

ARRI 2011

Independent Office of Evaluation of IFAD



Annual Report on Results and Impact of IFAD Operations



Enabling poor rural people
to overcome poverty

ISBN 978-92-9072-277-9



9 789290 722779

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Foreword

The Independent Office of Evaluation of IFAD (IOE) is pleased to present its ninth Annual Report on Results and Impact of IFAD Operations (ARRI). This ARRI draws on a larger number of project and country programme evaluations than any previous edition.

The 2011 ARRI reveals that the performance of IFAD-financed operations is satisfactory in several evaluation criteria, such as relevance, gender and innovation. IFAD's own performance as a partner has shown significant betterment over time. Benchmarking analysis concludes that performance of IFAD-supported projects is on the whole slightly better than the agriculture operations of selected other multilateral development organizations.

At the same time, the ARRI notes that the performance in IFAD-supported projects across most evaluation criteria is only moderately satisfactory, and there is room for additional enhancements. Performance remains relatively weaker in the efficiency of operations, and natural resources management and the environment. The performance of governments has not shown improvement since 2003. This is an area where IFAD can do more in the future by supporting governments in strengthening their policies, delivery systems and processes in the agriculture and rural sectors.

There have been some improvements since 2006 in the performance of non-lending activities, including policy dialogue, partnership-building and knowledge management. IFAD is making a useful contribution to policy processes at the global and regional levels, but its role in policy dialogue at the national level is still relatively weak. Partnerships with governments and civil society is generally good, but unsystematic with key multilateral

development organizations. Recent operations show more engagement with the private sector, but there are further opportunities for greater engagement of private-sector entities. Knowledge management has improved but more resources and efforts need to be made in country programmes.

Direct supervision and implementation support is the main learning theme in 2011. The ARRI found that direct supervision and country presence are creating opportunities for enhanced efficiency and effectiveness. The ARRI draws attention to the importance of further reflection on the role of IFAD country offices in direct supervision and implementation support, including the need for training, clarification of responsibilities of all involved and greater efforts in grants supervision.

The lead evaluator for this year's ARRI was Ashwani Muthoo, Deputy Director IOE, who supervised a team comprising of Michael Flint, lead consultant, Oanh Nguyen and Kendra White. I would also like to acknowledge the work of Cécile Berthaud and Melba Alvarez of the Evaluation Communication Unit, who led the process of developing the design, layout and graphics for the document.



Luciano Lavizzari

Director, Independent Office of Evaluation of IFAD

Executive summary

Introduction. This is the ninth Annual Report on Results and Impact of IFAD Operations (ARRI) produced by the Independent Office of Evaluation of IFAD (IOE). It consolidates and synthesizes the results and impact of IFAD-funded operations, using as its basis independent evaluations conducted by IOE, and it raises issues and highlights lessons learned that can contribute to improving IFAD's development effectiveness. This ARRI draws on a larger number of project evaluations and country programme evaluations than any other edition has thus far.

Project performance. The performance of IFAD-supported projects continues to be satisfactory in the areas of relevance, effectiveness, rural poverty impact, innovation, and gender equality and women's empowerment. IFAD's own performance as a partner has improved in the past years as well, in large part because of its progressive transition to direct supervision and implementation support, the expansion of its country presence, and more systematic portfolio management. One qualification, however, is that moderately satisfactory performance remains the norm. There is therefore still scope for further improvement.

There are some areas where performance is not as satisfactory. The efficiency of IFAD-funded operations, natural resources management and the environment, and the sustainability of project benefits are areas where performance still remains weak, but has nonetheless improved over time. The performance of recipient governments, in contrast, has not shown much improvement during the past decade.

For the first time this year, the ARRI compares the project evaluation results by IOE, the Fund's independent evaluation system, with

those generated by IFAD Management in its self-evaluation systems. It is reassuring that the "disconnect" between the two is relatively narrow. This attests to the increasing robustness and reliability of IFAD's overall self-evaluation system. The ARRI has, however, identified a number of systemic lessons and issues for Management to consider when further developing the project completion review process, which is a key component of IFAD's self-evaluation system.

The benchmarking analysis conducted in the context of the ARRI concludes that the performance of IFAD-supported projects is on the whole slightly better than the agriculture-sector operations funded by the African Development Bank, the Asian Development Bank and the World Bank. In terms of benchmarking performance across the five geographic regions, IFAD operations in the West and Central Africa region remain most challenging compared to other regions.

With regard to policy dialogue, the ARRI finds that, while IFAD has engaged satisfactorily in policy processes at the global and regional levels, it still has not engaged sufficiently in policy and strategy development processes at the national level. This can be attributed, among other reasons, to the multiplicity of tasks assigned to country programme managers (CPMs) and the limited time and resources at their disposal; limited outposting of CPMs with the required authority and seniority to take positions on behalf of IFAD in key policy platforms at the country level; and insufficient management guidance and support to CPMs in discharging this important aspect of their work.

On the whole, IFAD has good partnerships with governments, NGOs and civil society

organizations. IFAD is, in fact, appreciated by governments for its bottom-up, participatory development approaches, its emphasis on rural poverty reduction, and its focus on gender equality and women's empowerment. IFAD's engagement with the private sector is improving, but still overall weak. Plus, the problem is that neither governments nor IFAD have sufficient experience and expertise in working in and with the private sector. Concrete partnership with other multilateral and bilateral organizations at the country level is unsystematic. Better and more strategic partnerships with these organizations are crucial for ensuring, inter alia, that IFAD realizes its scaling-up objectives and has a wider impact on rural poverty.

There have been improvements in knowledge management at IFAD headquarters in the past few years, and a variety of initiatives and activities have been implemented. At the same time, the ARRI finds that in a half to two thirds of the country programmes, knowledge management is only moderately satisfactory. This can be attributed, in part, to weak monitoring and evaluation systems – both at the project and country programme level.

Most country programme evaluations continue to underscore the need for better synergies between investment projects and non-lending activities, including grant operations. Country strategic opportunities programmes (COSOPs) need to be clearer about how non-lending activities are to be resourced, managed and monitored. The ARRI notes that country-specific grants are increasingly embedded in the country programmes, but the same cannot be said about regional and global grants funded by IFAD. Grant monitoring and supervision in general continues to remain insufficient.

The 2010 country programme evaluations also underline the need for more analytic work in COSOP preparation and project design, as well as choice of institutional partners; the importance of developing more-focused country programmes in terms of geographic and subsector coverage; and the lack of a

strategic approach across country programmes for mobilizing government counterpart funding. The quality of ex ante institutional and risk analysis is also variable across country programmes and projects.

Engagement with the private sector. An evaluation of IFAD's Private-Sector Development and Partnership Strategy was completed in early 2011. The evaluation recognizes that IFAD has increased the involvement of the private sector in its activities in recent years, and concludes that its private-sector strategy and broad lines of action are relevant and well judged. The evaluation also identifies a number of constraints and opportunities. It recommends that there should be an enhanced private-sector strategy; a more focused and clear definition of the private sector; a review of the organizational and human resources architecture; a strengthening of the existing instruments to support private-sector development; and the establishment of a private-sector development financing facility to permit direct lending to the private sector.

Direct supervision and implementation

support. Direct supervision and implementation support is the main learning theme of this ARRI. The decision in 2006 to move to direct supervision and implementation support was one of the most far-reaching reforms since the Fund was established, leading to major changes in its operating model.

The shift to direct supervision and implementation support has been brought about faster than anticipated and was practically complete by mid-2010. However, the specific preparations needed for implementing the policy were somewhat insufficient, and implementation has progressed at different rates across the five regional divisions. It is also clear that the move towards direct supervision and implementation support was by and large driven by the Programme Management Department, without adequate support provided by other concerned departments, such as in terms of training in implementation support. IFAD now

needs to draw on good practices from the different approaches to identify common standards, increase harmonization and efficiency (e.g. by adopting common quality assurance processes for supervision reports), and reduce risk and costs.

Initial indications suggest that direct supervision and implementation support has made a positive contribution to enhancing the performance of IFAD-supported projects and country programmes. At the same time, the shift to direct supervision and implementation support has had a huge impact on the work of CPMs, and has set in motion a gradual shift of the centre of gravity of IFAD's work from headquarters to the field. Together with the outposting of CPMs, this change will create great opportunities in terms of enhancing efficiencies and development effectiveness, but also challenges, in terms of IFAD's organizational structure, job descriptions, and accountability and incentives framework. These and other issues merit further analysis in the context of the IOE evaluation on direct supervision and implementation support, planned for next year.

Recommendations. The Executive Board is invited to approve the following recommendations. In 2012, IFAD Management should:

- (i) Develop and apply coherent guidelines relating to the levels of counterpart funding from recipient Member States in the context of IFAD-financed projects, taking into account their level of development as one key criterion. This would, among other issues, promote greater ownership by all recipient governments, in line with the Paris Declaration and Accra Agenda for Action, and also ensure IFAD's limited resources are able to leverage essential domestic funds for small agriculture and rural development activities to achieve a wider impact on rural poverty;
- (ii) Include IFAD's approaches to and results in conducting policy dialogue as the learning theme in the 2012 ARRI;
- (iii) Develop the required incentives and an accountability framework for increasing the number and seniority of CPMs posted in IFAD country offices; and
- (iv) Review the achievements and cooperation frameworks for partnerships with the Asian Development Bank and the African Development Bank.

Rwanda - Rural Small and Microenterprise Promotion Project - Phase II

Profile of woman carrying bananas at the Gicakura Tea Farms in Cyangugu Province, Western Rwanda. Microenterprises managed by disadvantaged groups are targeted by this project. The initiative aims to prioritize small businesses managed by women, young people, orphans, landless farmers and those affected by HIV/AIDs in order to improve productivity and economic activity in rural communities.

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Introduction

This is the ninth Annual Report on Results and Impact of IFAD Operations (ARRI) produced by the Independent Office of Evaluation of IFAD (IOE).¹ It consolidates and summarizes the results and impact of IFAD-funded operations, on the basis of independent evaluations conducted during the previous year.²

As in the past, the objective of the ARRI is twofold: (i) to present a synthesis of performance of IFAD-supported operations based on a common methodology for evaluation; and (ii) to highlight key learning issues and development challenges that IFAD and recipient countries need to address to enhance their development effectiveness. While the primary audience of the ARRI is IFAD Management and staff, and the Fund's Evaluation Committee and Executive Board, the report is also of interest to recipient countries and the wider development community.

The ARRI continues to evolve, with three significant changes made this year. First, following the completion in 2010 of the Peer Review of IFAD's Office of Evaluation and Evaluation Function, IOE changed its approach to project evaluations by introducing two new products, namely the project completion report validation (PCRv) and the project performance assessment (PPA). The PCRvs and PPAs undertaken by IOE in 2010-2011 have been drawn upon in the preparation of this ARRI, thus increasing the total number of new project evaluations used for this year's edition as compared with past editions.

Second, the format of the ARRI has been changed to present the data and lessons learned in a more concise and accessible format. Each section presents three types of information on the evaluation criteria used by IOE: a summary of performance based on data collected since 2002; an example of a successful and less

successful project; and any new lessons identified from the evaluations covered in this ARRI.

Third, as in the past, the ARRI devotes specific attention to analysing the proximate causes of good or less good performance (the "why" factor), as a basis for drawing out lessons that can be used to strengthen further IFAD's and recipient partners' development effectiveness. However, the lessons can now be found in two places. New or contrasting lessons arising from the evaluations covered in this ARRI are mentioned in the main text. The main lessons learned from 2003 to 2010, as summarized in last year's ARRI, are listed in annex 5. This annex will be updated annually in order to present a rolling summary of the main lessons. This avoids repetition in the main text, while presenting the main lessons from previous years in a single, easily accessible location.

As agreed by the Executive Board in December 2010, this year's ARRI focuses on direct supervision and implementation support as its main learning theme. Chapter 6 is entirely devoted to the subject.

This year's ARRI is structured as follows. Chapter 2 outlines the methodology and evaluation reports used in the preparation of the document. Chapter 3 contains findings from project evaluations, including an analysis using three-year moving averages of all independent evaluation data since 2002. Chapters 4 and 5 summarize the main findings from country programme evaluations (CPEs) and corporate-level evaluations (CLEs) (see annex 8 for the full list of evaluations used in this year's ARRI). Chapter 6 presents this year's contribution to learning on direct supervision and implementation support. The conclusions and recommendations are contained in chapter 7.

1. IOE is required to produce the ARRI each year, as per the provisions contained in the IFAD Evaluation Policy (2011).

2. Some of the evaluations included in the ARRI were completed in 2011.

2

Methodology and operations covered

This chapter provides an overview of the methodology and evaluation reports used in this edition of the ARRI.

Methodological issues

The methodology and processes used in all IOE project evaluations and CPEs are outlined in the Evaluation Manual introduced in 2009.³ Based on the findings of recent CLEs on gender and innovation, and the evolving priorities areas for IFAD, the manual has now been expanded to include gender equality and women's empowerment as a new evaluation criterion. In addition, it stipulates that independent evaluations should include an emphasis on scaling up and, within the natural resources and environment impact domain, an assessment of the impact of climate change. Annex 1 of this report contains charts illustrating the project evaluation and CPE methodologies.

The various internationally recognized evaluation criteria and corresponding definitions used by IOE are contained in annex 2. As in the past, each evaluation criterion is rated on a six-point scale, ranging from highly satisfactory (6) to highly unsatisfactory (1).⁴

Moving averages are used to even out year-to-year variations caused by the relatively small sample of projects, which are also not selected on a random basis. Moreover, it is important to clarify the "age" of the portfolio of projects evaluated by IOE and reported in the ARRI. While age is an inevitable feature of ex post evaluation – because all projects take years to complete – the portfolio of the projects evaluated is less historical than often assumed. For instance, 78 per cent of the 41 evaluated projects that form the basis of this ARRI were approved between 2000 and 2006. All but six

of the evaluated projects have reached completion at the time of evaluation, but 61 per cent of all projects evaluated closed between 2009 and 2011. Therefore, close to two thirds of the projects evaluated were under implementation until relatively recently.

Projects and programmes evaluated

This year's ARRI discusses 41 projects evaluated by IOE. A full list of these projects, with some basic data, can be found in annex 8. It is worth highlighting that this sample size is significantly larger than in any other ARRI since its first edition in 2003.⁵ This reflects a steep increase in the number of projects evaluated by IOE during 2010, made possible by the use of PCRVs and PPAs. These two new types of evaluation reports, introduced by IOE in 2010, are less costly than previous evaluation reports and can be implemented more quickly. An expanded sample size of evaluated projects is important for ensuring greater reliability in the analysis and reporting on results through the ARRI, especially since the projects evaluated were not selected on a random basis. It is also useful to note that the 148 projects evaluated independently by IOE since 2002 have served as a basis for the (three-year moving averages) analysis contained in the document.

In addition, this year's ARRI draws on the findings and recommendations contained in five CPEs (Ghana, Kenya, Rwanda, Viet Nam and Yemen) and one CLE (on IFAD's private-sector strategy).⁶

PCR document quality and disconnect

Project completion reports (PCR) are produced by the government for each project financed by IFAD, based on specific guidelines provided by

3. The Evaluation Manual may be downloaded from IFAD's corporate website at:

http://www.ifad.org/evaluation/process_methodology/index.htm.

4. 6 – Highly satisfactory, 5 – Satisfactory, 4 – Moderately satisfactory, 3 – Moderately unsatisfactory, 2 – Unsatisfactory, 1 – Highly unsatisfactory.

5. In comparison, the number of new projects evaluated that formed the basis of past ARRI editions varied between 10 and 17 per year.

6. The private-sector strategy evaluation was discussed together with IFAD Management's response in the Executive Board session held in May 2011.

the Fund. Once IFAD receives the PCRs, the front office of the Associate Vice President of the Programme Management Department independently assigns ratings to each evaluation criteria covered in the PCR document.

IOE and PMD have now formally agreed to harmonize the evaluation criteria they apply in PCRs. However, PMD uses four additional criteria to assess PCR document quality, namely scope, quality (in terms of methods, data and participatory processes followed), lessons and candour.

As previously mentioned, PCRVs are drawn on for the ARRI for the first time this year. A list of PCRVs used is provided in annex 6. Two aspects of the PCR report are covered in this section: an assessment of the quality of PCR and the discrepancy between PCR and PCR/PPA ratings. The data on performance and findings from the PCRVs/PPAs are covered in chapter 3.

PCR quality. IOE's assessment of the quality of the PCR is summarized in table 1. The results for scope and candour of the PCRs examined are on average moderately satisfactory, even though about one fourth are moderately unsatisfactory and none is highly satisfactory. Overall, the quality of only about one third of the PCRs is moderately satisfactory, whereas

more than two fifths have moderately unsatisfactory ratings, and none are highly satisfactory. The areas of most concern remain the methods used and the robustness of the data included in the PCRs.

Disconnect. This reassessment by IOE of the PMD rating generates a so-called "disconnect," which is the difference between PCR and PCR/PPA ratings. A negative number means that the PCR/PPA ratings are lower than the PCR ratings, implying that the rating(s) by PMD were more optimistic about the project's performance. A positive number means the opposite. While relatively minor in scale, the disconnect was negative in 12 of the 17 PCR/PPAs included in this ARRI. In other words, as might be expected, the revised IOE ratings were less favourable than those in the original PCRs. However, the overall average disconnect was only -0.2, which indicates that the ratings in PCRs and PCRVs, after all, are not too far apart.⁷ Among all evaluation criteria, relevance, innovation and scaling up, and performance of government are the three criteria with the largest disconnect averaging around -0.4. Other criteria such as effectiveness, sustainability and the performance of IFAD have a very small average disconnect (-0.1 or 0.1), whereas in the case of equality and women's empowerment no disconnect was found (see table 2).

Table 1. PCR data on the quality of PCR documents (in percentages)

Rating	Scope	Quality	Lessons	Candour	Overall rating
6 Highly satisfactory					
5 Satisfactory	18	13	35	18	18
4 Moderately satisfactory	59	31	47	59	53
Total satisfactory	76	44	82	76	71
3 Moderately unsatisfactory	24	44	18	24	29
2 Unsatisfactory		13			
1 Highly unsatisfactory					
Total unsatisfactory	24	56	18	24	29

7. For example, if the average rating in the PCRs was 4 (moderately satisfactory), the average rating in the PCRVs was 3.8.

Table 2. Disconnect between PCR/PPA ratings and PCR ratings

Evaluation criteria	Average disconnect
Relevance	-0.4
Effectiveness	-0.1
Efficiency	-0.2
Rural poverty impact	-0.3
Sustainability	0.1
Innovation and scaling up	-0.4
Gender equality and women's empowerment	0
Performance of IFAD	-0.1
Performance of government	-0.4
Overall project achievement	-0.3

Selected systemic issues and lessons

emerging from PCRVs. In completing the first batch of PCRVs, IOE identified the following key systemic issues and lessons that IFAD Management needs to consider to enhance the quality of future PCRs:

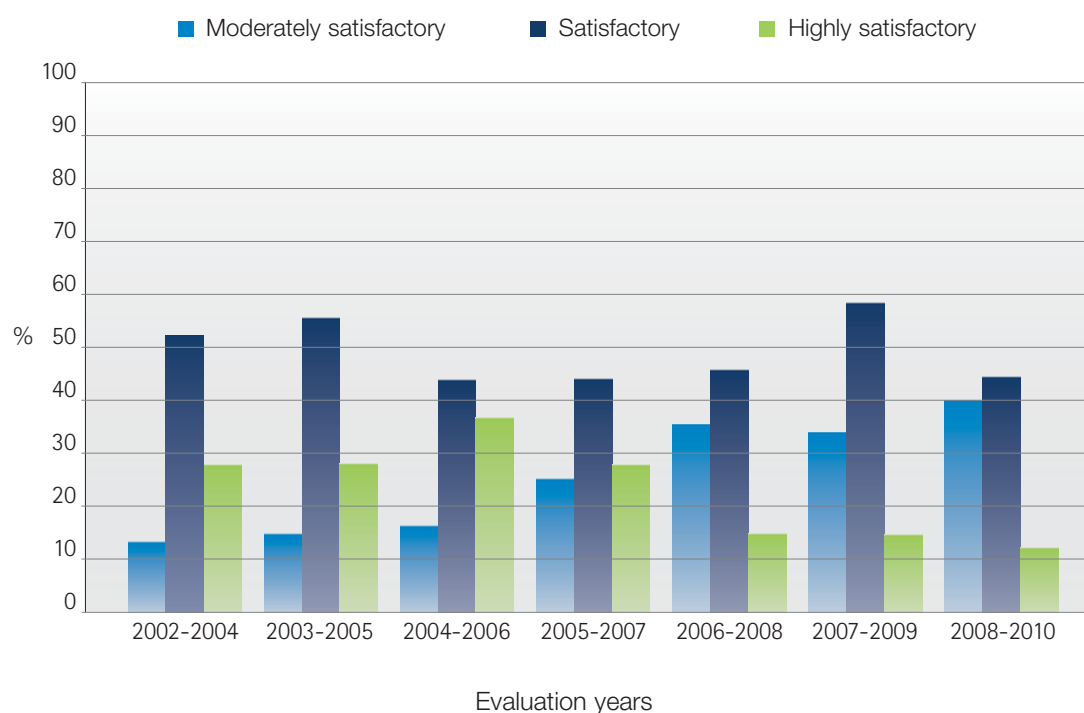
- (i) The quality of PCRs varies considerably from project to project. This may partly be the result of different understandings of the various evaluation criteria used and their application. For example, the analysis of “effectiveness” in the PCRs often focuses on the production of outputs rather than on the achievement of outcomes, or project objectives.
- (ii) Ratings in the PCRs – assigned by relatively junior staff hired by PMD – are not always supported by adequate analysis and evidence. This calls for, inter alia, strengthening the overall quality assurance processes within IFAD regional divisions for the preparation of PCRs. The ratings assigned by PMD front office in PCRs are not systematically discussed with the regional divisions. While this might enhance the impartiality in the assessment of a project, it limits the opportunities for promoting dialogue within IFAD on the proximate causes of good or less good performance, which is critical for learning and improving in the future.
- (iii) Weak project-level monitoring and evaluation (M&E) systems are a constraint to ensuring that PCRs are based on robust data, especially relating to changes in the lives of poor rural people. Improving the quality of these systems remains a priority.
- (iv) There are limited formal/systematic structured opportunities within PMD for sharing and documenting experiences and good practices in the process of preparing PCRs.
- (v) PMD does not have a consolidated annual plan with specific time lines for the preparation of PCRs. Among other issues, this makes it difficult for IOE to schedule PCRVs.
- (vi) The level of effort invested by country programme managers (CPMs) in providing guidance to IFAD-supported projects for the preparation of PCRs varies considerably. IOE's initial analysis reveals that support and coaching provided by the CPM to those concerned in recipient countries generally leads to better-quality PCRs.

3 Project evaluations

Relevance

The assessment of relevance includes assessing the relevance of project objectives (i) with the needs of the poor rural people, (ii) with IFAD's corporate policies and strategies, and (iii) with the government's agriculture and rural development policies. It also includes assessing the relevance of project design by analysing the design logic and strategy for achieving project objectives (for example, in terms of the type of components financed), the appropriateness of financial allocations by project component, the institutional partners selected, the project management arrangements, and geographic and target group coverage.

Figure 1. Project relevance (2002-2010)



Over 90 per cent of the projects evaluated by IOE since 2002 have received ratings for relevance that fall within the “satisfactory zone” (i.e. moderately satisfactory, satisfactory or highly satisfactory). The figure for projects evaluated in 2008-2010 was 94 per cent. The only slight

change over time has been a decrease in the proportion of projects rated as highly satisfactory and an increase in the proportion of projects rated as only moderately satisfactory. This may indicate a more rigorous approach to the evaluation of this criterion, rather than any

decline in relevance. In particular, in assessing relevance in the past, evaluations mostly focused on the alignment of project objectives with poor people's needs, with IFAD's policies and strategies, and with government policies (see the first part of the definition above). Today IOE evaluations also thoroughly analyse the design logic and strategy for achieving project objectives (see the second part of the definition above).

The overwhelming majority of projects were well aligned with beneficiaries' needs and with the policies and priorities of partners. Three lessons, in addition to those highlighted in previous ARRIIs (see annex 5), were identified. The first, identified in five projects, was that simple project designs based on the lessons and experience of earlier projects are more likely to be relevant. The projects in Rwanda and one in Chad (the Food Security Project in

the Northern Guéra Region – Phase II) all benefited from explicitly taking into account lessons from previous projects. And while a project in Rwanda (the Smallholder Cash and Exports Crop Project) had a notably simple design, the relevance of the other project in Chad (the Kanem Rural Development Project) was reduced by overly complex designs and ambitious objectives. The project was also held back by weakly developed and prepared partnerships with national and international institutions.

The choice of the designated executing agency was questionable in the case of Chad's Northern Guéra project. This finding underscores the importance of conducting a thorough institutional analysis during project design in order to define clearly the most appropriate institutional partners for achieving project objectives.

Highly satisfactory project example

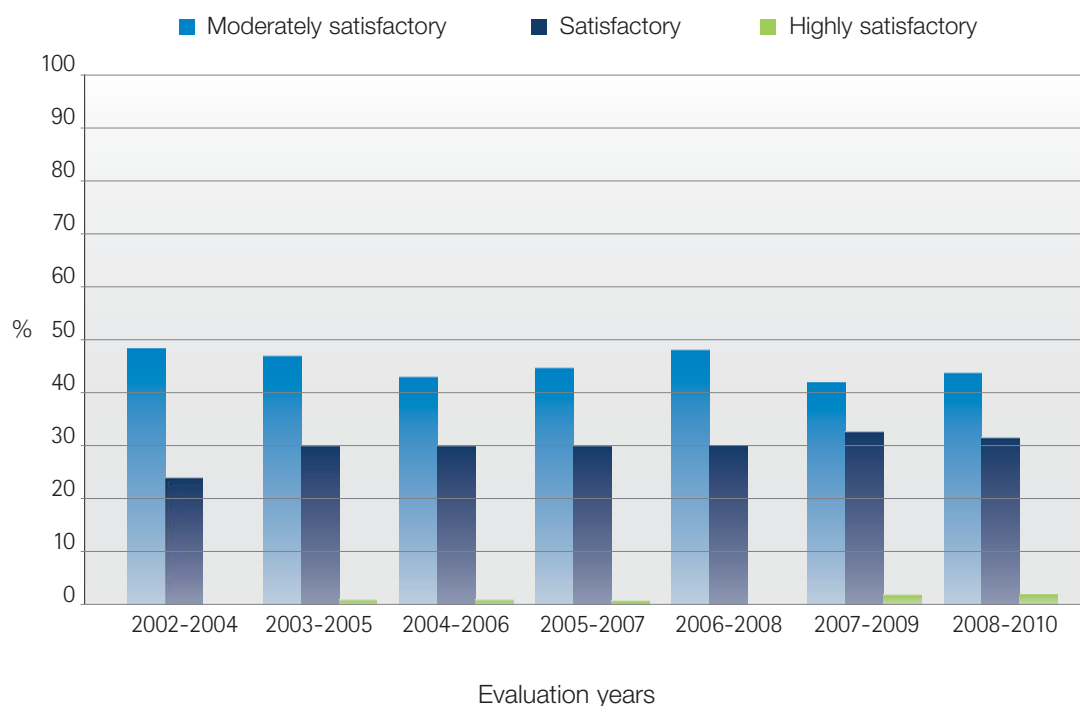
The Rural Enterprises Project-Phase II in Ghana drew on the experience of its first phase; was strongly supportive of a government policy priority; gave stakeholders a clear voice in project processes; and comprehensively identified and addressed the main constraints to enterprise development.

Moderately unsatisfactory project example

The Rural Development Project for the Rubber-Producing Regions of Mexico was handicapped by the limited interest it generated among federal and state authorities. Small, marginal and dispersed populations depended on a crop (rubber) that was not a priority for Mexico. Moreover, the project was vulnerable to institutional changes during implementation.

Effectiveness

Effectiveness is the extent to which the development intervention's objectives were achieved, or are expected to be achieved, as assessed at the time of evaluation.

Figure 2. Project effectiveness (2002-2010)

About three quarters of projects have been rated within the satisfactory zone for effectiveness since 2002. This figure has remained broadly constant over the decade. However, since 2002 between 40 and 50 per cent of the

projects were rated as merely moderately satisfactory for effectiveness. There is therefore scope for improvement in this criterion, especially in expanding the number of projects that are satisfactory or highly satisfactory.

Satisfactory project example

The Ha Tinh Rural Development Project in Viet Nam achieved most of its objectives. The project was demand-driven and learned from previous projects. It emphasized beneficiary participation and effectively involved women and poor people as a result. Over 5,000 hectares of land were brought under improved irrigation, benefiting an estimated 86,250 households; a microcredit scheme was established involving 2,500 village savings and credit groups; and roads serving 115 communes (including the 48 poorest) were rehabilitated.

Unsatisfactory project example

The Kanem Rural Development Project in Chad did not achieve its objectives and the loan was terminated by IFAD. Some components – such as rural finance and gender training – were never implemented. Quality at entry was poor. The project had an inadequate logical framework, lacked conceptual clarity, and was overly complex given the difficult physical and institutional context. Implementation support from IFAD and the United Nations Office for Project Services was insufficient.

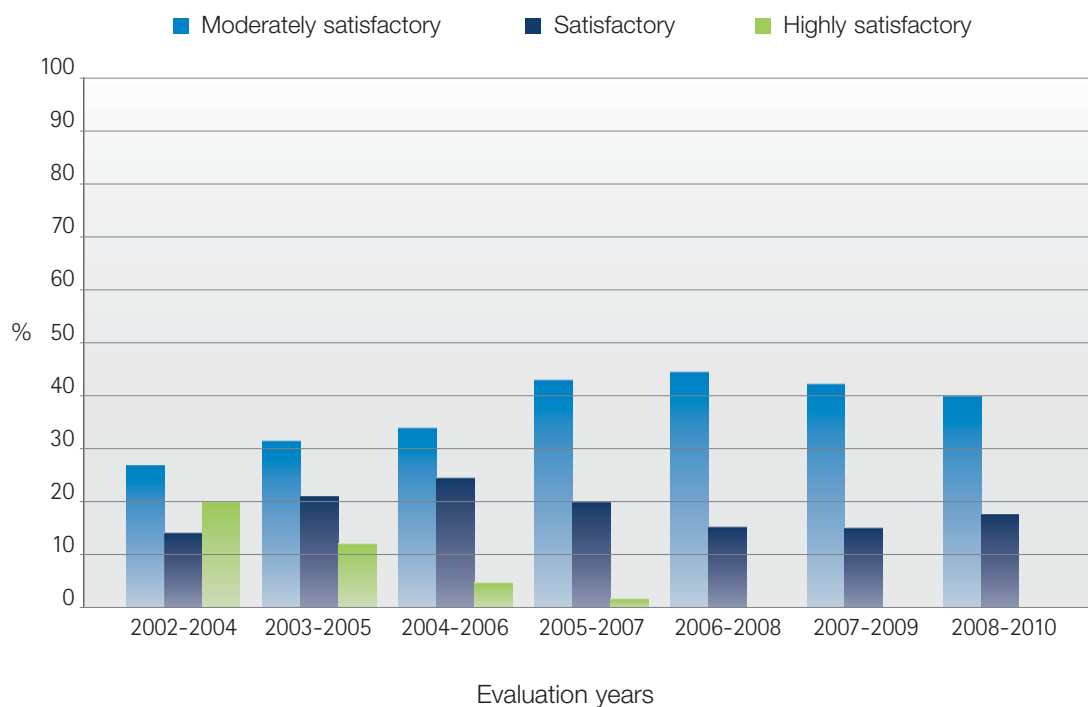
The evaluations included in this year's ARRI confirmed the lessons for effectiveness summarized in last year's ARRI. The importance of adequate logical frameworks and specific, measurable, attainable, relevant, time-bound (SMART) indicators – without which the monitoring and measurement of effectiveness is difficult – was highlighted in a number of evaluations. Logical frameworks and indicators were weak for the projects in Mexico and Chad (the Kanem project). Data and monitoring were

weak in Mexico and in Kenya. In the case of Kenya, the CPE reported that because project records and impact surveys did not indicate the number of adopting and benefiting households, it was difficult to estimate the extent of effectiveness. Finally, one rather obvious lesson from several recent evaluations is that the timely deployment and quality of project management teams is extremely important for ensuring good project implementation and effectiveness.

Efficiency

Efficiency is a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results at different levels, including outputs and impacts.

Figure 3. Project efficiency (2002-2010)



Efficiency has always been rated less favourably than relevance and effectiveness, and was highlighted as a problem area in last year's and previous ARRI. About 60 per cent of evaluated projects have received satisfactory-zone ratings for efficiency since 2002. This figure was 57 per cent in 2008-2010.

The apparent downward trend in performance since 2005-2007 is difficult to explain, and there is no evidence that efficiency is improving. The lessons and recommendations from the ongoing CLE on IFAD's institutional efficiency⁸ will be particularly important and timely.

8. The IOE evaluation on efficiency began in 2011 and is due to be completed in 2012.

Satisfactory project example

The Oudomxay Community Initiatives Support Project in the Lao People's Democratic Republic initially had difficulties in establishing efficient project and financial management. However, close monitoring by supervision missions, a comprehensive analysis by the mid-term review, and ongoing technical assistance improved efficiency considerably. The economic internal rate of return was estimated as 12 per cent at completion compared with 9 per cent at appraisal.

Unsatisfactory project example

The Eastern Province Horticulture and Traditional Food Crops Project in Kenya had project management and monitoring costs of 49 per cent against an appraisal estimate of 12 per cent. Almost one quarter of total project costs were shown as unallocated and unaccounted for.

The evaluations covered in this ARRI confirm that the quality of design, project management and participation are key efficiency factors, and repeat many of the lessons summarized last year (annex 5). Two other lessons were identified. First, slow procurement procedures and financial processes can have a significant negative impact on efficiency. This was found to be the case in five evaluations – Cameroon, Chad (the Kanem project), Chad (the Northern Guéra project), Ghana and the Kenya CPE. In Kenya, funding delays significantly limited the implementation capacity of the portfolio and were a major cause of constrained efficiency. Some evaluations also found anomalies in costs incurred, especially for infrastructure

development, and alluded to governance concerns (e.g. lack of rigorous financial management, accounting and auditing) that also affected project efficiency.

The evaluation of the Rural Development Programme for Mountainous and Highland Areas in Azerbaijan drew interesting conclusions on the use of international NGOs and private contractors to manage implementation of IFAD-supported projects. These partners are often seen as more efficient, but less sustainable, than government. This was not, however, the case in the programme evaluated in Azerbaijan.

Project performance

Project performance is a composite rating of relevance, effectiveness and efficiency.

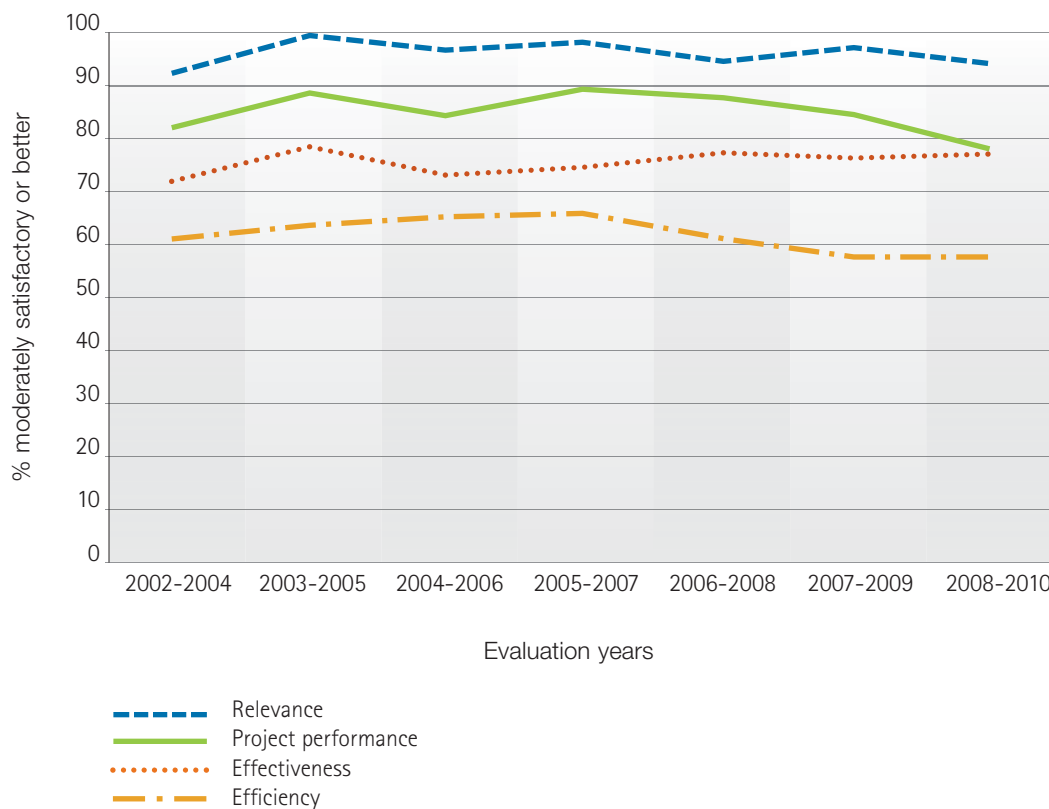
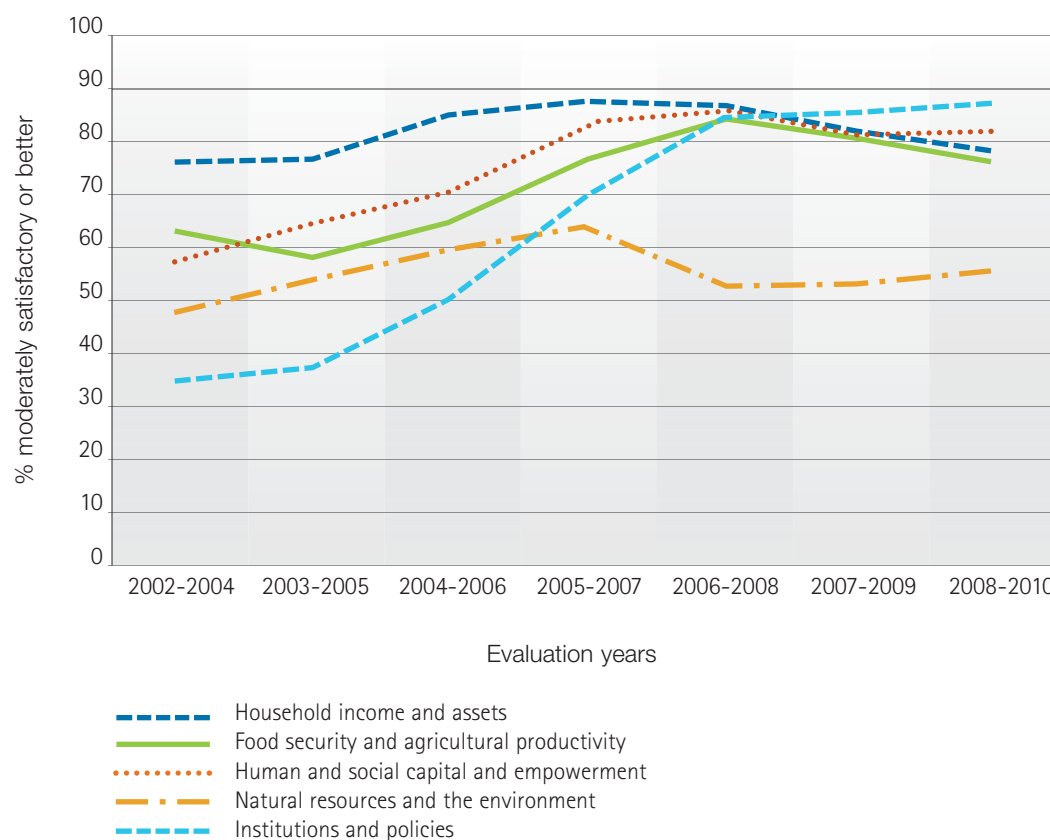
Figure 4. Project performance (2002-2010)

Figure 4 shows the three-year moving averages for relevance, effectiveness and efficiency since 2002. The level and trend in project performance, which is a composite of these three criteria, is also shown. While the overall level of project performance has been broadly constant, with about 85 per cent of projects with satisfactory-zone ratings, the slight

downward trend in relevance and especially efficiency is reflected in the moving average for project performance. Another point to flag is that project performance is merely moderately satisfactory in around half of the projects evaluated between 2008 and 2010, and no project received a highly satisfactory rating for performance.

Impact on rural poverty

Impact is defined as the changes that have occurred or are expected to occur in the lives of poor rural people (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.

Figure 5. Rural poverty impacts (2002-2010)

Impact on rural poverty is assessed using five impact domains: household income and assets; human and social capital and empowerment; food security and agricultural productivity; natural resources and the environment and climate change; and institutions and

policies. Three-year moving averages showing the levels and trends in performance across the five impact domains since 2002 are shown in figure 5. Performance in each of the five impact domains will be discussed in the following section.

Household income and assets

Household income provides a means of assessing the flow of economic benefits accruing to an individual or group. Assets relate to a stock of accumulated items of economic value.

Satisfactory project example

The Agricultural Marketing Systems Development Programme in the United Republic of Tanzania has contributed to increased agricultural production and commercialization, resulting in higher incomes. Part of the income is being used for household assets and social expenses (e.g. school fees) and part is being reinvested in agriculture. The composition of income sources has also become more diversified.

Moderately unsatisfactory project example

The impact survey for the Rural Development Programme for Mountainous and Highland Areas in Azerbaijan reported positive impacts on physical assets and income. The increments were, however, small, below expectations, and might not have been adjusted for inflation. There were no comparative data from a control group.

The proportion of projects rated within the satisfactory zone for household income and assets has remained at over 75 per cent since 2002-2004. This moving average has declined slightly over time (from 87 per cent in 2006-2008 to 79 per cent in 2008-2010), while the percentage of satisfactory or highly satisfactory projects has increased (from 42 per cent in 2006-2008 to 47 per cent in 2008-2010). This is indeed important, given that twice as many projects were evaluated in 2008-2010 than in 2006-2008: 69 compared with 34.

Lessons from previous ARRIIs are summarized in annex 5. This year's evaluations confirm that creating successful small businesses often requires more than training and/or credit. For example, the evaluation of the Rural Enterprises Project - Phase II in Ghana reported that around half of the trainees were able to apply their new knowledge. While a lack of investment capital was a major barrier for some, there were other technical and practical barriers (such as a shortage of raw materials or markets). In Jordan, the training that the Yarmouk Agricultural Resources Development Project provided to women was not sufficient to address their lack of technical and business capabilities. The Rural Financial Services Programme in the United Republic of Tanzania found that one of the major challenges was

limited entrepreneurship skills. Access to resources was important, but it was equally important that the borrower had the ability to launch and manage a profitable venture.

A second finding of note was that changes in income and assets can only be reliably assessed if well-designed and functioning M&E systems are put in place. Weak M&E systems that did not focus on capturing impact-level data were mentioned in two evaluations: the Community Development Support Project in Cameroon and the Northern Guéra project in Chad. Weaknesses in project-level M&E, including the lack of baseline data, as identified in successive ARRIIs appear not to have been solved. The action plan for strengthening the self-evaluation system developed in 2011 by IFAD Management should help, but only if properly resourced and implemented in a timely manner.

Human and social capital and empowerment

Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, and the individual and collective capacity of poor people.

The rating for human and social capital and empowerment remains high, and it has improved since 2002. Over 80 per cent of projects received satisfactory-zone ratings in 2008-2010 (as compared with 58 per cent in 2002-2004), and half of the projects evaluated in 2008-2010 were considered satisfactory in this impact domain.

A summary of the lessons from previous ARRI is contained in annex 5. Three findings stood out this year. First, a strong link between social development – especially training and social infrastructure, including drinking water schemes – and positive impacts on social capital was found in five projects this year: the Rural Development Programme in Azerbaijan; the Community Development Support Project in Cameroon; the Kanem project in Chad; the Rural Enterprises Project in Ghana; and the Oudomxay project in the Lao People's Democratic Republic.

A second finding emphasizes the importance of the financial viability and financial sustainability

of groups. For example, social capital has been built among the target groups supported by the Agricultural Marketing Systems Development Programme in the United Republic of Tanzania. However, such social capital rests to a large extent on the financial viability of the groups and cooperatives. If these operate at a financial loss or with a negligible profit, the social capital is likely to evaporate.

The final lesson arises out of the experience of the Dom Helder Camara Project (DHCP) in Brazil. In territories that benefited from the project for long enough, improvements in social capital were significant. Conversely, impacts were less visible in the territories included later in the project. This suggests that, in projects where new communities are progressively added, a minimum support period that varies according to circumstances is required in order to consolidate changes in institutional capabilities and enhancements of social capital.

Highly satisfactory project example

The Dom Helder Camara Project (DHCP) in Brazil contributed to a significant increase in the self-esteem of poor rural people as a result of its participatory, bottom-up approach, its focus on small-scale income-generating activities, and its positive but pragmatic agenda for the empowerment of women. It was also one of the few IFAD-funded projects that explicitly targeted young people.

Moderately unsatisfactory project example

The training on income-generating activities provided by the Yarmouk Agricultural Resources Development Project in Jordan was not sufficient to address the lack of technical and business capabilities among smallholders. The emphasis on group and collective actions clashed with the individualistic predisposition of highland farmers and achieved little visible progress.

Food security and agricultural productivity

Food security refers to the availability of, access to and stability of access to food. Changes in agricultural productivity are measured in terms of yields and labour inputs.

The percentage of projects with satisfactory-zone ratings for food security and agricultural productivity increased from 62 per cent in 2002-2004 to 77 per cent in 2008-2010. A slight decline in ratings for this impact domain has been apparent since 2006-2008 (see figure 5). This is within the margin of error for the data and should not be seen as suggesting a definite downward trend in performance.

In addition to the lessons from previous ARRIIs summarized in annex 5, two other lessons can be drawn from the evaluations covered in this ARRI. The first lesson arises from the experience of the Oudomxay project in the Lao People's Democratic Republic. The agriculture and natural resources component was unsuccessful because the design did not fully take into account the difficulties of delivering the objective in the context of a poor, dispersed and largely illiterate population; an undeveloped private sector; and weak government capacity.

The lesson drawn is that narrowly defined agricultural and natural resources projects require certain minimal levels of market development and institutional capacity in order to be successful. These need to be sufficiently and critically analysed during design and appraisal.

The second lesson relates to data showing an increase in malnutrition rates in the Northern Guéra project in Chad, which suggests that the food security situation deteriorated over the life of the project, probably due to the severe drought in 2009 and a deepening nutritional crisis over several years affecting the whole Sahelian belt. It may be that the food security situation would have been even worse without the project, but in the absence of a baseline survey it is not possible to disentangle exogenous and project effects.

Highly satisfactory project example

The Support Project for the Strategic Plan for the Transformation of Agriculture (PAPSTA) in Rwanda achieved significant improvements in food security and productivity. Meat and milk consumption increased, and yields of rice, maize, beans, cassava and sweet potatoes doubled. These increases resulted from a combination of improved techniques (e.g. soil conservation and cultivation methods) and improved inputs (e.g. seeds and fertilizers).

Unsatisfactory project example

The agriculture and natural resources component of the Oudomxay Community Initiatives Support Project in the Lao People's Democratic Republic faced challenging physical and institutional constraints. It was slow to start and disburse, had limited beneficiary coverage, and included too diverse a range of extension activities. Yields of rice and maize did not increase. Food security may have deteriorated, and at best did not change.

Natural resources, the environment and climate change

This is a measure of the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resources and the environment, and adaptation and mitigation to climate change.

Natural resources and environmental management was a key learning theme in the 2009 ARRI, and the report includes a detailed account of the opportunities and challenges faced by IFAD in this area. This has been, and remains, one of the weaker impact domains. However, there are indications of some improvements from 2002-2004, when a majority of projects were rated as moderately unsatisfactory or worse. Evaluation data reveal that, between 2008 and 2010, 56 per cent of the projects received overall ratings within the satisfactory performance zone in this domain. IFAD Management is aware of the need to devote adequate attention and resources to this thematic area, and has in the past two years introduced specific measures to improve performance, including the establishment last year of the Environment and Climate Division

and the introduction of IFAD's Climate Change Strategy (2010) and Environment and Natural Resource Management Policy (2011).

Lessons from previous ARRIs are summarized in annex 5. Many projects do not have explicit natural resources or environmental objectives. However, where they do, this needs to be reflected in their activities and be properly monitored. For example, although improved natural resource management was one of the objectives of the Oudomxay project in the Lao People's Democratic Republic, the project did little to improve the environment through natural resource management, nor did it monitor the environmental impacts of any of its project activities. Fortunately, the few negative impacts were minor and reversible.

Satisfactory project example

The Mount Kenya East Pilot Project for Natural Resource Management in Kenya is working to halt the environmental degradation, flooding and drought resulting from deforestation and inappropriate agricultural practices in one of the regions that is most vulnerable to climate change. Tree cover and access to water resources have increased, as has the natural resources management capacity of communities and government agencies.

Moderately unsatisfactory project example

The negative environmental impacts of the Smallholder Cash and Export Crops Development Project in Rwanda remain to be quantified and addressed. The coffee-washing stations and tea factories cause more pollution than was estimated at appraisal. Untreated wastewater and engine oil flow straight into the rivers.

Although mitigation and/or adaptation to climate change is now considered under this impact domain, few of the projects evaluated have done much to explicitly address this concern. In many cases, this was because they were “older” projects whose designs did not explicitly incorporate climate change issues. Some encouraging examples can be cited, however. The Mount Kenya project in Kenya has had significant positive environmental impacts in a region vulnerable to climate change. The Rwanda CPE mentions some progress with reforestation/agroforestry in two projects, with the explicit objective of carbon sequestration.

Some positive efforts are also evident in the Yemen and Viet Nam country programmes.

However, in the Yemen programme, there is limited evidence of projects proactively integrating climate-related risks into project design or implementation in terms of “climate proofing.” And in the Viet Nam programme, the scattered project components do not add up to a systematic and strategic approach to this important issue in the country. The Viet Nam CPE recommends that IFAD develop a strategic approach to the challenge of climate change in the country. While other donors are active in this area, IFAD is in a unique position to work on the impact on poor rural communities of climate change and other negative environmental trends (e.g. salt water intrusion and erosion).

Institutions and policies

This is a measure of changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.

Ratings for institutional and policy impact have improved markedly, from 35 per cent in the satisfactory zone in 2002-2004 to 87 per cent in 2008-2010. However, half of the projects evaluated between 2008 and 2010 are merely moderately satisfactory in this criterion,

implying that there is room for improvement in terms of developing institutions and contributing to a more favourable pro-poor agriculture policy environment in recipient countries. IFAD’s contribution to policy dialogue will be treated in greater detail in chapter 4.

Highly satisfactory project example

The Rural Enterprises Project in Ghana has had an exemplary impact on institutions at the national and district levels. The project has led to significant policy change in support of the micro and small enterprise (MSE) sector, and has facilitated the implementation of major policy initiatives (e.g. the establishment of a MSE subcommittee). At the district level, it has created an enabling environment and an innovative institution (the MSE subcommittee) for local MSE growth. It has also contributed to strengthening local institutions.

Moderately unsatisfactory project example

One of the objectives of the Yarmouk Agricultural Resources Development Project in Jordan was to strengthen the agricultural directorates. However, the project had very limited resources to change the technical capabilities and/or institutional functioning. Few visible changes in the extension services resulted. The project’s policy content was also inadequate.

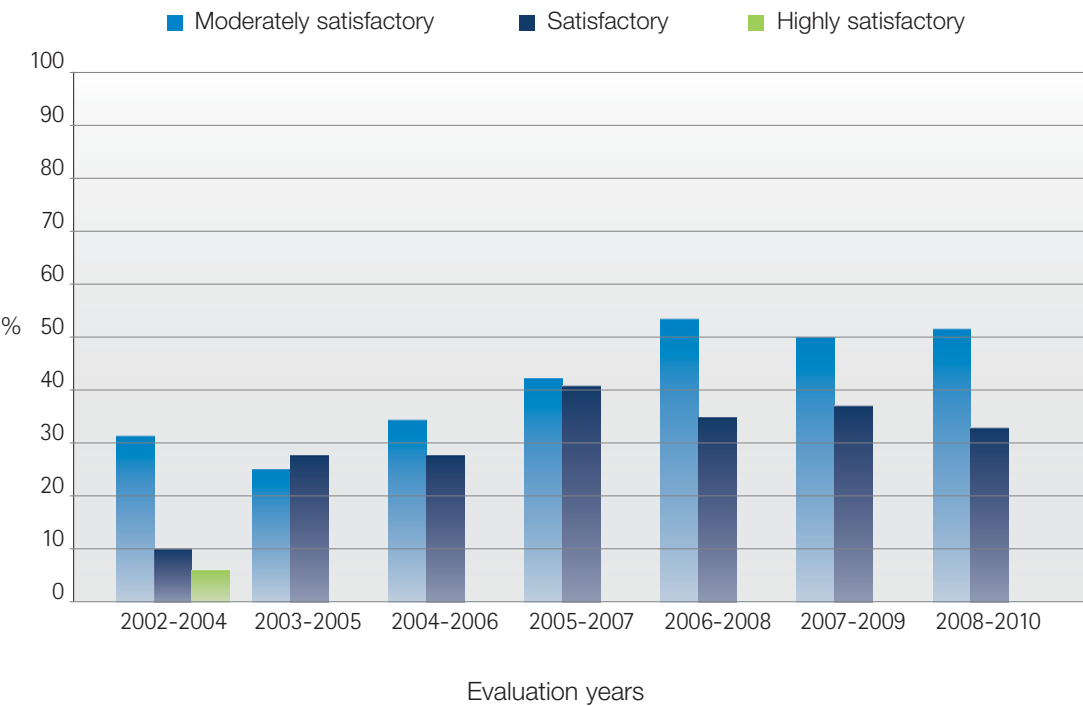
A summary of the lessons from previous ARRIIs is contained in annex 5. Two additional lessons are generated by the CPE for Rwanda:

- (i) Where support for decentralization is a high strategic priority, such support needs to be provided as part of an overall systematic approach and plan for developing local government capacity, harmonized with national and international efforts, rather than as ad hoc project interventions.
- (ii) Any new implementation structures need to be integrated into existing local government structures if they are to have a positive impact on capacity and ownership.

The overall rural poverty impact rating is an important criterion and is derived by aggregating the ratings from the five impact domains discussed above. As shown in figure 6, there has been a marked improvement in performance over time, from 48 per cent with satisfactory-zone ratings in 2002-2004 to 84 per cent in 2008-2010. There are nonetheless opportunities for strengthening rural poverty impact further as half of the projects evaluated between 2008 and 2010 are only moderately satisfactory.

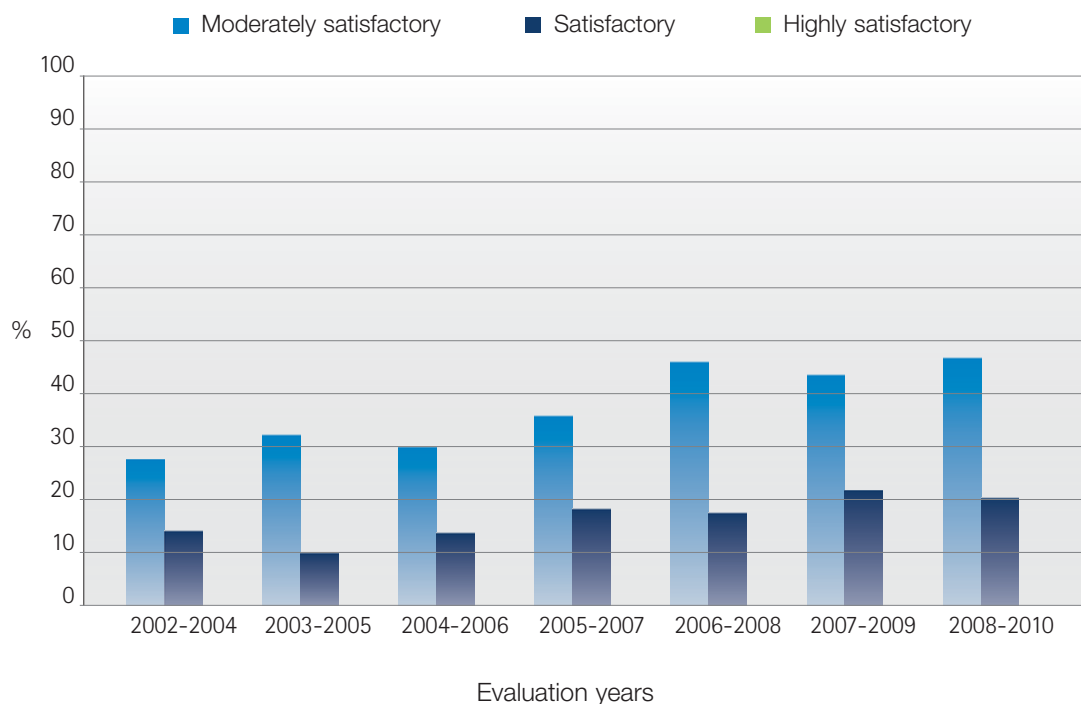
Overall rural poverty impact

Figure 6. Overall rural poverty impact (2002-2010)



Sustainability

This is a measure of the likely continuation of net benefits from a development intervention beyond the phase of external funding support. It includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.

Figure 7. Sustainability (2002-2010)

The sustainability of projects has been a challenge for IFAD for some time. The 2007 edition of the ARRI treated sustainability as a key learning theme, identifying priority areas in project design and implementation needing IFAD Management's attention. Only 41 per cent of projects evaluated by IOE in 2002-2004 received satisfactory-zone ratings for

sustainability. Between 2008 and 2010, 67 per cent of the projects evaluated were satisfactory, which reflects a definite improvement over time. However, in the same period, almost half of the projects were only moderately satisfactory, which also implies that there is room for further improvement in the sustainability of benefits.

Satisfactory project example

The overall sustainability of the Ha Tinh Rural Development Project in Viet Nam was enhanced by a participatory approach and community mobilization, which built a sense of ownership in the infrastructure and in the savings and credit groups. The on-farm activities are likely to be continued by households, and the Government is committed to sustaining the extension and veterinary support.

Moderately unsatisfactory project example

The Rural Financial Services Programme in the United Republic of Tanzania raises substantial and critical issues of sustainability. Non-repayment rates at the saving and credit cooperative societies are high. While the more advanced microfinance institutions (MFIs) will be sustainable, some will stagnate and others will die. There are concerns as to how many district councils will take over the programme's responsibilities and allocate sufficient resources to support the MFIs.

A summary of the lessons from previous ARRIIs was contained in last year's report. These lessons are repeated in annex 5. The additional lessons from this year's evaluations include:

- (i) Government distribution of subsidized agricultural inputs represents a potential risk to sustainability. The transition to market prices and private-sector distribution needs to be carefully managed over a period of time.
- (ii) Cooperatives can face major sustainability challenges. The sustainability risk declines with the declining levels of complexity of the operations they manage.
- (iii) Rural financial services are often not sustainable. Subsidized interest rates, poor repayment performance and inflation pose threats to the sustainability of rural financial services established with project support.
- (iv) Involvement in multiple subsectors can make sustainability harder to achieve. Multiple subsectors require capacities in multiple thematic areas and can lead to divided responsibilities among executing agencies, which are more difficult to coordinate post-project.
- (v) Wide geographic coverage (both in the context of a single operation or at the country programme level) and outreach targets can have a cost in terms of sustainability. Generating and consolidating sustainable results may require ensuring that coverage and targets are commensurate with the level of resources available, capacities for implementation, supervision and M&E.

The first and second lessons are evidenced in the CPE for Rwanda. The largest risk to the sustainability of agricultural support is related to the distribution of subsidized improved seed and fertilizer under the crop intensification programme. Cooperatives play a crucial role

in the Rwanda portfolio but have major sustainability challenges. Risks relate to the unsustainable levels of debt, mismanagement and poor governance, and an inability to pay and attract qualified staff. Production cooperatives are less complex and so are generally less at risk than processing or marketing cooperatives.

The risks to the sustainability of rural financial services have long been appreciated. However, the substantial and critical issues of sustainability with regard to the rural financial services supported by the projects in Azerbaijan, the Lao People's Democratic Republic, Rwanda and the United Republic of Tanzania indicate that these risks remain real and are not being adequately managed.

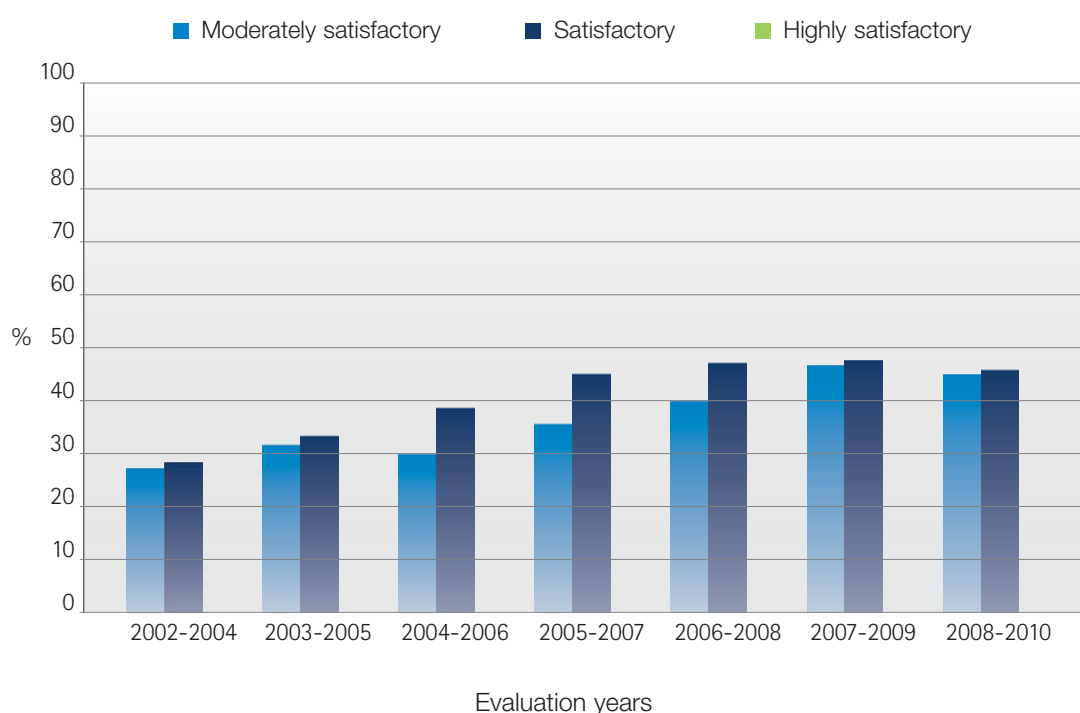
The fourth lesson arises from the experience of the Kenya country programme, which includes assistance in a number of subsectors. The CPE concluded that subsector dispersion will reduce sustainability. The evaluation of the Agricultural Marketing programme in the United Republic of Tanzania came to a similar conclusion regarding geographical dispersion. Better sustainability might have been achieved had the programme concentrated its efforts on fewer districts. Both experiences support the case for simple and geographically focused programme designs.

The final lesson was generated by Dom Helder Camara Project in Brazil. While experience in the country shows that, to achieve sustainable results, adequate and sufficiently prolonged support for farming families is required, this could not be provided for more recently included families in the time frame of the project. The evaluation argued that the expansion of the target group in the last few years was primarily driven by the objective of achieving higher targets rather than by the idea of generating and consolidating sustainable results.

Innovation and scaling up

This measures (i) the extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction; and (ii) the extent to which these interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and other agencies.

Figure 8. Innovation and scaling up (2002-2010)



Promoting pro-poor innovations in agriculture and rural development is a central priority for IFAD. Among other findings, the CLE carried out by IOE in 2010 on innovation⁹ found that scaling up is “mission critical” for the Fund to ensure a wider impact on rural poverty.

The percentage of projects with satisfactory-zone ratings for this domain has steadily improved: from 57 per cent in 2002-2004 to 90 per cent in 2008-2010. That said, it is important to underline that around 50 per cent

of the projects evaluated in 2008-2010 were only rated moderately satisfactory for innovation and scaling up.

Previous lessons can be found in annex 5. Three evaluations this year reported the absence of a systematic or strategic approach to scaling up. The Kenya CPE found that innovations had been promoted, but that scaling up was pursued neither strategically nor systematically. Limited efforts in national-level policy dialogue, knowledge management and

9. This evaluation may be downloaded at http://www.ifad.org/evaluation/public_html/eksyst/doc/corporate/scalingup.pdf. Results from this evaluation were covered in the 2010 ARRI.

partnership-building are often cited in IOE evaluations as constraints on successful scaling up. And in the Lao People's Democratic Republic (the Oudomxay project), there was no strategy for scaling up and no resources allocated for this purpose. The general lesson is that scaling up is unlikely to happen if this is not an explicit objective with a clear strategy and resources committed to it.

However, it is fair to note that in the past two years IFAD Management is devoting greater

attention to scaling up. Innovation and scaling up is one of the "principles of engagement" set out in the recently approved IFAD Strategic Framework 2011-2015, and new country strategic opportunities programmes (COSOPs) are required to articulate more explicitly how scaling up will be pursued. Finally, as mentioned earlier, in 2010 IOE introduced specific questions that allow a more accurate assessment of efforts made to scale up successful innovations introduced in the context of IFAD-supported projects.

Satisfactory project example

The delineation of a development model for mountainous and highland areas was the chief innovation of the Rural Development Programme for Mountainous and Highland Areas in Azerbaijan. The programme was highly innovative in its promotion of rural financial services and community-driven development, the latter being entirely new for Azerbaijan. However, lessons from programme experience need to be analysed and internalized before the model can be replicated and scaled up.

Moderately unsatisfactory project example

The Community Development Support Project in Cameroon introduced an innovative bidding system for public works that gave communities a central role, but subsequently backed off from this. Other approaches used were not innovative, and the revolving funds require adaptation in order to have potential for scaling up. The overall prospects for scaling up are modest.

Gender equality and women's empowerment

This criterion assesses the efforts made in promoting gender equality and women's empowerment including, inter alia, the participation of women in decision-making processes, and the impact on their livelihoods and nutrition.

Gender equality and women's empowerment were previously covered under the impact domain on human and social capital and empowerment, but did not always receive the attention they deserved. Based on the findings of the 2010 CLE on gender,¹⁰ IOE introduced a new criterion on gender equality and women's empowerment, to be applied in all evaluations undertaken. This is therefore the first year that gender has been separately evaluated and reported in a dedicated section of the ARRI. This will be a regular feature of the document in the future.

Ninety per cent of projects evaluated in 2010 were rated within the satisfactory zone in promoting gender equality and women's empowerment. This is a positive result, albeit for only one year of data. It confirms the generally positive findings about the role and attention devoted in IFAD-financed operations to gender issues. Once again, however, there are further opportunities for improvement, as half of the projects evaluated in 2010 were rated as moderately satisfactory.

In addition to the key lessons extracted from previous ARRI contained in annex 5,¹¹ this ARRI confirms the important role that literacy

classes can play in contributing to women's empowerment. Training, including literacy training, is a relatively common feature of projects. It can be particularly important for empowering women, as literacy classes were in the Oudomxay project in the Lao People's Democratic Republic. Before training, women's participation in decision-making committees was limited by their lack of literacy and numeracy, and their inability to express themselves in the Lao language.

Ensuring that gender-disaggregated monitoring data are identified in the logical framework, and then collected, is an important and necessary step to making gender issues visible. Poor gender monitoring, and specifically the lack of gender-disaggregated data, was mentioned in three evaluations: the Lao People's Democratic Republic (the Oudomxay project), Rwanda (the Smallholder project) and the Kenya CPE. Two evaluations found useful gender-disaggregated data: Chad (the Kanem project) and the Rwanda CPE.

10. This evaluation may be downloaded at http://www.ifad.org/evaluation/public_html/eksyst/doc/corporate/gender.pdf. Results from this evaluation were covered in the 2010 ARRI. IFAD Management is developing IFAD's first corporate policy on gender, to be presented to the Executive Board for approval in April 2012.

11. Further lessons may be found in the CLE on Gender Equality and Women's Empowerment (2010).

Satisfactory project example

The Yarmouk Agricultural Resources Development Project in Jordan included loans for income-generating activities that were explicitly aimed at the advancement of women within households and in society. Evidence gathered during the PPA showed that these loans had contributed to the economic and social empowerment of women. Training financed under the rural credit component also had an explicit focus on women.

Moderately unsatisfactory project example

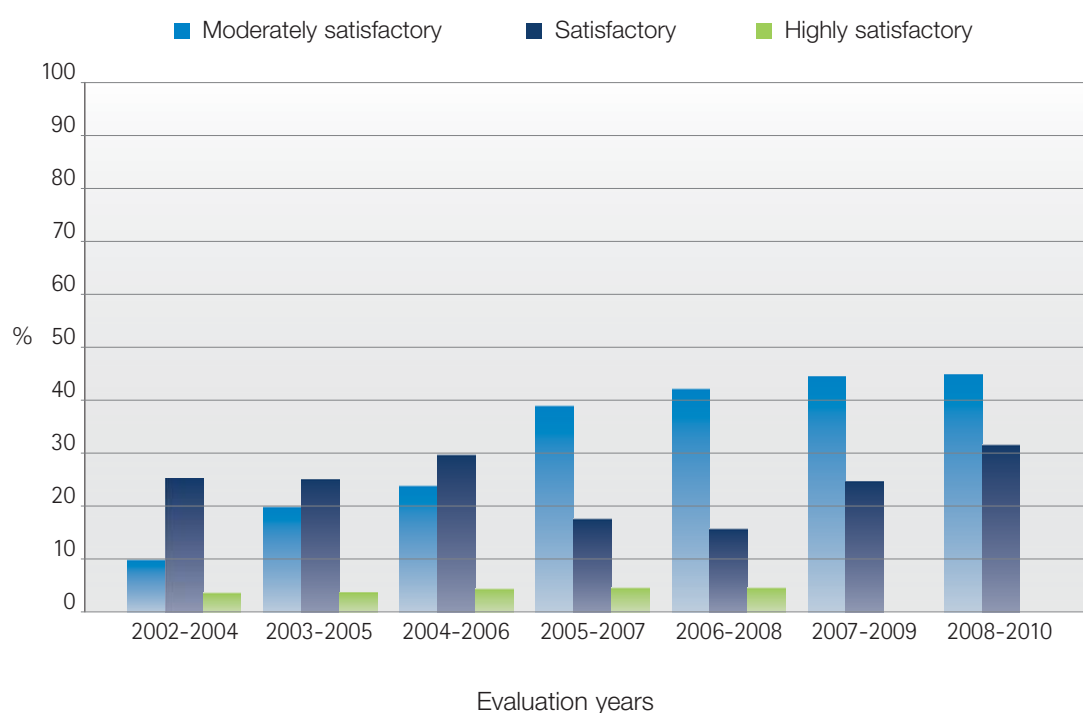
The Rural Development Project for the Rubber-Producing Regions of Mexico was designed with a strong gender focus. However, this failed to materialize since the human resources development component was only marginally implemented. The gender focus was reflected in the project's operational rules.

Performance of partners: IFAD and government

This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of partners in fulfilling their expected roles and responsibilities during the project life cycle is also assessed.

IFAD

Figure 9. IFAD's performance as a partner (2002-2010)



The rating of IFAD's performance as a partner has improved steadily and substantially over the past decade. The percentage of projects where IFAD's performance received satisfactory-zone ratings has increased markedly: from 39 per cent in 2002-2004 to 77 per cent in 2008-2010. The percentage of projects rated as satisfactory, rather than just moderately satisfactory, has also increased since about 2007. However, the data suggest that the

performance of IFAD as a partner (i) remains only moderately satisfactory in nearly half of the projects; and (ii) in close to one fourth, the Fund's performance is still moderately unsatisfactory or worse.

Satisfactory project example

The design of Smallholder Cash and Export Crops Development Project in Rwanda was relevant, simple and generally good. IFAD reacted positively and flexibly when design shortcomings were identified during implementation and worked well with the Government to find solutions. The only negatives were over-optimism in the design of some components; a poorly defined development goal; and frequent changes in CPMs in the early years.

Moderately unsatisfactory project example

While the design of the Rural Development Project for the Rubber-Producing Regions of Mexico was innovative and coherent, adjustments were needed. One reason these did not happen was because of the very late mid-term review (20 months before project completion). Implementation support may also have been hampered by the rotation of CPMs. The lack of a country presence prevented IFAD from engaging in sustained policy dialogue.

Many of the lessons identified in previous years were repeated in this year's evaluations (see annex 5). One new lesson from the Rwanda CPE is a by-product of the more direct approach to project supervision and implementation support now adopted by IFAD. While direct supervision and implementation support is widely recognized as beneficial for achieving better results on the ground, as compared with supervision by cooperating institutions, there is a risk of micromanagement. This can potentially undermine national ownership and defuse the responsibility that is clearly vested in governments for the implementation of IFAD-financed projects. Hence, this is an area that merits being kept under review to ensure that an appropriate balance is maintained between national ownership and responsibility for execution on the one hand, and the critical inputs IFAD can provide during direct supervision and implementation support activities on the other.

The Kenya and Viet Nam CPEs, together with other evaluations, found that government and other major partners underlined the value of IFAD as an important player in promoting small-scale agriculture development. The Fund's bottom-up and participatory approach to agriculture and rural development were

singled out as a comparative advantage that is much appreciated by all concerned. However, these evaluations did also find that IFAD could take a wider role in national policy processes, based on its field experiences and specialization in small-scale agriculture.

Finally, the Kenya CPE also analysed the initial experience with the regional office that IFAD established in Nairobi for the East and Southern Africa Region (ESA). The main conclusion was that the mandate and set-up of the regional office was relevant, and that the office was providing useful support to furthering the objectives of individual country programmes in the region. However, the CPE also noted that the relationship between the ESA regional office and the Kenya country office needed more clarification.

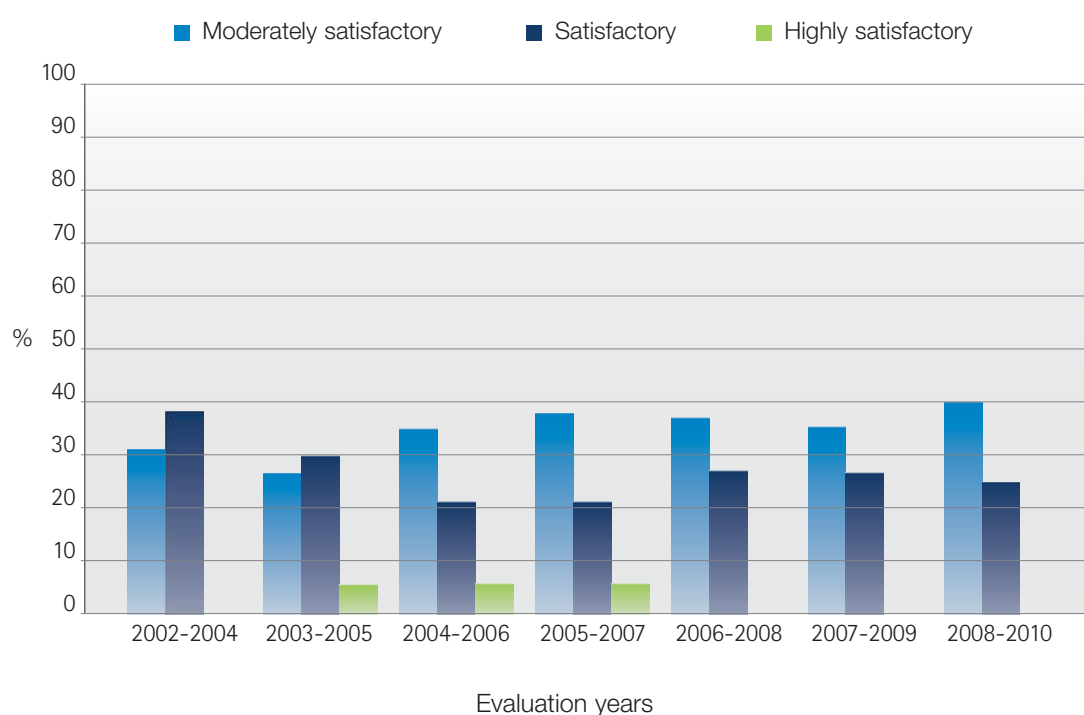
Government

Evaluations are increasingly revealing that government performance is one of the key determinants of project success. However, in contrast to the performance of IFAD, the performance of government as a partner has remained broadly unchanged over the past decade, with an average of about 65 per cent

of evaluations rating government performance within the satisfactory zone. At the same time, the performance of government is moderately unsatisfactory or worse in about a third of the projects financed by IFAD. Last year's ARRI highlighted the same concern. Evaluations conclude that IFAD can do more to support governments and strengthen their capacities in the agriculture and rural sectors, including

promoting better delivery systems. Evaluations also note that IFAD could conduct more comprehensive institutional analyses at the time of COSOP development and project design. This would, inter alia, contribute to identifying the right partners to involve in IFAD-funded projects and highlight specific areas that merit the Fund's attention in order to strengthen government institutions and overall capacities.

Figure 10. Performance of government (2002-2010)



Satisfactory project example

Government ownership and legal support were key factors in the success of the Ha Tinh Rural Development Project in Viet Nam, and in its scaling up. The Government created a favourable context for implementing participatory planning and decentralization. A high-quality project management team was embedded within an improving government structure.

Unsatisfactory project example

The Community Development Support Project in Cameroon was hampered by a project team untrained in participatory approaches and divided by internal tensions. Government did not supply all the counterpart funds that were due; field personnel lacked sufficient means of transport; and M&E was weak. No impact study has been undertaken.

Almost all of the lessons contained in previous ARRIIs (see annex 5) were again in evidence. The reality is that government performance varies enormously (both from country to country, and within different layers of government), but is generally not as good as it needs to be.

One recurring finding is that insufficient investments are made for undertaking thorough institutional analysis at the time of COSOP development and project design. Along similar lines, evaluations reveal that analytic work at design in the past has not been adequate, which is essential for better understanding country context and consequently designing interventions that have more realistic and achievable objectives, which can be easily monitored and evaluated.

The Kenya CPE found government performance in the last decade to be moderately unsatisfactory overall, even though the Government has recently shown signs of greater commitment. This raises the question

of whether IFAD's response to weak government performance (e.g. inadequate counterpart funding or weak M&E) is as good as it should be. Certainly, wider country presence and direct supervision and implementation support provide opportunities for IFAD, both during design and implementation, to further its understanding of the challenges to government performance, and to introduce measures that can contribute to the timely redressing of shortcomings.

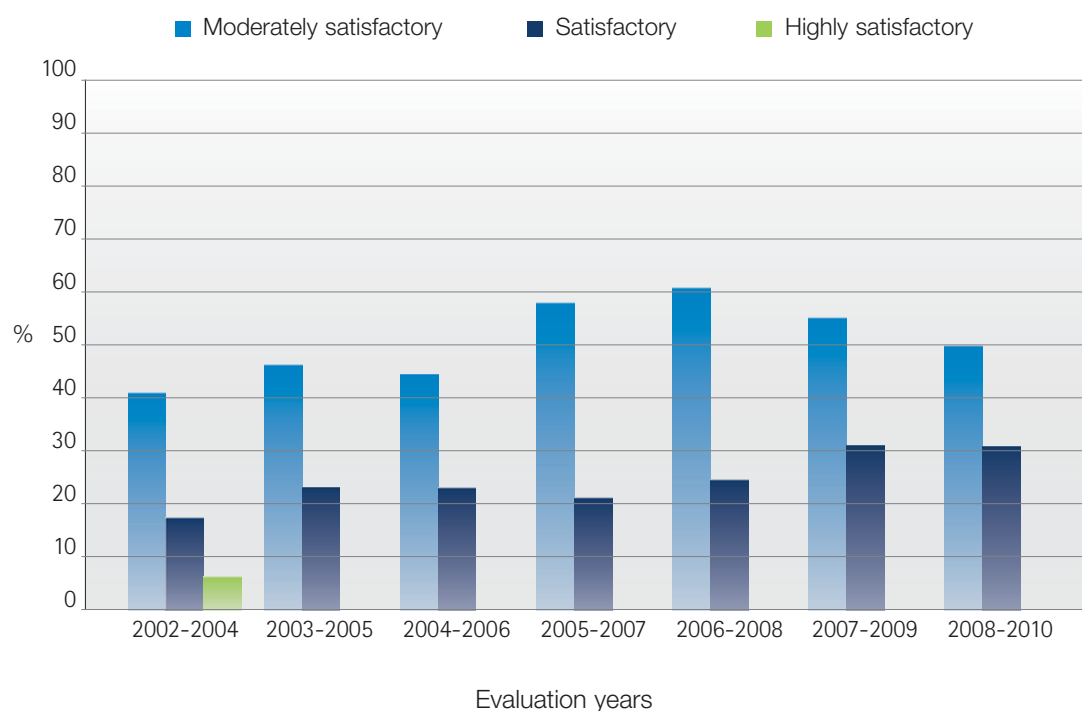
Another finding from evaluations in Africa (e.g. the Ghana, Kenya and Rwanda CPEs) is that governments are not allocating sufficient resources to agriculture annually from their national budgets. The CPEs in Africa show that governments are not providing 10 per cent of their annual budgets to agriculture, as agreed by the African Ministers of Agriculture in Maputo in 2003. This is one area in which IFAD could undertake policy dialogue, in collaboration with other development players, in order to raise domestic budget allocations and the profile of agriculture in recipient countries.

Overall project achievement

This is an overarching assessment of the project, drawing on the analysis made under the various evaluation criteria cited above: relevance, effectiveness, efficiency, rural poverty impact, sustainability, innovation and scaling up, and gender.

Overall project achievement has improved from 66 per cent of projects with satisfactory-zone ratings in 2002-2004 to 81 per cent in 2008-2010. Equally positive is the gradual rise over the past five years in the proportion of projects rated as satisfactory, rather than just moderately satisfactory. This has risen from 21 per cent in 2005-2007 to 32 per cent in 2008-2010. At the same time, it is important to note that

in 2008-2010, half of the projects evaluated still remain only moderately satisfactory in terms of overall project achievement.

Figure 11. Overall project achievement (2002-2010)**Box 1.** Key points from the project evaluations

- IFAD-funded projects often display similar characteristics. Their ratings for relevance and effectiveness are generally satisfactory, but those for efficiency, although improving, could be significantly better. In fact, nearly half of the projects are still moderately unsatisfactory or worse.
- There has been a marked improvement in rural poverty impacts over time. Institutions and policies, and human and social capital and empowerment, are the best-performing impact domains. Recent project evaluations show some improvements, but the domain of natural resources management and environment is still moderately unsatisfactory or worse in nearly half of the projects.
- While sustainability has improved, it remains a challenge. Only 21 per cent of projects are rated satisfactory or better.
- Innovation promotion is generally good, but in the past scaling up was not pursued systematically. IFAD is intensifying its efforts to ensure that successful innovations are scaled up and will consequently have a wider impact on rural poverty.
- Ninety per cent of projects evaluated in 2010 received satisfactory-zone ratings in promoting gender equality and women's empowerment. Nonetheless, there are further opportunities for improvement, as half of the projects evaluated in 2010 were only moderately satisfactory.

Box 1. Key points from the project evaluations (continued)

- IFAD's performance as a partner has improved substantially and steadily. More attention can, however, be paid to conducting a thorough institutional analysis at the time of COSOP development and project design.
- Government performance is critical for ensuring project effectiveness but it has not improved. IFAD urgently needs to address this issue.

Internal and external benchmarking

Internal benchmarking. This ARRI continues the tradition of benchmarking performance against the results reported in the IFAD Independent External Evaluation of IFAD (IEE) (2005) and the 2012 Results Measurement Framework. Table 3 shows that performance has improved

since the IEE. In three cases (relevance, innovation and gender), the 2012 targets agreed with the Executive Board have been surpassed. However, more effort will have to be invested in effectiveness, impact and sustainability, and especially in efficiency, to meet the 2012 targets.

Table 3. Internal benchmarking (percentage moderately satisfactory or better)

Evaluation criteria	Independent External Evaluation ^a	IOE 2008-2010 evaluations	2012 Targets from the Results Measurement Framework ^b
Relevance	100	94	90
Effectiveness	67	77	90
Efficiency	45	57	75
Rural poverty impact	55	84	90
Sustainability	40 ^c	67	75
Innovation ^d	55	90	80
Gender ^e	n/a	90	80

^a See IEE, chapter 2.

^b These are targets, to be compared with ARRI results, approved by the Executive Board in September 2009. See table 2 in document EB 2009/97/R.2, Results Measurement Framework for the Eighth Replenishment period (2010-2012).

^c This is based on the ratings of 10 late and closed projects. However, it found that 61 per cent of all of the projects (it covered 18) were likely to have a satisfactory impact on sustainability.

^d The IEE split the analysis into local and national innovations. The results included in the table refer to local innovations, which are defined as something "new or different at the community or village level (more commonly understood to be technology transfer)." As for national innovations, defined as something "new or different in a particular country context (a new type of microfinance organization, a new agriculture technology)," only 25 per cent of projects rated were considered satisfactory.

^e 2010 data only.

Table 4. Comparisons of overall project achievement across geographic regions (2002-2010)

Geographic region	Number of projects evaluated ^a	Percentage of projects in least-developed countries ^b	Overall project achievement Percentage of projects rated moderately satisfactory or better	Overall project achievement Percentage of projects rated moderately unsatisfactory or worse
Asia and the Pacific	38	34	92	8
Latin America and the Caribbean	22	5	77	23
East and Southern Africa	31	84	77	23
Near East, North Africa and Europe	21	43	76	24
West and Central Africa	32	63	63	37

^a The total number of projects in this table adds up to 144 (and not 148, which is the number of project evaluations undertaken since 2002 used throughout this ARRI). This is because a few project evaluations conducted several years ago did not include a rating for “overall project achievement.”

^b These include countries that have low income (GNI per capita under US\$905), low human capital status and high economic vulnerability, as defined by the United Nations Office of the High Representative for the Least Developing Countries, Landlocked Developing Countries and Small Island Developing States.

In past years, the ARRI included a comparison of the performance of IFAD-supported projects across the five geographic regions covered by IFAD-funded operations. It should be emphasized, however, that the comparison across geographic regions is **not** tantamount to assessing the performance of the corresponding PMD regional divisions as organizational units, given that project performance is also determined by the contributions of other partners, especially the recipient governments.

Consistent with the findings reported in previous ARRIs, this year’s analysis covering all project evaluations between 2002-2010 (see table 4) shows that the performance of IFAD-funded operations in West and Central Africa (WCA) is relatively weaker, as compared with that in other regions, which have more projects rated within the satisfactory zone. In fact, the results of the agriculture-sector operations of two other major multilateral development banks

(the African Development Bank – AfDB; the World Bank) reveal a similar performance in sub-Saharan Africa. At the same time, given the challenges of reducing rural poverty in the continent, it is important to recognize that the Fund is committing between 40 and 50 per cent of its annual programme of loans and grants to sub-Saharan Africa.

External benchmarking. Since 2007, the ARRI has benchmarked the performance of IFAD-financed operations with the agriculture and rural sector portfolios of selected international financial institutions that produce a similar report as the ARRI on an annual basis. Benchmarking with other organizations is inherently difficult. Multilateral organizations have different mandates and are of varying sizes in terms of their annual programme of work and administrative budgets. Also, while broadly following the same Organisation for Economic Co-operation and Development-Development

Assistance Committee (OECD-DAC) evaluation methodology, each organization presents its results for different time periods. Despite these limitations, there is potential value in external benchmarking for comparing performances and learning from the experiences of others.

Table 5 compares the data contained in the ARRI with those in similar annual reports prepared by the independent evaluation units of the Asian Development Bank (AsDB)¹² and the World Bank.¹³ The independent evaluation units of the other multilateral development banks (e.g. AfDB and the Inter-American Development Bank) do not produce a comparable report.

Notwithstanding the caveats in benchmarking performance, the data in table 5 suggest that the performance of IFAD-funded projects is somewhat better than the operations funded by AsDB, the World Bank in the Near East, North Africa and Europe region, and AfDB. The performance of IFAD-funded projects globally and in Africa is marginally better than those financed by the World Bank, but the differences are not as significant as in the other cases.

Table 5. Benchmarking against other financial institutions
(percentage of projects moderately satisfactory or better)

Project performance	IFAD (evaluated 2002-2010) ^a	World Bank (closing 2005-2010)	Asian Development Bank (approved 2001-2006)	African Development Bank (evaluated 2002-2009)
Worldwide	83	81 ^b	n/a	n/a
Asia and Pacific	98	n/a	67 ^c	n/a
Near East, North Africa and Europe	81	68	n/a	n/a
Africa (2003-2007) ^d	72	68 ^e	n/a	61

^a Evaluation data for 2002-2010, except for data for Africa (2003-2007), which are from the AfDB/IFAD Joint Evaluation of Agriculture and Rural Development in Africa (2009).

^b The data include agriculture operations and other operations, such as transport, power and communication services, that are part of the core development goal of "expanding economic opportunities."

^c Project success, as defined by AsDB, is a composite of relevance, effectiveness, efficiency and sustainability.

^d Data from the AfDB/IFAD Joint Evaluation (2009). Table 3.

^e Includes all sector operations.

12. 2011 Annual
Evaluation Review,
Independent Evaluation
Department.

13. Independent
Evaluation Group Report
2011: Results and
Performance of the
World Bank Group.

4

Country programme evaluations

Last year's ARRI contained a dedicated chapter on the findings of the 11 CPEs completed since 2006. Five more CPEs were carried out in 2010 – Ghana, Kenya, Rwanda, Viet Nam and Yemen – bringing the total to 16. This year's ARRI presents an overview of CPE performance in two areas: (i) non-lending activities (policy dialogue, partnership-building and knowledge management); and (ii) the COSOP, in terms of relevance and effectiveness.

As in previous chapters, this one does not repeat the findings and lessons contained in last year's ARRI. Each of the following three sections presents a summary of the 2006-

2010 data; the main findings from the five CPEs undertaken in 2010; and any new lessons from these five CPEs. Consolidated CPE lessons from previous ARRIs are listed in annex 5.

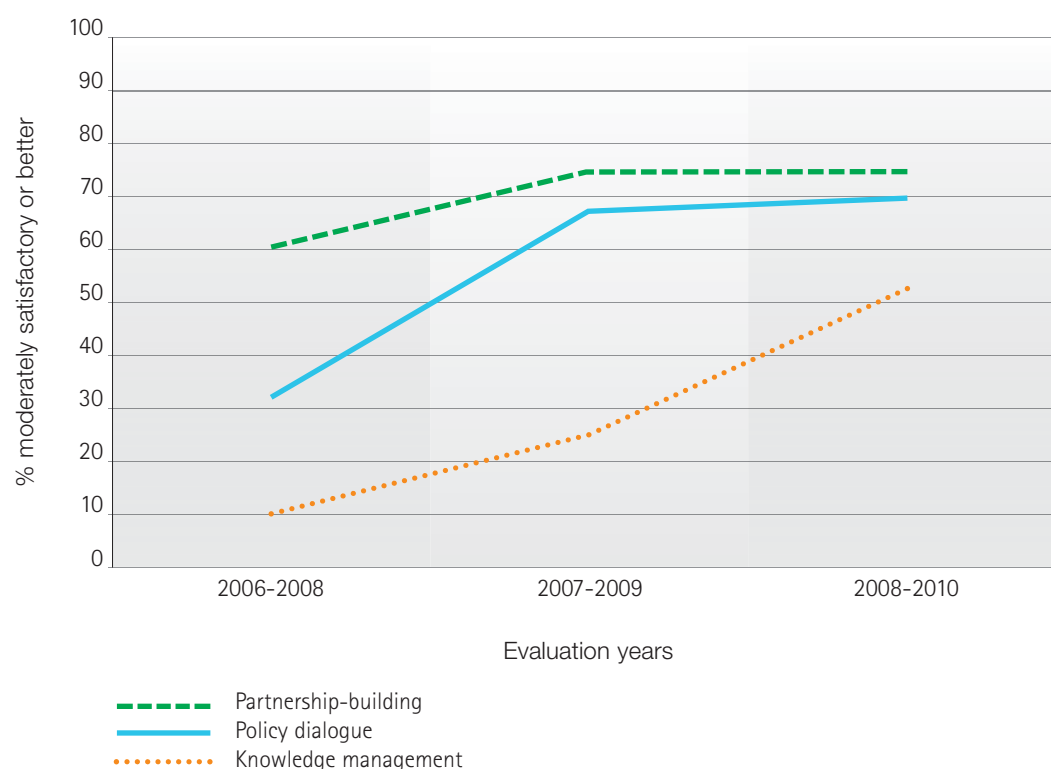
It is important to note, when considering the main findings and lessons in the subsequent sections, that performance in non-lending activities is attributed to both IFAD and the concerned Government, as they are jointly responsible for promoting policy dialogues, building partnerships and undertaking knowledge management to achieve the country strategy (i.e. the COSOP) objectives.

Table 6. List of 2010 country programme evaluations and associated COSOPs

CPE	Date(s) of COSOP(s) covered
Ghana	1998, 2006
Kenya	2002, 2007
Rwanda	2007
Viet Nam	1996, 2003, 2008
Yemen	1997, 2000, 2007

Non-lending activities: policy dialogue, knowledge management and partnership-building

Non-lending activities are a set of instruments that encompass the interrelated areas of policy dialogue, knowledge management and partnership-building.

Figure 12. Performance of non-lending activities from 2006-2010

The results from the 16 country programmes evaluated since 2006 are shown in figure 12. Knowledge management is the weakest non-lending area, although a steady improvement can be seen since 2006: only 11 per cent of the country programmes received satisfactory-zone ratings in knowledge management in 2006-2008, but by 2008-2010 the figure had climbed to 52 per cent. There is still room for improvement, however, since nearly half of the country programmes evaluated remain moderately unsatisfactory.

Policy dialogue is also improving, with performance ratings increasing from 33 per cent within the satisfactory zone in 2006-2008 to 70 per cent in 2008-2010. In contrast, partnership-building has improved marginally, from 61 per cent of the CPEs reporting satisfactory-zone performance in 2006-2008 to 75 per cent in 2008-2010. For both policy dialogue and partnership-building, close to two thirds of the country programmes are merely moderately satisfactory, implying there is room for improvement in these areas as well.

Policy dialogue

Policy dialogue is defined as the extent to which IFAD and government have collaborated in policy processes and contributed to pro-poor policy development in agriculture and rural sectors.

Without far-reaching policy changes at the national level, opportunities to promote rural poverty reduction on a wider scale are likely to be limited. IFAD's ability to engage proactively in national policy dialogue and processes is, however, constrained by a number of factors that will be discussed below.

On the positive side, it is useful to consider some of the policy-related results reported in recent CPEs. Both the Ghana and Yemen programmes, for example, have influenced policy thinking: Ghana, on microenterprises and interest rate subsidies; Yemen, on rural poverty and rural development strategy. In Yemen, IFAD has promoted greater space for private-sector participation in agriculture development programmes and helped strengthen these programmes' emphasis on commodity value chains and employment generation. The Viet Nam programme has had an impact on government policies on the decentralization of development planning, resource allocation, participation and forest land-use rights. This has largely been achieved by demonstrating the impact of successful programmes.

There have also been some gaps. IFAD had only a minor role in the development of Kenya's recent agriculture sector development strategy, in the institutional/policy framework for micro/rural finance in Rwanda, and in the rural finance and the spate irrigation policies in Yemen.

The main constraints to more effective policy dialogue at the national level are (i) IFAD's still relatively limited presence in recipient countries globally (although this is increasing gradually); (ii) the limited number of outposted CPMs; (iii) the posting in many country offices of relatively junior staff who do not always have the skills and experience to engage with senior government officials, donors and politicians on sector policies; (iv) the wide range of responsibilities borne by CPMs, and by country offices, which are devoting most of their resources to direct supervision and implementation support; (v) unclear guidance from headquarters on what the balance should be between supporting lending activities and supporting non-lending activities; and (vi) the often overly ambitious agenda for policy dialogue included in many COSOPs, which is not matched with the necessary resources, incentives and time for implementation.

However, it is fair to state that IFAD is recognizing the importance of devoting greater attention to policy dialogue in general. Creating an enabling policy environment to support agricultural production and non-farm activities is one of the strategic objectives of IFAD's 2011-2015 Strategic Framework. Greater emphasis on policy dialogue is also a key feature proposed in the new business model for the Ninth Replenishment period.

Knowledge management

This is a measure of the extent to which knowledge from the IFAD-supported country programme (and from the agricultural and rural development programmes of other development partners) has been systematically and appropriately documented, packaged and shared with key partners in the country concerned and beyond.

The 2010 CPEs continue the trend identified in the 2009 CPEs of a slightly more positive picture of knowledge management. Knowledge management was rated as satisfactory in Kenya; moderately satisfactory in Rwanda, Viet Nam and Yemen; and moderately unsatisfactory in Ghana.

The Kenya CPE identifies several useful initiatives and resources that have been put in place to promote knowledge management in the region and within the country programme. For example, IFAD has established various communities of practice on specific themes, and two regional knowledge management workshops have been held in recent years. The only criticisms are that this appears to have happened without a coherent knowledge management workplan with dedicated resources; knowledge management has tended to focus more on the positive features of the country programme and less on learning from failures; M&E is still under resourced in several projects; and opportunities (such as learning from the grant programme) have been missed.

The Rwanda CPE concludes that knowledge management within the project portfolio has improved and that M&E systems have been strengthened. Its main criticism is that there have been no major activities outside the project portfolio, nor has the programme invested in capturing wider experience “outside the IFAD box.” The latter requires increased time and resources, and an open attitude to learning from others to complement IFAD’s own experiences.

The CPEs for Ghana, Viet Nam and Yemen reveal a similarly mixed picture. Knowledge management is a “work in progress” in the Ghana programme. New project-level initiatives are emerging, but it is too early to assess them. More significantly, the programme lacks

a well-performing M&E system covering both projects and the totality of the programme.

In Viet Nam, knowledge management was generally limited and unsystematic prior to the 2007 COSOP. Although there has been progress since, knowledge management again remains a “work in progress” and is largely confined to the project level. Documentation of the impact of knowledge management efforts is still meagre.

As in the case of Viet Nam, the Yemen programme has produced useful documentation on its project experience. However, while project exchanges have sometimes occurred, on the whole they have not been frequent even when a project was termed a pilot and there was an expectation that it would produce a replicable model. The programme has generated little new knowledge on agriculture – despite this being a key component of most projects in Yemen – and no good mechanism exists for disseminating what little information has been produced.

IFAD has been devoting more attention and resources to knowledge management in recent years, especially as regards sharing knowledge among headquarters staff on thematic and operational issues. It has recently created the Office of Strategy and Knowledge Management, and many divisions have officers devoting a large part of their time to knowledge management issues. Periodic knowledge fairs are organized in partnership with other organizations, and seminars involving external guest speakers are held on a recurrent basis. Furthermore, a more rigorous annual portfolio review process is in place. All these efforts go in the right direction, towards creating an enabling environment for learning and sharing lessons and good practices on rural poverty reduction.

Partnership-building

This is a measure of the strength of IFAD’s partnership with government agencies, development organizations (including donors, NGOs and civil society organizations) and the private sector.

Four findings are common to all or most of the CPEs. First, partnership with government is generally seen as very positive in all countries. Governments generally appreciate IFAD's work and its focus on smallholder agriculture in rural areas. In some countries, IFAD is one of government's most important partners in the agriculture sector, and has influenced targeting on poor rural communities, including women, pastoralists, ethnic minorities and indigenous peoples. The CPEs note, however, that many governments would like IFAD to participate more actively in supporting them in developing pro-poor policies in agriculture.

Second, partnerships with NGOs and civil society are also a strong feature of IFAD-supported operations. In Ghana, partnerships have been established between a wide range of NGOs and grass-roots organizations. Many of these partnerships have provided "added content" – new ideas and approaches – to the projects. In the Northern Region Poverty Reduction Programme and the Rural Enterprises Project, alliances with NGOs and civil society organizations helped provide a specific focus on marginalized and socially excluded groups.

Third, partnerships with multilateral and bilateral development organizations are more limited, and less successful, than partnerships with governments. Some examples can be found of multilateral and/or bilateral aid agencies providing cofinancing in selected IFAD-funded projects on a case-by-case basis, but these are infrequent. The CPE for Viet Nam notes, for example, that there have been few concrete partnerships in the country with the World Bank and the Asian Development Bank, and that no IFAD-supported project is cofinanced with these multilateral development banks, even though both have financed several projects in the agriculture sector in the country.

In Kenya, there was little partnership of any form with AfDB, which is a major multilateral development partner in the country. In fact, several evaluations in Africa reveal that insufficient attention has been devoted to follow-up

to the recommendations from the joint evaluation with AfDB on agriculture and rural development in Africa, among other issues, which called for ensuring enhanced synergies and coordination of action at the country level between the organizations. It might, therefore, be timely for IFAD to take stock of the progress in implementing the 2008 memorandum of understanding with AfDB, including the commitments made following the Joint Evaluation of Agriculture and Rural Development in Africa. At the same time, the findings from the Viet Nam CPE and other evaluations reveal limited partnership with AsDB. Hence, it would be timely to also assess the overall cooperation framework with AsDB in the Asia and Pacific region.

While there are some examples of partnerships with private-sector entities, especially in recent operations, this kind of collaboration is still in the early stages. One example is the partnership in Kenya with Equity Bank to expand outreach in rural areas in terms of financial services. On the whole, however, evaluations are finding that there are several reasons that constrain IFAD's ability to partner with the private sector. These are covered in chapter 5.

Lessons from previous ARRIIs relating to non-lending activities are contained in annex 5. The main messages from this year's CPEs are as follows:

- (i) COSOPs need to be clear about how non-lending activities are to be financed, implemented, managed and monitored. Specific objectives, workplans and monitorable indicators are required.
- (ii) A larger and longer-term dialogue on key policy and strategic issues, especially at the national level, will require a step change in IFAD's approach, capacity and resource allocation. Moreover, IFAD's involvement in nationwide programmes can provide the evidence and knowledge basis for the Fund to better contribute to the development of pro-poor government policies and strategies.

- (iii) In terms of knowledge management, efforts need to be made to learn from others as well as IFAD, and from failure as well as success. Also, while the level of attention to knowledge management at headquarters is increasing, greater efforts are needed to ensure more systematic knowledge-sharing at the country level.

country presence matters. While some physical presence is clearly better than none, effective policy dialogue at the national level may require a significant presence in terms of seniority of staff, staffing levels and capacity, and/or better partnerships. Moreover, influencing key issues in policy and strategy often requires effective partnerships with a wide range of partners (e.g. donors, academia, NGOs).

Point (ii) above reinforces the conclusion in last year's ARRI that the level and status of the

Country strategy relevance, effectiveness and overall performance

COSOP relevance assesses the appropriateness of the selected strategic objectives and directions, their alignment with key IFAD and government policies, the internal coherence of the lending and non-lending instruments deployed, and the appropriateness of management provisions to achieve country strategy objectives. COSOP effectiveness determines the extent to which the strategic objectives were or are likely to be achieved. COSOP performance is a composite of the ratings for relevance and effectiveness.

Table 7. Performance of COSOPs (in percentages)
based on CPEs carried out between 2006 and 2010^a

Rating	COSOP relevance	COSOP effectiveness	COSOP performance ^b
6 Highly satisfactory			
5 Satisfactory	25	11	44
4 Moderately satisfactory	63	89	56
Total satisfactory	88	100	100
3 Moderately unsatisfactory	13		
2 Unsatisfactory			
1 Highly unsatisfactory			
Total unsatisfactory	13	0	0
Number of country programmes rated	16	9	9

^a The seven CPEs completed before 2009 did not contain ratings for COSOP relevance, effectiveness and overall performance, since this rating was not then required by the IOE methodology. IOE therefore decided to assign ratings on the basis of the evidence available in the seven CPEs. This was possible for country strategy relevance in all seven cases, but there was insufficient evidence to provide reliable ratings for country strategy effectiveness and overall COSOP performance.

^b COSOP performance is a composite rating based on the individual ratings for COSOP relevance and COSOP effectiveness. This composite rating is not an arithmetic average of the individual ratings for relevance and effectiveness, but rather a round number based on the available evidence and the objective judgement of the evaluators.

The performance of COSOPs based on the CPEs carried out since 2006 is summarized in table 7. While the ratings are satisfactory overall – with moderately satisfactory or better ratings for relevance (88 per cent), effectiveness (100 per cent) and overall performance (100 per cent) – a substantial proportion of COSOPs are rated only as moderately satisfactory. This means that there is still substantial scope for improvement.

Relevance. Two of the new CPEs rated COSOP relevance as satisfactory (Rwanda and Viet Nam) and three as moderately satisfactory (Kenya, Ghana and Yemen). There was good overall alignment with IFAD and national policies, with the partial exception of Ghana, where the geographical priorities of the 1998 COSOP were at variance with government policy, which did not target specific pockets of poverty. The 2006 Ghana COSOP shifted away from geographical targeting and was fully aligned. Focus was also an issue in the other CPEs. The CPEs for Kenya, Rwanda and Yemen suggested that the programmes were spread across too wide a menu of subsectors – and in the case of Yemen, too large a geographical population – given the relatively small financial size of the IFAD-supported programme. In Viet Nam, the geographical focus on poor provinces was well founded, but the Government's insistence on including non-contiguous provinces with different socio-economic conditions in one project had unfavourable implications for implementation, coordination, supervision and implementation support, and M&E. In Kenya, the CPE recommended that IFAD expand its activities to arid and semi-arid lands (ASALs), rather than working mainly in medium- to high-potential areas as in the past decade, given that ASALs offer an untapped opportunity for poor rural poor people in terms of ecotourism, irrigation development and live-stock value addition.

Other issues were raised in the CPEs. The Rwanda CPE, for instance, discussed the need for better target group definitions and differentiated approaches for reaching different target

groups. Given the many different definitions of poverty and vulnerability in use, and the importance of such definitions for programme eligibility, there was also a need for a more streamlined and coherent framework.

A number of CPEs find that not enough analytic work would appear to have been undertaken in developing the COSOP, despite a participatory process involving key actors at the country level, hence increasing risks. Improving analytic work is essential, especially in COSOPs having reformulated or new strategic objectives and directions, or a different subsector focus or geographic coverage.

There is also a need for more thorough analysis of the partner institutions at the country level. This is fundamental when selecting project partners and determining areas where IFAD can support governments in strengthening their capacities, systems and processes. Better institutional analysis is also essential for identifying capacity gaps that IFAD could help governments fill in order to improve their overall performance and overoptimistic assumptions in the capacity of national partners to deliver.

The CPEs also find that little attention has been given to establishing M&E systems at the country programme level. Well-functioning M&E systems at that level can allow IFAD to fine-tune COSOPs throughout their duration – as and if needed – based on achievements and lessons. It should be noted that the results-based COSOPs introduced after 2006 pay more attention to accountability at country level through a coherent results framework, and the provisions for annual and mid-term reviews, and COSOP completion reviews.

Another key finding relates to the amount of counterpart funding from governments to support the operations IFAD finances. In recent years, the total amount of counterpart funding has increased dramatically globally, which is essential in order to ensure that IFAD's limited resources can be used to leverage additional domestic resources to tackle the wide-ranging

poverty challenges in recipient countries that rural poor people face. This is extremely important also to promote greater recipient government ownership, as called for by the Paris Declaration (2005) and reaffirmed by the Accra Agenda for Action (2008).

Nonetheless, this ARRI finds that some middle-income countries are not providing a level of counterpart funding commensurate with their economic prosperity: Viet Nam, for example, has covered only 22 per cent of the total costs of the portfolio financed by IFAD over the past 10 years; and Indonesia has contributed even less (13 per cent). These percentages are lower than in some low-income countries: Benin, for example, covered 28 per cent of total portfolio costs; Eritrea, 27 per cent.

Part of the reason for the aforementioned is that the mobilization of counterpart funding is largely left to individual CPMs, who have no specific guidelines to follow. IFAD CPMs may also lack the incentive – and are not held accountable – for ensuring that recipient governments provide a higher amount of counterpart funding. In this regard, IFAD should follow the practice of other multilateral development banks (e.g. AsDB, AfDB and World Bank), which provide coherent guidelines to staff through their respective operational manuals for mobilizing counterpart funding.

Finally, nearly all CPEs point out that non-lending activities (policy dialogue, knowledge management and partnership-building), including grant-financed initiatives, are not integrated into the overall country programme well enough to achieve COSOP objectives. For example, the results and learning from grants (especially regional and global grant activities) do not always reinforce IFAD-supported project activities, and partnerships are frequently pursued opportunistically rather than on the basis of strategic considerations.

Effectiveness. All of the 2010 CPEs rate COSOP effectiveness as moderately satisfactory. The CPEs for Kenya and Rwanda, for

instance, each find that the COSOP has made a significant contribution to a major strategic objective: maintaining and regenerating renewable natural resources in the case of Kenya; higher incomes for poor rural households in the case of Rwanda. However, each also rates COSOP effectiveness as unsatisfactory in the area of rural finance. Even though the current COSOP and those preceding it have duly recognized that lack of access to financial services is a fundamental constraint to rural poverty reduction, neither programme has devoted the required attention or resources to improving the situation.

A mixed picture is also evident in the CPEs for Ghana and Viet Nam. In Ghana, significant results were achieved in developing pro-poor rural enterprises and rural finance outreach when supported through dedicated sectoral programmes. Results were less encouraging when the relevant subsector (e.g. rural finance) was not the major focus of project intervention. Evidence of the impact on poverty is incomplete due to weak M&E systems, but the CPE also raises concerns about the increasing numbers of poor households in the north of Ghana, and the need for greater attention to the diverse needs of different categories of poor, and especially very poor, people. In Viet Nam, the effectiveness of livelihoods promotion for ethnic minorities and strategic-level progress on natural resources management are not yet evident.

Together with enhanced quality assurance processes, supervision and implementation support, and an expanded country presence, sound portfolio management is a critical component of IFAD's operating model. In fact, CPEs emphasize that attention to overall portfolio management¹⁴ at the country level is an important way of ensuring better implementation performance and effectiveness. Recent evaluations have found weaknesses in this area. In the Raymah Area Development Project in Yemen, for example, funds were disbursed in spite of the project being classified "at risk" by IFAD itself for most of its implementation period.

14. This could include prematurely closing projects that are considered "at risk" for several years, reducing delays between loan approval and loan effectiveness, tracking disbursement performance systematically and introducing required remedial measures in case of delays.

The situation is changing, however. PMD management is paying more systematic attention to portfolio management, inter alia, by hiring regional portfolio advisers and undertaking a methodical annual portfolio review process at the divisional level. This is a positive trend that needs to be maintained in the future.

A recent IOE assessment draws attention to the potentially important role that the ESA regional office in Nairobi has in supporting country programmes in the region, inter alia, in terms of implementation support on specific technical issues such as gender mainstreaming, project M&E and financial management. The regional office is also responsible for loan administration for all projects in the region, which helps reduce the processing time for withdrawal applications. The move towards establishing regional/subregional offices – with complementary functions assigned to country offices – is consistent with good practice in other multilateral development organizations. IFAD has now also established subregional offices in WCA, and is currently recruiting a subregional coordinator for Central America. In sum, evaluations find that a well-organized country presence, including subregional and regional offices, is critical for ensuring a more effective country programme.

Overall COSOP performance. This was rated as moderately satisfactory in the cases of Ghana, Kenya and Yemen, and satisfactory in the cases of Rwanda and Viet Nam. All CPEs underline that both country presence and IFAD's direct supervision and implementation support activities are critical components of IFAD's operating model and key determinants in ensuring the achievement of COSOP objectives. This is not a new finding, but it is nevertheless worth repeating, particularly because there is further scope for streamlining these processes to achieve even better development effectiveness in the future.

Other common elements can be found in the CPEs included in this ARRI: the scope for improving the synergies between different instruments (such as loans and grants, including other non-lending activities); weak project- and programme-level M&E; mixed effectiveness in the areas of rural finance and non-lending activities; and the need for more-focused programmes, rather than spreading the relatively limited resources available over a variety of subsectors and a large geographic coverage in recipient countries (Kenya, Rwanda and Yemen).

Box 2. Key points from the country programme evaluations

- There have been improvements in policy dialogue since 2002, but there is still a long way to go in promoting a more favourable policy environment at the country level. This will require, among others, enhanced resource allocation and more robust country presence, including greater outposting of CPMs with the necessary seniority, experience and competencies. It will also require more effective guidance and coaching to enable CPMs to participate in national-level policy processes.
- Improvements are discernable in knowledge management at IFAD headquarters. The challenge is to ensure that country programmes also devote more attention to the process.
- Partnerships with governments and with NGOs and civil society organizations are good. Recent projects appear to be paying more attention to partnering with the private sector, but there are still ample opportunities for deepening engagement with them.

Box 2. Key points from the country programme evaluations (continued)

- Concrete partnership with other multilateral and bilateral organizations at the country level is an area meriting further attention. Recent CPEs (e.g. India and Viet Nam) find little concrete partnership with AsDB. There also are greater opportunities for expanding partnership with AfDB.
- COSOPs need to be clearer about how non-lending activities are to be resourced, managed and monitored to ensure success on the ground.
- Weak M&E (both at the project and country programme level) is still too common a feature of country programmes. This compromises IFAD's ability to learn from and scale up its operations and convince others of the value of its approaches.
- Common elements in the 2010 CPEs include the scope for improving the synergies between different instruments to achieve COSOP objectives; limited effectiveness in the areas of rural finance and non-lending activities; the need for more analytic work in COSOP preparation and project design, and for more-focused country programmes in terms of geographic and subsector coverage; and the lack of a strategic approach across country programmes for mobilizing government counterpart funding.
- The efforts invested in conducting thorough institutional analysis ex-ante are variable across country programmes, but they remain, in general, below requirements. Careful institutional analysis is critical not only for identifying suitable partners to work with, but also for identifying capacity gaps in government that IFAD can help fill, with the overall aim of enhancing government performance.
- Overall, portfolio management is improving, but continued efforts are needed to ensure better implementation performance and effectiveness in the future.
- Country presence is increasingly playing a determining role in promoting effectiveness at the country programme level. Regional and sub-regional offices are undertaking useful activities that IFAD needs to monitor carefully in the coming years.

5

Corporate-level evaluation of IFAD's private-sector strategy

One CLE was completed in early 2011: an evaluation of IFAD's Private-Sector Development and Partnership Strategy. This evaluation was requested by the Executive Board when it approved the strategy in 2005.

A major paradigm shift has occurred in the past 20 years or so, and there is now recognition of the central role and potential of the private sector in creating wealth and employment in rural areas. The private sector can be a critical ally in promoting sustainable pro-poor development. For its part, over the last decade and especially in recent years, IFAD has adapted to this new reality by widening the government-led focus of its country strategies and projects to increase the involvement of the private sector in its operations. Besides the adoption of its private-sector strategy in 2005, this has involved: greater attention to value chain development, commercialization and access to markets; and the articulation of a new vision in its 2011-2015 Strategic Framework, centred on viewing "farming as a business" and recognizing the central role of commercialization and for-profit private-sector operations.

The evaluation concludes that the objectives of the 2005 strategy were and remain relevant, and that the strategy's broad lines of action are well judged. However, it finds that: (i) there have been few roll-out actions (and in some cases, none at all) to facilitate implementation of the strategy; (ii) the strategy does not give adequate consideration to the need for ensuring corporate social responsibility, fair trade practices and sound environmental management, in the context of wider private-sector participation; (iii) the strategy does not sufficiently address the inherent risks associated with engaging the private sector, such as the implications for poor people who cannot

take advantage of the opportunities the private sector offers; and (iv) the definition of the rural private sector is too broad and does not adequately differentiate between different types of private-sector operators.

In addition to the over-wide definition of the private sector, a number of other factors have constrained IFAD's efforts to promote private-sector development. These include the lack of instruments for direct lending to the private sector; an organizational architecture and workforce that is mostly geared to developing investment projects executed by governments; corporate business processes that have not been fully adjusted to the new development paradigm; and existing instruments that have not yet been sufficiently leveraged for private-sector development.

The evaluation makes five main recommendations. IFAD should:

- (i) Develop an enhanced private-sector strategy, building on the evaluation's findings and recommendations;
- (ii) Assess how its organizational and human resources architecture could be reconfigured to promote private-sector development. This should include the recruitment of staff with expertise in the private sector;
- (iii) Strengthen the existing instruments to support private-sector development;
- (iv) Establish a private-sector development financing facility that would allow for direct lending to the private sector; and
- (v) Adopt a clear and more focused definition of the private sector in the context of IFAD-funded operations.

Bolivia - Small Farmers Technical Assistance Services Project

Trout breeding pond on the bank of Lake Titicaca in Desaguadero. Every day Frutasio and Salustino Fernández, Jacinta Quispe and 10 other group members take turns feeding the 1,000 trout in their new breeding pond. "Working together is much better – we are more knowledgeable. What we have to contribute is interest and work," observes Mauricio Fernández, the group's president.

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6

The 2011 learning theme: direct supervision and implementation support

Background. In December 2010, the Executive Board decided that this ARRI would focus on direct supervision and implementation support as the main learning theme. As mentioned in last year's report, the decision in 2006 to move to direct supervision and implementation support was one of the most far-reaching reforms since the Fund was established, leading to major changes in its operating model. A CLE on direct supervision and implementation support is planned for 2012. This ARRI therefore provides an advance opportunity to reflect on the opportunities and challenges related to direct supervision and implementation support, and to identify some key questions and hypothesis that the planned evaluation will address.

Improving the quality of project implementation and achieving better results on the ground have increasingly been priorities for IFAD.

In 1997, the Board agreed that IFAD should implement the Direct Supervision Pilot Programme (DSPP), covering 15 IFAD-financed projects in all regions. In 2004 and 2005, IOE conducted two CLEs, respectively, of supervision modalities in general and of the DSPP. The evaluation of the DSPP recommended that IFAD discontinue working through cooperating institutions for project supervision, and take on direct supervision and implementation support itself as a critical component of its enhanced operating model. This recommendation was based on the main DSPP evaluation finding that projects benefiting from direct IFAD supervision and implementation support had better overall performance, as compared with projects supervised by cooperating institutions.

In endorsing the conclusions of the DSPP evaluation, IFAD's governing bodies took two fundamental decisions: (i) in February 2006,

the Governing Council amended the pertinent article in the Agreement Establishing IFAD, allowing the Fund to take on direct supervision and implementation support; and (ii) in December 2006, the Executive Board approved IFAD's Policy on Supervision and Implementation Support, the first dedicated corporate policy on this subject. An initial assessment of IFAD's progress in implementing the supervision policy is provided below. It is based on an evaluation synthesis report prepared by IOE, which was discussed first at an in-house learning workshop with the participation of IFAD Management and staff in September 2011, and then with the Evaluation Committee in October 2011.

The main findings are grouped under three headings: implementation, performance and resources.

Implementation. The supervision policy anticipated a gradual reduction in the reliance on supervision by cooperating institutions from 95 per cent of IFAD-financed projects in 2006 to "most grants/loans being supervised by IFAD by the tenth year," excluding projects initiated by other IFIs and cofinanced by IFAD. In practice, the changeover from supervision by cooperating institutions occurred much faster than anticipated and was practically completed by mid-2010.¹⁵

Overall, IFAD should be commended for its effort in moving to direct supervision and implementation support. Introducing the supervision policy and its implementation plan was ambitious given the far-reaching implications for the Fund as a whole and for PMD in particular, especially in terms of staff capacities to undertake this new function. It is worth recalling that, at the time of the evaluation of DSPP, enthusiasm for taking

15. By mid-2010, only two non-cofinanced projects were still supervised by a cooperating institution (the United Nations Office for Project Services), and these projects have since been completed.

on this function was not shared equally across PMD and its regional divisions. In spite of this, the rapid transition to direct supervision attests to the seriousness and commitment of the CPMs and PMD as a whole, and to their ownership of this function, which is fundamental for achieving better results on the ground.

That said, the specific preparations needed for implementing the policy were somewhat insufficient. For example, the detailed manual providing implementation guidance to staff and consultants only became available nine months after the Board approved the policy. Very little training was provided on the policy's implementation support aspects. Moreover, the roles and responsibilities of PMD and the Controller's and Financial Services Division (CFS) in terms of loan administration, including procurement, were not fully clarified.

Implementation of the policy progressed at different rates across the five regional divisions. This was useful in the initial stages as it allowed each division to make the transition to direct supervision at its own pace. It reflected the varying degrees of internal or external capacities that each division could draw on, as well as flexibility on the part of PMD management. Differences in the approach taken by each regional division (e.g. in the use of country offices, including the outposting of CPMs) also became increasingly marked.

At the same time, the move towards direct supervision was, by and large, PMD-driven, without adequate support provided by other relevant IFAD departments. Moreover, many of the tasks are the sole responsibility of the CPM, which has created issues related to workload and conflict of interest. As regards the latter, the fact that CPMs are supervising projects that they might have themselves been responsible for designing is not ideal. Similarly, a number of recent evaluations have revealed that some CPMs have become too closely involved in project management, which is the prime responsibility of the borrowing Government and not IFAD.

The ad hoc divisional approach described above may have been appropriate in the initial stages of the transition to direct supervision inasmuch as it provided IFAD with opportunities to pilot, and learn from, alternative methods and processes. IFAD now, however, needs to draw on good practices from the different approaches to identify common standards, increase harmonization and efficiency, and reduce risk (e.g. by adopting common quality assurance processes). This will require IFAD to do a better job both in learning about processes related to direct supervision and in sharing the knowledge acquired through its direct supervision activities.

Performance. Initial indications suggest that direct supervision has contributed to improving the performance of IFAD-supported projects and country programmes. It has enabled IFAD to get "closer to the ground" in recipient countries and to understand the country context better. It has facilitated more direct follow-up with executing agencies in order to resolve bottlenecks emerging during implementation, and closer cooperation with other partners and stakeholders.

These positive contributions are most evident at the project level and include improving the quality of project design, lowering "problem project" numbers and increasing implementation performance levels (including loan disbursement rates). Improvements were more marked in cases where increased implementation support was provided.

Direct supervision and implementation support have also advanced the objectives of country programmes by, for example, increasing programme coherence. However, now that the unit of account is increasingly moving from the individual project to the country programme level, more thought is required on how COSOP supervision can be undertaken effectively. IFAD's performance seems to decline as it moves further away from project level to the other pillars of country programmes, such as knowledge management, partnership

development and policy dialogue. These aspects need to be more actively supervised if they are to improve further.

Some questions raised during the ARRI learning workshop merit more discussion: Direct supervision and implementation support for whom? How should it be done? For what purposes? Serious thinking is needed about the approach to supervision and implementation support in a rapidly changing aid architecture, particularly where there is increased country ownership and a greater participation of civil society in development activities.

Resources. As evidenced throughout this report, the shift from supervision led by cooperating institutions to direct supervision and implementation support has had a huge impact on the work of CPMs. In addition to the delivery of new projects and programmes, they are increasingly being asked to perform a wide variety of functions (e.g. policy dialogue, partnership-building, the promotion of innovation and scaling up). PMD has addressed this issue in part by increasing the number of CPMs, but, at the same time, it is requiring them to allocate more time to management issues, such as checking withdrawal applications, and coaching and mentoring country office staff.

The supervision policy set in motion a gradual shift of the centre of gravity of IFAD's work from headquarters to the field. In some cases, this has implicated the transfer of responsibilities to country offices and their gradual strengthening. At present, there are different models for country, regional and subregional offices. Interestingly, PMD projects that the large majority of newly recruited staff in the next few years will be posted to the field. Together with the outposting of CPMs, this change will create great opportunities, in terms of enhancing efficiencies and development effectiveness, but also challenges, in terms of IFAD's organizational structure, job descriptions, and accountability and incentives frameworks. Further, ways need to be explored to integrate existing in-house resources (the Policy and Technical

Advisory Division (PTA), Controller and Financial Services Division (CFS), the Office of the General Counsel, etc.) more fully into supervision processes.

There is also need to reflect on the trade-offs and division of labour involved in conducting this process from Rome headquarters or from country offices. Now that direct supervision is well under way, CPM resources need to be directed at leveraging the increased knowledge gained to build better country programmes, improve project design, and engage in policy dialogue and partnership-building. At the same time, more thought needs to be given to the amount of time CPMs should invest in controls (particularly of expenditures and disbursements) that might be better assigned to other headquarters or country-level staff. Thus, a better understanding of the roles, responsibilities and distribution of labour within PMD (among the CPMs, portfolio advisors, PTA technical advisors, programme assistants and the country office) and between PMD and CFS is required. To date, it is not clear to what extent the Information Circular to All Staff on "The new IFAD loan and grant administration model" is being implemented. This is important as it is supposed to define the relationship between PMD and CFS.

Issues for the forthcoming CLE. The synthesis report on supervision, the learning workshop and discussions in the Evaluation Committee raised a number of questions that merit further analysis in the context of the CLE on direct supervision and implementation support planned next year by IOE. These include:

- (i) What is the appropriate division of labour between IFAD headquarters and country offices? What roles and responsibilities do the different IFAD divisions have in the direct supervision and implementation support functions?
- (ii) How can supervision be organized at the COSOP level?

- (iii) What are the systems and opportunities for strengthening knowledge management on supervision and implementation support processes, as well as on agriculture and rural development issues?
- (iv) How can institutional and individual accountability frameworks and incentives be enhanced?
- (v) What measures are needed to improve understanding of the costs associated with supervision and implementation support?
- (vi) How can supervision and implementation support be organized with cofinanciers to avoid duplication of efforts and reduce transaction costs across agencies, for the government and for CPMs in particular?
- (vii) What makes a good supervision mission? What is the best way of assessing the quality of supervision? How binding is the aide-mémoire? What power does the mission leader have to make decisions on fiduciary aspects? How can supervision reflect and enhance partnerships?

Conclusions

Overview. This ARRI draws on a much larger number of evaluations than any previous edition. Its analytic basis for reporting on the performance of IFAD-supported activities is therefore even more robust than in the past. A larger sample size of evaluations also supports the identification of systemic issues and lessons that need the attention of IFAD Management, the Executive Board and recipient country governments, in order to strengthen the contribution the Fund can make in promoting sustainable and pro-poor small-scale agriculture and rural development.

Results. The performance of IFAD-supported projects continues to be satisfactory in terms of relevance, effectiveness, rural poverty impact, innovation, and the promotion of gender equality and women's empowerment. There have also been significant improvements in IFAD's own performance as a partner, which was assigned a satisfactory-zone rating in close to 80 per cent of the project evaluations conducted between 2008 and 2010.

At the same time, despite some improvements in past years, the performance of IFAD-funded projects remains weak in three areas: efficiency; natural resources management and the environment; and sustainability. Moreover, the performance of recipient governments – one of the most critical ingredients for success – has not shown much improvement in the past decade. In this regard, as noted last year, the ARRI again concludes that IFAD should think of ways and means to support governments in enhancing their own performance.

Comparing IFAD performance with other MDBs, the benchmarking analysis conducted

in the context of the ARRI concludes that the performance of IFAD-supported projects is, on the whole, somehow better than that of the operations funded by AfDB, AsDB and the World Bank. In terms of benchmarking performance across the five geographic regions, IFAD operations in the West and Central Africa region remain the most challenging compared to other regions.

As to performance at the country programme level, there have been improvements since 2006 in non-lending activities, namely policy dialogue, partnership-building and knowledge management. Nonetheless, evaluations continue to reveal the need for more effort to ensure better synergies between investment projects and non-lending activities, including grant operations. With regard to grants, the ARRI notes that country-specific grants are now better embedded in the country programmes, but the same cannot be said about the regional and global grants funded by IFAD. Grant monitoring and supervision in general continues to be weak.

Nine main messages. The ARRI has identified nine areas that are critical to IFAD's development effectiveness and as such merit special emphasis:

- (i) **Moderately satisfactory performance is the norm.** Although the performance of IFAD-financed operations continues to be strong in several evaluation areas and has improved in others, moderately satisfactory performance (reflected by a rating of "4") remains the norm. For example, half of the projects evaluated between 2008 and 2010 were rated just moderately

satisfactory for overall rural poverty impact. The percentage of projects rated as satisfactory or highly satisfactory for overall project achievement remains a relatively small minority. There is therefore still scope for improvement. This conclusion also applies to performance in non-lending activities.

(ii) **Analytic work and institutional analysis are inadequate most of the time.**

Efforts and investments in analytic work at the time of COSOP development and project design are still not consistent across the board. For example, changes in strategic objectives, subsector focus, and geographic coverage from one COSOP to another in the same country are often based on intuition and the appeal of new ideas to people, rather than informed by adequate analytic work, including analysis of institutions and context. Furthermore, a more thorough analysis is needed of the institutional architecture at the country level. This would help identify key partner institutions and the capacity gaps that IFAD could help governments fill in order to improve their overall performance.

(iii) **Policy dialogue is still in its infancy.**

IFAD is making useful contributions to policy dialogue at key global and regional forums. Its role and participation in policy and strategy development processes at the national level, on the other hand, could and should be much enhanced in the future. This would allow the Fund to contribute to the definition of country priorities and have a positive influence on the allocation of domestic resources to small agriculture development. CPMs need to be provided with adequate resources, training and space in their workplans if they are to make a more effective contribution to national-level policy dialogue.

(iv) **Partnerships with the private sector must be enhanced.** Partnerships with

governments, NGOs and civil society organizations on the whole are a strong point of IFAD-funded operations. There is also increasing recognition of the need for a wider engagement of the private sector in, for example, providing funding and technical assistance, and promoting access to markets, but much remains to be done in this area, including recruitment of staff with the required experience and developing new instruments of cooperation with the private sector. The forthcoming private-sector strategy is expected to define the objectives and pathways for enhancing private-sector participation in IFAD-supported operations.

(v) **Partnerships with IFIs is generally weak.** Partnerships with multilateral development banks (e.g. AfDB and AsDB), and with other multilateral and bilateral organizations at the country level, in contrast, remain generally weak. Although there are challenges associated in designing and implementing cofinanced projects (e.g. different processing timelines for new loans; difficulties in organizing joint supervision missions), this should not preclude other forms of partnerships with these organizations, including in areas such as analytic work, knowledge management and policy dialogue. Opportunities for a systematic programme of staff exchanges could also be explored, including with the Rome-based food and agriculture agencies.

(vi) **The need to mobilize sufficient counterpart funding.** The total amount of counterpart funding for IFAD-supported country programmes has increased as a whole in the recent past, which, among other issues, contributes to enhancing ownership among recipient countries in line with the provisions of the Paris Declaration and Accra Agenda for Action. Paying due attention to mobilizing greater counterpart funding is essential in order to ensure that IFAD's limited resources

can be used to leverage additional domestic resources to tackle the wide-ranging poverty challenges in recipient countries that rural poor people face.

However, evaluations find that several middle-income countries allocate fewer counterpart funds as a proportion of total portfolio costs as compared to some low-income countries, which is difficult to justify. This is due to a combination of reasons, including the lack of guidelines for CPMs to mobilize counterpart funds. Instead, this initiative is largely left to individual CPMs, who may lack the incentive – and are not held accountable – for ensuring that the recipient government allocates counterpart funds that are commensurate with its overall economic status.

- (vii) **Country presence is most effective with outposted CPMs.** The recent adoption of IFAD's country presence policy, including the move to expand country presence, is critical for better effectiveness of country programmes supported by IFAD. The outposted model of CPMs is consistently found to be the most effective form of country presence, resulting in better results in general, including strengthened partnerships and policy dialogue, and opportunities for scaling up. However, because the incentives and accountability framework for outposting CPMs remains inadequate, only eight IFAD country offices are currently headed by CPMs, out of the 30 offices that have been established so far in all regions.

- (viii) **Need for further streamlining of direct supervision and implementation support processes.** Further reflection is needed on the role of country offices in direct supervision and implementation support, which continues to generate far-reaching results in ensuring better effectiveness on the ground. Among other issues, training needs to be provided in

implementation support; the roles and responsibilities of different IFAD divisions in the supervision process need to be clarified; and greater efforts are needed in supervising the grants portfolio, including strengthening supervision at the country programme level.

- (ix) **M&E at both project and country levels are essential for results-based management.** M&E systems at the project as well as at the country programme level remain challenging, a concern also shared by other development organizations. With greater international attention to rigorous assessment and reporting on results, concerted efforts will be required to systematically monitor, assess and report on performance at both the project and country programme level. Well-functioning M&E systems are central to ensuring that the Fund has a coherent and effective results-based management system.

Recommendations

The Executive Board is invited to approve the following recommendations: In 2012, IFAD Management should:

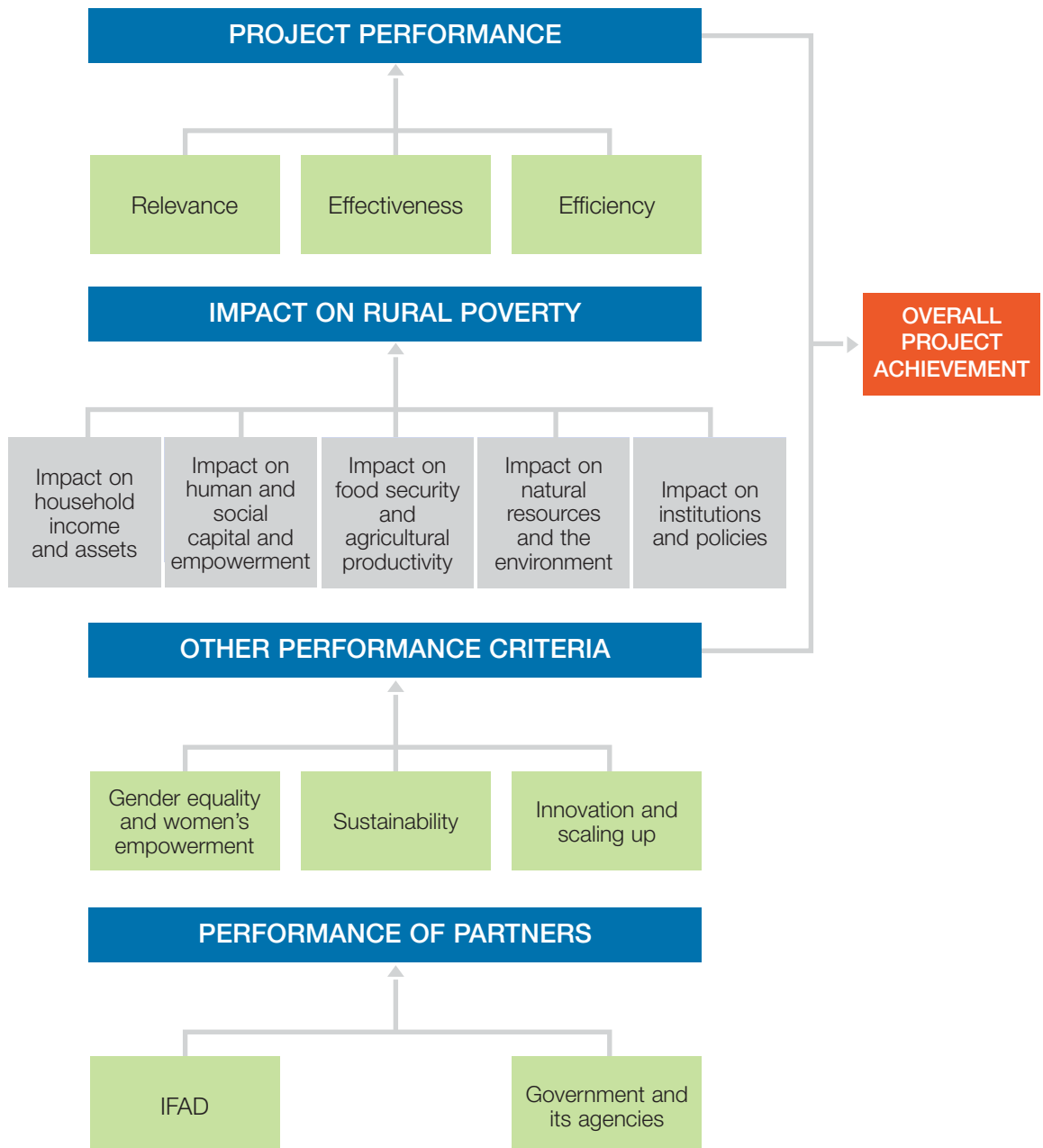
- (i) Develop and apply coherent guidelines that will serve as the main reference document for IFAD staff in leveraging adequate levels of counterpart funding from recipient Member States in the context of IFAD-financed projects, taking into account their level of development (e.g. fragile states, middle-income countries, low-income countries) as one key criterion. This is important for building ownership in IFAD-supported operations at the country level;
- (ii) Include IFAD's approaches in conducting policy dialogue and the results it achieves as the learning theme of the 2012 ARRI. This will provide an opportunity to reflect on policy dialogue in general, and will help

identify key hypotheses and questions that will be addressed in greater detail during the CLE on the same topic planned for 2013;

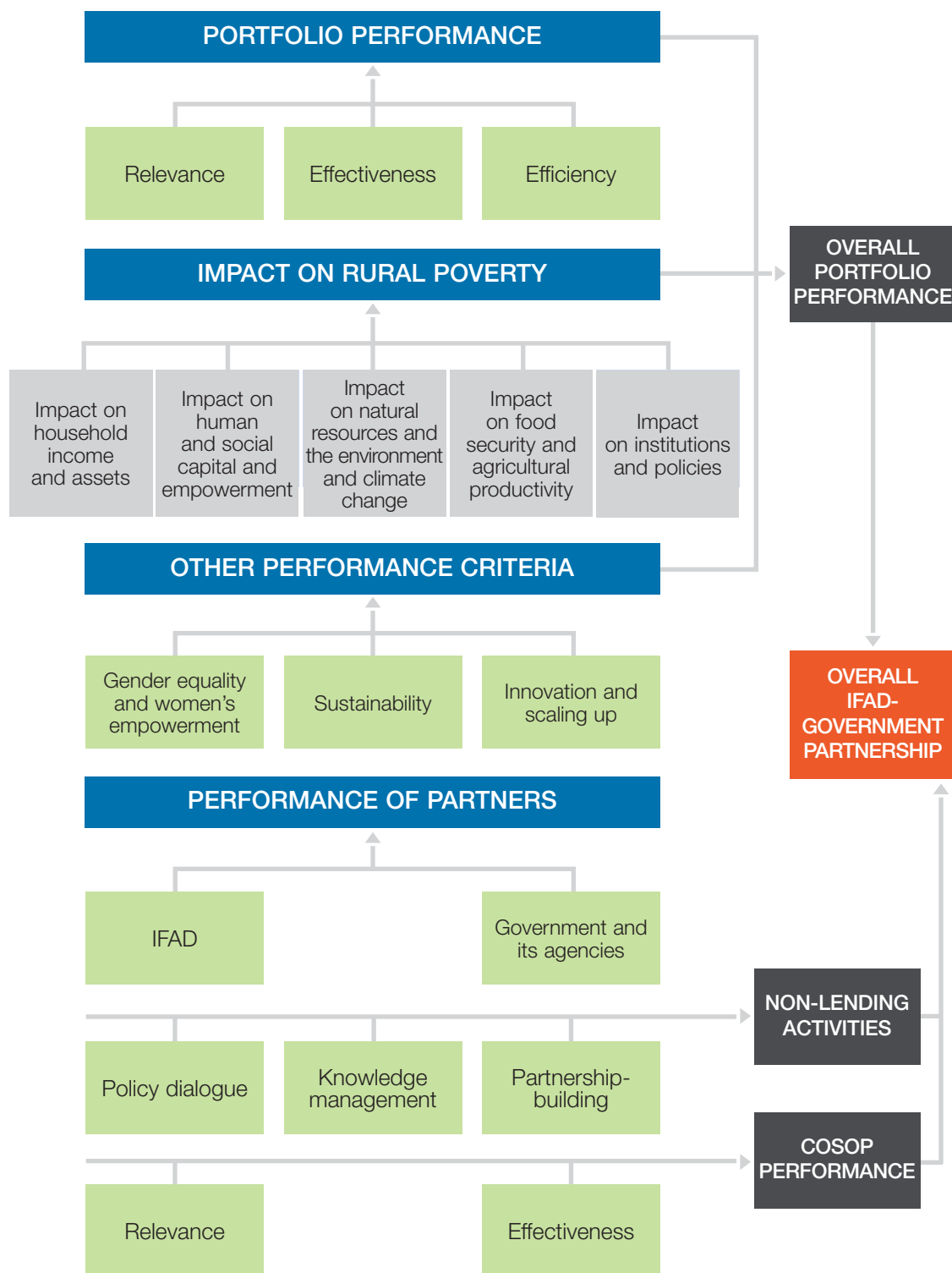
- (iii) Develop the required incentives and accountability framework for increasing the number of CPMs posted in IFAD country offices, paying particular attention to ensuring that outposted CPMs have the requisite seniority to fulfil their responsibilities effectively. A possible target could be that 50 per cent of the 40 country offices that will be established by the end of 2013 should be staffed by CPMs. Moreover, to build on the experiences of the existing regional offices in ESA and WCA, it is recommended that a regional or subregional office be introduced in the Asia and Pacific region in 2012, tailored to the specific needs of IFAD-supported operations and country circumstances in the region; and
- (iv) Undertake a thorough assessment of the achievements following the introduction of the 2008 memorandum of understanding with AfDB, including the commitments and targets specified in the management response of the AfDB/IFAD Joint Evaluation of Agriculture and Rural Development in Africa. This will allow the Fund to take stock of progress in developing a strategic partnership with AfDB in Africa, and to introduce specific measures to strengthen cooperation further, as and where required. Similarly, it is recommended that IFAD undertake a thorough review of the existing cooperation framework with AsDB, to generate the basis for a more proactive partnership. The revised cooperation framework would identify, inter alia, opportunities for cofinancing of individual projects and synergies between the portfolios of the two organizations at the country level, and would outline possible areas of collaboration in policy dialogue, knowledge-sharing, staff exchanges and scaling up.

Annex 1 Project and country programme evaluation methodology

Project evaluation methodology



Country programme evaluation methodology



Annex 2 Definition of the evaluation criteria used by the Independent Office of Evaluation of IFAD

Criteria	Definition ^a
Project performance	
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities, and partner and donor policies. It also entails an assessment of project coherence in achieving its objectives.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
Rural poverty impact^b	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.
<ul style="list-style-type: none"> Household income and assets 	Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value.
<ul style="list-style-type: none"> Human and social capital and empowerment 	Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, and poor people's individual and collective capacities.
<ul style="list-style-type: none"> Food security and agricultural productivity 	Changes in food security relate to availability, access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields.
<ul style="list-style-type: none"> Natural resources and the environment and climate change 	The focus on natural resources and the environment involves assessing the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resources and the environment. It also assesses any impacts projects may have in adapting to and/or mitigating climate change effects.
<ul style="list-style-type: none"> Institutions and policies 	This criterion is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.
Other performance criteria	
<ul style="list-style-type: none"> Sustainability 	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.

Definition of the evaluation criteria used by the Independent Office of Evaluation of IFAD (continued)

Criteria	Definition ^a
<ul style="list-style-type: none"> • Innovation and scaling up 	The extent to which IFAD development interventions: (i) have introduced innovative approaches to rural poverty reduction; and (ii) have been (or are likely to be) replicated and scaled up by government authorities, donor organizations, the private sector and other agencies.
<ul style="list-style-type: none"> • Gender equality and women's empowerment 	The criterion assesses the efforts made to promote gender equality and women's empowerment in the design, implementation, supervision and implementation support, and evaluation of IFAD-assisted projects.
Overall project achievement	This provides an overarching assessment of the project, drawing on the analysis made under the various evaluation criteria cited above.
Performance of partners	
<ul style="list-style-type: none"> • IFAD • Government 	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. It also assesses the performance of individual partners against their expected role and responsibilities in the project life cycle.

^aThese definitions have been taken from the Organisation for Economic Co-operation and Development/Development Assistance Committee *Glossary of Key Terms in Evaluation and Results-Based Management* and from the IFAD Evaluation Manual (2009).

^bThe IFAD Evaluation Manual also deals with "lack of intervention," that is, no specific intervention may have been foreseen or intended with respect to one or more of the five impact domains. In spite of this, if positive or negative changes are detected and can be attributed in whole or in part to the project, a rating should be assigned to the relevant impact domain. On the other hand, if no changes are detected and no intervention was foreseen or intended, then no rating (or a notation of "not applicable") is assigned.

Annex 3 Objectives of country programmes and projects evaluated

Objectives of country strategies

The main objectives of the country strategies are summarized below:

- (i) **Ghana.** The 2006 COSOP identifies four thrusts of the country programme:
 - (a) Achieve sustainable agricultural livelihoods and food security through the development of agriculture and food commodity chains
 - (b) Develop pro-poor rural enterprises and rural finance in the context of an inclusive private sector
 - (c) Strengthen local institutions and governments using commodity-driven approaches
 - (d) Develop a responsive pro-poor policy and institutional environment through learning and dialogue among stakeholders and development partners
- (ii) **Kenya.** The 2007 COSOP identifies three strategic objectives: Improving the delivery of services to the rural poor by strengthening the capacity of public-sector, private-sector and civil society organizations
 - (a) Increasing incomes of the rural poor through improved access to and utilization of appropriate technologies, markets and community-owned productive and social rural infrastructure
 - (b) Increased investment opportunities for the rural poor through improved access to rural financial services
- (iii) **Rwanda.** The 2007 COSOP states that the overall objective is to empower poor rural people to participate in transforming the agricultural sector. Three strategic objectives are set:

- (a) Economic opportunities for the rural poor increased and their incomes raised sustainably. Farmers will be helped to increase their agricultural productivity through sustainable agricultural intensification practices, including irrigation, soil and water conservation, and economic support services
 - (b) Organizations and institutions of the rural poor and decentralized entities strengthened. IFAD will support the organization of small-scale producers among commodity chains, promote the establishment of farmers' organizations and strengthen the capacity of local governments and community development committees
 - (c) Vulnerable groups participate in the social and economic transformation. IFAD will support the community-based identification of vulnerable groups and facilitate their inclusion in social and economic development processes
- (iv) **Viet Nam.** The 2008 COSOP identifies four interlinked strategic objectives to improve the livelihoods of the rural poor in upland areas:
 - (a) Rural poor households in upland areas access markets through increased private-sector partnerships
 - (b) Poor and vulnerable households take advantage of profitable business opportunities
 - (c) Poor upland communities secure access to and derive sustained benefits from productive natural assets
 - (d) Rural poor people contribute to pro-poor market-driven agricultural policy processes at subnational levels

- (v) **Yemen.** The 2007 COSOP identifies three strategic objectives:
 - (a) Empower rural communities. This will aim at strengthening the social and economic institutions of the rural poor through local capacity-building and the effective linking of these institutions to local government structures so they articulate community needs and priorities and allow small producers to exploit economies of scale in production and marketing and to increase their bargaining power in the market and with government authorities
 - (b) Promote sustainable rural financial services and pro-poor rural small and medium-sized enterprises. This will focus on the development of savings and credit associations and on widening the outreach of microcredit organizations in rural Yemen so as to support agricultural production and marketing and the development of small and medium-sized rural enterprises
 - (c) Enhance the food security of poor households. This will aim at restoring the productive agricultural base and enhancing agricultural productivity so that poor households can produce more of their own food and a surplus for the market to increase their incomes and offer them the possibility of purchasing the food and other basic goods they do not produce themselves.

Objectives of projects and programmes

Country and project/programme	Objectives
Azerbaijan Rural Development Programme for Mountainous and Highland Areas	<p>The overall goal of the programme is to improve living conditions of mountain area communities in a sustainable manner by increasing incomes in a way that contributes to protecting and restoring the environment. To help achieve this goal, initial programme investments will aim to: (i) strengthen the beneficiaries' capacity to participate in the market economy, and manage the natural resource base in a sustainable manner; (ii) restore economic livelihoods through improved management of the resource base and improved access to financial, technical and commercial services; (iii) protect and rehabilitate the environment by developing appropriate, community-based institutional mechanisms; and (iv) fortify public capacity to identify and respond to the needs of the mountain areas by putting in place appropriate institutional mechanisms.</p>
Bolivia Small Farmers Technical Assistance Services Project	<p>The overall objective of the project is to increase incomes of the rural population through a technical assistance system, based on demand and ensuring gender equality. Its purpose is to promote development of a service market of technical assistance based on demand, with direct contracts of technical assistance between beneficiary groups (men and women) and technical advisors, thereby strengthening their productive and marketing capacity and, as a consequence, significantly improving their economic situation.</p>
Brazil Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East	<p>The overall project goal is the sustainable improvement of social and economic conditions of poor agrarian reform beneficiaries and neighbouring smallholders in the semi-arid zone of the North-East Region. The project's general objective is to improve beneficiaries' capabilities and involvement in the local market, and enable them to manage productive activities in agriculture, marketing, microenterprise and small-scale agroindustry more efficiently and sustainably. Additionally, it will permit them to use financial services within the normal market procedures. Specific objectives are to: (i) provide access for families to educational and training programmes, marketing, agricultural and microenterprise support services, and financial resources; (ii) improve the social and production infrastructure of the family and settlements; (iii) promote a gender-balanced approach to project activities, providing equal opportunities and access to women to production support programmes; (iv) consolidate rural development at the municipal level; (v) promote rational use and conservation of natural resources; and (vi) validate strategies for the sustainable socio-economic development of agrarian reform settlements and smallholders in the semi-arid zone.</p>
Burkina Faso Rural Microenterprise Support Project	<p>The main goal of the project is to help increase/diversify the incomes of the rural population by promoting sustainable non-agricultural rural microenterprises (RMEs) in four selected regions. The immediate objectives are to: (i) develop and implement a sustainable decentralized mechanism to support the promotion and development of RMEs; (ii) create additional employment opportunities in the non-farm sector, thereby opening up new sources of income for the rural population; (iii) increase the production of goods and services in the rural economy, particularly of those with backward/forward linkages</p>

Country and project/programme	Objectives
Burkina Faso Rural Microenterprise Support Project (cont.)	to agricultural production; and (iv) reduce rural outmigration, especially of young people, by creating attractive local employment opportunities in the off-farm sector.
Cambodia Community-based Rural Development Project in Kampong Thom and Kampot	<p>The strategic goal of the project is to reduce the poverty of targeted households in the project area. The project objectives are:</p> <ul style="list-style-type: none"> (i) increased food production and farm income from intensified and diversified crop and livestock production for 39,150 poor households; and (ii) increased capacity of the poor to use the services available from Government and other sources for their socio-economic development. The expected outputs are: (i) participation of communities in meeting their own needs using participatory and gender-sensitive approaches, with government agencies and other service providers able to respond to farmers' needs as expressed during the participatory planning process; (ii) increased awareness throughout the project area of ways to improve crop and livestock production, and subsequent adoption of improved methods and technology for increased farm production; (iii) increased access of rural communities to water for supplementary irrigation in the wet season and services of safe drinking water and road communication; and (iv) a functioning system established of decentralized development, planning, financing and implementation so that project services are delivered to the target group in a sustainable and participatory manner.
Cameroon Community Development Support Project	<p>The overall project goal is to promote the sustainable socio-economic development of the poorest rural populations of Cameroon by raising their incomes and enhancing food security. The project will strengthen communities' capacities to meet their own development needs. Special focus will be placed on addressing the development constraints of the poorest rural groups, particularly women. Specific project objectives include: (i) strengthening the capacities of communities and of support and service providers, both private and public; (ii) enhancing access by rural groups, including women, to resources, assets and services; and (iii) promoting income-generating activities for the rural poor.</p>
Chad Food Security Project in the Northern Guéra Region - Phase II	<p>The goal of the project is to promote rural grass-roots institutions in the northern Guéra region, enabling their members to improve in a sustainable manner their well-being, food security and nutritional status, and to undertake their own development. The immediate objectives therefore are: (i) the improvement of food security through increased and more stable production and through income diversification; (ii) the empowerment of grass-roots institutions and of women; and (iii) the improvement of the health and sanitation situation.</p>
Chad Ouadis of Kanem Agricultural Development Project	<p>The overall objective of the project is to improve, in a sustainable manner, the incomes and food security of poor households in the Kanem region. Specifically, the project will: (i) develop sustainable microfinance services that are accessible to the rural poor of the region; (ii) empower the target population and their organizations through the creation and consolidation of representative institutions; (iii) increase agricultural productivity through the development of an appropriate technology package for the <i>ouadis</i> (seasonal river beds)</p>

Country and project/programme	Objectives
Chad Owadis of Kanem Agricultural Development Project (cont.)	and diversification of income sources; and (iv) provide specific support to women and young people, and to their income-generating activities.
Dominican Republic South Western Region Small Farmers Project – Phase II	The overall objective of the project is to improve the incomes and living conditions of the rural poor and alleviate extreme poverty. Specific objectives are to: (i) create and improve income-generating opportunities in agricultural and non-agricultural production; (ii) improve access by family members to local financial sources for investments and capital resources for agricultural and microenterprise initiatives; (iii) improve the area's social and productive infrastructure, roads and market channels; and (iv) strengthen the ability of local organizations and NGOs to provide communities with social and productive services.
Ethiopia Pastoral Community Development Project	The development objective of the project, which represents the first phase of a longer-term programme, is to provide capacity-building assistance in pastoral areas and establish effective models of public service delivery, investment and disaster management that address communities' priority needs and reduce their vulnerability. The project will therefore contribute to: (i) growth and stability of household income; (ii) improved access to social and public services; (iii) improved social relations, institutions and natural environment; and (iv) reduced vulnerability to disaster.
Ghana Rural Enterprises Project – Phase II	The goal of the project is to reduce poverty and improve the living conditions and incomes of the rural poor, with an emphasis on women and vulnerable groups, through increased self-employment and wage employment. The specific objective is to build up a competitive rural micro and small enterprise (MSE) sector, supported by relevant, good-quality, easily accessible and sustainable services. The project aims to create a more enabling environment; stimulate the establishment and expansion of self-employment and microenterprises, mainly through business and technology skills development; strengthen MSE production techniques and management practices; enhance the quality, design and packaging of the goods and services produced by rural MSEs; improve the marketing of MSE products; introduce environmentally friendly production techniques; increase MSE access to working capital and investment funds; and empower trade associations and client organizations.
Indonesia Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas	The programme goal is to increase the incomes, food production and food security, and to sustainably improve the living conditions of 100,000 low-income households in the programme area. This will be achieved by: (i) setting up new or strengthening existing farmers' and women's village self-help groups, rendering them self-reliant and capable of undertaking their own development activities; (ii) promoting the conservation and improvement of natural resources; and (iii) improving village infrastructure.
Lao People's Democratic Republic Oudomxai Community Initiatives Support Project	The project's overall goal is sustained reduction in poverty and improvement of the economic and social conditions of the targeted population. Specific objectives are increased income, food security and returns to land and labour based on sustainable farming practices, natural resource management and improved living

Country and project/programme	Objectives
	<p>standards of the target population. The expected outputs are: (i) communities and their organizations mobilized and strengthened through participatory and gender-sensitive development, with government agencies and other service providers able to respond to farmers' (men's and women's) needs as expressed during the participatory planning process; (ii) increased awareness of alternatives to shifting cultivation and opium production, and of ways to improve upland farming systems and natural resource management, and subsequent adoption of improved methods for a sustained increase in farm production and income; (iii) improved access to sustainable and gender-sensitive rural financial services; (iv) improved access to irrigation, safe drinking water, a school dormitory programme and road communications; and (v) a functioning system of decentralized and participatory development, with planning, financing and implementation established and project services delivered to the target group in a participatory, sustainable and timely manner.</p>
<p>Mauritania Maghama Improved Flood Recession Farming Project Phase II</p>	<p>The overall goal of the project is to contribute to achieving the objectives of the country's poverty reduction strategy paper by reducing the incidence and severity of rural poverty, and improving the human development indicators and institutional capacity of rural populations. The project's development objectives are to improve, in a sustainable manner: (i) the capacity of beneficiary organizations to plan, implement, manage and evaluate activities and programmes most beneficial to their members; (ii) the incomes of the rural poor, in particular those of the most vulnerable groups, small farmers, women and young people; (iii) the living conditions of the rural poor, by increasing access to basic infrastructures and services; and (iv) the sustainability of the natural resource base.</p>
<p>Mexico Rural Development Project for the Rubber-Producing Regions of Mexico</p>	<p>The overall project goal is the sustainable improvement of economic and social conditions of poor small farmers from <i>ejidos</i> (communal land) and indigenous communities of the rubber-producing regions of the states of Chiapas, Oaxaca, Tabasco and Veracruz. The project's general objective is to improve the productive and social management capabilities of beneficiary families, achieving efficient links to local/national markets and to manage productive transformation and marketing activities in agriculture efficiently and sustainably. Specific objectives include: (i) developing and strengthening the management and organizational capabilities of beneficiary families, and doing the same for local, private, technical demand-led support services with a whole-farm, income, market and natural resource conservation-oriented approach to rubber and small farm system development; (ii) developing financial support mechanisms to provide small farmers with capital resources for rubber and related crops/livestock development; (iii) elaborating and reinforcing links and coordinating mechanisms between organized beneficiaries and local and national rubber-processing industries; and (iv) strengthening local rural development mechanisms, integrating beneficiaries' civil, economic and social organizations with federal, state and municipal governments and the private sector.</p>

Country and project/programme	Objectives
Pakistan Project for the Restoration of Earthquake-affected Communities and Households	<p>The development goal is to enable rural households to rebuild livelihoods and reduce vulnerability in earthquake-affected areas. Central to achieving this goal and as its overall objective, the project will assist vulnerable earthquake-affected households in Azad Jammu and Kashmir and North West Frontier Province in rebuilding their asset base. Four interrelated principles define what the project aims to do and how it will operate: (i) restore livelihoods/replace lost assets, interpreted as first restoring permanent shelter, i.e. housing; second, restoring access to water and the economic means to survival, i.e. basic community infrastructure; and third, restoring household livestock, primarily a buffalo or cow, but in some cases, sheep and goats; (ii) ensure priority for the most vulnerable households, those lacking the economic means to rebuild their lives themselves – this focus will not occur naturally and will be the dominant way of operating for the project's implementing agencies; (iii) operate in a limited number of villages, and only in those union councils where community organizations have been trained/established, to facilitate implementation and maximize the use of limited institutional capacity; and (iv) enable villagers themselves to determine project investments, with project support provided accordingly.</p>
United Republic of Tanzania Agricultural Marketing Systems Development Programme	<p>The overall goal of the programme is to increase the income and food security situation of the rural poor in the Northern and Southern Marketing Zones of the United Republic of Tanzania. The objectives of the programme are to improve the structure, conduct and performance of the agricultural marketing and pricing systems in the country in order to raise smallholder incomes and diversify their production in an active and equitable partnership with the private sector. Specific objectives include: (i) improving relevant marketing policies; (ii) empowering the target groups by strengthening them financially and organizationally; and (iii) enabling the target groups to own and operate the system, and become active partners in all decision-making processes.</p>
Venezuela (Bolivarian Republic of) Agro-Productive Chains Development Project in the Barlovento Region	<p>The general objective of the project is to improve productive, social and organizational capabilities of beneficiary households, achieving efficient and integral links to local and national markets and managing productive activities efficiently and sustainably. Specific project objectives aim to: (i) develop human resources and local grass-roots organizations, strengthening their capacity for participation in local social and productive development programmes; (ii) raise beneficiary income through improvements in on-farm and small rural enterprise production, productivity and marketing, and through promotion of the vertical and horizontal integration of productive activities and consolidation of economically oriented organizations; (iii) promote the capitalization of beneficiaries' farms and small rural enterprises through specific funds and the formation and consolidation of local, self-governing savings and loan organizations; and (iv) promote gender equality in local social and economic development processes.</p>



Annex 4 Explanation of aggregated ratings

A progressive approach is used to derive the aggregate ratings at each level. For example, individual ratings for relevance, effectiveness and efficiency are first applied by the evaluators for each project. An aggregate (or overall) rating for project performance – which is a combination of relevance, effectiveness and efficiency – is then assigned to each project. Likewise, the overall achievement of each project represents a combination of project performance, rural poverty impact, innovation and scaling up, gender equality and women's empowerment and sustainability.

It is important to emphasize that the overall ratings are not the mathematical average of the percentages in each subcategory. In table 1 below, the percentage of projects rated as highly satisfactory overall is not the average of the percentage of projects rated highly satisfactory for criteria A, B and C. Therefore, although

10 per cent of projects were rated as highly satisfactory (rating 6) for criteria A, no projects warranted an overall rating of highly satisfactory. Similarly, although 10 per cent of projects were rated as highly unsatisfactory (rating 1), no project was rated as highly unsatisfactory overall. The highly unsatisfactory ratings for criteria B in 10 per cent of projects were outweighed by the more positive ratings for criteria A and C. This led the evaluators to rate these projects as unsatisfactory or better overall.

The summary table in the text of the report showing the percentage of projects in each category would appear as table 2 below, based on the data in table 1 above. In this example, 60 per cent of the projects were individually rated as satisfactory (ratings 4-6) overall. This is not the average of the satisfactory ratings for criteria A, B and C.

Table 1. Data table showing percentage of projects in each category

	Criteria A	Criteria B	Overall
6 Highly satisfactory	10	0	0
5 Satisfactory	40	40	40
4 Moderately satisfactory	10	20	20
3 Moderately unsatisfactory	20	20	20
2 Unsatisfactory	20	10	20
1 Highly unsatisfactory	0	10	0
Total	100	100	100

Table 2. Percentage of projects rated as satisfactory and unsatisfactory by criteria (per cent)

(per cent)	Criteria A	Criteria B	Overall
Satisfactory (4-6)	60	60	60
Unsatisfactory (1-3)	40	40	40

Annex 5 Summary of lessons from previous ARRI (2003-2010)

The 2010 ARRI included boxed summaries of the main lessons highlighted in previous ARRI. Rather than repeat them in the main text of this year's ARRI, it was considered more useful to list these in one place. This annex will be reviewed and updated each year. These lessons are intentionally generic and will not apply to all programmes in all places.

Relevance

- Participatory and demand-driven approaches have built ownership and contributed to better design.
- A flexible design that can be adjusted during implementation, for example to respond to a changing political and socio-economic country context, has enhanced relevance.
- Inaccurate targeting, especially of the poorer groups, was the most common criticism.
- Weak analytic work led to overambitious objectives and targets.
- Inadequate project strategy (e.g. in terms of institutional choices) has constrained relevance.
- An explicit gender focus and strategy can be essential for ensuring projects are highly relevant to the needs of poor rural women.
- Support needs to include those aspects of agriculture that provide the main source of livelihoods for the rural poor.

Effectiveness

- Positive factors include: a supportive policy, economic and institutional context; effective community participation, for example, in small-scale infrastructure development and operations and maintenance; reliable access to markets; careful and realistic design; timely mid-term reviews and direct supervision and implementation support; good coordination

among executing agencies; country presence; and M&E including coherent results framework.

- Negative factors were the converse of the above. Overoptimistic and geographically dispersed projects were not uncommon.
- Multiple components with limited synergies among components and activities, inappropriate technologies, unclear institutional arrangements and weak institutional capacities constrain effectiveness.
- Delays in the provision of counterpart funds and cofinancing that have been agreed but do not materialize limit project effectiveness.

Efficiency

- The quality of project design, project management and people's participation is a key efficiency factor.
- Other key factors associated with favourable efficiency include: use of competitive bidding processes to contract service providers rather than interministerial committees; involvement of NGOs and the private sector to bring services to the rural poor based on their respective comparative advantage; government ownership; qualified implementing agencies; clear objectives; and the flexibility to be able to correct design during execution.
- Efficiency is reduced by delays between loan approval and effectiveness (often due to unclear design); extensions to the original project closing date; complex funding mechanisms; delays in appointing, and/or a high turnover in, key managers; weak project-level M&E systems; and high overall project management costs.
- Community contributions (in kind or through cost-sharing arrangements) enhance ownership and lead to better efficiency.

- Programme complexity and wide geographic coverage can reduce efficiency. Multiple components, multiple implementing agencies and multiple subnational participants within countries (e.g. states or regions) create coordination and implementation challenges.

Household income and assets

- Irrigation, water and road infrastructure investments have generally been beneficial to the rural poor in terms of income and assets. Some rural finance interventions have been less so.
- Interventions need to be explicitly designed to be appropriate for poorer households. Activities that reduce workload for collecting firewood and water increase the time available for work outside the household, further contributing to improved incomes.
- Participatory design and local institutional development is often critical to ensuring ownership, impact and sustainability.
- Lack of market analysis and access and limited availability of rural financial services constrain the profitability of small farmers and small-scale processors.
- Building on local preferences and promoting integrated activities to address the multifaceted nature of rural poverty result in significant income gains.
- Focusing on traditional crops can be an appropriate strategy to raise incomes but only if provisions are simultaneously made to improve access to markets.

Human and social capital and empowerment

- A strong commitment to human and social capital and empowerment (HSCE) in project design needs to be matched by resources and support during implementation.
- Designs need to be realistic about the pace and potential for change, particularly in unfavourable socio-cultural contexts.
- Achieving sustainable increases in local capacity requires sustained support, and is more likely to be achieved by building on existing institutions rather than creating new ones.

- HSCE can be a long and complex process requiring specialized and capable support for a sustained period.

Food security and agricultural productivity

- Key factors that have led to enhanced food security and agricultural productivity include adequate investment in pro-poor research and extension; promotion of sustainable rural financial systems with sufficient outreach and tailored products accessible to the rural poor; access to reliable input and output markets; and provision of complementary activities such as training, advisory services and rural infrastructure.
- Increased food security and agricultural productivity have not always resulted in increased incomes, sometimes because of a neglect of issues relating to value addition of primary commodities and marketing.
- Income gains from increased agricultural production have tended to go disproportionately to better-off groups. Some reasons for the rural poor not benefiting adequately include the lack of a reliable seed supply system and limited attention to post-harvest losses.
- Project design in countries prone to drought or other natural disasters needs to include sufficient risk analysis and mitigation provision to ensure food security and agricultural productivity.
- Attention to diversified farming systems has produced favourable results on income and food security.
- Appropriate context-specific technologies that take into account environmental concerns and are low-cost are essential for enhancing productivity.
- Investments in small-scale agriculture, including livestock development, should be emphasized as they are integral to the food security concerns of the rural poor.

Natural resources and environment

- Weaknesses in environmental assessments in design and supervision have contributed to negative impacts, including groundwater

depletion, fuelwood exploitation, grazing pressure and diminishing fish stock.

- IFAD-funded projects tend to be constrained in time and scale, and are often focused on the ministry of agriculture. Achieving natural resources and environment (NRE) results on a broader scale requires a wider set of partnerships and policy engagement.
- Although not easy to quantify accurately, the level of investments in past NRE operations does not appear to be commensurate with the wide-ranging challenges in this area.
- Not all IFAD-funded projects can address NRE issues since some are too large, long-term and complex for IFAD to deal with. Efforts to establish partnerships at the country level with other agencies that have a comparative advantage on NRE cannot be overemphasized.
- The role of borrowing governments and their commitment is particularly critical to ensuring that NRE issues are addressed in a timely manner.

Institutions and policies

- Projects need to be designed and managed with wider impacts on institutions and policies as significant objectives and with resources to match.
- More comprehensive policy dialogue requires significant investment in staff time and skills, and dedicated financial resources, coherent knowledge management and partnership-building.
- Direct supervision and country presence are important features of IFAD's new operating model that contribute to impact on institutions and policies.
- Parallel project management systems may bring short-term implementation benefits, but are less conducive to ensuring sustainability, developing national ownership and institutional capacity.
- The collective capacities of, and synergies between, public- and private-sector institutions is critical for improving the lives of the rural poor.

Sustainability

- Positive factors include realistic project objectives given the project context; the early design of exit strategies; systematic efforts to build ownership and institutional capacity; alignment with government policies and programmes; community ownership and contributions; long-term support for grass-roots organizations; and alignment and links between project-created organizations and existing institutions.
- Negative factors include poor design, inadequate operation and maintenance arrangements, inappropriate technology, lack of access to markets and rural financial services, insufficient implementation support and short project time frames, limited technical assistance after project closure, and dependence on continued external financial support.
- Sustainability can be aided by embedding project management/coordination units within an existing and viable institution; securing continued funding from a government department with the mandate and resources; making grass-roots organizations more sustainable and self-supporting; scaling up through donor or government support; ensuring that appropriately scaled investments are identified, managed and maintained with communities; and involving the private sector in agriculture development activities.

Innovation and scaling up

- Identifying the right partner institutions is critical for innovation and scaling up.
- Innovations that address needs that are widely shared by the rural poor and that are based on traditional knowledge, technology, practices, cultural and social norms are more likely to succeed.
- Direct supervision and implementation support and country presence are important ingredients for innovation and scaling up.
- Design and approval pressures do not allow time for "scouting" for new ideas.

- Limited attention to non-lending activities (knowledge management, policy dialogue, and partnership-building) are constraining the promotion of innovation, especially scaling up.
- Disproportionately more attention is given to innovation than to scaling up at the design stage.
- Grants have not been sufficiently used for the promotion of innovations and scaling up, and the links between grant and loan activities are generally weak.
- Gaps in staff skills, competencies and systems (e.g. incentive and accountability structures) within IFAD make it difficult to effectively promote pro-poor innovation.
- Governments, through their ministries and departments, and multilateral development banks, by providing cofinancing or by funding on their own projects that build on innovations initially supported by IFAD, each can play an important role in replicating and scaling up valid innovations.
- Frequent rotation of CPMs in some countries led to a loss of institutional memory and continuity. Conversely, infrequent CPM rotation in other countries limited cross-fertilization of experiences across portfolios and diversification of approaches and partnerships.
- Timely mid-term reviews have contributed to better effectiveness and can be critical for redesign and adjustments.
- The consolidation of direct supervision and implementation support, together with an expanded and well-resourced country presence, is beneficial for enhancing the performance of IFAD-funded country programmes.
- Projects classified as “at risk” by Management during implementation merit special attention and more intensive follow-up.

Gender and women's empowerment

- Proactive attention to women staff in project management units can contribute to further promoting gender attitude changes at different levels.
- Supporting education initiatives, providing rural finance, and promoting low-cost agriculture activities has contributed to improving women's welfare. In this regard, ensuring context-specific interventions is essential.
- The absence of gender policies in partner institutions in recipient countries is a constraint to gender equality and women's empowerment.

IFAD as a partner

- IFAD is valued and trusted by governments for its focus, flexibility and responsiveness.
- Criticisms include design weaknesses; inadequate supervision and implementation support; slow response times to issues emerging during implementation; limited country presence; and an insufficient emphasis on M&E.

Government as a partner

- Government's performance is one of the most fundamental ingredients in ensuring the success of IFAD-funded projects. Performance in countries with high country policy and institutional assessment (CPIA) scores is better than in countries with lower scores.
- Government performance varies greatly from country to country, and within countries between federal and provincial/state levels, but also from one government agency to another. Government performance also varies over time.
- Systemic weakness in government performance include: (i) inadequacies in the staffing of the project management unit, coupled with high turnover of staff; (ii) inadequate support to, and experience and training of, project staff in participatory planning, procurement procedures and financial management; (iii) weak institutional support; (iv) lack of experience with IFAD procedures; and (v) ineffectiveness of M&E systems as management instruments.
- In the past, insufficient attention was devoted to systematically supporting governments in enhancing their own performance in agriculture and rural development.
- Good coordination and collaboration

among line departments is important for smooth implementation.

- Government's role in encouraging the participation of private-sector entities and NGOs in project design and implementation is critical.
- Timely provision of counterpart funds is important, as is a clear definition from project start of the roles and responsibilities of involved government agencies at different administrative levels.

Country programmes

Non-lending activities

- No clear agenda set for policy dialogue, lack of country presence, supervision by cooperating institutions, limited resources, and inappropriate staff skills and competencies effectively restrict policy dialogue. Insufficient attention to policy dialogue at national level has constrained wider achievements.
- COSOPs have not always been clear about which institutions should be considered for partnership. Partnerships have often been equated to mobilization of cofinancing, rather than to collaboration across a wider range of activities. Establishing and expanding partnerships is difficult without adequate country presence.
- Partnership-building has high transaction costs in the short term. More could be achieved with existing resources if partnerships were a strategic and operational priority.
- Lack of specific initiatives, mechanisms and resources dedicated to knowledge management accounts for poor performance. Weak M&E systems are constraining knowledge management activities.
- Investments in knowledge management are critical, inter alia, for scaling up purposes. Coherent knowledge management is a priority for IFAD activities in middle-income countries.
- Incentive mechanisms and accountability frameworks for pursuing non-lending activities are generally inadequately defined within IFAD.

COSOP relevance, effectiveness and performance

- High-quality and extensive background analytic work is critical for ensuring COSOP relevance, as is adequate stakeholder participation and ownership in the process.
- Positive COSOP effectiveness is closely associated with favourable effectiveness of the project portfolio and non-lending activities. Among other reasons, effectiveness has been limited by relatively weak linkages between grants and loans, and poor project effectiveness in some cases.
- A well-established country presence is a key determining factor for COSOP performance.

Overall IFAD-government partnership

- In the case of very poor countries, and in middle-income countries, IFAD needs to adapt its model and approach to better fit the particular context.
- Strong country presence, also in terms of level and status, is an essential factor in ensuring a positive overall IFAD-government partnership.
- Ownership of the COSOP by the government and other key in-country partners is important to ensure success of the IFAD-government partnership.

Annex 6 The 2010 project evaluation data

Table 1. Relevance, effectiveness and efficiency
(per cent by rating) – projects evaluated in 2010

Rating	Relevance	Effectiveness	Efficiency	Project performance
6 Highly satisfactory	5			
5 Satisfactory	45	30	15	25
4 Moderately satisfactory	43	55	43	58
Total satisfactory	93	85	58	83
3 Moderately unsatisfactory	8	10	33	13
2 Unsatisfactory		5	8	5
1 Highly unsatisfactory			3	
Total unsatisfactory	8	15	43	18

Note: Where necessary, the percentages in this table have been rounded off using a consistent approach. Each figure in the table is an accurate but rounded representation of the underlying data, not a simple addition of the figures as presented. This explains the apparent discrepancy of up to 1 percentage point. This note also applies to the other tables in this annex.

Table 2. Rural poverty impact by domain
(per cent by rating) – projects evaluated in 2010

Rating	HIA	HSCE	FSAP	NRE	IP	Rural poverty impact
6 Highly satisfactory	3	3	3		3	
5 Satisfactory	38	60	29	23	31	25
4 Moderately satisfactory	46	23	44	47	42	60
Total satisfactory	86	85	76	70	75	85
3 Moderately unsatisfactory	11	13	12	27	19	10
2 Unsatisfactory	3	3	12	3	6	5
1 Highly unsatisfactory						
Total unsatisfactory	14	15	24	30	25	15

Note: HIA – Household income and assets, HSCE – Human and social capital and empowerment, FSAP – Food security and agricultural productivity, NRE – Natural resources and environment, IP – Institutions and policies.

Table 3. Sustainability, innovation and scaling up, and gender
(per cent by rating) — projects evaluated in 2010

Rating	Sustainability	Innovation and scaling up	Gender
6 Highly satisfactory			3
5 Satisfactory	13	38	34
4 Moderately satisfactory	60	38	52
Total satisfactory	73	75	90
3 Moderately unsatisfactory	23	20	7
2 Unsatisfactory	5	5	3
1 Highly unsatisfactory			
Total unsatisfactory	28	25	10

Table 4. Performance of partners
(per cent by rating) — projects evaluated in 2010

Rating	IFAD	Cooperating institutions	Government
6 Highly satisfactory			
5 Satisfactory	28	38	28
4 Moderately satisfactory	58	53	47
Total satisfactory	86	91	75
3 Moderately unsatisfactory	14	9	17
2 Unsatisfactory			8
1 Highly unsatisfactory			
Total unsatisfactory	14	9	25

Table 5. Overall project achievement — projects evaluated in 2010

Rating	per cent
6 Highly satisfactory	
5 Satisfactory	18
4 Moderately satisfactory	68
Total satisfactory	85
3 Moderately unsatisfactory	10
2 Unsatisfactory	5
1 Highly unsatisfactory	
Total unsatisfactory	15

Annex 7 Previous ARRI learning themes

2007 ARRI – (i) Sustainability and (ii) Innovation

2008 ARRI – (i) Country context and
(ii) Project level monitoring and evaluation

2009 ARRI – (i) Access to markets and
(ii) Natural resources and the environment

2010 ARRI – Efficiency

Annex 8 Evaluations included in this year's ARRI

Type	Country/ Region	Title	Executive Board approval date	Project completion date	IFAD loan ^a (US\$ million)	Total project costs ^a (US\$ million)
Corporate- level evaluations	All	IFAD's Private Sector Development and Partnership Strategy				
	Ghana ^b	Rural Finance Services Project ^c	May 2000	June 2008	11.0	23.0
		Northern Region Poverty Reduction Programme	December 2001	September 2011	12.3	59.6
		Root and Tuber Improvement and Marketing Programme	September 2005	December 2014	19.0	27.7
	Kenya ^b	Eastern Province Horticulture and Traditional Food Crops Project	December 1993	June 2007	11.0	28.0
		Central Kenya Dry Area Smallholder and Community Services Development Project	December 2000	December 2010	10.9	18.1
		Mount Kenya East Pilot Project for Natural Resource Management	December 2002	September 2011	16.7	25.7
		Southern Nyanza Community Development Project	December 2003	September 2011	21.5	23.7
	Rwanda ^b	Umutara Community Resource and Infrastructure Development Project and its Twin Project	May 2000 December 2001	June 2011 December 2007	15.9 12.0	32.9 24.2
		Rural Small and Microenterprise Promotion Project – Phase II	September 2003	June 2011	14.9	17.6
		Support Project for the Strategic Plan for the Transformation of Agriculture	September 2005	March 2013	8.4	32.7

Type	Country/ Region	Title	Executive Board approval date	Project completion date	IFAD loan ^a (US\$ million)	Total project costs ^a (US\$ million)
Country programme evaluations	Viet Nam ^b	Ha Tinh Rural Development Project ^d	April 1999	September 2005	15.4	19.1
		Rural Income Diversification Project in Tuyen Quang Province ^c	December 2001	September 2009	20.9	30.4
		Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces	December 2004	September 2011	24.7	38.7
		Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces	September 2006	June 2012	26.4	37.3
	Yemen ^b	Southern Governorates Rural Development Project	September 1997	June 2005	11.3	38.4
		Al-Mahara Rural Development Project	December 1999	September 2009	12.2	17.8
		Dhamar Participatory Rural Development Project	September 2002	December 2012	21.5	24.0
		Al-Dhala Community Resource Management Development Project	September 2004	March 2014	14.3	22.8
		Pilot Community- based Rural Infrastructure Project in Highland Areas	April 2005	March 2011	13.0	14.0
Project interim evaluations	Brazil	Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East	December 1998	December 2009	25.0	93.5
	Ghana	Rural Enterprises Project – Phase II	September 2002	June 2012	11.2	29.3
	Rwanda	Smallholder Cash and Export Crops Development Project	December 2002	September 2011	16.3	25.1
	United Republic of Tanzania	Rural Financial Services Programme	December 2000	December 2010	16.3	23.8

Type	Country/ Region	Title	Executive Board approval date	Project completion date	IFAD loan ^a (US\$ million)	Total project costs ^a (US\$ million)
Project interim evaluations	United Republic of Tanzania	Agricultural Marketing Systems Development Programme	December 2001	December 2009	16.3	52.8
Project completion evaluations	Dominican Republic	South Western Region Small Farmers Project – Phase II	December 1998	December 2007	12.0	17.6
	Lao People's Democratic Republic	Oudomxai Community Initiatives Support Project	April 2002	March 2010	13.4	21.1
Project performance assessments	Cambodia	Community-based Rural Development Project in Kampong Thom and Kampot	December 2000	December 2009	10.0	22.9
	Jordan	Yarmouk Agricultural Resources Development Project	April 1999	June 2008	10.1	28.1
Project completion report validations	Azerbaijan	Rural Development Programme for Mountainous and Highland Areas	September 2000	September 2008	9.0	10.0
	Bolivia	Small Farmers Technical Assistance Services Project	April 1997	December 2007	8.1	28.3
	Burkina Faso	Rural Microenterprise Support Project	April 1999	June 2008	9.4	12.9
	Chad	Kanem Rural Development Project	April 2003	December 2009	13.0	14.3
	Chad	Food Security Project in the northern Guéra Region – Phase II	May 2000	December 2009	11.7	17.6
	Cameroon	Community Development Support Project	April 2002	June 2010	11.8	18.3
	Ethiopia	Pastoral Community Development Project	September 2003	June 2009	20.0	60.0
	Indonesia	Post Crisis Programme for Participatory Integrated Development in Rainfed Areas	May 2000	March 2009	23.5	27.4
	Mauritania	Maghama Improved Flood Recession Farming Project – Phase II	September 2002	July 2010	10.1	11.5

Type	Country/ Region	Title	Executive Board approval date	Project completion date	IFAD loan ^a (US\$ million)	Total project costs ^a (US\$ million)
Project completion report validations	Mexico	Rural Development Project for the rubber producing regions of Mexico	May 2000	December 2009	25.0	55.0
	Pakistan	Project for the Restoration of Earthquake-Affected Communities and Households	April 2006	September 2009	26.4	29.6
	Venezuela (Bolivarian Republic of)	Agro-Productive Chains Development Project in the Barlovento Region	September 2000	September 2009	13.0	17.0
					624.9	1 171.8

^a IFAD loan and total project costs indicated in the five country programme evaluations (CPEs) relate only to the projects evaluated and rated in the framework of each CPE. That is, the figures are not indicative of IFAD's total loans to the country nor are they representative of the total costs of all projects financed by the Fund in that country.

^b The projects listed were individually assessed as part of the CPEs. They do not constitute a comprehensive list of projects funded by IFAD in the five countries.

^c The project has undergone a project performance assessment.

^d The project has undergone a project completion report validation.

Annex 9 Response of IFAD Management to the Annual Report on Results and Impact of IFAD Operations evaluated in 2010

Introduction

This document presents Management's written response to the Annual Report on Results and Impact (ARRI) of IFAD Operations evaluated in 2010, in line with the decisions taken by the Executive Board in September 2004 and reiterated in the Revised Evaluation Policy (EB/2011/102/R.7/Rev.1, para. 54).

Methodological improvements

Management would like to thank the Independent Office of Evaluation of IFAD (IOE) for including project completion reports (PCRs) in the ARRI sample for the first time this year, following the respective project completion review validations (PCRVs) and project performance assessments (PPAs). This has significantly increased the sample size on which the ARRI is based and consequently enhanced the robustness and reliability of ARRI data. It is also important to ensure, however, that only those evaluations on which an agreement at completion point (ACP) has been reached or a Management response has been received are included in future ARRIs.¹⁶

The foregoing addresses the concern Management had expressed in the past that trend analyses using data exclusively from the independent evaluations contained in ARRI are not reliable, given the small and non-random nature of the sample used.¹⁷ This also responds fully to the recommendations of the Peer Review Panel that IOE should rely more on validated PCRs in reporting evaluation findings.

In terms of the reliability of the sample of projects evaluated each year, it is relevant to mention here that the "noise in the annual data results in year-to-year variation not representative of any particular trend.

Three-year averages [give] a more complete picture."¹⁸ IFAD's self-evaluation systems, having reached the same conclusion, have been using multi-year averages, for example, in setting the baseline and targets for the Results Measurement Framework for 2010-2012. This methodological improvement was introduced in the ARRI for 2009 and was welcomed by IFAD Management (EB 2010/101/R.10/Add.1).

The two above-mentioned methodological improvements are now firmly in place, and the ratings assigned by IOE and Management's self-evaluations for the same cohort of projects can be compared directly through the PCR/PPA process. Accordingly, Management believes that measurements of the performance of IFAD-supported projects and programmes at the outcome level have become more reliable.

Evaluation findings

PCR document quality and disconnect

Management would like to thank IOE for identifying and reporting on the systemic issues and lessons emerging from PCRVs, and to make the following comments.

In response to IOE comments that there is variability in PCR quality, Management will work towards more standardized and homogeneous PCRs. However, this will be contingent upon the capacity and requirements of Member States, since the project completion process is led by them and PCRs essentially remain the product of the borrowing member countries (General Conditions for Agricultural Development Financing, article 8.04). IFAD can and will influence the PCR process, but control is in the

16. For example, this year's ARRI includes the CPEs for Yemen and Viet Nam, for which ACPs have yet to be finalized.

17. IFAD Management's Response to the Annual Report on Results and Impact of IFAD Operations evaluated in 2006 (EB 2007/92/R.7/Add.1, paragraphs 2 and 3).

18. As noted in the findings of the World Bank's Independent Evaluation Group (World Bank, Annual Review of Development Effectiveness, 2009).

hands of governments. Equally importantly, IFAD's current operating model accords top priority to country ownership of the development process and to building national capacity, including for evaluations. We will therefore focus more on helping to build government capacity to undertake PCRs, rather than taking over the process ourselves.

The Programme Management Department (PMD) has prescribed a timeline and guidelines for preparing PCRs. Over time the submission rate of PCRs has increased and IFAD currently has one of the highest, if not the highest, PCR submission rate among international financial institutions (IFIs) – despite the fact that IFAD's PCR process gives Management much less influence than is the case at other IFIs. As IFAD's global portfolio of projects has to be managed flexibly in order to achieve better overall impact, project implementation periods are extended on a selective basis. This affects PCR submission dates. At the aggregate level, a sufficiently large number of PCRs are received and analysed every year for robust results reporting. PMD has also adjusted its review cycle, with consequent changes in the way ratings are finalized, to cater to the needs of IOE.

The quality of project-level monitoring and evaluation (M&E), though improving, remains relatively weak, as noted in most ex post project evaluations. The PCR process alone obviously cannot bring about any radical change in the quality of M&E. Weak M&E will continue to affect the quality of PCRs and of evaluations generally.

With the realization that there is a clear need to further enhance the quality and rigour of PCRs,¹⁹ Management has undertaken to allocate more resources to the PCR process and made a commitment to make PCRs more widely available to enhance knowledge sharing.²⁰ These measures should address some of the suggestions made by IOE in the 2010 ARRI.

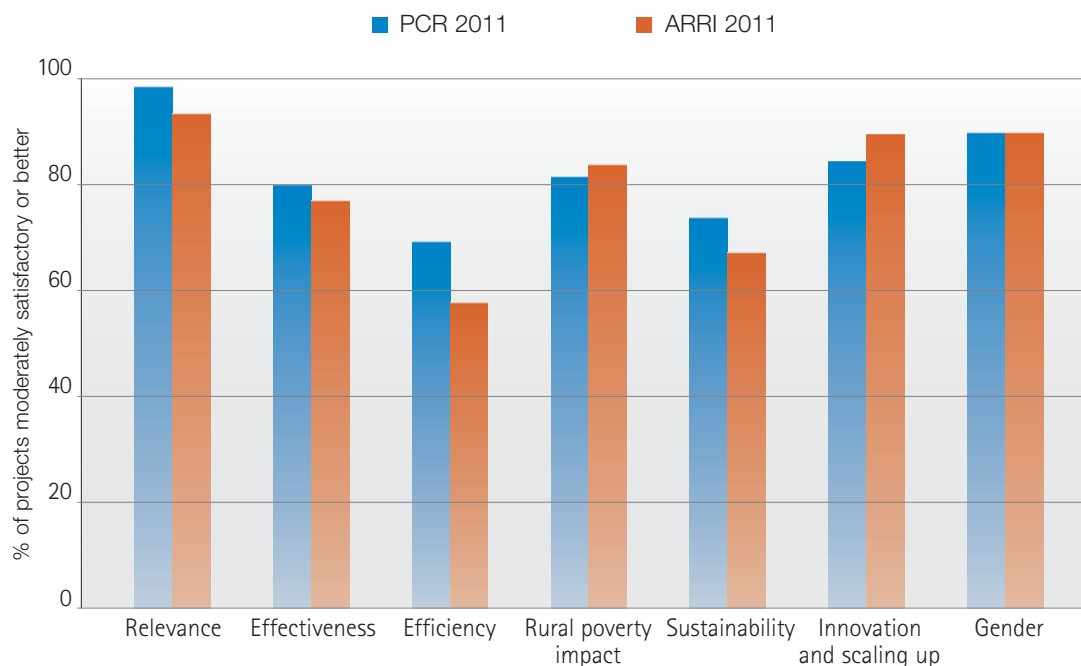
Comparative performance of the projects evaluated and reviewed

With respect to the disconnect between PCR ratings and IOE ratings for projects, IFAD Management has noted with satisfaction the finding of ARRI 2010 that “the overall average disconnect [between the PCRs and PCR/V] was only -0.2, which indicates that the ratings in PCRs and PCR/Vs, after all, are not too far apart.” As the PCR/V process is new and reflection is needed on the mechanics and rigour of this new instrument, Management recreated the data set used in the 2010 ARRI so that the data could be reclassified by type of evaluation. This analysis confirmed the low level of disconnect in ratings reported by IOE for 14 projects. The minimal difference in the overall rating noted by ARRI is largely attributable to the new PCR/V/PPA process. Indicatively, this may show an added rigour in ratings in PCR/Vs/PPAs, when compared to other instruments of evaluation.

A low level of disconnect between independent and self-evaluation is also supported by a broader sample of 40 projects rated and included in ARRI 2010, and 50 projects rated by Management and included in this year's Report on Development Effectiveness. This is presented in the following chart.

19. IFAD, Action plan for strengthening the self-evaluation system (EB 2011/103/R.6), para. 34.

20. Ibid, paras. 39 and 43.



As can be seen from the chart, the proportion of projects with moderately satisfactory or better ratings is identical in terms of gender. For rural poverty impact and innovation and scaling up, IOE ratings are slightly higher than those of Management, whereas Management ratings are slightly higher than those of IOE in the areas of relevance, effectiveness and sustainability. Economic efficiency, however, is an area where disconnect is relatively high. PCRs show generally higher efficiency than do IOE reports. However, the PCR review also shows the economic efficiency of projects as the weakest area.

Performance of IFAD programmes and projects

Management agrees with the ARRI's conclusion that the performance of IFAD-supported projects continues to be strong in terms of relevance, effectiveness, rural poverty impact, innovation and women's empowerment. Significant improvements in IFAD's performance as a partner are also noted. Furthermore, Management agrees with the comments included in the ARRI that despite improvements in recent years, performance in three areas – efficiency of IFAD-financed projects, natural resource management, and environment and sustainability –

remains weakest. Management also agrees with the conclusion that "... there have been improvements since 2006 in non-lending activities, namely policy dialogue, partnership-building and knowledge management."

Management appreciates IOE's efforts in benchmarking IFAD's performance to that of other IFIs, which while being "inherently difficult" has significant learning potential. It is noted that "the performance of IFAD-supported projects is somewhat better than the operations funded by AsDB, the World Bank in the Near East, North Africa and Europe region, and the African Development Bank."

Comments on some specific findings

The lack of any improvement in economic efficiency of the projects as reported in this year's ARRI and a relatively high disconnect between ARRI and PCR findings may be attributable to context. As IFAD projects are usually located in remote and disadvantaged areas and often serve marginalized communities, economic costs in absolute terms to achieve benefits tend to be high – thus the economic rate of return of IFAD-funded projects may not be directly comparable with projects funded by other institutions in less disadvantaged areas.

As poverty and gender impact (through acceptable level of development effectiveness) and sustainability continue to be IFAD priorities, the trade-off between these factors and economic efficiency will continue to be applied as relevant factors in assessing project efficiency in PCR reviews. Focusing excessively on efficiency could jeopardize IFAD's mandate, in particular targeting objectives, by inducing staff to focus on easily reachable and high potential areas and communities. IOE does not recognize these trade-offs in its analysis. In interpreting the data on efficiency, it is also important to note that it is not adequately and consistently measured. This is due in part to limitations in data available and in part to the challenges presented by quantifying non-physical results (e.g. social capital, empowerment of rural poor people, etc.), which often are significant outcomes of IFAD-funded projects.

On balance, as noted in this year's Report on IFAD's Development Effectiveness (RIDE), "Economic efficiency of the projects, although improving, remains weak in relative terms." (annex 1, para. 57), and needs significant further improvement. In proposing the Results Measurement Framework for the Ninth Replenishment period (2013-2015), Management has accorded high priority to improving project efficiency, and aims at achieving better results "in part through increased focus on economic efficiency of projects, and in part through an expanded scaling-up agenda to achieve economies of scale (more output per unit input)."²¹ However, Management will continue to look at trade-offs between the pursuit of economic efficiency and achieving poverty reduction and gender targets, and environmental impact.

Management has noted the sustainability issues related to rural financial systems (RFS) supported by IFAD in Azerbaijan, Laos, Rwanda and Tanzania. The comments made by IOE are pertinent and fully aligned with IFAD's policy on rural finance – for example, the "classic errors in rural finance," Decision Tools for Rural Finance (DTRF), 2010. With respect to the comments made in the paragraph on rural finance, Management

would like to clarify that both the Rural Finance Policy and the DTRF are geared towards improving the access of the poor to financial services. As part of the new country portfolio of Kenya, the Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT), approved in 2010 is expected to lead to higher effectiveness in the area of rural finance.

Recommendations

Of the four recommendations made in the 2011 ARRI, Management fully supports the following:

- (a) Include IFAD's approaches and results in conducting policy dialogue as the learning theme for ARRI in 2012; and
- (b) Develop the required incentives and accountability framework for increasing the number of country programme managers (CPMs) posted in IFAD country offices.

With respect to (b), IFAD recognizes that incentives and CPM seniority are clearly key points for the success of IFAD's country presence strategy and it has already made commitments as part of the presentation to the Board on IFAD's Country Presence Policy. The Human Resources Division is reviewing the current incentive framework and the skills development requirements of CPMs.

IOE recommends that IFAD Management develop and apply coherent guidelines in 2012 that will serve as the main reference document for IFAD staff in generating adequate levels of counterpart funding from recipient Member States in the context of IFAD-financed projects, taking into account their level of development. Management does not agree with this recommendation. The level of cofinancing for a particular project, while important, is less crucial than leveraging larger resource allocations for agricultural and rural development in a given country. In other words, greater scaling up by governments (through sequential rather than parallel funding), without necessarily cofinancing a particular project, might be a much better strategy in the longer run. Nonetheless, IFAD Management has set a global target for

21. Results Measurement Framework 2013-2015 (document REPL.IX/3/R.4).

leveraging cofinancing resources (US\$1.50 for every dollar loaned or granted by IFAD) that acts as a driver in seeking higher counterpart funding for all projects under development. IFAD has been extraordinarily successful in mobilizing local and donor cofinancing for projects. More guidelines on this subject are not necessary in our view.

Management has taken note of the ARRI recommendation that it undertake a thorough assessment of achievements following the 2008 memorandum of understanding (MOU) with the African Development Bank, and a thorough review of the existing cooperation framework with the Asian Development Bank. In this regard, Management would like to emphasize that generating a basis for more proactive partnerships between IFAD and these organizations will depend largely upon the efforts made by each institution to develop jointly funded programmes at country level. The preferences and priorities of borrowing Member States is an important factor that affects the outcome in terms of cofinancing for projects. IFAD cofinances projects with all IFIs, including the African Development Bank and the Asian Development Bank. Cofinancing is determined for a project at country level depending on the strategy of the donors in the country, interest in the project and government policies. We have found that global MOUs have little impact. For example, IFAD does not have an MOU with the World Bank, which is its largest cofinancier, but does with AfDB, which cofinances less.

Abbreviations and acronyms

AfDB	African Development Bank
ARRI	Annual Report on Results and Impact of IFAD Operations
AsDB	Asian Development Bank
CLE	corporate-level evaluation
CFS	Controller's and Financial Services Division
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPM	country programme manager
DSPP	Direct Supervision Pilot Programme
ESA	East and Southern Africa
IOE	Independent Office of Evaluation of IFAD
M&E	monitoring and evaluation
PCR	project completion report
PCRv	project completion report validation
PMD	Programme Management Department
PPA	project performance assessment
WCA	West and Central Africa





Printed by Arti Grafiche Tilligraf S.r.l., Rome, Italy
February 2012

Graphic design by
Lorella Candido



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