etc.) are converted to outputs. This can either be based on economic and financial analysis, or on unit costs compared with alternative options and good practices.

<sup>5</sup> IFAD, Report on the Independent External Evaluation of IFAD, Part II (IEE II), 2005, p.16.

<sup>6</sup> Economic rates of return can be calculated for infrastructure investments such as investment in rural roads or irrigation systems. However, IFAD support to soft components (promoting human or social capital formation) cannot be assessed using an economic or financial rate of return.

<sup>7</sup> In the most recently approved group of projects, 83 per cent received a rating for effectiveness and 87 per cent for efficiency. In cases where no ratings were given, the evaluators had found it too early to rate the project.

<sup>8</sup> A community-driven development operation has five defining characteristics (the third and fifth characteristic are usually absent in a community-based operation): 1. the target beneficiary is a community-based organization. Consequently, a project or programme essentially consists of a number of small subprojects directed at community-based organizations in the targeted sectors. 2. the design of the subprojects is undertaken through a participatory planning process within the community. Usually the range of potential projects is not pre-defined, though a list of areas that will not be considered is provided. 3. resources to undertake the subproject are transferred to the community. 4. the community makes a contribution, usually in the form of labour, to the implementation of the subproject and subsequently to its operation and maintenance. 5. the community monitors subproject implementation through such mechanisms as community report cards, grievance redress systems and the like.

<sup>9</sup> The aggregate rating is distorted by negative ratings even when environmental impacts were not the aim of the project.

<sup>10</sup> IEE op. cit. p. 54.

<sup>11</sup> IEE op. cit. p. 18.

<sup>12</sup> The 77 per cent of projects rated substantial includes a large proportion of projects rated moderately successful on the six-point scale.

<sup>13</sup> Government and government agency performance is judged by the extent to which they promoted rural poverty reduction; assumed ownership of and responsibility for the project; ensured the quality of preparation and implementation; fostered stakeholder participation; and complied with covenants and agreements.

<sup>14</sup> AsDB, Annual Review of Development Results, Operations Evaluation Department, 2005.

<sup>15</sup> IEE op. cit. p. 51.

<sup>16</sup> These indicators may include impact indicators also included in the Results and Impact Management System.

<sup>17</sup> Pantanali, R., IFAD Community-Based Projects in West Africa: Review of Project Designs, Policy and Performance, Draft Report, IFAD, 2004, p. 36.

<b>ARRI</b>	Annual Report on Results and Impact of IFAD Operations
<b>AsDB</b>	Asian Development Bank
<b>COSOP</b>	Country strategic opportunities paper
<b>CPM</b>	Country Programme Manager
<b>IEE</b>	Independent External Evaluation of IFAD
<b>IFI</b>	International finance institutions
<b>M&amp;E</b>	Monitoring and evaluation
<b>MDGs</b>	Millennium Development Goal
<b>MFE</b>	Methodological framework for project evaluation
<b>MTR</b>	Mid-term review
<b>NGOs</b>	Non-Governmental Organizations
<b>OE</b>	Office of Evaluation
<b>UNOPS</b>	United Nations Office for Project Services



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