



Enabling poor rural people
to overcome poverty

CORPORATE-LEVEL EVALUATION



Evaluation of IFAD's Regional Strategies for Near East and North Africa and the Central and Eastern European and Newly Independent States

July 2008



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Near East and North Africa and the
Central and Eastern European and Newly Independent States
Corporate-level Evaluation**

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Abbreviations and Acronyms

AsDB	Asian Development Bank
CD	Capacity development
CEN	Central and Eastern European and Newly Independent States
COSOP	Country Strategic Opportunities Paper
CPM	Country Programme Manager
EU	European Union
EVEREST	Evaluation of IFAD's Regional Strategy in Asia and the Pacific
GDP	Gross domestic product
GEF	Global Environment Facility
HRM	Human resource management
IFI	International financial institution
MDG	Millennium Development Goals
MSE	Micro and small enterprises
NENA	Near East and North Africa
NGO	Non-governmental organization
NRM	Natural resources management
OE	Office of Evaluation
PBAS	Performance-based Allocation System
PN	IFAD's Near East and North Africa Division
PRSP	Poverty Reduction Strategy Paper
R&D	Research and Development
RIMS	Results and Impact Management System
RR	Replenishment reports
RS	Regional strategy
SE	Self-evaluation
SWOT	Strengths, weaknesses, opportunities and threats
TAG	Technical assistance grant

FOREWORD

This evaluation by the Office of Evaluation (OE) addresses the Regional Strategies (RS) for the Near East and North Africa (NENA) and the Central and Eastern European and Newly Independent States (CEN) regions of the Near East and North Africa Division (PN) of IFAD - which were adopted by the management in 2002.

The development of the two RS was based on the Assessments of Rural Poverty, which had been originally commissioned as inputs to the IFAD State of Rural World Poverty Report in 2001. The RS were expected to operationalize IFAD's strategic framework, thus forming a linkage between the organisation's corporate strategy and its country strategies.

As an important input towards the evaluation, PN conducted a thorough self-assessment of its regional strategies. The self assessment provided valuable data, analysis and insights on the regional strategies from the perspective of those closely involved in their development and implementation.

The evaluation generated a number of findings and recommendations, which could serve as a basis for further strengthening IFAD's approaches to agriculture and rural development as well as overall development effectiveness in the PN region. For example, the evaluation emphasised the need to reinforce strategic partnerships, improve alignment between COSOPs and regional strategies, and ensure that greater attention is paid to further developing off-farm opportunities for the rural poor.

*It is useful to underline that in late 2007 and early 2008, PN issued various thematic papers and operational documents (e.g., *The Status of Rural Poverty in the Near East and North Africa*, *IFAD Thematic Priorities for the Near East and North Africa Division* and *Results Based COSOPs for Jordan, Moldova and Yemen*). These interesting documents take into account some of the main concerns raised by the evaluation, and outline the division's approaches in key areas of importance for the sustainable economic and social development of the rural poor in the region.*

In light of the IFAD management's decision in 2007 not to develop further regional strategies, an Agreement at Completion Point (ACP) for this evaluation was not developed. This is because, under the prevailing circumstances, an ACP for this evaluation would not provide value added for the Fund and partners in the region. Nevertheless, I believe the evaluation can serve a useful reference document for promoting debate on various topics and addressing some of the important challenges towards reducing rural poverty in the NENA and CEN regions.



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**Evaluation of IFAD's Regional Strategies for
Near East and North Africa and the
Central and Eastern European and Newly Independent States**

Corporate-level Evaluation

Main Report

I. INTRODUCTION

1. This evaluation addresses the regional strategies of the Near East and North Africa (NENA) and the Central and Eastern European and Newly Independent States (CEN) regions of the Near East and North Africa Division (PN) of IFAD. The NENA region comprises: Algeria, Djibouti, Egypt, Gaza and the West Bank, Jordan, Lebanon, Morocco, Somalia, Sudan, Syria, Tunisia, Turkey and Yemen. The CEN region comprises Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Macedonia, Moldova and Romania¹.

2. Prior to this evaluation, the Near East and North Africa Division of IFAD (PN) conducted a thorough and insightful self-evaluation (SE) of the regional strategy², which provides valuable background information and other inputs for this evaluation.

A. Background

3. According to the SE, the genesis of the regional strategies can be traced to Rural Poverty Report 2001 - The Challenge of Ending Rural Poverty which was at the time an important reference for distributing IFAD's lending and other resources on a regional basis. This report acknowledged that more information would be required to justify the allocation of resources – for example, by sub-sector or geographic area - on a regional basis.

4. As for all five geographic regions covered by IFAD operations, the NENA and CEN regional strategies were completed in March 2002. They were based on the regional assessments of rural poverty that contributed to the above-mentioned Rural Poverty Report, 2001³ and were developed in consort with IFAD's Strategic Framework for 2002-2006⁴. A main purpose of the regional strategies was to operationalize IFAD's strategic framework at the level of regional divisions⁵ and thus form a linkage between corporate strategy (i.e., the Strategic Framework) and country strategies (i.e., the results-based country opportunities strategic programme or COSOPs).

5. The relationship with the Strategic Framework provided an opportunity for the regional strategies to be conceived at least as a basis for individual regional divisions to articulate how they would contribute to the objectives set in the 2002-2006 Strategic Framework and to allocate resources. However, this does not appear to be the case. According to the SE, a striking feature of the documentation associated with regional strategies was that there was no clear statement of their purpose. For its own review, the SE posed

¹ Romania has recently joined the European Union and is not expected to borrow from IFAD in the future. As an EU accession track country, Macedonia is also not expected to seek further financial assistance from the Fund.

² PN Division, Self-Evaluation of the Near East and North Africa (NENA) and Central and Eastern Europe and the Newly Independent States (CEN) Regional Strategies – Zero Draft, 2006.

³ IFAD, Rural Poverty Report, 2001.

⁴ IFAD, Enabling the Rural Poor to Overcome their Poverty: Strategic Framework for IFAD 2002-2006, 2001. This framework has been succeeded by the IFAD Strategic Framework, 2007-2010. The latter took as its starting point, the Consultation of the Seventh Replenishment of IFAD's resources. It has built on the earlier Strategic Framework and was shaped by the 2005 Independent External Evaluation of IFAD.

⁵ IFAD has five regional divisions, PN being one of them. The regional divisions are responsible for IFAD operations in a given geographic region.

four questions about the purpose of regional strategies: Were they to be management tools to direct country programmes and allocations of resources? Were they simply to be used as communication documents? Were they to define IFAD's 'specificity'? Were they to be any combination of the three questions?

B. Evaluation Objectives and Methodology

6. **Objectives of the evaluation.** The objectives of this evaluation were to: (i) assess the performance and impact of IFAD's regional strategy for NENA including the CEN region; and (ii) generate findings and recommendations that would serve as broad guidance for PN in its strategies and operations in the region. The evaluation set out to answer three specific questions: (i) how well were the regional strategies designed? (ii) how well were the regional strategies implemented? and (iii) did IFAD have the right resources and processes to implement the regional strategies effectively?

7. **Timeframe of the evaluation.** The evaluation covers COSOPs which were current in 2002 and operations approved between 1990 and 2006. Therefore, the evaluation covered a 16-year timeframe, which enabled it to compare operations financed by IFAD prior to and following the introduction of the 2002 PN regional strategy, with a particular objective to assessing the influence of the regional strategy on the operations. Moreover, the evaluation assesses the performance of a sample of completed projects on the basis that the regional strategies, in part, were designed to reflect the *status quo* of ongoing programmes. Consequently, the strategies apply to the past as much as they do to the future. Given the very general nature of the regional strategies, it is difficult to attribute individual performance at the project level to them. What projects do show is, operationally, what was prioritized and what was not. That information gives an indication of whether or not PN was actually applying the regional strategy in its activities. This is important in that it provides an indication of whether or not CPMs were actually applying the regional strategy in their activities.

8. **Scope.** The evaluation covered: (i) an analysis of a small sample of IFAD's corporate policies and strategies and how they were employed to guide prioritization in the regional strategies; (ii) in-depth work on eight countries, which were selected using a stratified sampling technique⁶; and (iii) an organizational analysis of PN to review resource and process issues. Outlines were prepared for the country working papers to guide the inputs of the evaluation team members. Detailed country working papers were prepared for each country visited by the evaluation team. PN's SE provided useful insights into how the regional strategy was used as well as providing a realistic assessment of its value. This evaluation used the data contained in the SE as one important evaluative source in formulating its overall conclusion. OE has also conducted an evaluation of the Asia and Pacific regional strategy (EVEREST)⁷ and commonalities between this evaluation and PN's are noted in this report.

9. The countries selected for detailed study were Egypt, Tunisia, Sudan, Syria, and Yemen for NENA and Albania, Azerbaijan and Moldova for CEN. The countries selected comprised 62 per cent of loan value in the NENA region, 43 per cent of the CEN region and 59 per cent of PN's overall lending. Missions were fielded to the Sudan and Yemen in NENA and Albania and Azerbaijan in CEN between July and October 2006. Desk reviews were undertaken for the other countries. The list of projects included in the evaluation is in Appendix 3.

10. **Rating scales.** PN's SE employed a simple approach to assess whether or not individual COSOPs and a sample of post 2001 projects addressed key issues articulated in the regional strategies. They either did or did not. A percentage hit rate was then calculated which gave an overall rating for the issue.

⁶ The stratified sampling technique involved ranking countries using a combination of country criteria (the percentage of rural population over total population and Human Development Index); the size of IFAD's program (size of portfolio in terms of number of projects and total loan amount) and future pipelines as determined by PBAS allocations. The top ranked countries were selected and are listed in paragraph 9.

⁷ OE, Evaluation of IFAD's Regional Strategy in Asia and the Pacific, 2006.

11. OE's rating scale was designed to reflect how closely a COSOP or the design or implementation of a project adhered to a particular benchmark of the regional strategy⁸. The adherence of the COSOPs as well as the design and implementation of projects to each of the benchmarks of the regional strategy were rated on a scale from 6 (highly satisfactory) to 1 (highly unsatisfactory), with 5 (satisfactory) being defined as being fully consistent or aligned with the relevant strategic priority. Details of rating scores for each category are given in Appendix 1. Numbers below 5 were assigned for shortfalls of various degrees. It is important to note what "satisfactory" means in this context. It only means that the COSOP or project in question adhered to the strategy under review without making any value judgment about the adequacy of that definition. A regional strategy may have been misaligned in some respects to the provisions of the corporate strategies or policies or it may have fallen short in applying adequately all the dimensions of the Strategic Framework to the specific conditions of the regions. The evaluation uses the regional strategy as the comparator regardless of the alignment of the regional strategy with the Strategic Framework⁹.

12. **Report structure.** The report is structured to provide an overview of regional rural poverty and rural development (Chapter II), to describe IFAD's corporate strategies, policies and regional strategies and how the regional strategies have operationalized corporate strategy and policies (Chapter III), to evaluate how well the regional strategies have been operationalized (Chapter IV), and to present conclusions and recommendations (Chapter V).

II. RURAL POVERTY AND RURAL DEVELOPMENT IN THE REGION

A. The Rural Development Context of Both Regions

13. The two PN regions are differentiated in many ways. The CEN region has a population of approximately 53.3 million (less than 20 per cent of NENA's) with about 23.2 million living in rural areas. Politically, the CEN region shares far more characteristics with the Central Asian region than it does with NENA, as many of its countries were part of the former Soviet Union and entered into a transitional economic state with the break-up of the USSR. These countries have had to manage the consequences of a sudden collapse of economic central planning and the provision of state services and negotiate the social and economic transition to a market economy. For the people concerned, especially those living in rural areas, all guarantees evaporated suddenly as secure employment vanished, social services rapidly deteriorated and pensions no longer met daily needs. Governments with limited prior experience of nationhood and their equally unprepared institutions had to grapple with the demands of managing the transition to a market based economy. A decade after the start of the transition process, many countries still had a gross national product and per capita incomes well below those in 1990. A distinguishing mark of

⁸ It was not necessary to develop rating scales for the analysis of the alignment of RS to corporate objectives and policies since no aggregation was required and a qualitative assessment involving only the NENA or CEN RS was adequate.

⁹ The treatment of the 'pillars of action' in both RS – these pillars were introduced at the tail end of the drafting process of RS as an afterthought and treated in a somewhat cursory fashion; some (e.g. knowledge management and policy dialogue) were not always tailored to the conditions prevailing in the regions in the same way as other provisions of the RS. Satisfactory ratings were therefore easier to achieve in this broad and general context than in cases where the RS articulated more precise requirements. Indeed it was striking that several – perhaps a majority -- of CPMs were often "tougher" in assessing the alignment of their COSOPs or projects to knowledge management and policy dialogue than shown in the ratings of this evaluation because they were relating their assessment not to the literal requirements of the RS in those areas but to the higher implicit standards which emanated from the corporate strategic objectives and culture. A case in point is knowledge management and innovation, where IFAD's corporate culture clearly signaled that the whole purpose of knowledge management was to gather information that would allow the replicability and transfer of the lessons learned. Both RS did not however mention transfer as part of the knowledge management agenda. The result was that the alignment ratings proved to be more 'generous' than the CPMs own assessments of how far they introduced and pursued knowledge management in COSOPs and projects. The same point can be made with respect to policy dialogue where the whole purpose is to engage the Government in a dialogue that results in adjustments in policies that may go beyond the project context which again is not mentioned in the RS. Unless the ultimate objectives of the policy changes that are sought are explicitly defined with the means (entry points) and time frames engaging in policy dialogue is not likely to be productive. CPMs in judging this aspect more harshly than the evaluation probably had in mind this higher implicit standard that was not part of the RS.

poverty in CEN countries compared with elsewhere is that the poor have high levels of literacy, which, among other things, is likely to have a particular impact on how knowledge is created and shared.

14. The NENA region has a population of approximately 273 million with about 128 million living in rural areas. It is characterized by greater diversity between countries than the CEN region, especially regarding economic structures, income levels and natural resource bases. There have been significant levels of civil strife at various times in Gaza and the West Bank, Lebanon, Somalia and Sudan. The region is subject to more extreme agro-climatic conditions than the CEN region with water being a major factor in low agricultural productivity. A major characteristic of the region has been high levels of population growth. The rate reduced from 3.1 per cent in the 1980s to 2.3 per cent in the 1990s. The labour force was growing at about 3 per cent per annum at the start of the new millennium, a function of the high birth rates in the 1980s. Economic growth has not kept up with labour force growth with the result that there are high levels of unemployment facing new entrants into the labour market, especially the less well educated rural entrants. That unemployment is not helped by high illiteracy levels, especially among women, which are a distinguishing mark of rural poverty in the region.

15. The agriculture sector is also vastly different in the two regions. The value of agriculture sector production has fallen in both regions as a share of the gross domestic product (GDP) – falling to 18 per cent of GDP in CEN countries and 15 per cent of GDP in NENA countries. The sector nonetheless still provides 40 per cent of employment in CEN countries and 22 per cent of employment in NENA countries. A considerable difference exists between the two regions in terms of water resource availability (scarce in NENA and more abundant in CEN) and arable land to total land, which is high in CEN countries but very low in NENA countries.

B. Poverty in the Two Regions

16. In 1998, it was estimated that 47 per cent of the NENA population lived in rural areas with some 55 million living in abject poverty and a further 26 million in poverty. In contrast, in the CEN region an estimated 23.2 million lived in rural areas and were mainly dependent on agriculture for their livelihoods. Some 4 million rural inhabitants lived in poverty (excluding Bosnia and Herzegovina, for which data are not available) calculated on a poverty line of \$2.15 a day. At \$4.30 a day, the number climbs to 12.3 million.

17. Both regional strategies discussed the causes of poverty. The construction of problem trees would have been helpful in elucidating the interrelationships of the causes of poverty. Using this approach to identify hierarchies of problems would assist in the development of the kind of strategy likely to be most effective in addressing a sequence of problems and what level in the hierarchy to address first. An example, the first ‘macro-level’ NENA driver of poverty was the limited availability of good arable land and water. While lack of arable land might be a cause, it is better conceived as a consequence of overpopulation, (and, possibly, poor farming practices). Consequently, the issue of overpopulation needed to be addressed by the regional strategy because of its relevance to poverty. Short term issues like providing the landless with skills to seek employment elsewhere and long term ones like reducing population growth were not considered in the NENA regional strategy.

18. Poverty levels in countries in the NENA region show wide variation. Poverty levels are below 5 per cent in a middle income country like Lebanon, but much higher in lower income countries such as Somalia, Sudan and Yemen. As elsewhere in the world, poverty is concentrated in rural areas where 60-70 per cent of the poor live. The trend in 2002 in many countries was one of increasing poverty and income inequality. The situation in rural areas has also not benefited from the continuing emphasis on the development of infrastructure and provision of services to urban areas, which has been a priority of governments throughout the region.

19. The NENA strategy described the fragile state of the agricultural sector and the contribution poor policy choices have made to that fragility. At the time of the strategy, the agricultural sector was in a transition from being centrally controlled to one which would be responsive to market forces. This responsiveness, however, was constrained by other areas of government policy. The most important of these constraints were inadequate infrastructure and limited investments in education resulting in the poor

being less able to cope with market forces and take advantage of opportunities they present. In the region, the rural poor comprised particularly small scale farmers, nomads and pastoralists, fishermen and the landless, with women headed households featured prominently in all these groups. Youth was also prominent among the unemployed landless.

20. Poverty is largely a post 1990 phenomenon in countries in the CEN region. In post Soviet states, income levels fell precipitately by as much as 60 per cent in some countries and economic output in 2002 still remained below that achieved prior to 1990 throughout the region. The issue of employment is closely tied to the increase in poverty – the full employment that characterized the pre-1990 period was replaced by massive layoffs followed the start of the transition process. This forced many households to turn to subsistence agriculture as a coping strategy as factories were closed and public employment was drastically reduced. Often their experience in agriculture was exiguous. In CEN, poverty tends to be concentrated among farmers in upland and mountainous areas, women living in rural areas, ethnic minorities many of whom did not qualify for earlier land distributions and the elderly who did not appear to be regarded as economically productive. Many rural men (and to a lesser extent, rural women) migrated to Western Europe or Russia in search of employment. This generated an inflow of remittances to rural areas, but has reduced the number of active adults working there.

21. The rural situation in the CEN region is slightly different from that of NENA. Policy reforms had been enacted. At the time of the preparation of the regional strategies, the required institutional reforms to make the policy reforms work effectively, especially in the context of encouraging investment and enabling responsive markets to be accessible to farming communities and other rural enterprises, were still lacking. As in NENA, land fragmentation remained an issue, although in CEN countries this was exacerbated by the absence of an efficient land market which warranted policy and institutional attention to facilitate consolidation.

C. Country Priorities

22. In the NENA region, agriculture and rural development as well as human resource and social development are prominent in all the countries' National Development Plans. Yemen approved a Poverty Reduction Strategy Plan (PRSP) in July 2002 while Djibouti and Sudan were in the process of preparing one at that date¹⁰.

23. In these development plans, broader participation, decentralization and empowerment of local communities were highlighted as important means of promoting this development especially in Yemen and the Sudan¹¹. Natural resource management (NRM), given the scarcity of land and water, was explicitly singled out as a priority in all the plans. Increasing agricultural production addressed food security generally rather than nutrition needs. Agricultural diversification was promoted to increase competitiveness and exports rather than increase the income of the poor. Gender was not an explicit priority of most plans suggesting it was assumed it would be supported in project designs. It was, however, mentioned as a cross-cutting theme in the Yemen PRSP and Syria where the Ninth Development Plan called for enhancing the role of women through their participation in decision-making and labour, and establishing women's studies' centres to research the reality of Syrian women in all sectors.

24. In the CEN region, PRSPs were prepared in Albania in 2001¹², Azerbaijan in 2002, Armenia in 2003 and Moldova in 2004. In all countries, there was an emphasis on developing institutions; markets, rural financial services and the non-farm rural economy. The only specific mention of NRM was in Albania's GPRS.

¹⁰ Djibouti's Interim PRSP (I-PRSP) was adopted in June 2001, while the PRSP was finalized in March 2004.

¹¹ The Sudan transferred responsibility for basic social service delivery in agriculture to the localities without ensuring that these institutions had the technical and managerial capacity to manage the system and without guaranteeing adequate and reliable sources of funding. At the moment, the national government faces several major challenges. Chief among these is improving governance and creating the decentralized governmental system envisioned in the Comprehensive Peace Agreement that allows for community-driven recovery.

¹² Albania produced a Growth and Poverty Reduction Strategy (GPRS) document.

D. PN's Ongoing Programme in the Region

25. Neither regional strategy (i.e., for both NENA and CEN) analysed the current ongoing programmes in the sense of what the strategies and priorities governing them were. There was little discussion of the employment of technical assistance grants (TAG), though the NENA strategy did identify the broad categories they had been applied to. Both strategies reported the size of the regional programmes, and presented useful discussions of lessons learned. The NENA strategy went further with a discussion of the strengths and weaknesses of the programme, which provided extremely useful material about what worked and what still required attention to work more effectively. Opportunities and threats were also briefly considered. Consequently, contained in the NENA background material was the makings of a SWOT analysis, but not organised in this way.

26. Prior to 2001, IFAD had approved a total of 83 loans for US\$980 million for NENA and 17 loans with a value of US\$178 million for CEN. Table 1 compares the distribution of loans across countries for the periods 1990-2001 and 2002-2007, how their regional percentage relates to the incidence of rural poverty in the country and how relative percentages have changed since the formulation of the regional strategies. Cofinancing increased the value of NENA projects by US\$1,260 million and CEN projects by US\$202 million thereby contributing the equivalent of 129 per cent of IFAD funding in NENA and 113 per cent in CEN. Sudan was the largest borrower in the NENA region and Armenia in the CEN region. In the period 2002-2007, a further 22 loans were provided to NENA for a value of US\$357 million and 8 loans for a value of US\$98 million for CEN. Cofinancing contributed a further US\$102 million over and above IFAD funding in NENA and US\$31 million in CEN, increasing NENA funding by 29 per cent and CEN funding by 32 per cent.

27. Table 1 (the countries which have produced PRSPs as of end 2001 are in italics) suggests that there is disparity in the amount of funds disbursed to individual countries if IFAD is trying to optimize the deployment of funds to maximize its impact on the alleviation of the number of rural poor¹³:

- i. CEN, where the poverty line is markedly higher than that used in NENA, does comparatively better in terms of the ratio of poor to the funds deployed, though the difference has been reduced considerably in the period covered by the regional strategies;
- ii. There continues to be considerable variability in the ratio of funds deployed per country to the number of poor. If an absolute reduction in the numbers of rural poor in certain categories of MDGs is the driver of IFAD funding, current formulae employed do not target funds optimally;
- iii. The countries with the most rural poor, notably Sudan and Egypt, have the lowest funds per capita allocated. Since 2002, Egypt's ratio has declined by over 50 per cent;
- iv. Tunisia and, to a lesser extent, Jordan do extremely well in terms of the funds allocated compared to the numbers of rural poor;
- v. The poor in the four countries which have produced PRSPs do slightly worse in terms of funding than those which have not produced PRSPs, which include a number of middle income countries. The respective ratios of poor to funds approved for the period 2002-2007 are 6.15 and 6.81;
- vi. Loan amounts, apart from those to Djibouti, tended to be above US\$10 million.

28. Grants in both regions were predominantly directed at training, applied agricultural research, capacity development, institutional building, implementation assistance and other activities. A divisional review of grants noted that: "at present, the use of grant funds in PN is mostly *ad hoc*, in that only the grants for larger agricultural research programmes are based on a developed strategy. The remaining grants are identified as and when considered necessary either to support specific loans or for other more general

¹³ The Performance Based Allocation System (PBAS), approved by the Executive Board in its December 2003 session (please refer to EB-2003-80-R.2), has constrained the Division somewhat in its allocation of loan funds, although any impact of the PBAS system would only have been felt beginning in loans presented to the April 2004 Executive Board onwards.

purposes.” The strategy agricultural research programmes is based on an Agricultural Research and Technology-Transfer Strategy for TAGs which was produced by PN in 2002¹⁴. Surprisingly, the regional strategies did not explicitly build on the grant strategy for agriculture research and technology transfer.

Table 1. Relationship of Poverty Incidence to Country Program Allocations

Country	No. of Rural Poor million A	%	Value of loans 1990-2001 \$million B	%	Ratio B/A	Value of loans 2002-2007 \$million C	%	Ratio C/A
Algeria	3.7	5.2	11.5	1.6	3.1	29.4	6.5	7.9
Djibouti	0.1	0.1	1.3	0.2	13.0	3.6	0.8	35.9
Egypt	10.9	15.3	92.3	12.7	8.5	33.6	7.4	3.1
Gaza and the West Bank	0.6	0.8	10.8	1.5	18.0		0.0	0.0
Jordan	0.2	0.3	36.8	5.1	184.0	11.4	2.5	57.0
Lebanon	0.1	0.1	31.8	4.4	318.0		0.0	0.0
Morocco	3.6	5.0	55.7	7.7	15.4	40.8	9.0	11.3
Somalia	5.9	8.3		0.0	0.0		0.0	0.0
Sudan	17.7	24.8	61.6	8.5	3.4	75.2	16.5	4.2
Syria	3.4	4.8	70.5	9.7	20.7	37.6	8.3	11.1
Tunisia	0.2	0.3	51.7	7.1	258.5	34.2	7.5	171.0
Turkey	6.9	9.7	56.3	7.8	8.2	37.2	8.2	5.4
Yemen	5.7	8.0	67.0	9.2		54.0	11.9	9.5
NENA Total¹⁵	59.0	82.7	547.3	75.5		357.0	78.6	6.1
Albania	1.2	1.7	34.3	4.7		8.0	1.8	6.7
Armenia	1.0	1.4	36.5	5.1		27.2	6.0	27.2
Azerbaijan	2.2	3.1	18.3	2.5		12.6	2.8	5.7
Bosnia and Herzegovina,			33.3	4.6		12.6	2.8	
Georgia	1.2	1.7	14.6	2.0		9.2	2.0	7.7
Macedonia	0.3	0.4	16.2	2.2			0.0	0.0
Moldova	2.0	2.8	8.0	1.1		27.9	6.1	14.0
Romania	4.4	6.2	16.5	2.3			0.0	
CEN Total	12.3	17.3	177.7	24.5		97.5	21.5	
TOTAL	71.3	100.0	725.0	100.0		454.5	100.0	

Source: Depending on the country, the NENA poverty estimates are based on: (a) national poverty assessments using data from household income and expenditure surveys; (b) World Bank, UNDP, and IFPRI estimates; and (c) IFAD's COSOPs. The years when poverty rates were estimated vary by country, but generally fall between the years 1995 and 2000. Loans are from PPMS. They are taken from PN's Assessments of Rural Poverty, Near East and North Africa. CEN calculations based on World Bank, 2000c for population data and World Bank, 2000a for poverty headcount indices. Loans are from PPMS. They are taken from PN's Assessments of Rural Poverty, Central and Eastern Europe and the Newly Independent States.

¹⁴ PN, Agricultural Research and Technology-transfer Strategy for Technical Assistance Grants - January 2002.

¹⁵ Cyprus and Romania borrowed only once, with the former not being regarded as a borrower for some time, and the latter ceasing to be a borrowing member state since its entry into the European Union (EU) in 2007.

III. IFAD'S CORPORATE AND REGIONAL STRATEGIES

A. Overarching Corporate Goals and Strategies

29. A purpose of the regional strategies was to operationalize IFAD's strategic framework at the divisional level (in this case PN). An assumption, then, would be that regional strategies would set the parameters and priorities for COSOPs. A key performance criterion would then be that operational activities are consistent with the strategy. To undertake this evaluation, the two regional strategies of PN were compared with the Strategic Framework 2002-2006, relevant replenishment reports (RR) (5th and 6th replenishments)¹⁶ and a small sample of IFAD sector and thematic policies/strategies that were most relevant to the NENA and CEN regions.

IFAD's Strategic Objectives

30. In the mid-1990s, IFAD adopted a new goal 'to lead global efforts in helping the world's poorest' by becoming a catalytic, knowledge-based organization focused on the design and implementation of innovative, cost effective and replicable programmes with sustainable impact¹⁷. The idea of an innovative organisation working with the rural poor was reaffirmed in IFAD's 1998-2000 strategic framework - Meeting Challenges in a Changing World - which describes IFAD's core business as the design and delivery of innovative pilot projects and programmes in rural and agricultural development; projects and programmes focusing on poverty eradication, household food security and new markets for marginal areas; and the formation of effective partnerships with other development institutions and organizations.

31. The Strategic Framework 2002-2006¹⁸ identified IFAD's goal as "enabling the rural poor to overcome their poverty as perceived by the poor themselves." It enunciated three strategic objectives: (i) strengthen the capacity of the rural poor and their organizations; (ii) improve equitable access to productive natural resources and technology; and (iii) increase access of the poor to financial assets and markets.

32. The Strategic Framework also emphasized the catalytic role of IFAD's investments and states that the "Fund will seek to maximize the direct impact of its programs by focusing on critical poverty bottlenecks and broadening the catalytic effects of its activities. This will involve; harnessing knowledge and disseminating it to a broad spectrum of national and international partners; supporting the development of national partnerships among the poor, governments, the private sector and civil society; building regional and international coalitions; and helping to establish institutional and policy frameworks in support of the poor". The Strategic Framework, furthermore, identified six measures for enhancing IFAD's catalytic impact: maximizing participation, precise poverty targeting, participation in processes to develop PRSPs, policy dialogue, strengthening partnerships, and knowledge management.

33. The strategic framework did not provide a measurable objective in the form of a challenging target for converting IFAD's investment dollars into number of rural poor moving sustainably above the poverty line to guide lower level strategies.

Replenishment Reports

34. The 5th and 6th replenishment reports (RR) made general references to IFAD's mandate for poverty reduction. The 6th RR, however, took IFAD's commitment to poverty reduction further by linking it to the attainment of the Millennium Development Goals (MDG) as they applied to poverty, hunger, gender, sustainability, and partnerships.

¹⁶ They have been followed by the 7th Replenishment Report.

¹⁷ IFAD, Report of the Independent External Evaluation of IFAD, 2005, II-31.

¹⁸ IFAD, Strategic Framework 2002-2006 - Enabling the Rural Poor to Overcome their Poverty, 2001.

35. Central provisions of both RRs were directed at enhancing IFAD's catalytic role to increase significantly the impact of IFAD's limited loan funds. RRs foresaw that such catalytic impact would be achieved through four principal measures:

- i. **Strategic partnerships** with stakeholders within the countries and with the international community were a key priority of the 5th replenishment. Through partnerships, the Fund would enhance its role in poverty eradication by increasing the level of co-financing and by building partnerships that encouraged knowledge exchanges on policies and practices. The 6th RR also promoted "work in partnership with others and pursuing co-financing" as one of the two or three most important ways to increase IFAD's catalytic impact. It included a detailed co-financing strategy with specific objectives;
- ii. The 5th RR called for enhancing "IFAD's participation in **policy dialogue** and analysis in relevant areas such as decentralization and local governance, farmers' rights, gender sensitivity, improved access to productive assets and effective linkage of small-scale producers to the market". There were many references to the importance of policy dialogue in the 6th replenishment but no articulation of which areas IFAD should focus on
- iii. The 5th RR highlighted the importance of **innovation and replication**. The 6th RR gave innovation an even more central role for IFAD's activities building on OE's evaluation of innovation¹⁹. It emphasized replication, scaling up and partnerships. **Knowledge management** was also an important aspect of these priorities;
- iv. The 5th RR devoted considerable space to discussing measures designed to strengthen IFAD's operational effectiveness in areas such as regional and country allocations, grant program management, streamlining the project cycle, strengthening portfolio management and supervision, and a flexible lending mechanism. Likewise, close to three quarters of the 6th RR was devoted to topics such as the structure and levels of lending, Performance Based Allocation System (PBAS), working in the framework of PRSPs, programme approach, field presence, etc. **Impact management** covers all of these as well as the way in which policy dialogue, strategic partnerships, innovation and knowledge management are delivered.

Sector and Thematic Policies

36. IFAD has introduced a number of policy initiatives and strategies in recent years. They include a rural finance policy, rural enterprise policy, gender action plan, policy for sector wide approaches in agriculture and rural development, private sector development and partnership strategy, innovation strategy, knowledge management strategy and the policy on supervision and implementation support. Most of these initiatives were introduced after the formulation of regional strategies. This evaluation has selected a sample of three of the most relevant IFAD policies for the CEN and NENA subregions - the rural finance policy, the rural enterprise policy, and the gender plan of action 2003-2006, to assess how the PN regional strategies managed to anticipate the main provisions contained in these three corporate policies.

37. **The rural finance policy** identified four major policy themes: (i) building sustainable rural finance institutions with outreach to the rural poor; (ii) fostering stakeholder participation, including the poor, in the development of rural finance; (iii) building a diversified rural financial infrastructure; and (iv) promoting a conducive policy and regulatory environment. The policy was accompanied by a paper operationalizing a set of decision tools to support the formulation and monitoring of new (and existing) programmes, and to provide guidance on technical issues related to rural finance. The policy also acknowledged the prominence of rural finance in the PN regional portfolio, comprising 38 per cent of the active portfolio compared with an overall average for IFAD of 29 per cent.

¹⁹ OE, Evaluation of IFAD's Capacity as a Promoter of Replicable Innovations in Cooperation with other Partners, November 2002.

38. OE reviewed the performance of rural financial services in CEN in 2005²⁰. Its findings had particular resonance with many of the findings in this evaluation. Recommendations included: i) PN should endeavor to expand partnership and co-financing arrangements with international and bilateral donors; ii) the effectiveness of monitoring and evaluation as an important management tool for improved implementation would be heightened by the inclusion of a standard set of key performance indicators in all projects; iii) a fundamental element which should receive more attention in the development and design of future projects and programmes is the need to develop a thorough understanding of social conditions in rural areas; iv) every effort should be made to attract grant financed technical assistance and/or improve donor coordination to ensure that IFAD-financed loan funds are used for productive investments, while at the same time providing for the technical assistance required to enhance project implementation and build capacities at project level; and v) information and lessons learned from project implementation experience must be distilled and reapplied in new project design, both within PN and in IFAD as a whole. A focused learning group to do this was recommended.

39. **The rural enterprise policy**, which was approved after the completion of the regional strategies, recognized that the off-farm sector might represent a new and/or better source of income, especially for the most marginalized and vulnerable strata of the rural population, e.g. rural women, youth and the landless poor. It sought to complement sources of income through off-farm micro and small enterprises (MSE), one aspect of which would be to increase the number of financial institutions operating in rural areas. It envisaged providing entrepreneurship and vocational training and access to technology through advisory services provided by organisations like NGOs as a strategic thrust. Given that landless, unemployed youth and women feature prominently among the poor in PN countries, this policy is important for the division's operations.

40. The importance of **gender** balance and the empowerment of women permeated RRs and the Strategic Framework and was the central subject of IFAD's Gender Plan of Action which was approved shortly after the approval of the regional strategies. The action plan set minimum standards and established a common framework within which divisions would develop specific strategies and approaches. Each division was required to determine how, with what resources, and within what time frame it would achieve established targets, and incorporate these measures into its divisional workplan and budget. The plan focused a great deal on internal arrangements to address gender issues. PN's Programme of Action to Reach Rural Women in NENA region was already active and continued to provide grants for key activities to improve the effectiveness of project outreach and impact on women.

B. Regional Strategies

41. IFAD introduced regional strategies in 2002. Prior to that, the IFAD annual Programme of Work and Budget document included a short write-up on the Fund's regional priorities for the corresponding year. Regional strategies evolved following the preparation of the regional assessments of rural poverty that contributed to the publication of the *Rural Poverty Report 2001*²¹. They were developed alongside IFAD's Strategic Framework 2002-2006²².

42. As the PN SE observed, little guidance was available for the development of regional strategies. One key guidance was the development of templates giving the headings for the regional strategy papers. The official launch of the regional strategies seemed to indicate that their major contribution was to prepare a situational analysis of the present state of a regional programme. More specifically, it was noted that "regional strategies, based on the regional assessments, sought to define aspects such as the regional economic and poverty context, the groups of rural poor with whom IFAD should work and the lessons learned by IFAD from past experience"²³. The launch statement also mentioned that the strategies would

²⁰ IFAD, 2005, Rural Financial Services in Central and Eastern Europe and the Newly Independent States - Thematic Evaluation, Rome.

²¹ IFAD, 2001. Rural Poverty Report. Rome.

²² IFAD, Enabling the Rural Poor to Overcome their Poverty: Strategic Framework for IFAD 2002-2006. The framework was presented to the Executive Board at its Seventy-Fourth Session on 5-6 December 2001.

²³ IFAD, 2002. Launches of the Regional Assessments and Strategies, EB 2002/75/INF.5, paragraph 5.

“constitute the first level of implementation of the strategic framework and provide the basis of the second generation of country strategies, the country strategic opportunities papers (COSOP)” without spelling out in the required detail what kind of basis that would be.

43. The SE underlined that it was not clear whether regional strategies were to be management tools to direct country programmes and allocation of resources, communication documents, or definers of IFAD specificity or some combination of all three. It also postulated what a regional strategy would have addressed if IFAD had been a private sector organisation. In so doing, it provided a reasonably satisfactory format for developing strategy with an emphasis on the socio-political environmental screening so important for good strategic planning. The process concentrated on producing excellent background data for the development of a strategy. This was followed up with generalized statements of intent to enable PN to position itself effectively to respond to the demands of its borrowers within the corporate criteria set for borrowing. The strategy, consequently, enabled PN to a certain extent to bend with the wind. The strategic question of the degree to which the strategy would optimize the application of resources was however left largely to PBAS. Operational decisions at project level, in effect, would play a significant role in determining what the strategy was to be in practice.

44. Another issue is the level of participation with external stakeholders in the development of the PN regional strategy. IFAD is an organisation which sets a high value on participation. Participation is very important in many of the activities that are directed at alleviating poverty. The SE appears to consider that a lack of a participatory approach to developing the regional strategy might have been a weakness. Participation was addressed somewhat perfunctorily because PN did not know if the regional strategy was to be an internal instrument for directing country programmes and resources or an external instrument for communication with partners.

45. It is questionable how important participation is on an internal planning matter like developing a strategic framework at the corporate level or developing regional strategies at the divisional level. A regional strategy states how an organisation is going to meet the objectives it has set for itself. It probably has to make difficult decisions in the allocation of scarce resources between different countries which would be difficult and time consuming to negotiate in a participatory way. As both PN regional strategies state, it is a ‘living document’ requiring refinement and alteration as experience demonstrates what is effective and what is less so. Having the whole process set in a participatory framework with the governments of the region would make strategic planning both costly and cumbersome. As a living document, it is best shared with governments as a basis for communicating to them where corporate and regional priorities lay (corruption and good governance, for example, might find few points of agreement with some governments) and how the division considered they would be most effectively delivered. It should be noted that both regional strategies were shared with borrowing governments and validated in the course of regional workshops bringing together high level delegations from both sub-regions (at parliamentary and minister levels). This evaluation later considers the question of IFAD funding infrastructure components in projects. It highlights the difference between government priorities and IFAD priorities in the PN regional strategy. These types of policy level differences require strategic directions and should not be left to individual operational decisions.

46. As mentioned previously, the structure of the regional strategies followed a template provided by corporate management. The template included an introduction; a regional overview; dimensions of rural poverty; and IFAD country experience and important lessons; leading into a regional strategy for poverty reduction. To a large extent, the template satisfied the requirements for the formulation of a regional strategy.

47. The content of the PN regional strategies and IFAD’s lending programme are summarized below. It should be observed that both regional strategies were summaries of PN’s Assessments of Rural Poverty which provided extensive and rich material about the rural environment in the two sub regions, the characteristics, extent and locations of poverty, the strengths and weaknesses of PN’s programmes and the lessons that IFAD had learned from its experience. One omission of PN as a learning division was any reference to Office of Evaluation (OE) lessons learned from project evaluations and the three country programme evaluations conducted in the previous decade at the time.

The Regional Strategy for Near East and North Africa Region

48. The NENA regional strategy specified that IFAD's role in the region was to improve the access of the rural poor to opportunities arising from transition to market-oriented economies while minimizing the risks that might accompany the transformation process. It set out four strategic objectives for the region: (i) empowerment of the rural poor so that they could have more say in shaping their livelihoods, accessing resources and exercising their rights, thus prioritizing the first objective of IFAD's Strategic Framework; (ii) income diversification of the rural poor by assisting in the development of an enabling environment and institution framework that could help the poor to diversify their income, thus prioritizing IFAD's rural enterprise policy and, in the context of supportive institutions, IFAD's rural finance policy and partly addressing the third objective of IFAD's Strategic Framework; (iii) addressing gender issues by continuing to play a catalytic role in enhancing women's livelihoods, thus prioritizing IFAD's gender action plan for women; and (iv) NRM with the aim to address the closely linked questions of rural poverty reduction, agricultural growth and sustainable environmental management, especially of rangelands, highlands, and fisheries, thus addressing the second objective of IFAD's Strategic Framework and one of the important constraints in PN's situational analysis of the agriculture sector.

49. The NENA strategy then defined six *areas of intervention* which could have been expected to operationalise the objectives. Five of the six were directly linked to the objectives. Community development and institutional building were linked to empowerment and gender, appropriate technology and on-farm productivity to NRM, rural finance and micro-enterprise development to income diversification. The sixth, small-scale rural infrastructure, was not linked to any of the above. The lack of linkage was mitigated by an assumed strategic decision that PN would rely on the funds of other donors for its implementation.

50. The areas of intervention were supplemented through the inclusion of two other levels - eight implementation modalities including targeting, participatory approaches, capacity building, women in development, programme approach and innovative projects, and *four pillars*, namely policy dialogue, strategic partnerships, knowledge management, and impact management which echoed the measures required by RRs of IFAD for a catalytic role. The details are listed in Appendix 4.

The Regional Strategy for Central and Eastern Europe and Newly Independent States Region

51. The CEN regional strategy was structured differently from the NENA strategy. It specified IFAD's overall objective (which reads more like a mission statement) as supporting the transition process with sustainable agriculture programmes that contribute to rural poverty reduction²⁴. Consequently, the objective was focused, confining itself to agriculture and in so doing seemed to exclude one group of poor identified in the situational analysis, the ethnic minorities many of whom had not qualified for earlier land distributions. The strategy linked the objective to MDGs. Given the limited funds available to IFAD, the strategy focused on optimizing strategic partnerships, innovation, and policy dialogue.

52. The CEN strategy next defined an *operational approach*, focusing on a few areas in each country to achieve maximum impact and by using a variety of IFAD instruments. Six *opportunities for IFAD investments* were then identified, five of which are readily linked to the stated objective and one is not. The five which are linked are institutional development of government agencies, market linkages, on-farm productivity, NRM and rural financial services. The sixth, non-farm rural economy, takes the strategy away from agricultural production but is still in line with the overall objective of rural poverty reduction. NENA's four pillars became *non-lending activities*, in this document. The CEN strategy differed from NENA's in the sense that there was a clear mission specified. There was no clear linkage with the objectives of the Strategic Framework as was provided by the NENA strategy. Details are in Appendix 5.

²⁴ Regional Strategy Paper, Central and Eastern Europe and the Newly Independent States, page 8.

C. Regional Strategies as a Filter of Corporate Strategies

Corporate Strategy

53. Regional strategies were cursorily examined by the IEE²⁵. Its desk review considered that they were performing a 'critical function', not least in filling part of the strategy/operational vacuum left by the strategic framework. However, they did not provide a clear guide to greater operational selectivity or increased development effectiveness.

54. However, the PN regional strategies were fairly permissive and thus did not provide the required framework for priority setting and providing a necessary focus to operational work. The SE found that the Operational Strategy and Policy Guidance Committee (OSC) and Programme Development Teams (PDTs) did not use the regional strategies as a point of reference in their discussions and CPMs treated COSOPs as more important than the regional strategies.

55. Both PN regional strategies claimed that they were to be 'living documents'. Quite what was meant by that is not clear given their subsequent use. A reasonable presumption for a living document is that strategies would be regularly monitored and reviewed and refined through time on the basis of experience. For monitoring to be most effective, targets would have had to be established so that the strategy's contribution to meeting those targets could be monitored. Targets, key success factors and key performance indicators were not built into either PN strategy. Consequently, there was no feedback loop for management to gauge how effectively the strategies were performing. Rather than being living documents, the absence of a feedback loop resulted in the strategies not been widely utilized as intended.

56. The regional strategies also might have missed an opportunity to develop a regional overlay onto IFAD's regional operations as, for example, AsDB has done with its Central Asian Regional Economic Cooperation and Greater Mekong Region programmes. Whilst agriculture does not yet feature prominently in either of AsDB's programmes, water management, for example, is a major issue in both Central Asia and the Mekong region. The Maghreb, as noted by the SE, might have provided one such opportunity, as there are significant numbers of homogeneous poor and there could have been opportunities for a sub-regional partnership to collectively address common issues. Establishing a consistent set of issues for policy dialogue would have been one potential means of focusing attention on common poverty issues.



People's Democratic Republic of Algeria
A traditional irrigation system utilized to water a date palm oasis in the Algerian Sahara (M'Zab).

Source: IFAD photo by Martine Zaugg

57. What both regional strategies did reasonably effectively was to lay down building blocks for effective strategy development. The analysis of the agriculture sector and rural poverty, particularly in the rural poverty assessments, was thorough and produced the kind of data which were sufficient to identify key elements contributing to rural poverty such as unemployment, the paucity of economic activities, uneconomic farms, and poor access to markets. The analysis was sufficient to enable criteria to be developed for prioritizing projects within countries and between countries, for determining the kind of

²⁵ OE, Report on the Independent External Evaluation of IFAD Submitted by the Director, Office of Evaluation, 2005.

donors or other organisations with which to make strategic partnerships and for identifying which investments in policy dialogue might be most effective, amongst other issues. These criteria however were not produced. PN reported, in its reply to the initial draft of this evaluation, that it could easily deliver more loans, the constraint being availability of loan funds. Consequently, an important strategic concern is to apply the available funds where they will make the greatest contribution to poverty alleviation, although the constraints of working within the PBAS framework (as of 2004) would also have to be taken into account in this regard. Table 1 showed the differences in ratios of poor to dollars spent in the programme. What neither regional strategy did was to present the criteria to justify such decisions.

58. The strategies provided little guidance for formulating strategic partnerships; even though this had been identified as an important priority at divisional level. For a regional strategy, information about the work of other donors is important as it: (i) indicates geographic areas which are receiving extensive donor attention and those which are not; (ii) enables a broad examination of comparative advantages and consequently helps identify those donors likely to present better opportunities for strategic alliances; and (iii) reveals, through this examination process, IFAD's comparative advantages. This, in turn, is important as it then indicates the human and financial resources required to maintain and develop those comparative advantages. Neither PN regional strategy considered the donor environment adequately. The SE acknowledged this, not as an omission but as a concern in that donors did not participate in the process of regional strategy formulation. Consequently, any strategic partnership was more likely to be left to individual efforts than to careful strategic selection.

59. According to the SE, some PN staff considered that partnerships are best undertaken at country level. That view raises two important questions for strategy. The first is an accountability one. 'Strategic partnerships' are one of the four pillars of the regional action plan and they feature prominently in IFAD's 2002-2006 Strategic Framework. Accountability would be diffused if such an important focus were left to individual CPMs. Partnerships also would be less likely to be strategic at a country level than if they were negotiated at a regional level for a common set of conditions across a region, especially given the low frequency of loans in any one country. The second question relates to efficiency for a donor like IFAD with little representation at a country level. At country level, partnerships tend to be project specific and therefore *ad hoc* and non-strategic. Being non-strategic, project level collaboration might be more difficult to use to leverage a partnership because it would be more likely that the project would be non-strategic to other prospective donors as well.

60. Neither regional strategy sought to take the three objectives of the Strategic Framework and systematically examine the contributions the regional strategies would make to them, though NENA included them as part of its four strategic objectives. One constraint was the fact that the template provided did not establish the time period that the regional strategies were to cover, though it would not have been unreasonable to posit 2002-2006, the period addressed by the Strategic Framework. A second constraint was uncertainty about the resources which would be made available for the period, though lending figures could have been stated based on various levels of activity with the most likely being projections based on historical allocations. At the time of the adoption of the regional strategies, results based frameworks had not been introduced, so the broader strategic brush of important areas that warranted attention as pursued in the regional strategies, rather than strategies to achieve targets was consistent with IFI best practice.

61. By 2002, MDGs were featuring prominently in IFI objective setting. They do establish measurable poverty reduction targets. Many countries, including a number in the PN region, have embarked on plans to meet those targets through PRSPs. The PRSPs present a framework in which a proposed contribution to rural poverty alleviation could be presented on a country basis. The CEN regional strategy did address MDGs while the NENA strategy acknowledged them. The CEN strategy discussed the contribution the regional programme could make to MDGs, sensibly pointing out that its work was unlikely to have a major impact on MDG objectives given the size of the programme. It therefore restricted itself to concentrating its resources on a few areas of strategic importance, nominating gender equality and NRM as the most important. This focus, however, was belied by the broader brush of the strategy which identified numerous other areas which also had claims for resource allocations. CEN's principal contribution to MDGs, according to the strategy, would occur through testing innovative ideas and their replication, but how that would contribute to the MDGs was not clarified.

62. The sample of corporate policies was generally addressed effectively in the PN regional strategies. One exception, however, was that neither strategy gave an indication as to how each corporate policy would be prioritized. Since 2002, the number of corporate policies has increased markedly. In an environment of scarce resources, corporate management needs to indicate the priority of each new policy and that needs to feed down the chain into divisional and country priorities.

63. The SE provides interesting testimony about the ranking given to each of the six categories for intervention. The categories are listed in Table 2 below. It shows operational priorities on the assumption that there is some correspondence between expenditure and priority. Expenditure and its trends show a very different approach to poverty alleviation between NENA and CEN regions. Rural finance and rural enterprise dominate the CEN strategy, while small scale infrastructure, local capacity building and NRM were the prime targets for investment in NENA. In CEN, there was no investment in NRM despite the fact that regional strategy nominated it as one of the two most strategically important areas for investment. In NENA, NRM was a very important factor. One interesting aspect of the percentages are the significant shifts in relative importance of certain components post 2001 which indicates that strategic decisions were being made at the operational level, but not being recorded as a change in strategy.

64. Any feedback loop to evaluate strategy at this level is further constrained by the classificatory system used for grants, which does not follow the same model as that used for loans. Grant categories comprise applied research, capacity building, institution building and project related grants. Consequently, divisional management has no ready means of assessing the fit of grants with loans and other important relationships between the two.

Table 2. Approved Values of IFAD Loans²⁶

	1990-2002			2002-2005			1990-2002			2002-2005		
	TAGs	Loans	%	TAGs	Loans	%	TAGs	Loans	%	TAGs	Loans	%
	\$mil	\$mil		\$mil	\$mil		\$mil	\$mil		\$mil	\$mil	
<i>NENA</i>							<i>CEN</i>					
Agriculture		36.5	6.5		8.4	4.1		30.5	18.6		0.0	0.2
NRM		133.7	24.0		36.7	17.6						
Infrastructure		86.8	15.7		61.6	29.8		24.3	14.8		5.1	9.6
Technology		53.6	9.6		10.7	5.1		3.3	2.0		1.1	2.0
Rural Finance and Enterprise		122.7	22.0	0.4	25.8	12.5		72.9	44.5	0.46	34.4	65.4
Local Capacity Building	0.05	37.6	6.7		43.2	20.9		9.0	5.4	0.34	2.7	5.0

Source: PN, Self-evaluation of the NENA and CEN Regional Strategies, Zero Draft, 2006. The data do not cover PMU implementation costs.

²⁶ TAGs are not systematically categorized following this system. Consequently, the information available is only partial.

Table 3. Ongoing Grants in PN at December 2004

Category	Number	Value ‘000	%
Agriculture	7	8 676	25.4
NRM	7	5 990	17.6
Infrastructure	2	369	1.1
Technology	0	0	0.0
Rural Finance and Enterprise	3	225	0.6
Local Capacity Building	7	4 471	13.1
Gender	6	4 292	12.6
Innovation and Replication	1	200	0.6
Markets	2	3 882	11.4
Knowledge Management	2	1 190	3.5
Policy Dialogue	1	100	0.3
Project Related	7	4 663	13.7
Other	1	42	0.1
Total	46	34 100	100.0

Source: PN, A Review of the Grants Programme in the Near East and North Africa Division (PN), 2005. The categorization of data have been based on a list of grant titles.

65. In the context of feedback loops and strategy management, an important aspect highlighted in Table 2 is the poor alignment of the categories used for project funding and the objectives and priorities of the rural strategies. At present, information is collected on the basis of investment categories which make it difficult to report strategy performance without having to be reformulated. Consequently, divisional management will not receive regular reports on how a strategy is performing except if key success factors are first identified and correspond with the investment categories. At the individual strategy level, the situation is almost the same (there are some strategies which are captured in the reporting system). The NENA strategy, for example has objectives in four main themes: empowerment of the rural poor, income diversification of the rural poor, NRM and gender issues. NRM fits into the components and the percentage investment reflects its relative importance. Income diversification partially fits into the rural finance and rural enterprise category. What is the poverty reduction return on investment in the linked themes of gender issues and rural empowerment? That is a question that cannot be immediately answered from the way in which projects are formulated and the information system is organized.

66. Having reporting categories linked to strategic priorities also points project designers in the right directions. For example, the CEN regional strategy is specific about NRM. In its discussion about MDGs, it states that in the region IFAD-funded projects can make a significant contribution to NRM. Later, the strategy states that the region's fragile natural resource base is an important crosscutting theme that future projects will need to address and projects would work to encourage communities to undertake remedial action to arrest further water and land contamination and soil erosion. Despite NRM being a component heading, no investments were made in it²⁷. CPMs, at least between 2002-2005, acted contrary to strategy in this respect in the CEN region.

67. Table 3 gives a breakdown of the value of ongoing PN grants as of December 2004 by loan component category extended to cover priority categories of the regional strategies such as gender, knowledge management, markets, innovation and policy dialogue which do not fit any loan component category. Table 3 shows that strategically current grants are not adequately synchronized with regional loan programmes. Just over a quarter of grants are applied to agriculture which comprises only a very small part of the post-2001 loan programme. Rural finance and rural enterprise, which comprise the bulk of the post-2001 CEN programme, received a comparatively paltry amount of grant funding. In the case of rural enterprise, if that is combined with markets, there is some support from grants.

²⁷ NRM did receive project attention in the period 1990-2002, being funded from sources other than IFAD. 0.6% of total project costs was provided to NRM.

68. Table 3 also shows a significant disconnect between grants and key regional priorities. Some priorities like strategic partnerships do not necessarily call for grants; only resources from within the division to develop them. Other strategic priorities, including capacity development, gender, innovation, knowledge management and policy dialogue would benefit from grant support. There is grant support for capacity development and gender. Innovation is confined to agricultural and NRM research. Of most significance in the context of the more thematic priorities, knowledge management and particularly policy dialogue receive very little grant support. In the case of policy dialogue, there are no staff resources applied to it in-country, with the exception of the time that Country Programme Managers may dedicate to this priority in the course of their missions. Consequently, there are virtually no grant resources applied to it. Policy dialogue presents an example where strategic priority and resource allocation are not synchronized. It also provides testimony that good strategy needs to be linked to resources in ongoing allocation and management information systems so that divisional management is able to implement strategy to achieve the results it seeks.



Armenia

Herine Baghdasarian, 45, fertilizes a cabbage field with ammonium nitrate, in Jranshen village. She has used a \$600 loan to purchase fertilizer, seeds and other inputs

Source: IFAD photo by Robert Grossman

69. PN professional staff seemed to agree with these observations about grants. In a staff survey²⁸, 93 per cent agreed that PN needs a strategy to manage its grants programme, and 64 per cent disagreed with the statement that the present procedures for monitoring grants are adequate. The review of the grants programme found that many grant designs were weak in specifying reporting mechanisms and output indicators. 62 per cent disagreed with the statement that PN knows the development impact of its grants, which does not reflect well on the general management of the grants programme, the management information system reporting progress and impact and on the feedback loop on the strategic effectiveness of the grants programme.

Corporate Policies – Rural Finance, Rural Enterprise and Gender

70. In rural finance, assistance to developing rural financial services was a priority in both regional strategies. The NENA strategy provided a more detailed description of what it would do in respect to the four challenges of the Rural Finance Policy (sustainability and outreach, participation, diversification, and policy framework). Both regional strategies indicated that, strategically, they would support the enlargement of the microfinance market and, presumably, make it more competitive by increasing support for community based rural financial institutions. NENA's strategy went further, including support for rural financial institutions to become commercially viable, an important provision of the rural finance policy. This would mean that rural credit would not be subsidized by small providers, though commercial banks might be able to provide cross subsidies to develop the industry to a point where it provided commercial returns. While institutional development of financial institutions is covered in general terms by the strategies, an important aspect is missing, namely enhancing the financial sustainability of such institutions through domestic resource mobilization, including, in particular, fostering savings and increasing outreach. Table 2 shows that operationally, rural finance and rural enterprises were central to CEN operations, being allocated 65.4 per cent of post-2001 project funds and important in NENA, receiving 12.5 per cent of fund allocations. In NENA, they were less important than infrastructure, local capacity building and natural resource management, all of which received a higher level of funding.

71. The rural enterprise policy was introduced after the completion date of the regional strategies, but reflected common practice in IFAD. Consequently, regional strategies could be expected to anticipate its introduction effectively. In NENA, micro-enterprise development is one of the six intervention areas of the

²⁸ PN, A Review of the Grants Programme in the Near East and North Africa Division (PN), 2005.

regional strategy. The strategy targets women and rural youth through capacity building and technical/vocational training as its key elements, to encourage them to develop and participate in micro-enterprises and other non-farm rural activities (dairy farming, tree-crop production, agro-processing, marketing of agricultural inputs and commodities, small-scale repair shops, manufacturing, etc.). In CEN, rural enterprises were not a heading for any part of the strategy. Nevertheless, the regional strategy focused on agriculture-related activities by providing such enterprises with appropriate financial services and technical assistance to develop business plans and identify new market opportunities. Implementation would consider partnerships with local and international nongovernmental organizations (NGO) capable of supporting these endeavours. Both regional strategies did not provide due consideration to some basic areas of intervention of the rural enterprise policy, namely (i) developing and strengthening business counseling capacities in rural areas through NGOs or public/private services, though use of NGOs was addressed in the CEN strategy; (ii) policy dialogue with respect to MSE development; and (iii) providing subsidized business support services in rural areas but gradually reducing the level of subsidy over time. Operationally, rural enterprises could be presumed to be a high CEN priority as much of the rural finance portfolio would be directed towards supporting enterprise development, and relatively less important in NENA.

72. While IFAD has issued two separate policies on rural finance and on rural enterprises, the reporting system does not report on them separately. As a consequence, monitoring the implementation of each policy becomes difficult. Three categories, rural finance for agriculture; rural finance for rural enterprises and rural enterprises would enable regular reports to be made to corporate management about relative investments in the two policy areas. It is interesting that the project assessments, reported in paragraph 130, found that operations focused more on microcredit than on providing a comprehensive range of microenterprise development initiatives. The suggested reporting would reveal such shortfalls. PN's current reporting system will not.

73. The NENA regional strategy was strong on gender. It recognized gender imbalances in the region as a major institutional constraint, including the reluctance of governments to use loan funds to support women. It acknowledged that "investing in women as agents of change constituted a relatively new paradigm in countries of the NENA region". The important role of women was reflected in various parts of the NENA regional strategy: its inclusive participatory approach, gender targeting, skills training for women to acquire new technologies, and policy dialogue on gender mainstreaming. The strategy was silent, however, on how the various elements would be integrated and prioritized. The CEN regional strategy dealt with gender issues in less depth. It recognized that "the transition has had a marked negative effect on gender equality, and women now make up a large percentage of the rural poor" and that there was "deterioration in gender equality". It further outlined that "with regard to the unique role played by women in rural households, and in an environment where male migration for work is an important household coping mechanism, IFAD operations must also seek to ensure that women have access to the proposed investments and are adequately represented in all relevant rural associations and institutions". This general statement fell short of the specific provisions on gender in the RRs, the Strategic Framework, and Gender Plan of Action which emphasized women's groups, targeting, policy and partnerships, accountability and monitoring, scaling up through innovative replicable approaches and measuring gender impact. Actual performance in the regions, however, support the proposition that gender was taken seriously in the CEN portfolio. Table 2 has shown that 65.4 per cent of funding was directed at rural finance and rural infrastructure. There is a reasonable assumption that women would be significant beneficiaries from such investments. 12.6 per cent of grant assistance went directly to gender issues, indicating that gender did receive a serious level of attention in the grants programme.

D. Regional Strategies as Drivers of Management of Budget Resources

74. Good strategy enables an organisation to plan so that it has the right people in the right place for the right amount of time. Effective human resource management (HRM) ensures that there is a good alignment between the skills and competencies of staff and the regional strategies and priorities. For example, under institutional development within the opportunities for investment heading, the CEN strategy states that a "fundamental element of IFAD's strategy throughout the region will be to strengthen the institutional capacity of government departments, private financial institutions and civil society to address the needs of the rural poor". It goes on to state that the focus will require a long term commitment

and programmatic approach to give extant institutions a sharper pro-poor focus and to build new institutions when needed. Countries are often reluctant to borrow for capacity development (CD). Effective CD requires a broad series of competencies ranging from good diagnostics to change management skills. They are a set of competencies not likely to be possessed by resident staff unless there is a resident specialist. If CD is a fundamental element in a regional strategy, provision in the human resource budget would need to be made for a specialist to be employed to work with CPMs to operationalize the strategy. If a specialist is not employed, then one could interpret that CD is not such a divisional priority after all, as the resources to address it are not provided. An alternative explanation would be that HRM was insufficiently flexible to accommodate the demands of the strategy. If either of these explanations are correct, there would be a reasonable assumption that there were systemic problems within IFAD or PN which need to be addressed. According to SE, the internal structure of PN changed marginally and temporarily as a function of the marketing and gender initiatives in the regional strategies, but not to accommodate the “fundamental element” of the regional strategy to deliver CD.

75. Where strategy is permissive or there is no strategy, there is a greater probability that operational decisions will drive strategy. In the case of PN:

- i. Given that the regional strategies did not provide sufficient orientation, CPMs are most likely to follow their own views of what is most likely to be effective in reducing poverty or, in some cases, their own views of rural development within the context of a country's own poverty reduction and rural development strategies or their PRSP. While there will be consistency within and between some countries because one CPM works at that level, there is less likelihood to be consistency across countries and in one country through time as one CPM is replaced by another with different views. Proxy evidence for CPMs not following strategy is, for example, provided by the lack of any NRM component in CEN projects in the period 2002-2005 despite it being nominated as important by the regional strategy;
- ii. Divisional management, in these circumstances, is drawn into this operational driven web because, in the absence of clear strategic priorities, it has little justification for not being so. Allocation of resources is not directed at strategic priorities but to operational issues.

Human Resources

76. In PN, the basic operational work of developing and maintaining effective relationships with governments, producing COSOPs and developing and maintaining investment projects is the responsibility of 8 CPMs, two of whom are on fixed term ‘temporary’ contracts²⁹. Each CPM is responsible for several countries as shown in Table 4 below. The CPMs on fixed term ‘temporary’ contracts are responsible for a smaller number of projects, but broadly share the same level of responsibilities as their colleagues on established or regular posts. They provide leadership in supervision and implementation support, take lessons from experience for replication and up-scaling, and are responsible for in country knowledge management. They also ensure knowledge gained in areas for which they are responsible is passed on to the organisation at large and establish partnerships with other organisations, especially potential co-financiers. They are responsible for policy dialogue, administering their country programmes in a cost-effective manner, and developing staff under their supervision. In general, the CPMs are required to perform multiple and increasing amount of duties, without having been generally provided with the commensurate level of increased resources and time.

²⁹ These are positions of limited duration. They are not part of the established or regular posts, which are funded through the administrative budget of the organisation.

Table 4. CPM Country Assignments in PN at October 2005

CPM	Active Countries Assigned (projects under supervision)	No. of Active Projects	No of Active TAGs	New Loans 2002-2007
1	Albania (1), Armenia (2), Macedonia (2), Turkey (2)	7	1	5
2	Algeria (3), Morocco (3), Tunisia (2)	8	4	7
3	Azerbaijan (2), Bosnia (1), Yemen (5)	8	6	6
4	Georgia (2), Moldova (2), Romania (1)	5	2	3
5	Egypt (3), Lebanon (0), Syria (4)	7	2	5
6	Gaza/WB (2), Jordan (2), Somalia (0)	4	9	1
7	Djibouti (1), Sudan (4)	5	2	4
8	Vacant			

Source: PN Director's Office, PN Portfolio Review, October 2005

77. Each CPM is supported by a Programme Assistant (PA). The assistant is responsible for the administrative aspects of the work including monitoring budget progress, hiring consultants and assisting the CPM with standard communications with countries and partners. The PA also provides some backstopping functions when the CPM is on mission, which is typically for 100-150 days per year. A backup CPM provides advice during such periods of absence.

78. PN has recently changed its approach to operational work by establishing 4 sub-regional clusters each headed by a senior CPM, which does present some opportunity for smoothing work loads. Despite this, the overall message is that, given the variety of responsibilities a CPM has, there is a significant level of overload, particularly for the CPMs with the heaviest portfolios. The extent of work demanded of CPMs can be gauged from a comparison with the AsDB where in 2003, project officers (that is professional operational staff excluding those in resident missions and in a coordinating function) processed an average of 0.23 loans and 0.60 technical assistance grants per staff³⁰. For PN the equivalent number of loans annually was approximately 0.75.

79. Overloads inevitably impacts on quality. For staff with work overloads, a key question is how to prioritize one's time. For example, is it more important when on mission to deal with project concerns or to pursue important policy dialogue issues? What amount of time should be allocated to knowledge management issues? What level of effort should be expended in pursuing strategic partnerships? What time should be devoted to promoting innovation for replication? Regional strategies, which make a clear statement of divisional objectives and designate what regional priorities are, would help to resolve such issues, especially if those objectives and priorities are individualized in the annual workplans of each CPM. Where there are no regional priorities, each CPM must make his or her choices, with the consequence that a variety of different priorities inevitably will be made. CPMs on 'temporary' fixed term contracts are also more likely to focus on short term priorities while permanent staff will have an eye for the longer term. The consequence is an inevitable level of inconsistency between countries within the division and the probability that time is not employed optimally on the regional priorities that matter.

80. Table 4 also shows an uneven distribution of new loans and TAGs between CPMs and an uneven relationship between TAGs and loans. It suggests that work loads are not distributed evenly and that more experienced CPMs have greater workloads than others. Workloads are not helped by the long time periods required to fill vacancies; as a case in point, one recent vacant CPM position took approximately one year to fill.

81. TAGs and other grants were not sufficiently woven into regional strategies. Loans are IFAD's major instrument to fulfill its contribution to poverty alleviation. Consequently, one strategic purpose of TAGs would be to position IFAD more effectively for its loan business. Table 4 shows that there is little regional relationship between TAGs and loans, with a standout being Gaza and West Bank, Jordan and

³⁰ Comparisons are of two different organisations which organise their work differently, so they should be treated with great caution. AsDB does, like IFAD, make significant use of consultants, particularly in the preparation of investment loans. The data source is the Report of the Independent Review Panel of ADB's 2002 Reorganisation, 2004.

Somalia where 9 TAGs produced only one loan since 2002³¹. Three contributing causes to such an uneven distribution would be that non-permanent CPMs are not fitted evenly into operations, an unequal distribution of work with staff processing few loans having spare time to fill and consequently developing TAGs, and the absence of a strategic allocation of TAGs based on regional priorities. Table 4 illustrates one consequence of such an omission.

82. A regional economist supports the division director and the CPMs in cross-cutting policy and economic issues. She ensures corporate policies are embedded in the work of the division, was responsible for preparing regional strategies, prepares thematic priorities of IFAD in the region, supports project development, prepares portfolio reviews, supervises thematic studies, and supports the director in ensuring lending resources are in line with strategic priorities and the PBAS.

83. The CPMs and the regional economist are supported by long term consultants either providing subject matter support or more general support and a large number of short term consultants working on specific operational matters such as project design. At the time of this evaluation, PN had three long term consultants working on gender, supply chain issues, and the Results and Impact Management System (RIMS) mainstreaming and reporting. Two other consultants provide more general support. While the number of short term consultants varies over time, PN's budget provides approximately three consultant years per permanent staff. The evaluation estimated that the budget provided PN with the equivalent of a total of 35 professional staff annually, based on the 2005 budget.

84. While the establishment of permanent staff has remained static, the budget has provided for the equivalent of an increase of positions from 15 (9 professional and 6 general service) in 1999 to 22 in 2006 (11 professional and 11 general service), an increase of almost 50 per cent. The increase has been to meet the demands of non-lending activities which have increased significantly through this period. The number of processed loans has remained more or less constant not out of any lack of capacity on the part of the division to process more loans but due to restrictions in availability of loan funds. Consequently, for PN, corporate requirements have increased the ratio of overheads to the delivery of projects. By comparison, the Asia and Pacific Division doubled lending in the period 2002-2005 with a 10 per cent budget increase, indicating that corporate priorities for lending had changed during that period, but had not affected PN.

85. Strategy needs to focus on organisational health as well as on producing desired outputs. HRM is critical to organizational health. Staff development is part of HRM. The PN regional strategies did not attempt to relate the competencies of divisional staff to the major foci of the strategies and determine if there are gaps. Any gaps would reveal a need for budget allocations for training or for the recruitment of additional staff. Without ensuring a budget allocation for training, there is a danger that, where budgets are very tight, one of the first things to be reduced often is training. HRM also needs to address effectively the reality of high staff workloads and the tendency for this situation to be used as an excuse for key staff not to upgrade their skills. In such circumstances, the likelihood that staff skills become increasingly poorly aligned with strategic priorities increases.

86. Training, or its lack, does appear to warrant some strategic attention. The 2006 PN retreat identified the need for more staff training. A survey of PN staff carried out for this evaluation indicated that the current level of training is minimal, even though in more recent times some training has been offered to all CPMs and other concerned staff³². The explanation often given is that staff are so overworked that they do not have time for training. Many of the staff have 15-20 years experience with IFAD. There are two concerns about the absence of adequate training support:

- i. In the past decade, IFAD has introduced a number of new corporate policies and other initiatives, many of which require expertise to be acquired in each division if they are to be

³¹ It should be noted that the regular lending programmes for both Gaza and the West Bank and Somalia have been superseded by a grant-financed programme due to the complex political and security situation in both countries. Furthermore, with the adoption of the Debt Sustainability Framework (DSF) at corporate level in 2007, it is expected that more investment projects will be financed through grants in fragile/conflict states, and these must therefore not be categorized as traditional TAG programmes.

³² For example, on the implications of the new IFAD supervision policy adopted in December 2006.

operationalized effectively. With the introduction of these new priorities, the job requirements of CPMs also change. Divisions can decide to recruit additional staff and consultants that have that expertise or they can develop it in-house. To do the latter requires training;

- ii. Many of the countries in the region for which PN is responsible have experienced and still are experiencing significant political changes. Consequently, one attribute that PN might require to maintain its relevance is to be fast on its feet in responding effectively to changing needs of countries by changing its priorities. IFAD's goal of leadership in rural poverty also requires staff to be fully conversant with developments in this area. That requires staff having time to continuously upgrade their knowledge. In many cases, it might also require them to acquire new skills. Again, that requires access to training.

Administrative Budget

87. The PN Division has the same sources of funding as the other regional divisions. They include the main corporate lines of the administrative budget, which basically pays regular staff costs, and the Project Development Finance Facility (PDFF) which – among other eligible expenditures - provides funding for costs associated with strategy development, operational work including travel and consulting costs and is used to finance fixed term contracts. The PDFF usually represents around two thirds of the divisional budget, and the core staff costs financed by the administrative budget about one third. In addition to these corporate lines, various supplementary funds can provide additional funding. These additional amounts are commonly estimated to add about 10 per cent to the annual administrative budget approved by the Executive Board. The supplementary funds are often mobilized by CPMs to address shortages of funding in specific areas or to take advantage of opportunities developing in their work.

88. The budgetary allocations to PN during the period 2003-2005 are shown in Table 5 and are compared with PI³³ to develop some rough comparative efficiency indicators³⁴. As already mentioned, there is little difference in the ratios of loans to budget between the two divisions. PN's cost efficiency levels based on loans processed has improved slightly in the 3 year period and its median level is superior to PI. Conversely, against loan amounts, PI's efficiency level is slightly superior. PN's overall annual budget has increased slightly more than PI's over the three year period. The budget increases, however, are likely to be illusory given the weakness of the US dollar over the latter part of this period.

³³ The reason this evaluation uses PI as a benchmark is due to the easy access to similar data on budget, which was collected at the time of the EVEREST.

³⁴ The two divisions are different in terms of their respective portfolios of operations. PI's lending increased significantly in 2005 in response to the post tsunami reconstruction in five countries and the major earthquake in Pakistan.

Table 5. PN Budgetary Allocations 2003-2005

	PN			PI		
	2003 \$mil	2004 \$mil	2005 \$mil	2003 \$mil	2004 \$mil	2005 ³⁵ \$mil
Administrative Budget	1.53	2.09	2.08	1.97	2.20	2.21
PDFF	4.52	4.70	4.96	5.86	6.04	6.62
Total	6.05	6.79	7.04	7.83	8.24	8.82
Projects financed	5	6	6	4	6	11
Loan amounts	77	91	71	93	127	207
<i>Ratios:</i>						
Budget to projects	\$1.21 mil	\$1.13 mil	\$1.17 mil	\$1.96 mil	\$1.37 mil	\$0.80 mil
Budget to loan amounts	\$0.08 mil	\$0.07 mil	\$0.10 mil	\$0.08 mil	\$0.06 mil	\$0.04 mil
Annual % increase		12.2%	3.7%		3.1%	7.0%

Source: PN Division; EVEREST, op. cit. p. 44

89. IFAD is a small organisation with limited operational funding. It performs a very important function as the only IFI mandated to focus exclusively on rural poverty and development. To enhance effectiveness, IFAD may wish to concentrate on doing a few things very well and thereby further develop its own comparative advantages. This can be done by marshalling its financial and human resources in such a way that they focus on helping to maintain these comparative advantages. This requires an understanding of what its comparative advantages are, focusing on them in strategies and operations and supporting their continued development through the allocation of budget resources. For example, innovation is a comparative advantage and, therefore, a priority. Management needs to know how much each division spends on what is essentially research and development (R&D), and what that R&D investment produces. PN's review of its grants programme, for example, found that PN had followed a traditional approach to funding research organizations. It has not, however, been very active in fostering innovative approaches for agricultural research and their dissemination amongst the rural poor³⁶. The same information about resource allocation is equally important for other priorities like policy dialogue, rural finance, gender and other priorities.

E. Self-evaluation as an Important Part of the Management Process

90. PN regional strategies did not receive constant monitoring. PN, however, did prepare a hard nosed review of its two regional strategies. The review made a number of recommendations such as i) establishing a greater linkage between regional strategies and divisional operations, which is an essential facet of effective strategy implementation; ii) placing a greater emphasis on innovation implied a greater strategic focus by PN on building up a core set of areas where it had developed a comparative advantage; and iii) having more regional level programmes gave credence to the fact that there is a regional dimension to the delivery of assistance and that the grant programme would benefit from such a focus.

³⁵ It should be noted that the significant increase in the portfolio financed by PI in 2005 is due to a number of 'emergency' Tsunami projects presented in that year due to the extraordinary needs in the Asia and Pacific region.

³⁶ PN, A Review of the Grants Programme in the Near East and North Africa Division (PN), 2005

91. The SE recommendations did not cover the need for the strategy to be a driver of resource allocation and organisational health, nor, in a results based environment, that strategy, as does operations, requires a feedback loop to ensure that the strategic choices are working effectively and that operations are prioritizing their work in line with the strategies.

92. At the more detailed level, the SE identified key gaps³⁷ in the NENA regional strategy in: i) paying insufficient attention to the growing problems of youth unemployment where 38 per cent of the region's population are under the age of 14 years; ii) not paying sufficient attention to the implications of rural-urban migration; iii) giving inadequate recognition to the need for rural financial services for the poor and the rapid development of micro-finance in the region; iv) providing inadequate emphasis on economic diversification in spite of limitations to the region's agricultural resource base and such diversification being one of the four objectives in the NENA regional strategy; and v) not prioritizing the importance that governance warranted from NENA regional experience.

93. For the CEN region, the focus of the regional strategy was reaffirmed through the SE. Under 'institutional development', support was proposed for government departments, private financial institutions and beneficiary organizations. The SE also suggested that support to beneficiary organizations that run medium and small-scale irrigation systems had been necessary and beneficial, but not without problems as members adjusted to this innovation. What was less certain in the agricultural context was the importance of beneficiary groups in agricultural development.

F. Summary Assessment of the Quality of the Regional Strategies

94. **Meeting regional needs and priorities.** The objectives of the regional strategies were generally in line with the priorities of the countries within each of the regions, albeit with different points of emphasis.

95. **Alignment between regional strategies and corporate policies.** The objectives of the Strategic Framework are reflected in both PN regional strategies, though the objectives were not taken as the starting point for the CEN regional strategy development. The Strategic Framework was a broad statement of intent for the 2002-2006 period. Regional strategies mirrored this broad intent, but without stating the period that they were covering. While both regional strategies contained initiatives that should have enhanced IFAD's catalytic impact, they did so with less specificity than the replenishment documents. In terms of sector or thematic policies, the regional strategies generally matched the provisions of corporate policies, but did so in broad rather than in more region-specific terms that would provide strategic guidance for operations in these areas.

96. **Guiding framework.** Given that the purpose of the regional strategies was unclear, the resources for preparing them were limited and that they were prepared with an eye to accommodate borrowing countries' own preferences, the strategies were couched too generally to become a driver of regional operations. They reflected what was already being done by PN, covered a broad range of activities and, consequently, were insufficiently focused for influencing and guiding country strategies and projects. If IFAD does have a strategic need to focus on a few things and do them well, the regional strategies did not adequately indicate what those would be in the PN region. The generality of the regional strategies also enabled the *status quo* of weak HRM to continue, with two major consequences: (i) there was little staff development; and (ii). CPM and the regional economist workloads remained unchanged, as they are required to perform a wide range of diverse tasks having potentially important consequences on the overall quality of their work.

IV. OPERATIONALIZATION OF THE REGIONAL STRATEGIES

97. The evaluation has found that both NENA and CEN regional strategies had such a broad coverage that they could not serve as a focused planning tool, with the SE reaching the same conclusion. In effect, the regional strategies gave little indication of priorities other than targeting certain categories of poor including women, unemployed youth and the poor living in certain agro-climatic zones. Evaluating the impact of the strategies on operations, therefore becomes a challenge. Normally, one criterion closely

³⁷ See paragraph 9.

monitored in operations is consistency with strategy. In the permissive circumstances of PN's regional strategies, consistency would be a given.

98. Consistency, however, provides an entry point into identifying what the division actually applied as priorities. This chapter compares how COSOPs and projects reflected the four levels of focus of the NENA strategy, i.e. the strategic objectives, areas of intervention, implementation modalities, and pillars of the action plan and in CEN's case, operational approach, opportunities for investment and non-lending which comprise the same categories as NENA's pillars of the action plan. The comparison rates how closely COSOPs and projects reflected categories in each level of focus. It shows the level of consistency between COSOPs and projects and the respective regional strategy for each category and, consequently, the consistency across COSOPs and projects. In the cases where all COSOP or project ratings are approximately the same, an internal operational consistency is demonstrated, good or bad. Where they are not, there is low operational consistency. Where the ratings are consistently high, there is a satisfactory level of consistency within the category and, therefore, operationally, that category can be evaluated as having a high priority. Where the ratings are consistently low, the category is given a low operational priority.

A. Consistency of COSOPs with Regional Strategies

Near East and North Africa (NENA) Region

99. The analysis of COSOPs (see Table 6 for ratings) for the countries in the NENA region showed that the pre-2002 COSOPs were slightly better aligned with the regional strategy than the post-2001 COSOPs. Or, put another way, the regional strategies reflected the extant COSOPs, but subsequent ones began to deviate from the strategies. For the post-2001 COSOPs, little attention, and, therefore, priority was given to programmatic approaches (mirroring the pre-2002 COSOPs), decentralization and capacity building, though in the case of capacity building, the 2006 Egypt COSOP changed the low priority of the earlier COSOP to a high one. The later Egypt COSOP also moved gender and youth from a mid to low priority to a high one. Sudan, which, with Egypt, had the highest number of poor in the NENA region also gave innovation a low priority.

100. The four pillars, generally received a satisfactory level of attention in COSOPs. Coverage of strategic partnerships was one of the strongest points of COSOPs; all were well aligned with the regional strategy. At the same time, COSOPs focused more on the cofinancing opportunities and listed what other development agencies were supporting, rather than on other aspects of strategic partnerships (such as innovation, policy dialogue, knowledge management, and impact management) or how such partnerships could be developed. The 2006 Egypt COSOP listed a large number of donors for collaboration. It particularly mentioned the World Bank with regard to collaboration in small and micro-enterprise development and the Swiss Import Promotion Program, which supported Egyptian SMEs in the design and marketing of their products to fit European standards, though neither co-financed an effective project in the period 2001-2007. Both the 2002 and the 2006 COSOPs mentioned NGOs as well, but had to accept limited partnership opportunities due to local regulations. The Sudan COSOP, prepared at a time when the country's prospects for re-engaging the international aid community appeared promising, gave an overview of other donors that could constitute potential partners for IFAD, along with civil society organizations and NGOs. It noted the need to engage in dialogue with key partners. The Syria COSOP identified quite a large number of specific opportunities for strategic partnerships including co-financing, agriculture-extension communication, maintaining proxy field presence (in co-operation with a local NGO), promotion of milk production, and institution building for resource management and common policy dialogue, without prioritizing them. The Tunisia COSOP focused on identifying partners for co-financing projects. The Yemen COSOP noted that all previous IFAD operations included co-financing. The country strategy would concentrate on themes where the policy environment was less restrictive (community development, off-farm enterprises, livestock production, etc.); and build up alliances with donors with strong policy influence or capacity-building and/or additional loan resources. The strategic cooperation with the World Bank was seen as instrumental in influencing policies and procedures related to the management of investment projects, fishery development and rural finance. Paradoxically, it was not until the fourth post-2001 project in 2007 that a project was co-financed with the World Bank.

101. Policy dialogue was well reflected in COSOPs, covering the five different areas which the regional strategies had prioritized. Most COSOPs included detailed descriptions of policy issues and plans for addressing them, and in a number of cases set specific targets and identified strategic partners with whom to work on influencing policies. The range of issues varied. Every COSOP, however, included rural finance policies. There was no indication of how policy dialogue would be pursued other than occasionally through partnerships and what resources would be required to make it effective.

102. Knowledge management was the weakest of the four pillars. In general, COSOPs did not outline plans for generating new or disseminating existing knowledge beyond general statements of building on IFAD's experience and lessons learned. For instance, in Egypt, the COSOPs outlined lessons learned, but did not draw on the wide array of knowledge management mechanisms listed in the regional strategy; in the Sudan, the COSOP foresaw a workshop to share lessons and knowledge, but this appeared as a one-off event rather than a strategy for continuously building a knowledge base and sharing it; in Syria, the COSOP was silent on knowledge management, but mentioned some strategic partnerships that could generate useful knowledge; in Tunisia, the COSOP aimed to direct a grant programme towards learning within the region from countries outside the region without presenting a specific strategy for doing so; and, in the Yemen, the COSOP wrote of IFAD's valuable experience based, among others, on evaluation, but did not articulate a strategy for generating and sharing that knowledge.

103. Impact management involved a number of initiatives, including supervision and monitoring, which were well represented in some COSOPs but less so in others. The Egypt COSOP referred to project evaluations as the principal means of assessing impact. The Sudan COSOP stated that impact management would be an integral part of project activities. It would be achieved through increased field presence and direct supervision, focusing on ownership by and participation of grass-roots organizations; capacity-building of local institutions; and support to the decentralization of government revenues and finances. The remaining COSOPs mentioned various forms of impact management, such as participatory development or capacity building. However, none of them presented a strategy to enhance or "manage" impact.

Table 6. Alignment of Regional and COSOP Strategies in the NENA Region

Pre Regional Strategy					Post Regional Strategy			
Country Name	Tunisia 1998	Yemen 2000	Syria 2001	Average	Sudan 2002	Egypt 2002	Egypt 2006	Average
Alignment Ratings								
Strategic objectives	5	5	4	4.7	3	4	5	4.0
Areas of intervention	3	4	5	4.0	3	5	5	4.3
Implementation Modalities								
<i>Approaches</i>								
Participation	5	5	6	5.3	4	4	2	3.3
Programmatic approach	2	1	1	1.3	1	2	1	1.3
<i>Initiatives</i>								
Innovation	3	3	5	3.7	1	4	5	3.3
Devolution/ decentralization	5	4	3	4.0	2	4	3	3.0
Capacity building	3	3	4	3.3	1	2	5	2.7
<i>Targeting</i>								
Rural poor	4	4	5	4.3	5	5	4	4.7
Gender & youth	5	3	4	4.0	5	3	5	4.3
Pillars of the Action Plan								
Strategic partnerships	5	5	4	4.7	5	5	5	5.0
Policy dialogue	4	5	4	4.3	5	6	5	5.3
Knowledge management	2	3	4	3.0	4	2	4	3.3
Impact management	4	5	3	4.0	5	3	6	4.7
Average	3.8	3.8	4.0		3.4	3.8	4.2	

Note: The rating scale ranged from 6 (highly aligned) to 1 (highly unaligned). A rating of five meant that the subject under review fully met the requirements of the regional strategy.

104. Targeting was well aligned with the priorities set in the regional strategies. Geographical targeting featured strongly, particularly in Sudan and Yemen where rural areas showed high concentrations of rural poverty. In Egypt, the most recent COSOP shifted IFAD's geographical focus to the poorest areas, following recommendations of a country programme evaluation by OE in 2004/5. In Syria and Tunisia, the number of rural poor living in isolated, but mixed communities produced a different poverty focus challenge. There, PN targeted whole communities, as a priority focus on the poor would not have been cost effective. Alternative thematic approaches, for example targeting rural finance, vocational education, small business development activities, to address only the poor through a number of different programmes was not considered by regional or country strategies as a mechanism for better targeting of IFAD's scarce resources to benefit only the poor.

105. The priority of participation showed the strongest variation between the pre and post regional strategy COSOPs. The earlier COSOPs showed a much higher priority for participation than the later ones. Participation was strongly linked to the empowerment of the rural poor to reduce their poverty. But, as the SE observed "it deals mainly with local-level empowerment through the formation of community groups, grass-root participatory institutions, or natural resource user associations. The COSOPs do not emphasize the higher-level, and perhaps more difficult objective of politically empowering the poor, which would have been necessary to attain the regional strategy's objective. In many ways, the COSOPs made commitments to the principles of participation. The Yemen COSOP stated that assistance would be provided following participatory principles, promoting community-based and self-managed grass-root organizations. Syria, in contrast, advocated partnerships with donors, NGOs and civil society to share information and replicate and up-scale community development initiatives as essential long-term approaches for self-reliant and participatory development. In Egypt, the earlier COSOP had a broad focus on participation. In 2006, that was narrowed down to a probably more realistic goal of strengthening local and producer organizations to empower the rural poor in Upper Egypt to make decisions regarding the marketing of produce (including small and micro-enterprises) and to influence local level decision making by the governorates.

106. The regional strategy also suggested shifting from traditional projects to a more programmatic approach with long-term programmes with a more strategic and coordinated longer-term vision.

Central and Eastern Europe and Newly Independent States (CEN) Region

107. Table 7 shows that COSOPs and the CEN regional strategy were generally well aligned with 60 per cent of ratings being 5 or better.

108. As with NENA, strategic partnerships and policy dialogue of the four pillars received a satisfactory level of attention in COSOPs. All three post-2001 COSOPs dealt extensively with strategic partnerships. They all highlighted the need for developing partnerships with a wide range of institutional partners including donors, the private sector and NGOs; and identified strategic priorities of the main donors in the country concerned. The Albania COSOP highlighted the substantial opportunities that existed for strategic cooperation and linkages with a number of multilateral and bilateral partners with respect to improving the business environment in Albania and mentioned various possibilities for cofinancing. With respect to co-financing, the Azerbaijan COSOP noted the World Bank's interest in farm privatization and the rehabilitation of irrigation infrastructure. It noted that cofinancing with two partners could be mobilized to finance the rehabilitated infrastructure from the successful experience of an earlier project. Its only post-2001 project, however, had no named co-financier at project approval. In Moldova, the COSOP defined opportunities for linkages, sought to maintain existing dialogue with some donors and looked for complementarities. The detailed analysis of the World Bank's interventions in the country helped IFAD identify areas where it would collaborate with partners and the COSOP detailed linkages between IFAD and a number of other partners. Its two post-2001 projects, however, had no co-financing.

109. Policy dialogue was a strong feature of all three post-2001 COSOPs, mirroring the experience of NENA. Each of the COSOPs nominated areas for policy dialogue like legal frameworks for rural finance and access to land and water. None, however, indicated how the policy dialogue would be pursued and financed, and over what period the activities would occur. Whilst there was consistency with the regional strategy, there was no strategy to operationalize policy dialogue.

110. As with NENA COSOPs, knowledge management was not prioritized other than for Moldova which had a section on knowledge management and communication³⁸. Impact management was also dealt with cursorily in the post-2001 COSOPs with only Moldova introducing measures like an annual review of the COSOP to improve monitoring of performance.

111. Targeting in country strategies was moderately aligned with the regional strategy. While two or three countries kept a focus on mountainous areas, they were less specific in terms of actual target groups and did not maintain the approach to selectivity that the regional strategy had advocated. The Azerbaijan COSOP did not display the same stance towards selectivity and focus. The country strategy maintained IFAD's support to the irrigation sector, which constituted the major resource for rural employment and national food security. It also promised support to disadvantaged communities in mountainous and highland areas. The 1999 Albania COSOP promoted a "marginal areas development" strategy that continued the focus of Albania's first two projects. They targeted mountain areas where poverty analyses had shown significant levels of poverty. However, target groups within the project area were listed only in general terms. There was no geographical targeting in the Moldova COSOP – the targeted beneficiaries were smaller private farm families and the agricultural labour force.

112. On gender, the Azerbaijan COSOP identified that equality was at risk as 'traditional' modes of male authority had reasserted themselves. Its strategic approach, however, set out to help women improve their circumstances by ensuring that they received a fair share of program resources and that activities with a major economic impact on households be evenly distributed between men and women. The Albania COSOP acknowledged that economic development required addressing gender, and highlighted support for the Mountain Areas Development Agency initiative to pilot a gender self-targeted approach by developing two strategic investment plans in activities traditionally dominated by women. The strategic investment plans would help generate employment opportunities for women and empower them to become more active economic agents within their communities, thus discouraging emigration and reducing the risk of trafficking. The Moldova COSOP called for special attention to be paid to the encouragement of women

³⁸ Surprisingly, the SE assessed the Moldova COSOP as making no mention of knowledge management despite the section devoted to it.

in agriculture and rural enterprise development in general terms; but specific targeting was limited to training programs.

Table 7. Alignment of Regional and COSOP Strategies in the CEN Region

Pre Regional Strategy		Post Regional Strategy			
Country Name	Albania 1999	Moldova 2002	Azerbaijan 2003	Albania 2005	Average
Alignment Ratings					
Strategic objectives	5	5	6	5	5.3
Opportunities for investment	4	5	5	5	5.0
Operational Approach					
Targeting	4	3	4	5	4.0
Operating modus	6	5	4	5	4.7
Pillars of the Action Plan					
Strategic partnerships	4	6	5	5	5.3
Policy dialogue	5	6	6	5	5.7
Knowledge management	2	5	3	3	3.7
Impact management	3	3	2	2	2.3
Average	4.1	4.8	4.4	4.4	

Note: The rating scale ranged from 6 (highly aligned) to 1 (highly unaligned). A rating of five meant that the subject under review fully met the requirements of the regional strategy.

B. Consistency of Project Designs with the Regional Strategies

Near East and North Africa Region

113. The analysis of projects in Table 8 shows some modest differences between those approved before and after the regional strategy, both improvements and deteriorations. No overall trends are discernible. Table 8 shows that, particularly for pillars of the action plan, projects did not address the strategies or issue areas enunciated in the COSOPs and PN regional strategy particularly effectively. For example, projects in Egypt, Sudan, the Yemen and to a lesser extent Syria addressed the question of strategic partnerships poorly. Policy dialogue was addressed poorly in all five countries. Knowledge management was addressed poorly in all countries other than Syria. Impact management was addressed poorly in Tunisia and Syria and not particularly well in the other three countries. The low level of attention to strategic areas of interest is not necessarily a poor reflection on project designs. The low level of attention does indicate that projects do not necessarily address many important priorities of regional and country strategies. If that is so, PN should seek other mechanisms outside projects to achieve objectives such as strategic partnerships, policy dialogue and knowledge management or recognize that it does not have the resources to do so and rethink its own priorities. Strategic partnerships and knowledge management both appear to be issues which need to be marshalled if not addressed from head office, in the former case by divisional management, in the latter, at the corporate level. It could be that they are, but the SE made no mention that this was the case. Policy dialogue, on the other hand, can only be addressed in country. It needs resources on the ground. Until IFAD began to implement a country presence, such resources were not available and, in many cases, are still required. Consequently, unresourced or under-resourced, PN's contribution to policy dialogue was bound to be modest. The absence of an allocation of resources in the regional strategy allowed PN to make claims about what it would like to do but did not provide the wherewithal to achieve these objectives.

114. Project objectives, on average, are moderately aligned with those of the regional strategy. This implies that projects, even when highly effective in attaining their own objectives, contribute only moderately to many of the objectives of the regional strategy, although there were variations across countries. Projects in Egypt were least aligned with the objectives of the regional strategy, while projects in Tunisia were best aligned. Such differences are one consequence of divisional quality control paying scant attention to regional strategies, as confirmed by the SE.

115. The alignment of intervention areas (or project components) deteriorated by an average of almost one point in the post-2001 period. A large majority of projects had allocations in four intervention areas – community and institutional development, on-farm productivity, rural infrastructure and rural finance institutions. Micro-enterprise development had allocations only in a small number of projects – which may

be partly attributed to the relatively low priority given to income diversification in COSOPs – while allocations to appropriate technology for marginal and dry land areas were made in about half the projects. In terms of value, rural infrastructure received the largest overall allocation in most countries even though no COSOP included it as an explicit intervention area and regional strategy excluded it from direct IFAD financing.

Table 8. Alignment of Projects to the NENA Regional Strategy

Country Name	Egypt	Tunisia	Sudan	Syria	Yemen	Average	Pre 2002	Post 2002
Number of Projects	5	6	7	5	8		22	9
Alignment Ratings								
Strategic objectives	2.6	5.2	3.7	3.6	4.0	3.8	3.9	3.9
Areas of intervention	3.0	4.7	3.9	4.2	3.9	3.9	4.1	3.4
Implementation Modalities								
<i>Approaches</i>								
Participation	4.2	3.5	4.6	4.4	4.5	4.2	4.1	4.7
<i>Initiatives</i>								
Innovation	3.0	2.8	4.6	4.4	2.8	3.5	3.4	3.7
Devolution/decentralization	2.8	2.8	3.7	3.0	3.6	3.2	3.0	3.9
Capacity building	4.0	1.0	4.0	4.4	3.8	3.4	3.5	3.2
<i>Targeting</i>								
Rural Poor	4.4	3.8	3.9	3.8	4.1	4.0	4.0	4.0
Gender & Youth	3.8	2.5	4.3	3.4	3.5	3.5	3.4	3.8
Pillars of the Action Plan								
Strategic partnerships	2.8	4.7	2.7	3.4	2.1	3.1	3.2	2.8
Policy dialogue	2.0	1.0	2.1	2.2	2.3	1.9	1.7	2.4
Knowledge management	2.6	1.0	2.9	4.0	1.9	2.5	2.3	2.6
Impact management	3.6	2.0	3.4	2.2	3.3	2.9	2.8	3.3
Average	3.2	2.9	3.7	3.6	3.3		3.3	3.5

Note: The rating scale ranged from 6 (highly aligned) to 1 (highly unaligned). A rating of five meant that the subject under review fully met the requirements of the regional strategy.

116. Participation was strongly featured in projects in all countries other than Tunisia. It increased slightly in priority in post-2001 projects. All projects in the Sudan and Yemen had participatory approaches in both project design and implementation. Beneficiaries were involved variously through village cooperative societies, water users' associations, tenant organizations, forest committees, women's groups and, in the latest project, mobile organizations of members of nomadic and semi-nomadic communities. In Yemen, projects used participatory processes to generate community demand for investments in micro-schemes and support services to ensure their relevance. In Egypt, the three recent projects were notably stronger in participation than the earlier two. The East Delta project supported cooperatives to assist farmers with group access to credit and the development of water users' associations. The Sohag Rural Development Project adopted a participatory process for investments in infrastructure and a community based micro-credit component. The West Noubaria Project brought villagers, including women, youth and the less advantaged into a more coherent and effective force for change and self-reliance, including the encouragement of associative activities. In Syria and Tunisia, participation provided for in project designs has increased over time. Later projects integrated the lessons of earlier experience and expanded participation as a major factor in achieving the desired impacts.

117. Ratings for targeting are, on average, lower than those for COSOPs. Area-based projects, the vast majority of projects under review, were almost always located in the countries' poorest areas. But projects differed in the extent to which they focused on the poor sections of the population within those areas; some were quite specific in focusing on the poor, while others were inclusive of a whole population. Overall, targeting the poor, although not necessarily always the poorest of the poor, was a strong feature of project design.

118. Targeting gender, which was well articulated in the regional strategy, was generally weaker in project design. Targeting unemployed youth was weak. Nonetheless, targeting gender improved slightly since 2001. Sudan was the best among the five countries. In Sudan, the Gash Sustainable Livelihoods Project was one of the best projects in terms of detailed analysis of the situation of women especially

women-headed households. It highlighted the need to involve women in different project activities including their participation in village *sandugs*, etc. Women were mentioned as key target groups in most other projects. The only exception was in the North Kordofan Project which has only an indirect reference to women and affirmative action and their increased involvement in activities designed to ease their workload and improve their income. By contrast, the three projects approved between 1993 and 1998 in Tunisia adopted an identical approach to targeting women. Unfortunately, it was based on an incorrect assumption that women would automatically participate in and benefit from projects given the high degree of out-migration of men to find work in urban areas. The last three projects targeted women in some sub-programs – as trainees in vocational training programs or recipients of extension services.

119. While several projects included innovations, there was no consistent effort to identify innovations and test their effectiveness by monitoring progress and evaluating the results in order to replicate and up-scale them.

Central and Eastern Europe and Newly Independent States Region

120. The analysis of projects in CEN shows some differences in ratings between projects approved before and after the regional strategy. A number of categories have a lower level of consistency in post-2001 projects than in pre-2002 projects. It is particularly marked in strategic objectives, targeting and knowledge management. Table 9 tends to corroborate the NENA findings that, particularly in the case of pillars of the action plan, projects only poorly address the strategies or issue areas enunciated in the COSOPs and regional strategies. Knowledge and impact management were much more effectively addressed than in NENA, though still below satisfactory. Policy dialogue was not addressed effectively in projects in Albania and Moldova. In contrast, Azerbaijan did produce an example of success in policy dialogue described in paragraph 132 below. The CEN data support the observation for NENA that there is a need to support the country programmes with other measures than simply projects if all pillars are to be addressed effectively.

121. Objectives of pre-2002 projects were better aligned than post-2001 projects. Projects were moderately well aligned with opportunities for investment in the regional strategy, but the average declined from 5 in the COSOP to four in projects. The difference is explained by shortfalls in investments in market linkages (at least in the early projects) and in NRM, which was neglected by all but one project. Marketing linkages were not emphasized in the first three investments in Albania, nor in Azerbaijan's first project. In Azerbaijan's latter two, they were more prominent. Rural financial services were major components in all projects. On-farm productivity and the non-farm rural economy featured in some projects though generally were not emphasized.

122. Average ratings for targeting were moderately satisfactory. The post-2001 decline was due to the decreasing emphasis on disadvantaged groups and a less focused approach, dispersing assistance across larger parts of the country; trends that may be explained by government preferences rather than PN's strategic approach. Geographical targeting weakened in Albania and Moldova in more recent projects. The outreach of projects in Albania has become highly dispersed. The first project focused on the most neglected mountain areas but the focus gradually shifted in later projects to a broader coverage of mountain districts. The most recent project's programme area held a population of about 1.7 million, or about half the total national population. The first Moldova project initially targeted one district which could be considered a neglected area, upscaling the provision of rural financial services nationwide during the project implementation period. The following two projects included the rural population of the whole country. The first of the latter projects specified target groups, namely village agricultural workers, members of farm organization, entrepreneurs in agro-services, agro-processing and marketing. The last project favoured loan applicants (businesses) and grant applicants for infrastructure grants located in the poorest communes but did not exclude those in other areas. Azerbaijan projects had very well defined and concentrated project areas even though the locations selected were not contiguous and might not have covered the most disadvantaged areas.

Table 9. Alignment of Projects to the CEN Regional Strategy

Country Name	Albania	Azerbaijan	Moldova	Average	Pre 2002	Post 2002
Number of Projects	4	3	3		6	4
Alignment Ratings						
Strategic objectives	4.5	5.0	4.3	4.6	5.0	4.0
Opportunities for investment	4.5	4.3	3.0	3.9	4.0	4.0
Operational Approach						
Targeting	4.1	4.3	2.3	3.6	4.0	3.0
Operating modus ³⁹	4.3	4.3	3.7	4.1	4.0	4.3
Pillars of the Action Plan						
Strategic partnerships	3.8	4.7	3.7	4.1	4.3	3.5
Policy dialogue	2.3	4.7	2.3	3.1	3.0	3.3
Knowledge management	3.0	4.7	3.0	3.6	3.8	3.0
Impact management	3.3	4.3	4.0	3.9	3.8	3.8
Average	3.7	4.5	3.3		4.0	3.6

Note: The rating scale ranged from 6 (highly aligned) to 1 (highly unaligned). A rating of five meant that the subject under review fully met the requirements of the regional strategy.

C. Project Effectiveness and their Contribution to Regional Objectives

123. An evaluation of project effectiveness in implementing the regional strategies could not be performed for projects approved after the regional strategies were adopted, because these projects had not advanced sufficiently in their implementation to make an assessment meaningful. As the regional strategies were, in part, designed to reflect then current programmes, older projects do have relevance to the effectiveness of the regional strategy. If they are effective, they provide a solid endorsement of a regional strategy continuing on the path that already had been chosen. If they are not, either the strategy should be changed or serious management attention should be directed at the way in which resources are mobilized and the strategy implemented as well as to issues of impact management at the project level. Thus, the evaluation reflects completed project effectiveness. The evaluation discounted ratings to take into account the prior assessment of the alignment of projects' design with the regional strategies. Without this discount factor, the ratings shown below would have been lower.

124. Projects in the NENA region scored poorly (Table 10 shows scores by project for both the NENA and CEN regions) for most effectiveness ratings while CEN projects achieved much better average scores against every comparable category, though they had a higher proportion of ratings below moderately satisfactory. 58 per cent of NENA ratings and 64 per cent of CEN were below the "moderately satisfactory" (4) level. The fact that in each category, at least one NENA and CEN project scored moderately satisfactorily suggests that regional strategies were realistic. Poorly designed projects were likely to score poorly. Where effectiveness scores were lower than design scores, implementation was likely to be the cause. The scores, however, are cause for concern regarding impact management in particular. Only 6 per cent of NENA and 25 per cent of CEN ratings attained a satisfactory level with just over half of these being scored by two projects, the Fourth Fisheries Development Project in Yemen and the Farm Privatization Project in Azerbaijan. Of particular note were the very low NENA scores for innovation, a comparative advantage and key corporate objective of IFAD, with only two projects scoring 4. For example, while innovation was a very strong feature of most designs in the Sudan, implementation was uniformly poor, failing to implement innovation largely due to reversals of policies and lack of commitment. In Yemen, most of the innovative ideas relating to participatory NRM and participatory rural financial systems were not successfully implemented. The Tihama Project, for example, sought innovative ways to protect land against desertification but, in the end, turned to indigenous tree species as the best option.

³⁹ Operating modus refers to i) the combination and variety of instruments used (loans, grants, programmatic approach especially to ID and-partnership building); ii) flexibility in project design and implementation; and iii) technical and managerial support in project design and implementation.

125. No NENA project scored a satisfactory rating of 5 for targeting the rural poor, though two did for gender and youth which reflects poorly either on design or on management and supervision of project implementation. All projects followed targeting strategies in line with the regional strategy, with the exception of the Southern Roseries Project in Sudan and the last two projects in Egypt. The Southern Roseries Project was not effective in addressing the socio-economic differences within the project area and overall those who were given priority for semi-mechanised plots were the relatively better off. The criteria for the allocation of plots to poor women for small ruminant credit were not applied. Some other projects had similar issues, focusing on selection criteria other than those established at project design. In Yemen, in most areas, a majority of people in project sites were poor and targeting was in keeping with IFAD specificity. Even in projects where some of the sites were chosen based on technical criteria such as appropriate locations for shelter belts in the Tihama project, the areas selected were inhabited by a majority of poor households.

126. CEN targeting also experienced difficulties. In Albania, the focus on mountain areas, which cover more than half the country was not sufficient in itself in selecting the most disadvantaged areas. In practice, IFAD-funded projects did not focus strictly on the small farmer as defined in project documents. The type of beneficiaries tended to be dictated by the location of the physical infrastructure schemes although poverty incidence was reported to be a criterion for selection. The beneficiaries of credit programs were self-selected but loan sizes indicated they were not among the poorest. In Azerbaijan, gender targeting was helped by the presence of female community facilitators in all project areas. Depending on implemented activities, the percentage of women involved varied from 21-100 per cent. In the micro-finance component 39 per cent of the loans were provided to women.

127. In NENA, strategic partnerships and policy dialogue scored poorly in Sudan even though, for many years, IFAD was the sole IFI present in the country. They scored poorly also in Egypt, again suggesting that strategic partnerships might be better managed at divisional level rather than country level and policy dialogue at country level rather than project level. In CEN, the implementation of the strategic partnership agenda shows a disquieting trend. In the three projects approved before 1997, the planned co-financing fully materialized. Between 2002 and 2005, no cofinancing was programmed or the programmed co-financing did not materialize. A consequence was a reduction in project scope and therefore impact even when IFAD funds filled part of the gap. The issue of strategic partnerships is a good example of how strategy can become secondary at operational level and needs a formal management driver to ensure implementation.

128. The PN regional strategy nominated infrastructure as a priority, but not for IFAD financing. The idea was for co-financiers to provide funds for projects' infrastructure components. Table 2 has already shown that infrastructure was the component which received by far the highest proportion of NENA funding. Investments in physical infrastructure accounted for the largest share of IFAD investments in Yemen. They were well implemented in all Yemen projects and in most projects in the Sudan and Egypt where infrastructure accounted for relatively smaller investment shares. A wide range of infrastructure investments was undertaken including drinking water supply, rural roads, small-scale irrigation, electricity, social infrastructure such as schools, health posts and more specialized investments such as receiving and storage sheds for the fisheries sector.

129. With infrastructure, what seems to have occurred is that co-financing is often promised during design, but for a variety of reasons the expected co-financing does not then materialize by start-up. As government set a high priority on infrastructure, IFAD may then choose to reallocate project financing to accommodate infrastructure requirements. Funding, consequently, is transferred from regional strategy priorities to non-priorities. For example, the planned rural infrastructure component of Sudan's South Kordofan Project was financed through a reallocation of IFAD loan funds when the co-financier did not materialize. In Egypt, the NLASP irrigation system rehabilitation required more funds than planned, which were then provided partly by government and partly through an IFAD loan reallocation. In both Newlands Agricultural Services and East Delta Newlands Agricultural Services Projects, PN redirected limited loan funds from other activities to infrastructure which had been planned for government funding.

Table 10. Project Effectiveness in Implementing the NENA and CEN Regional Strategies

NENA					<i>Initiatives</i>			<i>Targeting</i>		Pillars of the Action Plan			
Country	Project	App- roval Date	Strategic objectives	Particip- ation	Innovat- ion	Devolut- ion	Capacity building	Rural poor	Gender & youth	Strategic partner- ships	Policy dialogue	Knowledge Manage- ment	Impact Manage- ment
Sudan	Southern Rosaries	1990	3	3	2	2	2	2	2	2	1	2	3
	Northern Province Irrigation 2	1992	2	2	2	2	4	4	2	4	1	3	2
	White Nile Agriculture	1993	4	4	2	3	4	4	5	2	1	4	4
	Northern Kordofan	1999	4	4	3	4	3	4	4	1	3	4	4
	Southern Kordofan	2000	3	3	2	2	3	4	4	1	2	4	3
Yemen	Fourth Fisheries	1990	5	4	2	5		4	3	4	5	5	5
	Tihama Environment Protection	1993	3	1	2	1		4	4	3	3	3	4
	South Governorates	1997	4	3	1	4		4	4	3	2	3	3
	Raymah Area	1997	4	2	2	4		4	4	2	2	3	3
	Al-Mahara Community	1999	4	4	1			4	4	3	3	5	4
Egypt	Newlands Agricultural Services	1992	4	2	2	4	3	4	5	2	1	4	4
	Agricultural Production Intensification	1994	4	2	2	3	3	4	4	2	2	3	3
	East Delta Newlands	1996	3	4	4	3	4	3	4	3	1	3	2
	Sohag Rural Development	1998	3	4	4	3	4	3	3	5	4	2	4
	Total mean		3.6	3.0	2.1	3.1	3.3	3.7	3.7	2.6	2.2	3.4	3.4
Sub- total means	Sudan		3.2	3.2	2.2	2.6	3.2	3.6	3.4	2.0	1.6	3.4	3.2
	Yemen		4.0	2.8	1.6	3.5		4.0	3.8	3.0	3.0	3.8	3.8
	Egypt		3.5	3.0	2.5	3.3	3.5	3.5	4.0	3.0	2.0	3.0	3.3
CEN													
Albania	Northeastern Districts RD	1993	3					3		1	1	2	2
Albania	Smallscale Irrigation Rehab	1994	2					2		2	1	2	2
Azer	Farm Privatization	1997	6					5		5	6	5	4
Albania	Mountain Areas Development	1999	5					2		5	2	3	4
Mol- dova	Rural Finance & Small Enterprise	1999	3					5		1	1	3	4
Azer- baijan	Rural Development for Mountainous and Highlands	2001	5					4		2	3	3	2
	Total Mean		4.8					4.2		3.2	2.8	3.6	3.6

Note: The rating scale ranged from 6 (highly effective) to 1 (highly ineffective). A rating of five meant that the subject under review fully met the requirements of the regional strategy.

130. In CEN, only modest funds were allocated for micro-enterprise development. Such a development was an important aspect of the regional strategy and potentially important to generating employment opportunities, in particular for unemployed youth. The regional strategy's concept included combining capacity building, technical and vocational training, building up pipelines of "sub-borrowers" for microcredits, and support sectors and market development as key elements in IFAD's programmes. The evaluation found that projects focused more on the micro-credit component rather than providing a comprehensive range of micro-enterprise development initiatives. The shortfalls appear to have resulted from a failure to adequately prepare this intervention and generally limited experience of IFAD's implementation partners to manage micro-enterprise components.

131. Policy dialogue was limited in Sudan, Albania and Moldova and, apart from the Sohag Rural Development Project in Egypt and the Farm Privatization project in Azerbaijan, it did not perform particularly well in Egypt, Yemen and Azerbaijan, again providing testimony that policy dialogue requires specific objectives and resource allocation.

132. The Farm Privatization project in Azerbaijan bears testimony to what PN might accomplish with well targeted policy dialogue, especially in countries which have a large policy change agenda to embrace. In this project, after land privatization and farm restructuring was completed in the six pilot districts, the government replicated the model designed and piloted by the project on a nationwide basis. A legal framework was established for transfer of land titles. Model documents formats were prepared for the operation of water users' associations established under the project. This documentation was of great assistance to Parliament in its deliberations about a new law regulating these associations and eventually the project's participatory irrigation management model was adopted nationwide. This law now provides the legal base for 585 associations established countrywide.

D. Conclusions about the Operationalization of Regional Strategies

133. The two PN regional strategies had broad coverage which was not surprising as they set out to reflect the current situation of project activities in the NENA and CEN regions. Without a more clearly focused and prioritized regional strategy to guide operations, the latter were not directed to a given set of priorities which reflected IFAD's comparative advantages and business model to address rural poverty. Consequently, there were few activities that would not fit the strategies, with one exception of infrastructure development in the NENA region, which was to be left to funds provided by co-financiers or governments.

134. One immediate consequence of the generality of the strategies was that there was no focus, making it more difficult for IFAD to differentiate itself from other donors. The regional strategies did not seek to exploit IFAD's comparative advantage. Innovation, for example, which is regarded as a comparative advantage of IFAD, was mentioned in strategy documents but there was no strategy to pursue it. Table 3 showed that grants, other than for agricultural and NRM research, were not sufficiently allocated for innovation. The review of the grants programme concluded that PN had not been very active in fostering innovative approaches for agricultural research. Of the pillars of the action plan, knowledge management, which should have close associations with innovation and through its focus be one of IFAD's comparative advantages, was also featured. Precisely what knowledge the division was to focus on and strategies for its use were not developed. Knowledge management did feature in grants, but \$1 million was applied to developing a knowledge generation and sharing network in the NENA region before any strategy had identified what categories of knowledge PN should concentrate on. Interestingly, the PN review of the grants programme found the weakest part of the grants programme was the way it managed reporting and knowledge management⁴⁰.

135. The implication of the strategies was that IFAD would meet its objectives through projects. Grants were not considered strategically, and their linkages to the loan programme weak. No criteria were established to determine what kind of intervention could be exploited by a grant and how grants might be used strategically as a mechanism to create synergies across the region. Issues like strategic alliances and policy dialogue were left largely to be addressed at the project level and limited resources were provided

⁴⁰ PN, A Review of the Grants Programme in the Near East and North Africa Division (PN), 2005.

for them outside project frameworks. Impact management, which is more an operational issue than a strategic one, was considered but there was no attempt to develop a strategy to improve the feedback loop to enable divisional management to monitor projects' implementation progress.



Arab Republic of Egypt
Minya Agricultural Development
Project
Woman with a child in Minya

Source: IFAD photo by Ursula Wieland

136. COSOPs remained faithful to the broad coverage. There was a good level of consistency between COSOPs and regional strategy. Only at project level were there divergences as projects had to make choices from within the broad strategic framework provided to them. Strategic partnerships and policy dialogue fared poorly. The reasons why strategic partnerships did poorly was not established by the evaluation and remains an important question for PN management to resolve. One possibility is IFAD's reputation and a consequent reluctance on the part of other donors to commit funds for IFAD projects. A more likely one is that a project was designed and PN sought buy-in on the part of donors rather than approaching the issue strategically and developing agreements on the part of certain donors to contribute to issues of rural development of interest to them and, possibly, to participate in joint designs. Participation might be an important value in terms of rural development. It might also be so for effective strategic partnerships because other donors must report on the effectiveness of their strategies. That suggests that strategic partnerships should also be addressed at the regional level and resources allocated to it. Policy dialogue, other than a spectacularly successful project in Azerbaijan, was limited. Effective policy dialogue needs resources and time in the highly skillful and specialized areas of drafting policy papers and organizing the political support necessary to provide the momentum for policy change. Neither regional strategies nor COSOPs recognized such requirements and, consequently, provided no resources to undertake the requirements effectively at a country level.

137. IFAD has two broad approaches to projects. There are rural development projects which include a range of different components and there are thematic projects which concentrate on a theme like rural finance, irrigation, fisheries or the environment. There has been a tendency in NENA to favour broad based agriculture and rural development projects as shown in Table 11. Thematic projects are more likely to generate specific agendas for innovation, devolution, policy dialogue or knowledge management than those that have a large number of components such as agriculture and especially rural development projects. Also a series of thematic projects is better suited and more likely to lead to a programmatic approach in which successive projects pursue a medium term program. A case in point is the experience in Yemen where the designs of the Fisheries and Tihama environmental projects were strong on innovation, devolution and policy dialogue compared to subsequent broad-based projects. In contrast, the impact of broad-based projects is more likely to be experienced on community development, agricultural development and extending rural financial services to new beneficiary groups. They provide an easier context in which to target the rural poor. They also lead to a programmatic approach which can be pursued in the context of a succession of area based projects continuously improving the achievements of the previous one. What regional and country strategies did not do was to develop a strategy and business model in which the advantages of the two kinds of project could be dovetailed effectively into a programme of projects to produce synergies as well as to enhance the achievement of IFAD objectives in areas like innovation and policy dialogue.

Table 11. Types of Projects in NENA Region

	1990-2000	2001-2005	Total
Thematic	7	0	7
Agricultural and Rural Development	15	9	24
Total	22	9	31

138. Innovative pilot projects that can be replicated and scaled up on a sustainable basis are an important corporate priority for IFAD in general. The Azerbaijan FPP was an exemplary model of an innovative project. It exemplified key elements of success, including:

- i. The critical importance of government commitment to the major project objective and a central involvement in all aspects of project design and implementation;
- ii. Starting with a limited pilot operation designed for wider application;
- iii. Building into the project the elements needed to generate timely and appropriate information for monitoring and evaluating key success factors;
- iv. Ensuring that project supervision focuses on technical progress as well as the standard financial and administrative requirements (disbursements, procurement, etc.). For this, direct supervision by IFAD, or the use of a CI that has the appropriate incentive and knowledge to fulfill that role (such, as in this case, the World Bank) is critical;
- v. Helping secure the needed additional technical and financial resources to ensure that the pilot project is replicated on a sustainable basis as well as to have the leverage with government to address the required policy changes in an effective way.

139. Impact management was a pillar of the regional strategy action plan. The mandatory requirement that all projects have a monitoring and evaluation system and more recently the inclusion of RIMS as a mandatory part of all ongoing projects' M&E systems has led to much effort and resources going into project monitoring. Field visits suggested that reports measuring progress were produced fairly regularly and that this information was distributed in an appropriate and timely manner. However, the analysis needed to define shortcomings and take corrective action was not built into the systems or into management processes. The impression often conveyed was that data was generated more to meet IFAD's demands than as a tool of project management. Perversely, IFAD's demands were not synchronized with its strategic priorities.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

140. PN's regional strategies did not seek to focus on IFAD's comparative advantages like its bottom-up approaches to rural development, political empowerment of the poor and its close partnership with governments to influence national policies. They did not seek to develop IFAD's comparative advantages and add to them by focusing on a few activities which PN does well and thus enable IFAD to differentiate itself and to promote a strategic alternative to foster strategic partnerships with other donors and partners.

141. They did not examine PN's business model, refine it and apply it to the challenges in each country. They did not examine IFAD's instruments (loans and grants) and human resources to establish how they could be matched most effectively to meet the strategic objectives. What they seemed to do was to assume that the present approach was working satisfactorily, that individual CPMs were the best mechanism for dealing with the numerous issues confronting PN in delivering the desired outcomes and that they should be enabled to do so within a broad and permissive framework. This is, in fairness, more of a corporate issue – regional strategies were adopted at a corporate level without the necessary analysis of how they should have been used to guide operations and the allocation of resources. PN in turn, clearly suffered from this lack of clarity in developing and implementing its regional strategies.

142. The question of what resources would be available to deliver the objectives is probably the easiest part of a strategy. PN could reasonably easily predict what resources were likely to be available for the strategy period as resource allocations seem to be made predominantly on a historical basis⁴¹. A difficulty would be setting targets for cofinancing so that there sufficient funds would be available to meet objectives. Setting such targets would be positive in that it would focus management attention on delivering on strategic partnerships and the need to have longer term agreements in place. The recent situation where numerous projects were unable to secure co-finance seems unsatisfactory and indicate the need for a more strategic approach to partnership development.

143. The resources question also applies to organizational health and management. PN has a flexible environment for HRM. It has a small core of permanent staff and funds to recruit additional staff to meet its ongoing needs on long and short term bases. Its small core of permanent staff, however, has significant workloads. They have little time for personal development, especially to become familiar with new areas of endeavour of importance to their work. The regional strategies paid little attention to the question of how to maintain the capacity of the division to maintain high quality products in a reasonably unpredictable and changing environment. As a result, little was done to prepare permanent staff to meet some of the challenges that lie ahead especially in the context of an ongoing development programme for staff and the provision of easily digestible information to enable them to keep abreast of important developments of relevance in the field.

144. The question of how the strategy was performing was not addressed. For one thing, the strategy contained too many categories without explaining their interrelationships in terms of poverty alleviation and how to measure results. Consequently, there was insufficient information for an effective reporting system to be designed to report on performance. The evaluation has found that the PN regional strategies were not incorporated into the ongoing management reporting systems of IFAD. There were no changes in how loan components and grants, for example, were categorized. Reporting of loan components and grants was based on different and mutually exclusive sets of categories. There was no relationship between reporting categories and strategic priorities with the consequence that there was no way that divisional management could receive regular information about how individual elements of strategy were performing. In fact, there was no management feedback loop. Under these circumstances, strategy could not be monitored and refined over time.

145. A number of important strategy issues were not considered in the regional strategies. The question of whether or not IFAD should invest in a country which only has one project every six years or more is pertinent and relates to a second question of the prospects of a strategic partnership with a co-financier when there is only a project every now and again.

146. Projects are implemented by government. Consequently, strategy needs to introduce an appropriate incentive system to encourage IFAD's priorities to be prioritized in project implementation. Paradoxically, management interest and incentives are usually focused more financial issues rather than on the achievement of priorities. Disbursements and procurement procedures are what are monitored most closely. As a second priority, supervision reports consider technical issues like agricultural productivity, infrastructure progress, rural finance etc. without examining impacts on the rural poor. General findings of OE are that supervision generally places most of its resources on managing the fiduciary aspects of a project and pays insufficient attention to technical issues and implementation support. Strategy issues tend to receive little attention given that the management reporting systems are not organized to report them.

147. One purpose of strategy is to formulate means for an organisation to achieve the goals it has set for itself. IFAD's goal is to lead global efforts in helping the world's poor by becoming a catalytic, knowledge based organisation focused on the design and implementation of innovative, cost effective and replicable programmes with sustainable impact. This evaluation has found that PN's regional strategies have not lived up to this expectation in many respects to contribute significantly to this goal, indicating that strategy in these areas needs a serious rethink:

⁴¹ Furthermore, PBAS allocations at the time of the adoption of the regional strategies were relatively stable as they were based on divisional shares.

- i. PN's strategy for strategic partnerships has not worked. Co-financing has been particularly problematical indicating that IFAD does not wear the mantle of leadership of global efforts in the region, if one aspect of leadership is the ability to mobilize supporters;
- ii. Only one country (Moldova) had a good alignment between COSOPs and regional strategies. The alignment got worse at project level with NENA registering an average score of 2.6 and CEN a score of 3.0 (well below a satisfactory alignment) for alignment with regional strategy. Performance registered slightly improved ratings with NENA scoring 3.4 and CEN 3.6 but these scores were still below satisfactory;
- iii. Innovation also fared badly (as would replication because replication is dependent on innovation). It was not highlighted in the CEN strategy, which might be a consequence of having a consultant not steeped in IFAD's value system preparing the strategy. Only two of six NENA COSOPs were well aligned with the regional strategy for innovation. The alignment of post 2001 project designs scored 3.7 for innovation but disappointingly promise turned into poor implementation performance with NENA projects scoring an average 2.1 for innovation.

148. IFAD is a small organisation with limited operational funding. It performs a very important function as the only IFI concentrating entirely on rural poverty and development. To be effective, it needs to concentrate on doing a few things very well to maintain its own comparative advantages. The Fund therefore needs to marshal its resources and especially its human resources in such a way that they focus on helping to maintain these comparative advantages. This requires having a clear understanding of the institution's comparative advantages, prioritizing them in regional strategies and supporting their development with adequate financial resources. It then needs to know that operational divisions are employing their resources to support the comparative advantages. Innovation, for example, should be one such comparative advantage. Yet, there is very little information flowing up to management about the resources that are applied to important comparative advantages and what kind of impact they have on IFAD's work.

149. The Strategic Framework 2002-2006 identified 6 measures for enhancing IFAD's catalytic impact. Their ratings for alignment and performance generally deteriorated at the operational level compared with the country programme level. Two of the measures, strengthening partnerships and knowledge management, have been discussed in the previous paragraph. Of the other four:

- i. Maximizing participation was not highlighted in the CEN strategy. NENA COSOPs scored well for alignment with regional strategy in pre-2002 strategies but less well in post-2001 strategies. Alignment of project designs with regional strategies was excellent. Performance, however, was poor with an average rating of 3.0 being registered for the region. No project registered a fully effective score of 5 and 57 per cent of projects evaluated, scored 3 or less. If maximizing participation is a key success factor, as is indicated by their being highlighted in the strategic framework, the weak performance suggests either that divisional management is not monitoring an indicator on participation or taking the requisite action to address weak performance effectively. Alternatively, the information does not reach divisional management in a timely manner so that it is able to take action;
- ii. There was generally a moderately satisfactory level of alignment of targeting of the rural poor between COSOPs and regional strategies. That was largely maintained in the alignment between project designs and performance and regional strategies, though there was still room for improvement with ratings being at the 4 level rather than the fully satisfactory level of 5;
- iii. IFAD's participation in processes to develop PRSP's was not examined in the regional evaluation;
- iv. Of all the categories, policy dialogue achieved the highest scores for alignment between COSOPs and regional strategies. From scores of just under 5 in NENA and 5.7 in CEN for COSOPs, project designs averaged 1.9 for NENA and 3.1 for CEN. Policy dialogue was little better for NENA with an average rating of 2.2 and slightly worse for CEN with an average rating of 2.8. Policy dialogue, consequently, went from the highest performer for strategic intent to the lowest performer at the operational level. That indicates that policy dialogue was

not being implemented inside the project environment. Consequently, given its priority, policy dialogue needed, but did not receive, closer strategic attention to ensure that it was sensibly targeted and sufficiently resourced.

150. The 5th and 6th replenishment reports sought to encourage IFAD to produce a ‘catalytic impact’ to increase the investment return of its limited loan funds. That impact was to be achieved through strategic partnerships, policy dialogue, innovation, replication, knowledge management and impact management. The previous two paragraphs have discussed all these areas other than impact management. Impact management also performed erratically. Alignment was good between COSOPs and regional strategy for NENA, especially for the post-2001 COSOPs. In contrast, the alignment between COSOPs and regional strategies for CEN was poor with an average rating of 2.3. Paradoxically, NENA’s alignment between project designs and regional strategy was poor with an average rating of 2.9 while CEN’s project alignments were better than its COSOPs with an average rating of 3.9. Project performance remained at these levels with NENA scoring an average 3.4 and CEN an average 3.6. Impact management, consequently, had much the same experience as other areas. Alignment between project designs and regional strategies and operational performance were weak and, provided further testimony to the finding that what was important to strategy was not emphasized to the same degree by CPMs at the operational level. To sum up, this evaluation set out to address three questions. The first was how well the regional strategies were designed. A major weakness was that insufficient guidance was provided to divisions including PN on the contents of a good strategy. Neither did the division have experience in producing such a strategy. In spite of that, the two regional strategies, especially the NENA regional strategy, made a creditable beginning at producing the basic building blocks for an effective regional strategy. There is no harm in being overly generalized with a first shot so long as there is a process to refine that generality and focus it through time based on experience and a greater understanding of the overall operational environment. That process was not put in place.



Azerbaijan Republic
Farm Privatization Project:
Hasanova Lumuzar picks flowers
off saffron plants on her farm in
Khatai village. She has already
harvested her wheat. Next year
she will also be planting onions
and tomatoes

Source: IFAD photo by Robert Grossman

151. The second question concerned how well the regional strategies were implemented. The answer is that they do not appear to have been implemented. The SE made it quite clear that little operational reference was made to either strategy. The strategies achieved little relevance because they were not given the importance and support that they warranted. Consequently, as PN’s SE confirmed, CPMs had a range of views about their relevance, ranging from their being irrelevant to, at best, providing useful ‘broad guidelines’.⁴²

152. The third question concerned whether or not IFAD provided the right resources and processes to implement the strategies effectively. However, this may not be an appropriate question for a number of reasons. That is, the strategies were not used as living documents, and that many of the things that matter like innovation, knowledge management, strategic partnerships, policy dialogue were not addressed effectively at operational level. A focus only on projects, which is what matters mainly under the current incentive systems and the absence of strategy meant that a number of key areas considered crucial to IFAD effectiveness were not emphasised. Hence, the question whether the right resources and processes were in place to implement the PN regional strategy is not so pertinent under the circumstances.

⁴² PN, Self-evaluation of the Near East and North Africa and Central and Eastern Europe and the Newly Independent States Regional Strategies – Zero Draft, 2006, p.49

153. Finally, at a strategic level, two important priorities which need to be addressed by PN are the enhancement of IFAD's comparative advantages and the leveraging of IFAD's scarce funds to secure co-financing from partners or counterpart funding from governments. Securing the rural development innovatory niche must be a priority and warrants reconsideration of how grant funds are employed. Greater attention needs to be paid on developing alternative skills and opportunities for rural populations outside agriculture, especially in the NENA region and making that into an IFAD comparative advantage. Likewise, rural finance also offers opportunities to develop new initiatives and new products so that a viable industry can be established to address rural financing needs, including those of the rural poor. Leveraging off the funds available also needs attention at the divisional level rather than treating it solely as a project requirement. If the World Bank markets itself to potential donors outside the replenishment cycle, there is no reason why PN cannot also do so for its regional objectives.

B. Recommendations

154. **The importance of IFAD regional strategies.** This evaluation recommends that IFAD develop a new PN regional strategy. This is consistent with the evaluation of the PI regional strategy (EVEREST, 2006), which recommended that regional strategies should be continued and among other things become a 'true tool' of PI and IFAD management. An eventual PN regional strategy would assist, among other issues, management in establishing priorities for its country strategies and operations in the region. A new regional strategy for PN should also include key performance indicators that would serve to manage performance more effectively. It would also contribute to promoting divisional accountability, and focus operations on where funds are spent most effectively.

155. Although no new RS will be developed for the time being as per the decision of the IFAD management, in response to PN self assessment exercise and to the recommendations made in the earlier drafts of this evaluation, the division (PN) has published a number of strategic and thematic studies outlining the Division's approach in key technical areas and providing a strategic guide for operations in the region. These are:

- i. Status of Rural Poverty in the NENA (jointly with FAO, 2007);
- ii. Impact of Trade Liberalization on Agriculture in the NENA (jointly with IFPRI, 2007);
- iii. IFAD Thematic Priorities for the NENA (2008);
- iv. Guiding Framework - Rural Finance in the NENA (2008); and
- v. The Role of High-value Crops in Rural Poverty Reduction in the NENA (2008).

156. **The need to establish strategic partnerships to mobilize co-financing.** The capacity of PN to leverage and mobilize co-financing has diminished since 2002. In this regard, the evaluation has mentioned that there was practically no analysis of what other donors were doing in the field and what their strengths and weaknesses are. IFAD needs to perform such a marketing exercise to establish which donors are likely to have the best fit with IFAD's strategy and target them as potential partners. The ultimate aim is to identify and establish strategic partnership with regional and non-regional institutions that have interest in agriculture and rural development as a vehicle for rural poverty reduction in the region. This recommendation would also contribute in furthering IFAD's overall objective of promoting innovative solutions in agriculture and rural development, which can be up-scaled and replicated by other partners including potential co-financiers.

157. **Employ a specialist to develop innovative products.** Knowledge management and innovation are targeted by management as key comparative advantages of IFAD. The Initiative for Mainstreaming Innovation called for developing concrete activities to promote innovations. A building block for such activities for PN could involve the production of "project identification briefs" that define the scope and time-frame for obtaining specific results through testing followed by replication and up-scaling for each potential innovative project. Such a building block needs to be resourced with at least one officer who is skilled in 'product' research and development. That requires budget supplementation for the division to provide such a resource or an indication to the division what work it is now doing which can be regarded as low priority and the funds applied to it transferred to innovation development. The packaging of such

product briefs would be subject to operating realities using grants to fund pilot innovative projects or, where that is not possible, including small innovative components in regular operations. In cases where Governments have a strong commitment to innovatory ideas and are willing to borrow and assume the risks of their development (as in the case of the FPP in Azerbaijan), a pilot project would be an appropriate mechanism. But when this is not the case and grant funds are insufficient, innovative components can be attached to regular operations.

158. As part of its efforts to support the development of innovations in its portfolio, it should be acknowledged that in 2007 the Division adopted a new set of grant allocation criteria (closely linked to Corporate Key Performance Indicators – KPIs – and PN thematic priorities) that aim to link the PN grant and lending programmes more strategically. A number of these criteria relate to piloting innovations and promoting replication and upscaling. The Division has also initiated several programmes with recognized centers of excellence (ICARDA and IDRC) to support pilot testing of innovative approaches in a number of fields (including pro-poor supply chain analysis, promotion of non-traditional crops, research and dissemination of improved technology for small ruminants) which are then expected to be replicated in future IFAD lending operations.



Gaza and the West Bank

Gaza Strip and Jericho Relief and Development Programme: Future entrepreneurs attending a training course at the Business Service Centre for Women's Enterprises in Beit Hanoun. Women are trained to conduct feasibility studies before undertaking a new enterprise

Source: IFAD photo by Wendy Sue Lamm

159. **The human resources of PN should be strengthened with the addition of an experienced operations advisor and another professional economist.**⁴³ The major purpose of these additions would be to strengthen the catalytic impact of IFAD's programs in the PN region, improve the quality of economic and sector work required to achieve better development effectiveness, and enhance portfolio management in general. The major responsibilities of the new staff could include the following:

- i. develop a programme to secure additional funding for IFAD projects through strategic partnerships;
- ii. support the CPM's in their efforts to identify key poverty alleviation activities to be supported by IFAD in their countries;
- iii. develop and implement programs with relevant economic and technical research institutes to help IFAD develop innovative pilot projects, define the specifics of the policy dialogue, undertake economic and sector studies that can be operationalized, etc;
- iv. support the CPM's in ensuring that project and grant supervision and implementation support is carried out according to IFAD standards and takes full advantages of development opportunities provided by the project/grant;
- v. support the CPMs in taking advantage of development opportunities emerging during project implementation including dialogue with the government of policy lessons.

⁴³ It should be noted that the Division has recently completed the recruitment process for three new professional staff; a Portfolio Adviser as well as two new CPMs, all of whom are expected to become operational in July/August 2008.

159. **The incentive system for CPMs should be refocused on strategic priorities.** In the context of a regional strategy, PN should review the incentive system for CPMs. The present system is overly focused on project development and insufficiently on outcomes of those projects and the contribution project designs make to IFAD's own reputation. The Division has taken this recommendation on board, and is now placing a stronger emphasis on country programme implementation (in itself an important corporate priority) with the conversion of some 70 per cent of the divisional portfolio to direct supervision and the expected out-posting of CPMs. This has been complemented by the inclusion of Implementation Indicators, linked to the Divisional Management Plan in staff performance reviews. CPMs have also benefited from intensive training programme, with most CPMs now trained in Rural Finance, Knowledge Management and Innovation.

Rating Scales for each Regional Strategy Priority

	Appendix 1a -- NENA -- Alignment and Effectiveness [*] Ratings of COSOPs and Projects to Regional Strategy					
Assessment Criteria	Highly satisfactory (6)	Satisfactory (5)	Partly satisfactory (4)	Partly unsatisfactory (3)	Unsatisfactory (2)	Highly un-satisfactory (1)
RS Objectives - Empowerment, diversification; gender; and NRM	All four objectives are fully reflected adequately	All objectives are reflected but not adequately <u>Or</u> Three objectives are fully reflected	Three objectives are reflected but some inadequately	Two objectives are fully reflected	One objective is fully reflected.	None of the objectives are reflected or one or two are inadequately reflected.
Intervention Areas	Each intervention area covered in the COSOP that is included in the RS is awarded a point of 1 if its content fully reflects the content of the RS; half a point if it does only partially so and zero points if the coverage is inadequate. If an intervention area not included in the RS is included in the COSOP a one point deduction is made. Maximum points are six if all six intervention areas are fully covered and zero if none are covered or covered inadequately.					
1. Programming Approach	The country strategy or project was designed <i>ex-ante</i> as a set of interventions to achieve the sustainability of key ID or other goals.	The country strategy or project followed <i>in fact</i> a set of interventions to achieve the sustainability of key ID or other goals.	The country strategy or project referred to a program approach, but did not follow it through with a structured and sequenced set of initiatives. A general objective for the program was specified.	The country strategy or project did not refer to a program approach, but some aspects of projects implied a program approach with no general objective specified. The approach was later extended outside the project context.	The country strategy or project did not refer to a program approach, but some aspects of projects implied a program approach with no general objective specified. Not clear if the approach will be extended.	The country strategy or project did not consider a program approach
2.Participatory Approach	The country strategy or project specified a well-defined participatory approach for <u>all</u> the main project components with clear and substantial responsibilities for decision-making.	The country strategy or project specified a well-defined participatory approach for <u>some</u> the main project components with clear and substantial responsibilities for decision-making.	The country strategy or project specified a well-defined participatory approach for one or two minor project components.	The country strategy or project specified a participatory approach of limited scope or decision-making responsibilities. -- e.g. one that involved only advisory responsibilities.	Participation was limited to collecting information from stakeholders and providing them with feedback; they played no other meaningful role.	There was no mention of participation in the country strategy or participation of stakeholders in any aspect of project design or implementation.

	Appendix 1-Table A -- NENA -- Alignment and Effectiveness [*] Ratings of COSOPs and Projects to Regional Strategy					
Assessment Criteria	Highly satisfactory (6)	Satisfactory (5)	Partly satisfactory (4)	Partly unsatisfactory (3)	Unsatisfactory (2)	Highly un-satisfactory (1)
3. Innovation, Replicability & Scaling-Up	The country strategy or project identifies and promotes innovative areas through pilot projects or non-lending mechanisms that have a clear program for testing and replicability.	The country strategy or project identifies and promotes innovative areas through pilot projects or non-lending mechanisms that are to be tested.	Innovation is mentioned in general terms, but without identifying suitable areas or means of doing so.	Cursory mention of innovation.	Ignored areas in which innovative solutions were needed and could have been developed by IFAD (missed opportunity).	No mention of the need for innovation.
4. Devolution	The country strategy or project promotes devolution to end-users <u>and</u> the private sector in a <i>wide range</i> of different activities.	The country strategy or project promotes devolution to end-users <u>and</u> the private sector in a <i>few</i> selected activities	The country strategy or project promotes devolution to end-users <u>or</u> the private sector in a <i>few</i> selected activities.	The country strategy or project identified devolution as an important area and specifies general approaches but no	Cursory mention of devolution.	No mention of devolution
5. Capacity Building and TA Grants	The country strategy or project include detailed analysis of capacity building priorities and related program for support of (i) capacity building of institutions that can take over IFAD programs <u>and</u> (ii) specific research and impact assessment studies through identified research centers	The country strategy or project include a capacity building strategy and a program of support of (i) capacity building of institutions that can take over IFAD programs <u>and</u> (ii) specific research and impact assessment study(ies) through identified research centers	The country strategy or project include a capacity building strategy and a program of support of (i) capacity building of institutions that can take over IFAD programs <u>or</u> (ii) specific research and impact assessment study(ies) through identified research centers	Support for capacity building is noted in general and specific research centers are identified for research and impact assessment but with no specific programs/studies	Support for capacity building is noted in general terms.	No mention of support for capacity building.

Appendix 1-Table A -- NENA -- Alignment and Effectiveness [*] Ratings of COSOPs and Projects to Regional Strategy						
Assessment Criteria	Highly satisfactory (6)	Satisfactory (5)	Partly satisfactory (4)	Partly unsatisfactory (3)	Unsatisfactory (2)	Highly un-satisfactory (1)
6. Targeting the rural poor.	Detailed analysis of target groups leading to specific geographical targeting in areas of large concentration of poverty <u>and</u> targeting that favors the poorest segments of the population.	Detailed analysis of target groups leading to specific geographical targeting in areas of large concentration of poverty <u>and</u> limited or indirect targeting that favors the poorest segments of the population.	Detailed analysis of target groups leading to specific geographical targeting <u>or</u> limited or indirect targeting that favors the poorest segments of the population.	Good analysis of target groups, but the diverse needs are not well articulated. Good geographical targeting but the poorest segments are not targeted.	Broad mention of target groups but without differentiation of different groups. No targeting	No analysis of target groups
7. Targeting rural women and involving womens' groups.	Detailed assessment of the needs of women among the rural poor leading to gender specific targets in major project activities <u>and</u> promoting womens' groups as a project objective.	Detailed assessment of the needs of women among the rural poor leading to gender specific targets in major project activities <u>or</u> promoting womens' groups as a project objective.	Assessment of the needs of women among the rural poor leading to specific gender targets in minor project components (e.g. as trainees or recipients of extension services) <u>or</u> promoting womens' groups as a project objective.	Assessment of the needs of women among the rural poor leading to monitoring of the gender results (no of beneficiaries; credit recipients, etc.).	Assessment of the needs of women among the rural poor but no provision for measuring project impact on gender.	No assessment of the needs of women.

	Appendix 1-Table A -- NENA -- Alignment and Effectiveness [*] Ratings of COSOPs and Projects to Regional Strategy					
<i>Assessment Criteria</i>	<i>Highly satisfactory (6)</i>	<i>Satisfactory (5)</i>	<i>Partly satisfactory (4)</i>	<i>Partly unsatisfactory (3)</i>	<i>Unsatisfactory (2)</i>	<i>Highly un-satisfactory (1)</i>
Strategic Partnerships	The country strategy actively seeks to build on strategic opportunities for achieving complementarities and synergies with other important players and programs and identifies specific co-financing arrangements with a strategy for co-operation including the non-financial aspects.	The country strategy actively seeks to build on strategic opportunities for achieving complementarities and synergies with other important players and programs and identifies specific co-financing arrangements.	A number of partners are mentioned as potential co-financiers for some specific projects; <u>and</u> a number of other agencies that are working in the country are mentioned for achieving complementarities and synergies with others.	The country strategy identified co-financing possibilities <u>or</u> mentions strategic opportunities for achieving complementarities and synergies with others.	A number of partners are mentioned in a general manner.	There was no mention of partnerships in country strategy or projects.
Policy Dialogue	The country strategy or project contained a clear strategy for policy dialogue. Thematic areas and topics for policy dialogue are identified and prioritized and entry points for policy dialogue determined.	The country strategy or project contained a clear strategy for policy dialogue. Thematic areas for policy dialogue are broadly defined and entry points for policy dialogue determined.	The country strategy or project contained a clear strategy for policy dialogue. Thematic areas are broadly defined but specific entry points to engage in policy dialogue are not outlined.	The country strategy or project outlined the importance of policy dialogue and mentioned a few specific areas but did not outline a clear strategy for policy dialogue.	The country strategy or project mentions policy dialogue in a general manner.	Policy dialogue is not mentioned.

	Appendix 1-Table A -- NENA -- Alignment and Effectiveness [*] Ratings of COSOPs and Projects to Regional Strategy					
<i>Assessment Criteria</i>	<i>Highly satisfactory (6)</i>	<i>Satisfactory (5)</i>	<i>Partly satisfactory (4)</i>	<i>Partly unsatisfactory (3)</i>	<i>Unsatisfactory (2)</i>	<i>Highly un-satisfactory (1)</i>
Knowledge Management	The country strategy and projects includes a detailed program for generating new knowledge and sharing and disseminating IFAD's extensive knowledge base and lessons from the experience of others through cross-fertilization workshops and seminars and use of grants.	The country strategy and projects provide for sharing and disseminating IFAD's extensive knowledge base and lessons from the experience of others through cross-fertilization workshops and seminars and use of grants.	The country strategy and projects provide for sharing and disseminating IFAD's extensive knowledge base through cross-fertilization workshops and seminars and use of grants (but does not mention lessons from the experience of others)	General need for knowledge management identified with the requirement that an agenda be prepared.	Need for knowledge management identified in general terms	No mention of knowledge management.
Impact Management	The country strategy or project is rated on a scale of 1 to 6 depending on how many of the following measures it includes to strengthen the impact of its activities: (a) becoming more involved in project implementation and supervision; (b) TA grants to support project implementation; (c) engage in further policy dialogue on best practices for helping the rural poor; (d) focus on participatory development projects with more potential for long-term sustainability and ownership by the beneficiaries; and (e) engage in capacity-building and TA activities to strengthen the capacity of local institutions; and (f) assess the impact of development projects on beneficiaries and learn lessons of experience.					

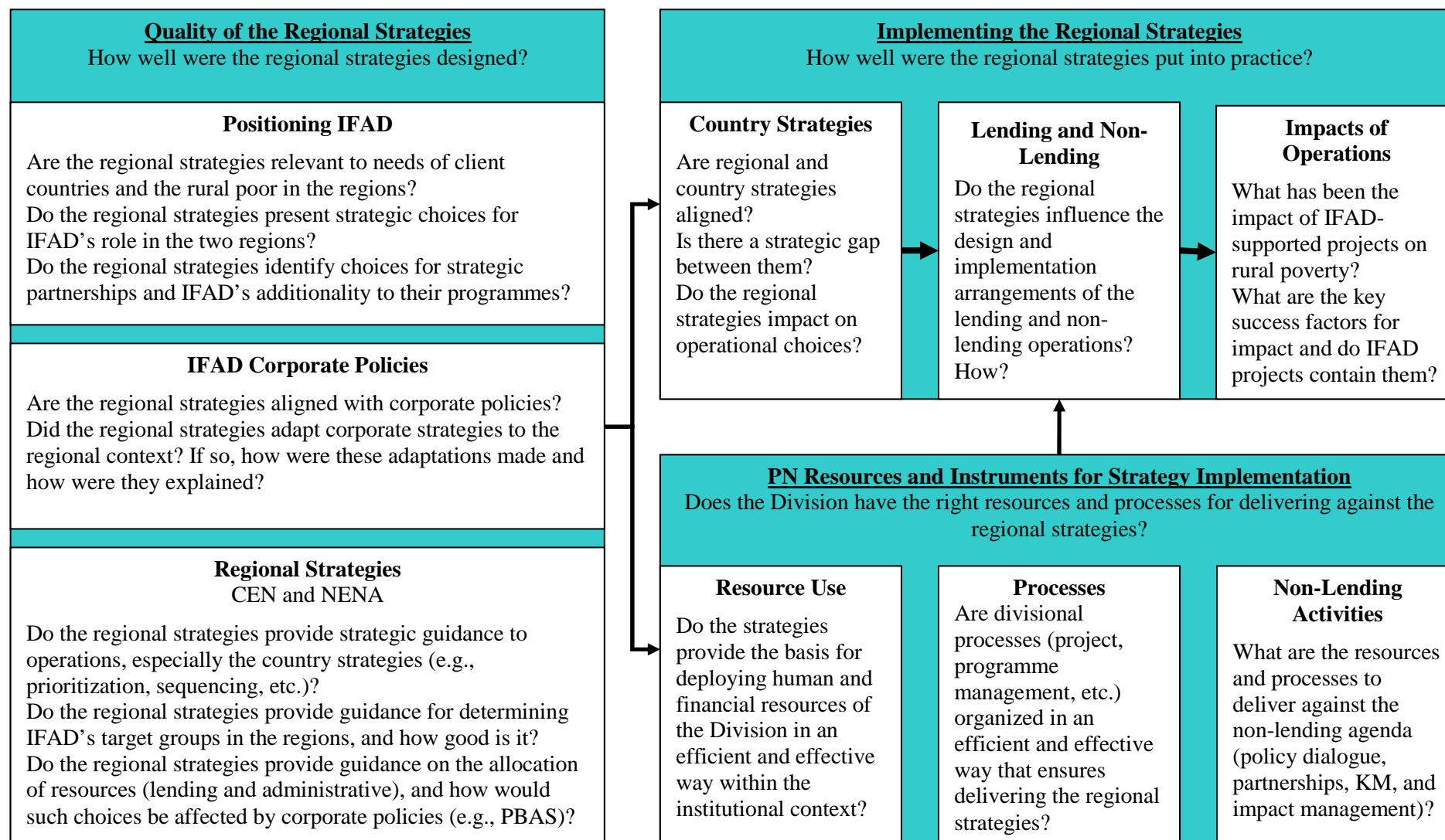
	Appendix 1-Table B - CEN -- Alignment and Effectiveness [*] Ratings of COSOPs and Projects to Regional Strategy					
<i>Assessment Criteria</i>	<i>Highly satisfactory (6)</i>	<i>Satisfactory (5)</i>	<i>Partly satisfactory (4)</i>	<i>Partly unsatisfactory (3)</i>	<i>Unsatisfactory (2)</i>	<i>Highly unsatisfactory (1)</i>
Objectives	Country strategy or project supports key aspects of the transition process through sustainable programs in the agriculture and non-farm sectors	Country strategy or project supports the transition process through sustainable programs that contribute to rural poverty reduction	Country strategy or project supports the transition process through programs that contribute to rural poverty reduction	Country strategy or project refers to transition in a general way and does mention sustainability	Country strategy or project mentions sustainability with no reference to transition.	No mention of support to transition or sustainability in the country strategy or project.
Investment Opportunities	The rating scale reflects the differing importance given by the RS to different investment opportunities. The six intervention areas are divided into two groups – those that offer the best opportunities to move out of poverty – viz. ID and market linkages – and the other four investment opportunities. The former are awarded 2 points each while the latter are given half a point each. If an intervention area not included in the RS is included in the COSOP a one point deduction is made.					
Targeting [Geographical concentration; selectivity and women]	Concentration on a few areas that reflect IFAD's comparative advantage based on a thorough analysis of country needs. Focus on the poorest segments of the population. Ensuring women have access to proposed investments and have adequate representation in relevant rural institutions.	Concentration on a few areas that reflect IFAD's comparative advantage based on a thorough analysis of country needs. Focus on the poorest segments of the population. Ensuring women have access to proposed investments.	Concentration on a few areas that reflect IFAD's comparative advantage based on a thorough analysis of country needs. Ensuring women have access to proposed investments.	Concentration on a few areas that reflect IFAD's comparative advantage based on a thorough analysis of country needs. General reference to benefits that will accrue to women and some monitoring of this aspect	Country strategy or projects mention only one or two of the targeting priorities given in the RS as summarized in the HS column.	IFAD activities are widely dispersed geographically and do not reflect its comparative advantage.
Operational Approach	Country strategy or project include a programmatic approach, innovation, use of variety of instruments, flexibility and technical and managerial support in project design and implementation; and the use of a variety of instruments.	Country strategy or project include a programmatic approach and at least three other aspects mentioned such as innovation, use of variety of instruments, flexibility or technical and managerial support in project design and implementation.	Country strategy or project include three of the aspects mentioned in the RS.	Country strategy or project include two of the aspects mentioned in the RS.	Country strategy or project include one of the aspects mentioned in the RS.	Country strategy or project include none of the aspects mentioned in the RS.
Strategic	The country strategy or project cements relations with donor through a	The country strategy or project cements relations with donor through a	The country strategy or project outlines broad areas of collaboration	A number of donor agencies working in the country are	A general reference is made to foster partnerships with	There was no mention of partnerships with donor or any of the

	Appendix 1-Table B - CEN -- Alignment and Effectiveness [*] Ratings of COSOPs and Projects to Regional Strategy					
<i>Assessment Criteria</i>	<i>Highly satisfactory (6)</i>	<i>Satisfactory (5)</i>	<i>Partly satisfactory (4)</i>	<i>Partly unsatisfactory (3)</i>	<i>Unsatisfactory (2)</i>	<i>Highly un-satisfactory (1)</i>
Partnerships	programmatic approach; explores new avenues of co-operation going beyond co-financing that build on the long-term priorities and strategic interest of each donor; and builds partnerships with civil society ,NGOs and project beneficiaries including possible co-financing.	programmatic approach; explores new avenues of co-operation going beyond co-financing that build on the long-term priorities and strategic interest of each donor.	with donors and also mentions areas of partnership with project beneficiaries, civil society and/or NGOs.	but without specifying specific commitments for working together.	project beneficiaries, civil society and NGOs but no mention of partnerships with donors.	other aspects of partnership building with civil society, NGOs or beneficiaries in the country strategy or projects.
Policy Dialogue	The country strategy or project contains a clear strategy for policy dialogue Thematic areas and topics for policy dialogue are identified and prioritized and entry points for policy dialogue determined	The country strategy contained a clear strategy for policy dialogue, through projects and with partners. Thematic areas (without specific topics) for policy dialogue are identified and prioritized and entry points for policy dialogue determined.	The country strategy contained a clear strategy for policy dialogue through projects. Thematic areas (without specific topics) for policy dialogue are identified and prioritized.	The country strategy identifies specific areas for policy dialogue. Thematic areas are mentioned in general terms.	Cursory mention of policy dialogue was included in the country strategy or projects.	No agenda for policy dialogue specified.
Knowledge Management	The country strategy and projects had a clear strategy and program for generating knowledge; document proven approaches that can be replicated; identify key lessons that help maximize impact; improve IFAD monitoring and reporting to improve impact management; and use TAGs to generate new knowledge on opportunities and	The country strategy or projects document proven approaches that can be replicated; identify key lessons that help maximize impact; improve IFAD monitoring and reporting to improve impact management; and use TAGs to generate new knowledge on opportunities and markets.	The country strategy or projects document proven approaches that can be replicated; identify key lessons that help maximize impact and mention one or two other aspects outlined in the RS.	General need for knowledge management identified with some aspects of impact monitoring outlined.	Need for knowledge management identified in general terms	No agenda for knowledge management specified

	Appendix 1-Table B - CEN -- Alignment and Effectiveness [*] Ratings of COSOPs and Projects to Regional Strategy					
<i>Assessment Criteria</i>	<i>Highly satisfactory (6)</i>	<i>Satisfactory (5)</i>	<i>Partly satisfactory (4)</i>	<i>Partly unsatisfactory (3)</i>	<i>Unsatisfactory (2)</i>	<i>Highly un-satisfactory (1)</i>
	markets.					

	Appendix 1-Table B - CEN -- Alignment and Effectiveness [*] Ratings of COSOPs and Projects to Regional Strategy					
<i>Assessment Criteria</i>	<i>Highly satisfactory (6)</i>	<i>Satisfactory (5)</i>	<i>Partly satisfactory (4)</i>	<i>Partly unsatisfactory (3)</i>	<i>Unsatisfactory (2)</i>	<i>Highly un-satisfactory (1)</i>
Impact Management	The country strategy or project calls for greater involvement in implementation through the use of TAGs; greater involvement in policy dialogue; focus on participatory development projects; and assessment of impact of projects on their beneficiaries. A specific impact management system for monitoring impacts (indicators, benchmarks, targets, data collection and collation protocols, etc.) was part of the country strategy or the project.	The country strategy or project calls for greater involvement in implementation through the use of TAGs; greater involvement in policy dialogue; focus on participatory development projects; and assessment of impact of projects on their beneficiaries. The country strategy or project did not give a specific impact monitoring system but called for developing such a system.	Only some mechanisms for greater involvement in implementation were included in the country strategy or project and elements of an impact management system were identified.	Only some mechanisms for greater involvement in implementation were included in the country strategy or project without any reference to an impact management system.	The country strategy or project only included elements of an impact management system without mentioning other elements of enhancing impact.	No mention of impact management in the country strategy or projects.

Evaluation Framework



List of Projects

<u>Countries</u>	<u>Project Title</u>	<u>Dates</u>				<u>Funding</u>	
		IFAD Board Approval	Loan Signing	Project Completion Date	Current Closing Date	IFAD Loan (USD million)	Total Project (USD million)
	Central and Eastern Europe and the Newly Independent States						
Albania	Mountain Areas Development Programme	09-Dec-99	28-Jan-00	30-Sep-07	31-Mar-08	13.667	23.146
	Programme for Sustainable Development in Rural Mountain Areas	13-Dec-05				8.000	24.254
Azerbaijan	Farm Privatization Project	29-Apr-97	04-May-97	30-Jun-03	31-Dec-03	9.300	28.817
	Rural Development Programme for Mountainous and Highland Areas	13-Sep-00	27-Nov-00	30-Sep-08	31-Mar-09	9.000	9.997
	North-East Development Project	09-Sep-04	19-Jul-05			12.555	25.148
Moldova	Rural Finance and Small Enterprise Development Project	09-Dec-99	31-Jan-00	31-Dec-05	30-Jun-06	8.000	15.066
	Agricultural and Revitalisation Project	17-Dec-03	04-Mar-04	31-Mar-13	30-Sep-13	14.892	18.166
	Rural Business Development Programme	13-Dec-05				13.024	20.306
	Near East and North Africa						
Egypt	East Delta Newlands Agricultural Services Project	05-Dec-96	30-Mar-98	31-Dec-05	30-Jun-06	25.000	91.459
	Sohag Rural Development Project	10-Sep-98	10-Dec-98	30-Jun-07	31-Dec-07	24.997	93.753
	West Noubaria Rural Development Project	23-Apr-02	29-May-02	30-Jun-10	31-Dec-10	18.485	54.751
Sudan	North Kordofan Rural Development Project	28-Apr-99	14-Jul-99	30-Jul-08	31-Dec-08	10.485	23.676
	South Kordofan Rural Development Programme	14-Sep-00	26-Sep-00	31-Mar-11	30-Sep-11	18.024	39.620
	Sustainable Livelihoods Regeneration Project	18-Dec-03	27-Jan-04	30-Sep-12	31-Mar-13	24.946	39.035
	Western Sudan Resources Management Programme	02-Dec-04	14-Feb-05	31-Dec-13	30-Jun-14	25.463	49.004
Syria	Badia Rangelands Development Project	23-Apr-98	10-Jul-98	31-Dec-08	30-Jun-09	20.165	104.919
	Idleb Rural Development Project	11-Dec-02	20-Feb-03	31-Dec-10	30-Jun-11	17.551	46.151
Yemen	Southern Governorates Rural Development Project	11-Sep-97	15-Dec-97	30-Jun-05	31-Dec-05	11.276	38.432
	Raymah Area Development Project	04-Dec-97	15-Dec-97	31-Dec-06	30-Jun-07	12.109	17.021
	Al-Mahara Community Development Project	09-Dec-99	26-Jul-00	30-Sep-07	31-Mar-08	12.241	17.796
	Dhamar Participatory Rural Development Project	05-Sep-02	18-Feb-03	30-Sep-11	31-Mar-12	14.015	22.657
	Al-Dhala Community Resource Management Project	09-Sep-04	04-Mar-05			14.349	22.794
	Pilot Community-Based Rural Infrastructure Project in Highland Areas	19-Apr-05				9.408	10.456

Main Provisions of the NENA and CEN Regional Strategies

Appendix 4-Table A – Main Provisions of the NENA Regional Strategy

Implementation Modality	Intervention Area	Pillars of Action
1. Approaches ✓ Program Approach: Long-term programs; strategic coordinated vision with other donors; cost-effective investments; long-term policy dialogue; flexible design and lending ✓ Participation: Communities and grassroots organizations, women's groups, NGOs, local government, private sector 2. Types of Initiatives ✓ Innovation: Pilot developing or speeding up the development of grass-root organizations; Adaptation and transfer after experience has proven itself ✓ Devolution to end users and private sector involvement, particularly in the delivery of agriculture services ✓ Research and Capacity building through TAGs in support of the overall program 3. Targeting the Poorest ✓ Rural poor ✓ Large concentrations – geographical targeting ✓ Women and unemployed youth	1. Community development and institutional building ✓ Cross-section of institutions, but community and grass-roots focused ✓ Natural resource management focused with training in using common property in sustainable manner ✓ Rights to natural resources ✓ Focus on women's groups 2. Appropriate technology for marginal and dry-land areas ✓ Research and extension on cash and forage crops ✓ Water use management (efficiency gains and saving measures) ✓ Crop replacement (barely with more sustainable crops) ✓ Rangeland protection ✓ Role of women 3. On-farm Productivity ✓ Investments in water saving technology to reduce production costs ✓ Drought resistance trees ✓ Fencing for rangelands, terracing, land-leveling 4. Rural Infrastructure ✓ Mobilize funds from other donors 5. Rural Finance Institutions ✓ Rural finance banks and community-based rural finance institutions ✓ Aiming for self-reliant financial institutions ✓ Capacity building ✓ Partnerships with local and international NGOs ✓ Policy dialogue, especially on legal frameworks 6. Micro-enterprise Development ✓ Develop non-farm rural activities including dairy, tree crops, agro-processing, marketing of agriculture inputs, small-scale repair shops, etc. ✓ Capacity building and technical and vocation training ✓ Targeting women and youth ✓ Link micro-enterprise development to the provision of rural financial services	1. Strategic Partnerships ✓ Complementarity and synergies ✓ Specific focus on environment, substantial infrastructure and education and health ✓ Global Mechanism and Global Environment Facility, multilateral and bilateral agencies 2. Policy Dialogue ✓ Work through projects and with partners ✓ Enabling policy environment with a very specific five point policy dialogue agenda 3. Knowledge Management ✓ Cross-fertilization with other programs and countries ✓ Workshops and seminars that bring together stakeholders to share and apply lessons of experience ✓ Grants to finance research on appropriate regional themes (such as agricultural research for dry-land areas, policy impact assessment, etc.) 4. Impact Management ✓ Greater involvement in implementation ✓ TAGs to support project implementation ✓ Greater involvement in policy dialogue ✓ Focus on participatory development projects ✓ Assess the impact of development projects on beneficiaries

Appendix 4-Table B – Main Provisions of the CEN Regional Strategy

Operational Approach	Investment Opportunities	Pillars of Action
<p>1. Targeting</p> <ul style="list-style-type: none"> ✓ <u>Neglected and mountain areas</u> to ensure maximum IFAD visibility and a platform for dialogue.. ✓ <u>Few areas</u> in each country where IFAD has a distinct comparative advantage ✓ <u>Women</u> to have access to investments and institutions of the poor <p>2. Operating Modus</p> <ul style="list-style-type: none"> ✓ <u>Combination and variety of instruments</u> will be used (loans, grants, programmatic approach especially to ID and-partnership building) ✓ <u>Flexibility</u> in project design and implementation. ✓ <u>Technical and managerial support</u> in project design and implementation 	<p>1. Institutional development</p> <ul style="list-style-type: none"> ✓ Cross-section of institutions ✓ Capacity building including advocacy and legal reforms ✓ Support transition to new institutions, including more efficient, transparent and well-regulated crop and livestock markets (related to market linkages below) ✓ Long-term commitment ✓ Programmatic approach <p>2. Market Linkages</p> <ul style="list-style-type: none"> ✓ New market linkages to support transition ✓ Private service providers (extension, rural finance, input supply, contract farming, producer associations) ✓ Different partners (private sector traders and commercial banks) and building partnerships (for major infrastructure investments) <p>3. On-farm Productivity</p> <ul style="list-style-type: none"> ✓ Access to inputs and services (improved seeds, veterinary services, extension advice, ploughing and hay-bailing) to be provided through new channels (see market linkages above) ✓ Small-scale, community-managed irrigation systems ✓ Increase productivity and diversify food crops <p>4. Non-farm Rural Economy</p> <ul style="list-style-type: none"> ✓ Small and medium agro-processors, agriculture service providers, and other types of rural business opportunities ✓ Financial services and technical assistance ✓ Partnerships with local and international NGOs <p>5. Natural Resource Management</p> <ul style="list-style-type: none"> ✓ Incentives for communities to protect their environment – market-driven, focused on financial benefits to local communities <p>6. Rural Financial Services</p> <ul style="list-style-type: none"> ✓ Capacity building and partnerships (as mentioned above) ✓ Legal reforms ✓ Variety of rural financial services and instruments 	<p>1. Partnership Building</p> <ul style="list-style-type: none"> ✓ Bilateral and regional donors ✓ New avenues for partnerships (away from solely cofinancing) ✓ New bilateral and multilateral donors <p>2. Policy Dialogue</p> <ul style="list-style-type: none"> ✓ Work through projects ✓ Build consensus and share lessons through partnerships ✓ Policies on mountain area development, legal arrangements for land privatization, institutional approaches to rural finance institutions ✓ Policy dialogue with other donors on program synergies <p>3. Knowledge Management</p> <ul style="list-style-type: none"> ✓ Document proven approaches that can be replicated ✓ Identify key lessons that help maximize impact ✓ Improve IFAD monitoring and reporting to improve impact management ✓ COSOPs most important tool for knowledge management at country level ✓ TAGs to be used to generate new knowledge on opportunities and markets <p>4. Impact Management</p> <ul style="list-style-type: none"> ✓ Greater involvement in implementation ✓ TAGs to support project implementation ✓ Greater involvement in policy dialogue ✓ Focus on participatory development projects ✓ Assess the impact of development projects on their beneficiaries

Background to the Regions

1. This background section of the Approach Paper uses data from the World Bank's *World Development Indicators, 2005* unless specified otherwise. Data was extracted for each country in the regions and regional averages were estimated based on this data. It was not possible to use regional averages as presented in the World Bank publication, because IFAD includes different countries in each of the regions¹. Data availability is, however, severely limited: information is missing for a number of indicators and a number of countries, especially in the NENA region. Therefore, data presented here has to be treated with caution.
2. The background information to the region provided below covers a 10 year period starting in 1996, which is the period covered in the evaluation.

A. Population and Poverty

3. **Population.** In 2003 the two regions accounted for 6.1 per cent of the total global population, or 384.4 million people. Of these, the vast majority live in countries in the NENA region: 328.4 million, as compared to 56.0 million in countries in the CEN region. Population growth was 0.1 per cent on average between 1990 and 2003 in the CEN countries and 2.6 per cent in the NENA countries. The rural population in both regions is around 45 per cent of the total population, or 178.0 million people. On average, this urban-rural population distribution has varied little across both regions and over time. Within the CEN region, the percentage of rural population ranges from 29.1 per cent in Cyprus to 58.1 per cent in Moldova. In the NENA region, the differences between countries are more pronounced: 74.3 per cent of Yemen's population lives in rural areas, compared to 9.4 per cent in Lebanon.
4. **International poverty line.** Measured against the international poverty line of US\$1/day, the poverty incidence is low in both regions: 6.0 per cent for countries in the CEN region and 3.9 per cent for countries in the NENA region. However, the percentage for NENA countries needs to be treated with caution: data for the international poverty line is available only for 50 per cent of the countries. Therefore, the percentages given here are likely to under-represent the actual poverty incidence, as countries for which data is not available include Gaza and West Bank (G&WB), Iraq, Somalia, and Sudan, which presumably would have relatively high poverty incidences.
5. **Rural poverty.** Using national poverty lines shows that the rural poverty incidence is far more severe than is the impression when looking at the international poverty line. On average, the rural poverty incidence is higher than national averages (i.e., rural areas are, in general, poorer than urban areas). 29.2 per cent of the rural population (or 6.7 million people) in CEN countries live below the national poverty line and 25.2 per cent (or 21.8 million people) in NENA countries. But, again, data is available for only 64 per cent of NENA countries thus the average presented here might lower than actual.
6. **Hunger, nutrition and health.** The incidence of under-nourishment, as a percentage of total population, is 11.0 per cent in the NENA region, but reportedly higher in the CEN region: 16.0 per cent on average, which is on par with the global average. However, the percentage of children with stunting (a sign of malnourishment) is high in the NENA region (20.9 per cent, which is above the global average of 17.6 per cent), but lower for CEN countries (14.2 per cent). Access to water supply and sanitation is reportedly high in both regions, although this data is not broken down by rural and urban areas. Data on HIV/AIDS indicate that in the NENA region the infection rate is 1.2 per cent on average, which very low rates reported for most countries with the exception of Sudan (data is not available for four countries), where the rate is 2.3 per cent of the total population. In the CEN region, the infection rate is reported to be 0.2 per cent.

¹ The CEN region of IFAD includes a number, but not all countries that are included in the World Bank's Eastern Europe and Central Asia region, while IFAD's NENA region includes more countries than the World Bank's Middle East and North Africa region.

7. **Gender issues in CEN.** Gender equality was one of the major achievements of the Soviet Union and the socialist regimes in Central Europe. Levels of employment often exceeded those in the OECD countries, governmental benefits were provided equally to both men and women and literacy levels were high among both.² The transition however has taken a toll on gender equality. In some countries women's participation in the labor force has declined (e.g. their percentage of employees in the agricultural sector has declined from 54.6 per cent in 1990 to 47.1 per cent in 2001);³ in some countries they have lost their voice in government and make up an increasingly large percentage of the poor.⁴ The extent of these trends varies considerably across CEN. While the burden of transformation has fallen disproportionately on men in the European countries of the former Soviet Union,⁵ the Central and Eastern European countries present a more mixed picture, with no obvious patterns in gender inequality emerging over the last decade.⁶

8. **Gender issues in NENA countries.** Contrary to CEN countries, women in NENA countries have not enjoyed the same level of equality. It is more because of high levels of rural poverty that changes are occurring to culturally-rooted gender roles and the division of responsibilities and resources between women and men. In many countries in the sub-region women have become income earners, they fill labor gaps created by the migration of men in search of better wages (e.g. the percentage of females among employees in the agricultural sector has increased from 34.1 per cent in 1990 to 39.1 per cent in 2001). Besides this, the girls education is increasingly seen as a tool to arm them for the future (e.g. primary school enrolment of girls has increased from 77.2 per cent in 1990 to 87.2 per cent in 2001).⁷ But notwithstanding these recent trends women and girls remain disadvantaged particularly in the rural areas. This pertains to their literacy level, participation in the labor force, and life expectancy. In legal and political terms they are often treated as inferior citizens.⁸ In both sub-regions women are disadvantaged in respect to property rights in land.⁹

9. **Human Development Index**¹⁰. Countries in the PN region have shown improvements in their respective HDIs over the past ten years, with the exception of Moldova. The average HDI for countries in the CEN region (0.778) is higher than the world average (0.741), while the average HDI value (0.658) of countries in NENA region is lower. Countries in the CEN region ranked in the middle group (between 59 and 115 out of 177) with Croatia and Cyprus ranking even higher than that (45 and 29 out of 177, respectively). In the NENA region, Djibouti and Yemen rank among the thirty countries with lowest HDI ratings (150 and 151, respectively, out of 177), while all the other countries in the region rank in the middle, i.e. between rank 89 and 141¹¹.

² World Bank (2005): Our Mission in Europe and Central Asia. Gender, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTECAREGTOPGENDER/0,,menuPK:570872~pagePK:34004175~piPK:34004435~theSitePK:570862,00.html>.

³ Data are provided for the 1990 here in order to better illustrate the opposed development of gender indicators in the two sub-regions.

⁴ IFAD (2003): Assessment of Rural Poverty. Central and Eastern Europe and the Newly Independent States, page 23.

⁵ In IFAD's CEN sub-region these are Armenia, Azerbaijan, Georgia and Moldova. In Georgia however, female headed households have a higher risk of being poor than male headed households. Wage discrimination against women contributes to this situation to a large degree. (World Bank (1999): Georgia: Poverty and Income Distribution, p. 54). The latter is also the case in Azerbaijan, where women on average 40% of wages of men in 1999. (Kudat, Aisa, and Nilufar Egamberd. (2001): *Gender Dimension of the Poverty Reduction Strategy and Other World Bank Activities in Azerbaijan*.)

⁶ Paci, Pierella (2003): Gender in Transition, p. xvi.

⁷ IFAD (2004): Near East and North Africa Gender Programme, page 1.

⁸ IFAD (2003): Assessment of Rural Poverty. Near East and North Africa, page 14.

⁹ Paci, Pierella (2003): Gender in Transition, p. xii. IFAD (2003): Assessment of Rural Poverty. Near East and North Africa, page 14.

¹⁰ The data source for this paragraph is the Human Development Report 2005 of the United Nations Development Programme.

¹¹ Data is not available for Gaza and the West Bank, Iraq and Somalia.

B. Economic Growth, Agriculture Sector, and Environment

10. **Economic growth.** Between 1996 and 2003, average annual growth was 6.3 per cent in CEN countries and 3.3 per cent in NENA countries. The differences between countries in the CEN region were remarkable: Bosnia and Herzegovina experienced 20.6 per cent economic growth on average¹² compared to Moldova with 1 per cent growth. In NENA the highest average annual growth rates were reached in Sudan with 6.2 per cent. The only country with negative growth rates in the region was Gaza & West Bank (G&WB) with -2.3 per cent.

11. **Income.** Most countries in the two regions fall into the lower-middle income group as defined by the World Bank. The worldwide average annual per capita income between 1996 and 2003 was \$1,388 low-income countries, \$6,078 for middle-income countries, and \$22,977 for high-income countries. In CEN the average annual per capita income ranges from \$1,443 in Moldova to Macedonia with \$6,113 per capita, and in NENA lowest average per capita income is realized in Yemen (\$739), while the highest is made in Turkey (\$6,009). A significant difference between the two regions is the dramatic drop in per capita income in countries in the CEN region since transition, in some cases halving over a ten-year period, and the associated significant rise in poverty levels that were not known prior to transition.

12. **Agriculture sector.** The agriculture sector, as share in gross domestic product, in both regions has been on the decline. In the CEN sub-region, the agriculture sector was 27 per cent of the GDP in 1990, which declined to 18 per cent in 2003. The percentage shares range from 12 per cent (Macedonia and Romania) to 25 per cent in Albania. However, within the region the agriculture sector increased its GDP share in two countries: Armenia and Macedonia, although increasing from a low base. The NENA region saw a similar decline in the share of the agriculture in national economies, from 23 per cent in 1990 to 15 per cent in 2003. The percentage shares range from 2 per cent (Jordan) and 6 per cent (Gaza and the West Bank) to 23 per cent (Syria) and 39 per cent (Sudan). The average annual agricultural growth was 2.3 per cent in CEN and 4.2 per cent in NENA.

13. **Agriculture employment.** In the CEN region employment in agriculture (as per cent of total employment) rose from 20.5 per cent in 1990 to 38.1 per cent in 2001.¹³ Only in Cyprus employment in agriculture has decreased: from 13.5 per cent in 1990 to 4.7 per cent in 2001. In the NENA region however, employment in agriculture declined from 38.8 per cent in 1990 to 22.3 per cent in 2001¹⁴. Concerning female employment in agriculture (as per cent of total agricultural employment) hardly any substantiated conclusions can be drawn because of severe data limitations¹⁵. The limited data available suggest a decline in the CEN region (from 50.3 per cent in 1998 to 47.1 per cent in 2002), while in the NENA region data points to an increase of female employment in agriculture since the end of the 1990ies. This development is particularly influenced by the trend in Gaza and the West Bank where female employment in agriculture increased from 29.9 per cent in 1996 to 37.0 per cent in 2003.

14. **Food imports and exports.** Food imports (as per cent of merchandise imports) declined in all CEN countries but one between 1996 and 2003. In 1996 food imports accounted for 24.1 per cent of all merchandise imports in CEN but only for 14.3 per cent in 2003. Only Moldova increased its food imports slightly from 11.5 per cent to 13.5 per cent. In the NENA region the picture is very similar. During the early 1990s most countries in the region have increased the percentage of food imports slightly. However, between 1996 and 2003 the respective share has declined from 20.5 per cent to 15.9 per cent. Yemen is an exception from this trend: food imports increased since the mid 1990s from 28.9 per cent to 35.6 per cent

¹² This average was influenced by exceptionally high growth rates in 1996-1998 and dropped dramatically in the years after.

¹³ No such time series are available for Albania, Bosnia Herzegovina, and Macedonia.

¹⁴ This trend has to be taken with caution since sufficiently complete time series are rather the exception than the rule in NENA countries. They are not available in Algeria, Djibouti, Jordan, Lebanon, Somalia, Sudan, Syria, Tunisia and Yemen.

¹⁵ For the CEN region for the period 1990 to 1997 data are only available for Romania. For later years data are available for four countries at most in this sub-region. In the NENA region sufficiently complete time series are only available for Egypt, Gaza/ West Bank, Morocco, and Turkey.

in 2003. Countries importing considerably above-average percentages of food are Albania and Georgia in the CEN region and Yemen, Algeria and Egypt in the NENA region. The percentage of food exports (as per cent of merchandise exports) both in CEN and in NENA countries have developed similarly to imports percentages. After a short increase in the mid 1990s (to 35.6 per cent in CEN and 24.3 per cent in the NENA region) food exports in CEN have declined to 23.8 per cent in 2003 thus dropping to levels similar to those of the early 1990s. In NENA the drop in food exports was even stronger; reaching 12 per cent in 2003. Countries exporting considerably above-average percentages of food are Moldova, Cyprus and Georgia in the CEN region and Sudan (up to 2000) and Morocco in the NENA region.

15. Land use, natural resources and the environment. Of the surface area of 550,000 square kilometers in the CEN region 24.2 per cent are arable, which is high in comparison with the global average of 14.4 per cent. However, of the 9 million square kilometers in the NENA region only 10.2 per cent are arable. These percentages correspond to 2.2 hectare of arable land per person in CEN countries and 2.3 hectare per person in NENA, which is very low compared to the global average of 43.7 hectare per person¹⁶. In both regions land use for agricultural purposes is severely limited. In CEN this is a consequence of serious pollution caused by heavy mechanization, irrigation, and the intensive use of chemical fertilizers and pesticides in the past¹⁷. Countries in the NENA region mainly suffer from difficult climatic conditions: soils that are prone to degradation and desertification and have a very low productivity compared to the rest of the world's standards¹⁸. This situation has been aggravated by policies which induced overexploitation of land. In addition, fresh water resources in NENA are the scarcest in the world – with only 1033 m³ of renewable water resources per person annually¹⁹ – and are central to agricultural development in this region. By contrast, the CEN region's water resource endowment is much better with 7430 m³ annually of renewable water resources per person, although still lagging behind the worldwide average of 8549 m³ per capita per annum²⁰.

C. Governance, Policies and Reforms

16. Governance and poverty reduction. It is widely acknowledged that development assistance is more effective in countries with good governance. Defining governance²¹ as the traditions and institutions by which authority in a country is exercised makes the link clear between governance and poverty reduction; governance structures determine access to or exclusion from institutions and thus public goods. This connection and the importance of governance issues to poverty reduction are acknowledged in IFAD's Strategic Framework, namely as the Fund's goal to build institutions that enable the rural poor to overcome their poverty²².

17. Governance indicators. The World Bank developed six governance indicators²³ (Voice and Accountability; Political Stability and Absence of Violence; Government Effectiveness; Regulatory Quality; Rule of Law; Control of Corruption) to assess governance performance in 209 countries. According to World Bank data, countries in the CEN region showed better governance ratings than in the NENA region over the whole period. Nonetheless the performance in countries in the two regions was relatively weak; on average 60 per cent of countries worldwide have better governance ratings. Both

¹⁶ World Development Indicators 2005.

¹⁷ IFAD (2002): Assessment of Rural Poverty in Central and Eastern Europe and The Newly Independent States, page 6.

¹⁸ IFAD (2002): Assessment of Rural Poverty in the Near East and North Africa, page 11

¹⁹ IFAD (2002): Assessment of Rural Poverty in the Near East and North Africa, p. 11

²⁰ World Resources Institute (2004): Earth Trends. No data available for Macedonia and Moldavia.

²¹ Such definition includes (i) the process by which governments are selected, monitored and replaced; (ii) the capacity of the government to effectively formulate and implement sound policies; and (iii) the respect of citizens and the state for the institutions that govern economic and social interactions among them.

²² IFAD (2002): Enabling the rural Poor to Overcome their Poverty. Strategic Framework for 2002 – 2006.

²³ World Bank. 2005. Governance Matters IV: Governance Indicators for 1996–2004, by D. Kaufmann A. Kraay, and M. Mastruzzi (2005) <http://www.worldbank.org/wbi/governance/pubs/govmatters4.html>.

regions' governance ratings varied very little over time, except for a declining trend in the NENA region starting from 2002 onwards.

18. **Decentralization.** The reform of administrative and bureaucratic structures has, generally, lagged behind rapid political, economic and social transformations. The reform of the public sector continues to face major challenges including: (i) ongoing political transformation in many countries; (ii) balkanised administrative structures that have become entrenched in the vacuum left by party structures at the onset of transition; (iii) a proliferation of informal mechanisms for policy-making and resource transfer to lower levels of government; and (iv) a persistent culture of command control rather than one of service delivery. Countries in the CEN region resolved these challenges with varying degrees of success and, more recently, are taking steps to extend administrative reforms to decentralised levels of the public sector²⁴. Despite moves to decentralization in many countries in the NENA region, genuine local governance is forthcoming only slowly, and government institutions responsible for delivering services to the local level are often far removed from the poor segments of society. This situation is aggravated by a lack of civil society organizations, which are only now starting to emerge, to fill this gap.

19. **Economic liberalization.** Until the early 1990s many countries in both regions had adopted a central planning model. The state was heavily involved in the rural economy introducing price support measures, consumer food subsidies, quotas for cropping areas and production as well as trade barriers to support food self-sufficiency. In both regions farmers often received input subsidies but were also obliged to sell their output to state monopolies at fixed prices which – depending on the country – were either above or below market prices²⁵. This has “left a legacy of misallocated resources, inefficient use of factors of production and disincentives to invest in the agricultural sector”²⁶. Since the late 1980s and early 1990s countries in both regions introduced liberalization programmes to, among others, abolish subsidies, liberalize prices and trade, and privatize ownership of land, property, and commercial enterprises. The agricultural sector in many of the region's countries is slowly adjusting to such a market-oriented environment, including to trade liberalization that favoured larger agricultural producers in the NENA region, under which small-scale enterprises found it increasingly difficult to compete²⁷.

20. **Land reform.** In general, many countries in the PN region have poorly defined property rights which make it difficult to use land as collateral and for transparent land markets to develop²⁸. Land distribution has not been translated into a proper agrarian reform; the latter being hampered by lacking institutions, physical infrastructure and extension services. On the other hand, the privatization of land was fundamental to the transition process in CEN countries with the aim of distributing land equitably.

²⁴ World Bank (2005): Administrative and Civil Service Reform in Eastern Europe and Central Asia, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT>.

²⁵ Dyaa, Abdou (2003): Food and Agricultural Policies in the Near East Region: Situation, Issues and Prospects, page 6.

²⁶ IFAD. 2002. *Regional Strategy Paper, Near East and North Africa*, page 5.

²⁷ IFAD (2003): Assessment of Rural Poverty. Near East and North Africa, page 14.

²⁸ World Bank (2002): Reaching the Rural Poor in Eastern Europe and Central Asia, page 3.

However, experience showed equitability and efficiency were not always compatible objectives, when land became fragmented into extremely small plots, or ended up in the hands of elderly or other groups with little interest in farming²⁹. In the NENA region, widespread expropriation of large-scale farms in the last decades³⁰ did not overcome inequalities in land ownership, or as in some countries resulted in an equal fragmentation of land into small parcels as experienced in the CEN region.

²⁹ IFAD (2002): Assessment of Rural Poverty in Central and Eastern Europe and The Newly Independent States, page 11.

³⁰ Gesellschaft fuer Technische Zusammenarbeit (1997): Bodenrecht und Bodenordnung, page 101.

Lending NENA Countries

Appendix 6-Table 1. IFAD Loan Approvals for Countries in the NENA Region

	IFAD Loan Approvals (as of 31.12.2005)			% of IFAD Lending		
	No.	IFAD	Total	to	To	IFAD
Country	of Loans	US\$ Million	US\$ Million	NENA	PN	Total
Algeria	6	77.357	87.068	6.2%	5.1%	0.86%
Djibouti	4	7.957	2.995	0.6%	0.5%	0.09%
Egypt	8	174.012	272.381	13.9%	11.6%	1.94%
Gaza and West Bank	3	13.763	33.644	1.1%	0.9%	0.15%
Jordan	7	71.393	117.940	5.7%	4.7%	0.80%
Lebanon	3	31.810	106.607	2.5%	2.1%	0.36%
Morocco	9	146.330	1 279.723	11.7%	9.7%	1.63%
Somalia	4	30.300	97.200	2.4%	2.0%	0.34%
Sudan	14	187.033	341.305	15.0%	12.4%	2.09%
Syria	6	106.029	309.895	8.5%	7.0%	1.18%
Tunisia	10	130.207	193.130	10.4%	8.6%	1.45%
Turkey	6	99.359	426.000	7.9%	6.6%	1.11%
Yemen	18	174.320	377.483	13.9%	11.6%	1.95%
NENA Subtotal	98	1 249.870	3 645.371	100.0%	83.0%	13.95%

Source: IFAD PPMS.

Appendix 6-Table 2. IFAD Loan Approvals for Countries in the CEN Region

Country	IFAD Loan Approvals (as of 31.12.2005)			% of IFAD Lending		
	No.	IFAD	Total	to	to	IFAD
	of Loans	US\$ Million	US\$ Million	CEN	PN	Total
Albania	4	42.290	76.363	16.5%	2.8%	0.47%
Armenia	4	51.775	122.174	20.2%	3.4%	0.58%
Azerbaijan	3	30.855	63.962	12.0%	2.0%	0.34%
Bosnia and Herzegovina	3	33.330	92.384	13.0%	2.2%	0.37%
Cyprus	1	4.900	17.000	1.9%	0.3%	0.05%
Georgia	3	24.570	71.036	9.6%	1.6%	0.27%
Macedonia	2	16.192	28.420	6.3%	1.1%	0.18%
Moldova	3	35.916	53.538	14.0%	2.4%	0.40%
Romania	1	16.464	34.110	6.4%	1.1%	0.18%
CEN Total	24	256.292	558.987	100.0%	17.0%	2.86%

Source: IFAD PPMS.



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