

10<sup>TH</sup>  
EDITION

# ARRI 2012

Independent Office of Evaluation of IFAD



**Annual Report** on Results and Impact of IFAD Operations



Enabling poor rural people  
to overcome poverty



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## Foreword

It has been a decade since the Independent Office of Evaluation of IFAD (IOE) produced the first Annual Report on Results and Impact of IFAD Operations. The report – known by its acronym ARRI – provides an independent analysis of IFAD’s performance, with the goal of improving the Fund’s impact on rural poverty. The methodology used to compile the ARRI has grown increasingly robust over the past ten years. It has yielded a significant body of evaluation data that allow the evolution of performance and impact of IFAD operations to be reliably tracked over time.

This 10th edition of the ARRI examines the range of evaluations carried out in 2011 and reviews progress made since the first ARRI was produced in 2003. The report is a cause for pride as IFAD is one of the very few development organizations that produces an annual performance analysis, reflecting its commitment to accountability, learning and transparency. The 2012 ARRI confirms that IFAD continues to improve its contribution to combating rural poverty in all regions; nevertheless, important challenges remain that need to be addressed carefully.

Today, IFAD plays a far stronger role in promoting natural resource and environmental management than was the case ten years ago. Substantial progress has been made in promoting gender equality and women’s empowerment, with more than 80 per cent of IFAD projects rated “satisfactory” for these criteria. In addition, the assessment of IFAD’s performance as a strong and effective partner has significantly improved over the past decade; an important positive trend. It is also worth mentioning that a benchmark analysis of IFAD’s operations revealed that the Fund’s performance is generally better or equivalent to that of other multilateral organizations supporting agricultural development.

The performance of government partners has not kept pace. Furthermore, while projects are held to be highly relevant and reasonably effective, their efficiency and sustainability remain a challenge. Performance in fragile states is markedly lower than in non-fragile states. Knowledge management and monitoring and evaluation at both programme and project levels need further emphasis. All of these areas will require greater attention going forward.

Every year, the ARRI focuses on a particular topic that is relevant to pro-poor development in the agricultural sector. Supporting policy dialogue was the learning theme covered in the 2012 ARRI. IOE evaluations revealed that performance in policy dialogue at the global and regional levels is satisfactory. However, country programme evaluations indicated that the Fund’s contribution to policy dialogue at the country level is episodic and not systematic across the board. This is partly attributable to overly ambitious objectives for policy dialogue in relation to the resources allocated, as well as limited staff resources, skills and competencies in this area.

In closing, I would like to express my thanks to the IOE team for their contribution to the production of the ARRI, IOE’s flagship report. In particular, I would like to thank Michael Flint, Oanh Nguyen and Kendra White, as well as Inder Sud and Johannes Linn. Acknowledgment is also due to Cécile Berthaud and Melba Alvarez of the Evaluation Communication Unit, who led the development of the design, layout and graphics for this report.



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# Executive summary

## Overview

This tenth Annual Report on Results and Impact of IFAD Operations (ARRI) presents a review of evaluations completed in 2011, with particular emphasis on highlighting what has changed since the first ARRI in 2003. The overall picture that emerges is positive, but with room for improvement, especially in light of the collective aim to transform the organization from generally moderately satisfactory performance to satisfactory, and if possible, even highly satisfactory results in the near future. On the one hand, there is evidence of clear and significant improvement across most of the criteria assessed by evaluations carried out by the Independent Office of Evaluation of IFAD (IOE). But equally, it is evident that a number of important issues identified in the early ARRIs are yet to be effectively addressed.

## Performance and trends

Three broad performance trends can be observed from the 2002-2011 project evaluation data. Ratings for two evaluation criteria – natural resources and the environment, and IFAD's performance as a partner – have improved over the decade. A second group of evaluation criteria – sustainability, innovation and scaling up, and two rural poverty impact domains (human and social capital and empowerment, and institutions and policies) – show a marked improvement since 2002-2004, but a more recent decline since a peak in 2006-2008. A final group of evaluation criteria – relevance, effectiveness, efficiency, and the performance of government as a partner – show flat and/or declining performance.

Three other features have not changed over the years. First, a pattern of high project relevance and reasonable effectiveness, but only moderate efficiency and sustainability.

Second, the predominance of moderately satisfactory performance. Just 23 per cent of the 2011 ratings were satisfactory or better. And third, the importance of the country context. Performance in fragile states is markedly lower than in non-fragile states.

Eighteen country programme evaluations (CPEs) have been completed since 2006. These show clear improvement in all three non-lending activities since 2006-2008 – knowledge management, partnership-building and policy dialogue – but little improvement in the last activity since 2007-2009. Notwithstanding improvement in knowledge management, more efforts are needed at the country level, including a larger allocation of dedicated resources for this purpose. Similarly, as underlined in most past ARRIs, it is time for serious efforts to engage more systematically with the multilateral development banks and selected United Nations organizations at the country level, including the Rome-based agencies.

Two priorities stand out in respect of country programmes. Most CPEs reveal that IFAD-supported country programmes are largely a collection of individual investment projects. The first priority is thus for better integration of all IFAD-supported activities, which is critical to scaled-up and sustainable impact. The second priority is for a well-resourced country presence, preferably with more immediately outposted country programme managers, especially in large countries with sizeable portfolios.

## Selected project and programme issues

This ARRI highlights six selected issues that remain an important challenge for IFAD-supported operations, with a seventh issue – policy dialogue – as this year's learning theme:

- (i) Sustainability has improved, but remains a problem area.
- (ii) The effectiveness of different targeting strategies, and the distribution of benefits among diverse types of poor people, remain key issues for IFAD.
- (iii) Improving the efficiency of IFAD-supported programmes, and of IFAD's own institutional efficiency, are important and connected challenges.
- (iv) The importance of effective project and programme management was confirmed by the 2011 evaluations.
- (v) Weaknesses in project and programme M&E are evident and important.
- (vi) The performance of recipient governments is one of the most fundamental determinants of success, but has remained more or less unchanged over the past decade. IFAD has only had limited success in conducting effective policy dialogue at the country level.

### Benchmarking

External benchmarking of IFAD's performance against that of other agencies is important. This year, the ARRI team made a particular effort to obtain comparable data. Only two development agencies – the World Bank and the Asian Development Bank (ADB) – were found to have datasets that would enable a meaningful and fair comparison with IFAD operations. Analysis of these datasets suggests that the performance of IFAD-assisted operations is considerably better than ADB's in the Asia and the Pacific region since 2000, and broadly similar to World Bank operations globally. Data included in last year's ARRI showed that IFAD-supported operations in Africa performed better than those of the African Development Bank.

Internal benchmarking against the 2005 Independent External Evaluation of IFAD shows that performance has improved in all areas

except relevance, but this may be due to more stringent assessment metrics for this criterion. With regard to commitments under the Results Measurement Framework, the targets for relevance, gender and innovation either have been, or are likely to be, met. However, it is unlikely that the 2012 targets for effectiveness, efficiency, rural poverty impact and sustainability will be met given current trends. Finally, more attention is needed to better the results in West and Central Africa, which is the region where performance is weakest compared with the other regions covered by IFAD operations.

### Evolution of the ARRI

IFAD is one of a very small number of development agencies that produce a comparable annual independent evaluation report. This is an important area in which the Fund also distinguishes itself from many other such agencies, and is a clear reflection of the organization's commitment to promoting accountability and learning through independent evaluation work.

The ARRI has changed since it was first produced in 2003, as have the reports produced by IFAD Management. This year's ARRI represents a further evolution in structure and content. Over time, it has become an increasingly robust document, based on a coherent evaluation methodology and analysis, as well as on a sizeable dataset of independent evaluations that makes possible a reliable account of performance.

The ARRI is a unique report, as it provides Management and IFAD Member States with an independent perspective on performance, and identifies lessons and systemic issues that need attention if even greater results in rural poverty reduction are to be achieved. IOE is committed to reviewing and refining the ARRI to ensure its continued relevance and usefulness. In particular, it proposes continuing the shift towards validation of results reported through IFAD's self-evaluation system (e.g. COSOP completion reviews, as well as project completion reports [PCRs]), and towards evaluation for learning.

## Recommendations

The 2012 ARRI makes the following seven recommendations:

- (i) The 2013 ARRI should have two learning themes: (a) an examination of successful and unsuccessful projects in diverse country categories, with a special emphasis on fragile states and middle-income countries; and (b) analysis of the role of governments and of efforts the Fund could deploy to strengthen government performance in the context of IFAD-assisted activities.
- (ii) Future ARRI should track and report on performance in those evaluation criteria (i.e. relevance, effectiveness, efficiency and government performance) for which performance has been flat or declining since 2002.
- (iii) IFAD Management should pay special attention to improving the quality and usefulness of PCRs.
- (iv) Efforts should be made to improve performance in policy dialogue at the country level.
- (v) A dedicated slot should be allocated at the first session of future consultations on the replenishment of IFAD's resources, beginning with the Tenth Replenishment of IFAD's Resources in 2014, for IOE to make a presentation of the most recent ARRI available at the time.
- (vi) The ARRI should be considered as one of the first agenda items in December sessions of the Executive Board, prior to Board discussion of the Fund's annual programme of loans and grants and the administrative budget for the subsequent year.
- (vii) Follow-up to and implementation of these recommendations will be reported on by IFAD Management

through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, in accordance with past practice.



**The Philippines. Northern Mindanao Community Initiatives and Resource Management Project**

Rice commercialization. The project made a direct contribution to improving agricultural productivity and food security through its irrigation and potable water subprojects, leading in many instances to a doubling both of yields and of household income.

# 1

## Introduction

The first Annual Report on Results and Impact of IFAD Operations (ARRI) was produced by the Independent Office of Evaluation of IFAD (IOE) in 2003.<sup>1</sup> This is the tenth version of the ARRI. It consolidates and summarizes the results and impact of IFAD-funded operations on the basis of independent evaluations conducted during 2011<sup>2</sup> and previous years.

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 is the only report prepared by IOE that is discussed in both the Evaluation Committee and Executive Board in their final sessions each year. Apart from the World Bank and the Asian Development Bank (ADB), IFAD is the only other multilateral development organization that produces an independent annual evaluation report on results and impact. No other United Nations specialized agency, programme or fund, and to the best of our knowledge, no bilateral aid agency issues such a report. The publication of the ARRI is thus a notable achievement for IFAD and its governing bodies.

When the ARRI was first produced in 2003, it was based on 10 project evaluations, two country programme evaluations (CPEs) and two corporate-level evaluations (CLEs). It included evaluation ratings from the 10 projects.

The 2012 ARRI is based on a considerably larger and rather different set of independent evaluations: eight project performance assessments (PPA), 11 project completion report validations (PCRVs), one evaluation synthesis, two CPEs and one CLE. It includes new ratings from 24 projects evaluated in 2011, and also uses all the 170 independent evaluation ratings available in total to provide an overview of the evolution of performance since 2002.

The structure, content and length of the ARRI have also changed over time. The first four concentrated almost entirely on reporting project performance against each of the evaluation criteria. Learning themes – with dedicated chapters that build on inputs from learning workshops on the topics treated – were first included in the 2007 ARRI, as was a section on selected issues raised by CLEs and CPEs. In 2009, a specific section on CPEs was introduced, with the aim of reporting on the performance of IFAD's non-lending activities (policy dialogue, knowledge management and partnership-building). The ARRI thus became, and still is, the only document that provides Management and the Executive Board with an overview of performance and lessons related to non-lending activities at the country level. As a result, however, the ARRI grew in length from 39 pages of main text in 2003 to a maximum of 71 pages in 2010.

This year the ARRI team experimented with a different structure and the report is more concise. Rather than duplicate the comprehensive annual progress report on each evaluation criterion as contained in previous ARRIs, this edition concentrated on identifying trends and patterns over the 2002-2011 period; on selected issues raised by last year's evaluations; and on the learning theme of policy dialogue.

**1.** IOE is required to produce the ARRI each year, in accordance with the provisions of the IFAD Evaluation Policy (2011).

**2.** Some of the evaluations included in this ARRI were finalized in 2012. Of the 24 projects evaluated in 2011 included in this report, 11 projects were approved during 1996-1999, 11 during 2000-2005, and two during 2006-2008. Fifteen of the 24 projects were closed during 2009-2011, five during 2003-2008, and four are ongoing.

Much has changed within IFAD since the first ARRI in 2003. Monitoring, evaluation and reporting by IFAD Management have changed and expanded. A short Progress Report on the Project Portfolio grew to a comprehensive Annual Review of Portfolio Performance (ARPP), plus annexes for each region. The latter was integrated into the annual Report on IFAD's Development Effectiveness (RIDE), which has been produced since 2007. Moreover, Management introduced another important annual report in 2008 on quality assurance in IFAD-supported projects and programmes. This report is different from the ARRI and the RIDE, as it provides an account of ex ante performance and lessons based on project and programme design.

Moreover, the 2003 Evaluation Policy required Management to issue an annual report on the implementation of IOE evaluation recommendations. This report, known as the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), was first presented to the Board in 2004, together with comments from IOE on the quality of the document and its contents. As the title suggests, the PRISMA provides an account of the extent to which agreed recommendations from independent evaluations have been implemented by Management and the governments concerned. Though an annual report related to evaluation, the PRISMA is thus considerably different from the ARRI, RIDE or the annual report on quality assurance.<sup>3</sup>

The tenth ARRI provides a unique opportunity to review the achievements and issues raised by last year's evaluations in the context of a wider examination of changes observed since the first ARRI in 2003. Rather than reviewing each evaluation criterion one by one (as in past ARRIs), sections 2 and 3 of this edition focus on identifying major performance trends and patterns over the past decade, and on examining a small number of important and persistent issues that remain of concern to the organization. The end result is a more focused

and incisive ARRI, compared with previous editions.

All project evaluation data from 2011 are still included (annex 4), as is summary information on all the projects and country programmes evaluated (annex 7). Explanations of the project and country programme evaluation methodologies may be found in annexes 1 and 2, whereas annex 3 provides definitions of all evaluation criteria used by IOE.

As mentioned earlier, since the 2007 edition all ARRIs have included an in-depth analysis of one or two learning themes important to the further strengthening of IFAD's development effectiveness. As agreed with IFAD Management and the Board, policy dialogue was selected as the learning theme for this year's ARRI. The analysis of and findings on policy dialogue are contained in section 4 of the document. Annex 8 presents a list of all learning themes covered each year in the ARRI since 2007.

This ARRI has also made much stronger efforts to examine how the performance of IFAD-assisted operations can be better benchmarked against comparable agencies. The results of this exercise are contained in section 5, which also includes internal benchmarking of performance (e.g. against the targets set in the 2012 corporate results measurement framework, as well as across the five geographical regions covered by IFAD operations).

3. In order to streamline reporting to the Board, Management has now proposed to merge the annual report on quality assurance into the RIDE.

## 2

# Performance and trends 2002-2011

### Increasing the robustness and usefulness of the ARRI

IOE introduced a coherent methodology across all project evaluations in 2002, which formed the basis of the first ARRI in 2003. While this provided consistency across evaluations, early versions of the ARRI suffered from two weaknesses. First, the fact that projects evaluated by IOE were not selected on a random basis, and second, the sample size of projects evaluated was relatively small (e.g. 10 projects evaluated independently formed the basis of the first ARRI in 2003), which was not necessarily representative of IFAD operations at large.

To address these limitations, first, IOE introduced three-year moving averages to analyse the data available since 2002 from independent evaluations. This allowed assessment of trends in performance over time, and limited the year-to-year biases that may have resulted from the relatively small and non-random sample of projects evaluated.

Second, in order to further strengthen the analytic base of the ARRI, the 2010 Peer Review of IFAD's Evaluation Function (by the Evaluation Cooperation Group of the Multilateral Development Banks) recommended – in line with good practice within other multilateral financial institutions – that IOE should validate project completion reports (PCRs) for all closed IFAD-supported operations. This meant that IOE would evaluate – through the PCR process – 100 per cent of projects exiting the portfolio in any given year.

IOE piloted the validations of PCRs in the second part of 2010, and fully rolled them out in 2011 based on the lessons learned during the pilot phase. PCRs now represent an important part of IOE's annual work

programme. It means that the main concern of peer reviewers regarding the ARRI – which was that the document should be based on an integrated database of IOE and validated PCR ratings – has been addressed since last year's edition. This has made the document stronger from a methodological point of view and even more reliable in reporting on results. The ARRI also benchmarks the performance of IFAD-supported operations against key indicators in the corporate results measurement framework, thus providing an account of how the organization is fairing against targets agreed with Member States.

PCRVs have rapidly expanded the number of independent evaluations available for preparation of the ARRI. Since 2002 IOE has completed 170 independent project evaluations, all of which have been used for the preparation of the 2012 ARRI. The introduction of PCRVs has thus eliminated the initial concerns, outlined in paragraph 13, that the ARRI was based on a relatively small number of project evaluations and the projects were not selected at random.

There are two further advantages of IOE's move to validating PCRs. First, the validations allow IOE to draw systemic and cross-cutting lessons that Management is able to consider towards enhancing the quality of future PCRs. In this regard, the ARRI highlights some of these key lessons and issues in the next section.

Second, the validations allow the ARRI to present the “disconnect” between results reported through IFAD's self-evaluation and independent evaluation systems. A narrow disconnect would, among other issues, reveal that the self-evaluation system maintained by Management is credible and serves as a useful instrument for measuring and

improving performance. On the other hand, a wider disconnect between the results of the two systems would imply the opposite. A discussion on the disconnect found in the 2012 ARRI may be seen in the next section.

In 2006 IOE and IFAD Management signed a harmonization agreement to use the same evaluation criteria and rating scale for assessing the performance of projects financed by IFAD. It is this agreement that makes possible the comparison of results generated by the self-evaluation and independent evaluation systems. It was revised in 2011 to further align the two systems, and to take into account new evaluation criteria (e.g. on gender) introduced by IOE at the request of the Board following completion of the CLE on gender in 2010.

### Key lessons from project completion report validations and disconnect of results

PCRs are produced by the recipient government, normally within six months following project completion, based on specific guidelines provided by IFAD. Once a report is submitted to IFAD, the Office of the Associate Vice-President, Programme Management Department (PMD), assigns ratings to the various evaluation criteria covered in each PCR.

For the first time last year, the ARRI included a summary of selected lessons and systemic issues emerging from the PCRs validated by IOE. While some of the issues raised in last year's ARRI are similar to those found by IOE in 2012, two in particular are worth highlighting again this year, as they are still a challenge. First, the quality of PCRs remains highly variable. Some reports are good, but others are inadequate and not sufficiently consistent with the guidelines for such reports issued by IFAD Management. This variability of PCRs is a concern, inter alia, as it can compromise the credibility of the Fund's self-evaluation function, as well as ultimately undermine the reliability of portfolio performance data reported in the RIDE. Second, the most

frequent issue regarding the quality of PCRs relates to the inconsistent understanding of evaluation methods and criteria, as well as to the robustness of data to back up the ratings. One reason for the latter is weak monitoring and evaluation (M&E) systems at the project level, which too often do not capture data on outcomes and impact.

Four changes are suggested in order to improve the quality of PCRs:

- (i) PMD and country programme managers (CPMs) need to invest more time in preparing for the PCR well in advance. While quality assurance ex post can be useful, it may not solve the weaknesses in many PCRs: insufficient data, information and evidence. IFAD can help by supporting project teams in preparing terms of reference, conducting data collection and ensuring that high-quality specialists are recruited to support production of the PCR.
- (ii) Regional divisions of PMD should introduce a more systematic and thorough approach to internal peer reviews for PCRs. Internal reviews can fulfil the dual functions of quality assurance and as a knowledge-sharing instrument among staff, especially CPMs.
- (iii) As mentioned earlier, the current approach to production of PCRs includes the assignment of ratings to evaluation criteria by the front office of the Associate Vice-President, PMD. This is a good approach, as it provides an opportunity for an arms-length perspective on rating project performance. However, the ratings assigned are not systematically discussed with the IFAD CPM concerned, who normally comes to learn of the ratings during the PCR process by IOE. For the sake of greater transparency and learning, IOE recommends that the ratings assigned by the PMD front office be discussed with the CPM, and that the latter be given an opportunity to share

his/her feedback before the final PCR ratings are shared with IOE for validation purposes.

- (iv) In order to perform a rigorous and well-informed PCR, IOE reviews supervision mission reports and midterm reviews (MTRs), over and above the PCR itself. As such, one key task at the outset of the validation process is to develop a comprehensive bibliography and collect the corresponding documents. However, this has been challenging and time-consuming, given that project documents are often not easily retrievable. This points to the need for greater investment in further developing systems and processes to ensure better management of documents and records related to IFAD operations.

This is the second year in which validated PCRs and PPAs have been used to produce some of the ARRI ratings. PCR/PPAs also include an assessment of the quality of the PCR and a calculation of the 'disconnect' between the IOE ratings and those assigned by PMD. A summary of this data is included in annex 9. The average disconnect this year was -0.4, which means that, on average, IOE ratings were 0.4 lower than those assigned by PMD. Although slightly larger than last year, when the average disconnect was -0.2, the difference is still relatively small. The largest disconnect relates to the quality of PCR methods and data. The smallest (-0.1) relates to rural poverty impact and IFAD's performance as a partner. On average, PCR/PPAs rated the quality of PCRs 0.7 lower than did PMD.<sup>4</sup>

### Project performance

This section presents an overall picture of the performance trends and patterns as revealed by all 170 projects evaluated and rated by IOE since 2002. Apart from a few minor changes (e.g. introduction of a dedicated evaluation criterion on gender and more systematic assessment of the scaling up of innovations), the same evaluation methodology has been employed over this period.<sup>5</sup> The few other minor changes over the years are

not considered to have materially affected the comparability of the data. With a few exceptions, the trends apparent from the data can thus be taken as reflecting real changes in project performance over time. As mentioned earlier, three-year moving averages have been used to smooth out year-to-year variations.

The performance trend of IFAD-supported projects in the period since 2002 varies by evaluation criterion. Graphs for all criteria for 2002-2011 are contained in annex 5. Performance can be grouped into three broad patterns:

- A. Improved
- B. Improved, but tailed off
- C. Flat

Two evaluation criteria have improved over the decade and do not show a recent decline in performance. Natural resources and the environment and climate change has improved from only 39 per cent of projects moderately satisfactory or better during 2002-2004 to 79 per cent during 2009-2011. This performance level is now similar to the other rural poverty impact domains,<sup>6</sup> and represents a major achievement for what used to be a 'problem' domain. However, there is no room for complacency, as a significant proportion of projects (53 per cent) are only moderately satisfactory and none are highly satisfactory.

The other criterion that has shown unambiguous improvement since 2002-2004 is IFAD's performance as a partner. This has improved from just 39 per cent moderately satisfactory or better in 2002-2004 to 82 per cent in 2009-2011 (figure 1). This is a very positive trend, even though very few projects are rated as highly satisfactory. However, the apparent disconnect between this measure and other measures of actual project achievement is important – particularly those that are either flat or recently declining. Improved IFAD performance should, and needs to, translate into improved project results and impacts. This does not appear to be happening across most criteria in recent years.

4. Statistical significance tests were carried out on the difference between PMD and IOE ratings. These suggest that the difference in the ratings for relevance, effectiveness, efficiency, rural poverty impact, innovation and scaling up, overall project achievement, household income and assets, food security and agricultural productivity, and institutions and policies are statistically significant. The differences for sustainability, gender equality and women's empowerment, government performance, human and social capital and empowerment, and natural resources and the environment and climate change are statistically insignificant.

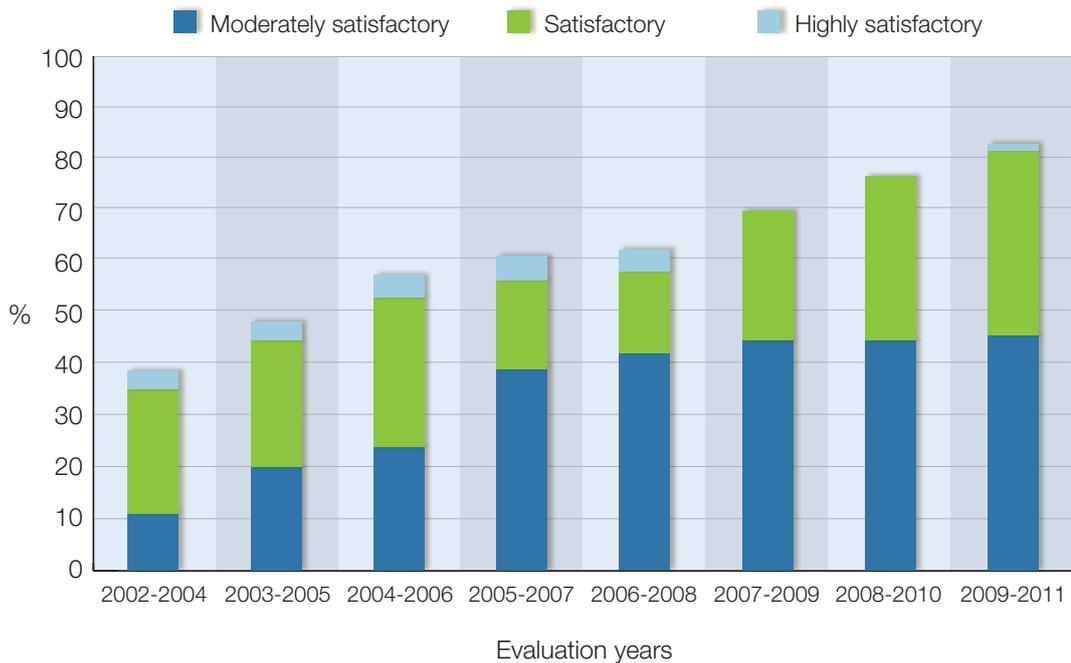
5. See annexes I-III for descriptions of the evaluation methodology and ratings system.

6. In accordance with the IFAD *Evaluation Manual: Methodology and Processes* (2009), the rural poverty impact criterion is disaggregated into five impact domains, which are also individually assessed and rated. The five impact domains are: (i) household income and assets; (ii) human and social capital and empowerment; (iii) food security and agricultural productivity; (iv) natural resources and the environment and climate change; and (v) institutions and policies.

Promoting gender equality and women's empowerment is another area where performance is generally good, even though this is based on independent evaluation data for two years only (2010-2011). This is because gender issues were previously covered under the rural poverty impact domain on human and social capital and empowerment, but did not always receive the attention they deserved. Based on the findings of the recent CLE on gender (2010), IOE introduced a new gender criterion to be applied in all evaluations undertaken. Thus this is the second year that gender has been separately evaluated and reported, and it will continue to be so covered in future ARRIs.

In particular, some 80 per cent of projects evaluated in 2010-2011 were rated within the satisfactory zone in promoting gender equality and women's empowerment. This is a positive result, albeit for two years of data only. It confirms the generally positive findings about the role and attention devoted to gender issues in IFAD-financed operations. Once again, however, there are further opportunities for improvement, as nearly half the projects evaluated were rated as moderately satisfactory and very few were highly satisfactory.

**Figure 1.** IFAD performance as a partner 2002-2011



The second performance group – group B – shows a marked improvement since 2002-2004, but then a more recent decline since a peak during 2006-2008. Criteria in this group include rural poverty impact (figure 2) and two of its domains (human and social capital and empowerment, and institutions and policies), sustainability, and innovation and scaling up. In the case of innovation and scaling up, it is

possible that the 'tailing off' in performance is due to changes in the way this criterion has been evaluated in the past few years. In this regard, it is important to note that IOE recently introduced more elaborate indicators for measuring scaling up, and the division will pay even more attention to evaluating this criterion, which is critical given the importance attributed to scaling up

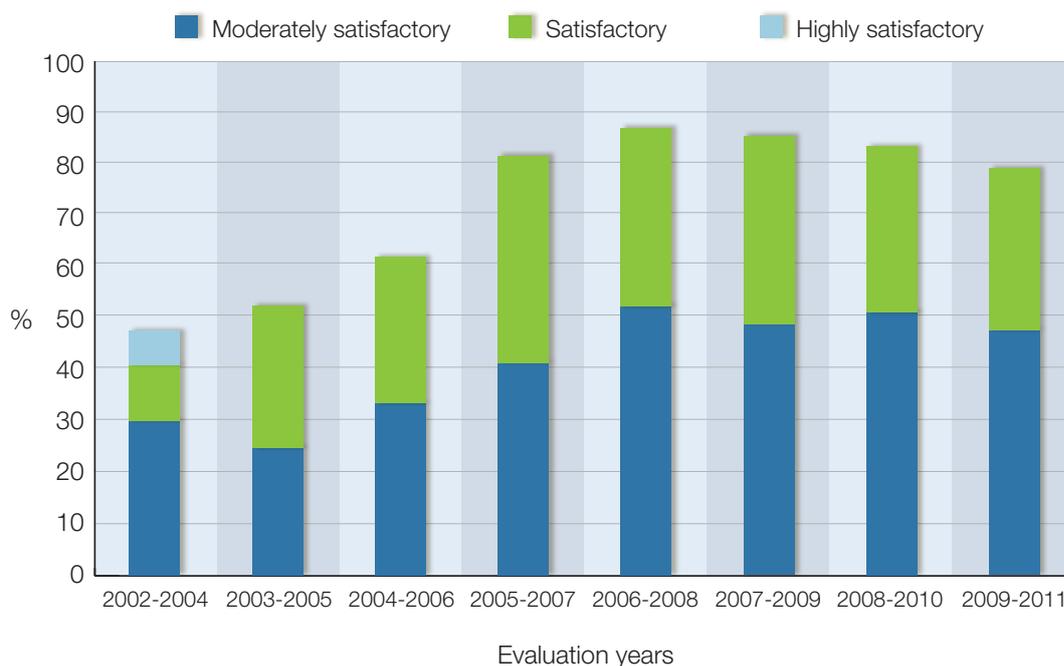
by Management, especially in the past few years.

With regard to sustainability (which will be treated further in section 3), there were significant improvements from 2005<sup>7</sup> to 2010, with 68 per cent of projects being in the satisfactory zone during 2008-2010 – even though close to 50 per cent in that period were moderately satisfactory. During 2009-2011, 60 per cent of projects evaluated were in the satisfactory zone for sustainability.

The recent marginal decline is partly attributable to weak performance of the 24

projects evaluated in 2011, as 50 per cent of these projects were unsatisfactory for sustainability. The decline in performance in sustainability might thus be mainly due to the nature of the projects evaluated in one year (2011). The same argument is broadly applicable to the tailing off in performance in rural poverty impact overall, human and social capital and empowerment, and institutions and policies. IOE will thus pay special attention to tracking performance in these areas in the future, so as to understand whether the recent decline in performance is due to systemic issues or merely the type of projects evaluated in 2011.

**Figure 2.** Rural poverty impact 2002-2011



The final group of criteria – group C – shows flat and/or declining performance since 2002: relevance, effectiveness, efficiency, project performance overall and the performance of government as a partner. Of these, only relevance has shown a more or less consistent downward trend since 2003-2005. Some of this is thought to be due to the more rigorous evaluation of relevance, so the downward

trend for this criterion may be overstated. The broadly flat trend over time displayed by the other criteria in this group is more typical. Figure 3 shows the performance for project effectiveness as an example.

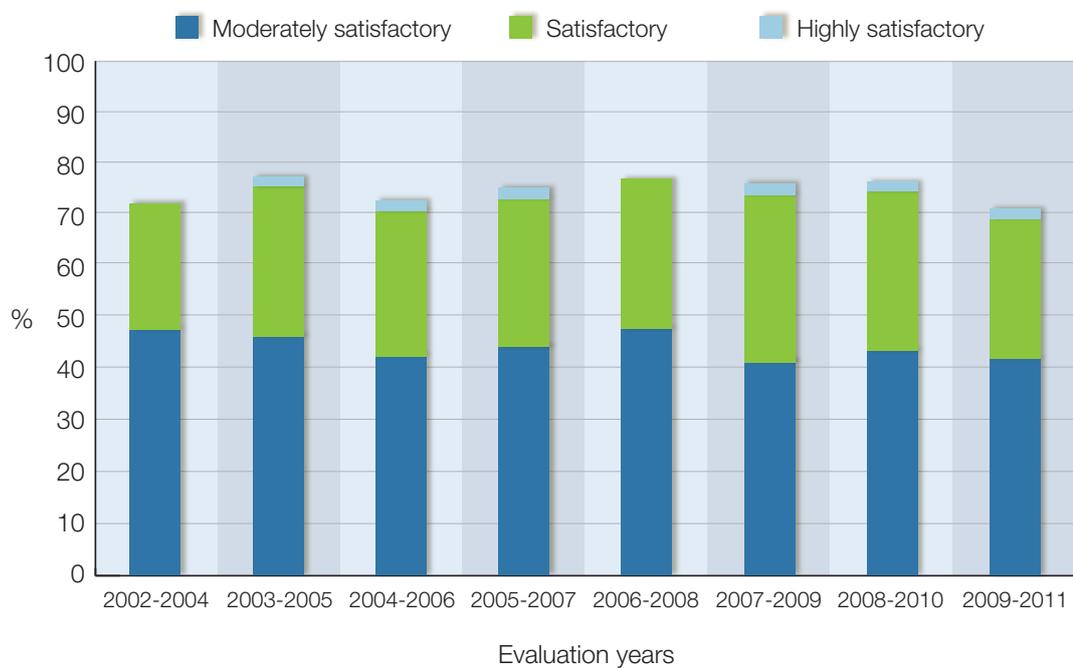
Efficiency is a concern, given that some 60 per cent of the projects evaluated since 2002 are considered moderately satisfactory or better,

7. The year in which the Independent External Evaluation of IFAD (IEE) was completed, which found 40 per cent of projects to be sustainable.

but without visible improvements over time. Moreover, in the period from 2002 to 2011, 27-44 per cent of the projects evaluated were moderately satisfactory. This is not a new finding, though one needs to consider that IFAD-financed projects are often implemented in countries with weak policy and institutional contexts (e.g. fragile states) and in remote rural areas, which poses further challenges to

ensuring high project efficiency. The CLE on efficiency being conducted by IOE will provide an opportunity to discuss efficiency issues comprehensively, including opportunities and constraints related to the efficiency of government processes in the agriculture sector, which also affect the efficiency of IFAD-supported projects and programmes. Efficiency will be further discussed in section 3.

**Figure 3.** Project effectiveness 2002-2011



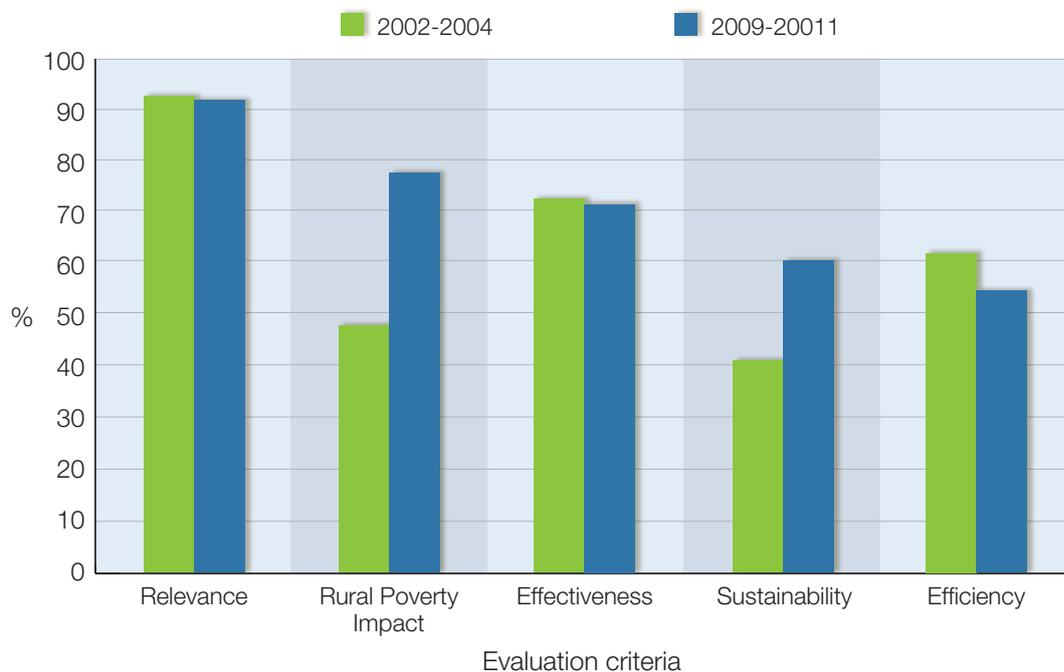
Three other features have remained more or less unchanged over time: the relative performance of the various criteria; the predominance of moderately satisfactory performance; and the importance of country context.

**The relative performance of various criteria has remained largely unchanged.**

During 2009-2011, 92 per cent of projects were relevant,<sup>8</sup> 72 per cent were effective, 55 per cent were efficient, and 60 per cent were sustainable. An identical pattern of high relevance, reasonable effectiveness, but only moderate efficiency and sustainability was observed in 2002-2004.

8. Moderately satisfactory or better.

**Figure 4.** Percentage of projects rated moderately satisfactory or better 2009-2011



#### Moderately satisfactory performance remains predominant

For the 24 projects evaluated in 2011, just 23 per cent of the ratings across 12 criteria were satisfactory or highly satisfactory. Thirty-nine per cent were moderately satisfactory and 38 per cent were in the unsatisfactory zone.<sup>9</sup>

The picture is similar for overall project achievement, which is a composite of all evaluation criteria. In 2011, just 21 per cent of projects were rated as satisfactory or highly satisfactory overall. During 2009-2011, the figure was 27 per cent. This percentage has changed little since 2002-2004, when the equivalent figure was 24 per cent.

The importance of country context as a major determinant of project performance was first noted in the 2006 ARRI. Data from 2002-2006 showed that overall project achievement was lower in low-income countries than in middle-income ones, and lower in countries in

the lowest three quintiles of the World Bank's country policy and institutional assessments (CPIAs) than in those in the top two quintiles.

Table 1 repeats this analysis for all projects in the ARRI database from 2002 to 2011. Project performance is, in the main, slightly better in middle-income countries compared with low-income countries.<sup>10</sup> The performance of IFAD and government as partners is substantially better in middle-income countries.

As found in 2006, a subset of those countries classified by the World Bank as fragile states<sup>11</sup> shows markedly lower project performance in all criteria, with the exception of relevance. A subset of upper-middle-income countries also shows lower performance in some criteria – efficiency, innovation and scaling up, and IFAD as a partner – although the small sample size of only 16 projects makes these findings less robust.

**9.** Each of the 24 projects was rated against 12 criteria giving 288 ratings in total. Just 67 of the 288 ratings – 23 per cent – are 5 (satisfactory) or 6 (highly satisfactory).

**10.** According to the most recent DAC List of ODA Recipients, the per capita gross national income (GNI) in 2010 for each category is as follows: low income <= US\$1,005, lower middle income US\$1,006-\$3,975 and upper middle income US\$3,976-\$12,275.

**11.** From 2002 to 2007 these countries were known as Low-Income Countries Under Stress (LICUS). Since 2008 a Harmonized List of Fragile Situations has been produced by the World Bank. 'Fragile situations' have either (a) a harmonized average CPIA country rating of 3.2 or less, or (b) the presence of a United Nations and/or regional peace-keeping or peace-building mission during the past three years. This list includes only IDA-eligible countries and non-member or inactive territories/countries without CPIA data. It excludes IBRD-only countries, for which the CPIA scores are not currently disclosed.

**Table 1.** Percentage of satisfactory projects by evaluation criteria and category of country, 2002-2011

Evaluation criterion	Low-income countries (% of satisfactory ratings)	Fragile states (% of satisfactory ratings)	Middle-income countries (% of satisfactory ratings)	Upper-middle-income countries (% of satisfactory ratings)
Relevance	95%	100%	91%	89%
Effectiveness	71%	43%	79%	69%
Efficiency	58%	39%	60%	44%
Project performance	78%	52%	86%	83%
Rural poverty impact	73%	52%	78%	73%
Sustainability	53%	39%	61%	53%
Innovation and scaling up	75%	60%	72%	54%
Gender equality and women's empowerment <sup>a</sup>	89%	-	73%	-
IFAD performance	63%	43%	73%	50%
Government performance	63%	41%	76%	71%
Overall project achievement	74%	52%	81%	75%
Number of projects rated	98	23	68	16

<sup>a</sup> No figure is given for fragile states and upper-middle-income countries because, being a new criterion, less than 10 projects have been rated.

12. Institute of Development Studies, *Where will the world's poor live? Global poverty projections for 2020 and 2030*, by Andrew Sumner. *IDS In Focus Policy Briefing 26* (August 2012); Andrew Sumner, *Where do the world's poor live? A new update*. IDS Working Paper 393 (Brighton, UK: Institute of Development Studies, University of Sussex, 2012); and Homi Kharas and Andrew Rogerson, *Horizon 2025: Creative Destruction in the Aid Industry* (London: Overseas Development Institute, 2012).

The performance of IFAD-supported projects in fragile states and middle-income countries is an important issue. Opinion is divided as to where most of the world's poor will live in 2025, but large numbers are likely to be in fragile states and middle-income countries.<sup>12</sup> These present very different challenges for IFAD. In middle-income countries, ensuring that policies are pro-poor may be more important than projects. In fragile states, ensuring that projects are effective and efficient is, on the evidence in table 1, not an easy task. The CLE on fragile states proposed for 2014 is a high priority for these reasons. IOE will consider whether a CLE on middle-income countries should also be scheduled at an appropriate time.

Table 1 presents an average for each country category. However, it is important to note that

there is still a wide spread of performance from unsatisfactory to satisfactory within each country category. The distribution of ratings for overall project achievement is given in table 2. This shows a broadly similar distribution of performance in low- and middle-income countries: roughly half of all projects are rated as moderately satisfactory, a quarter as satisfactory, and a quarter as moderately unsatisfactory or unsatisfactory. In fragile states, only 9 per cent of projects are satisfactory and almost a half are moderately unsatisfactory or unsatisfactory. A key objective for IFAD has to be to increase the proportion of satisfactory projects and to reduce the proportion of moderately unsatisfactory or unsatisfactory projects. A core task for evaluation should be to understand better the explanatory factors that lie behind this wide spread in performance.

What, for example, are the common characteristics of the 9 per cent of projects in fragile states that are rated as satisfactory, or the 19 per cent of projects in middle-income countries that are moderately unsatisfactory or unsatisfactory?

To this end, it is recommended that one learning theme in next year's ARRI should be a comparative analysis of satisfactory and moderately unsatisfactory/unsatisfactory projects in different country categories. Among other issues, it would allow IOE to deepen the analysis presented in tables 1 and 2.

**Table 2.** Distribution of ratings for overall project achievement by category of country, 2002-2011

Evaluation rating	Low-income countries (% of satisfactory ratings)	Fragile states (% of satisfactory ratings)	Middle-income countries (% of satisfactory ratings)	Upper-middle-income countries (% of satisfactory ratings)
Highly satisfactory	-	-	-	-
Satisfactory	27	9	22	12
Moderately satisfactory	48	43	56	62
Moderately unsatisfactory	22	39	16	19
Unsatisfactory	3	9	3	6
Highly unsatisfactory	-	-	-	-
TOTAL	100%	100%	100%	100%

### Country programme performance

Eighteen CPEs have been completed since 2006, including the CPEs completed in 2011 in Jordan and Uganda. CPEs assess the performance of: (i) the project portfolio; (ii) non-lending activities, including knowledge management, policy dialogue and partnership-building; and (iii) the country strategic opportunities programme (COSOP), in terms of its relevance and effectiveness. Because of the relatively small number of CPEs each year, it makes more sense to summarize the overall performance for the period since 2006, rather than just the CPEs completed in 2011, and to identify broader issues needing attention in the future.

As the findings of CPEs on project portfolio performance were covered in the previous

section, this section will be mainly devoted to findings on non-lending activities and COSOP performance.

Figure 5 shows the performance of non-lending activities since 2006. These activities are essential complementary instruments to IFAD-financed projects, inter alia, for promoting the Fund's scaling up agenda and ensuring stronger results in rural poverty reduction, in general. There has been clear improvement across all three activities since 2006-2008, but little improvement in policy dialogue since 2007-2009. The issue of policy dialogue will be covered in detail in section 4.

With regard to partnerships, IFAD has generally good partnerships with recipient

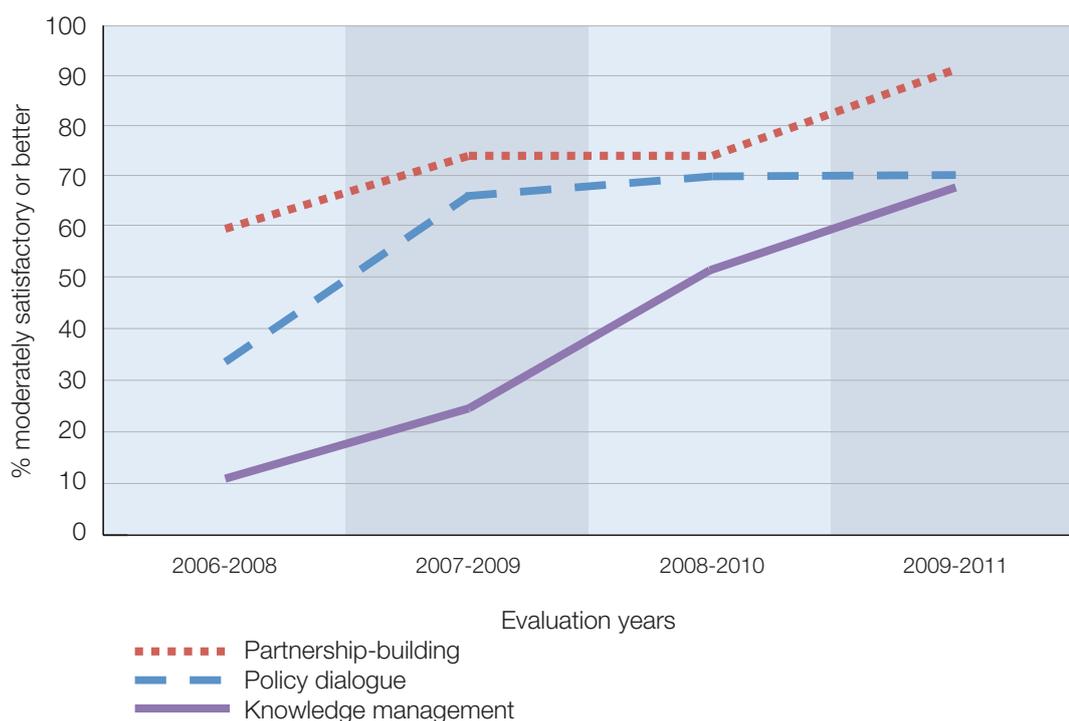
governments, civil society organizations and NGOs. The Fund is highly appreciated by them for its specialized mandate, flexibility, participatory approaches and attention to smallholder agriculture. Partnership with the private sector is gradually growing, especially in the context of value-chain projects, but partnership with multilateral development banks (MDBs) and United Nations agencies, in general, is variable and not yet systematically pursued at the country level. Such partnerships are essential to build on each agency's comparative advantage, reduce transaction costs, avoid duplication of effort and better coordinate development interventions for more far-reaching results on the ground.

In terms of knowledge management at the country programme level, there are examples of useful activities such as the preparation of a dedicated knowledge management strategy in India, organization of annual portfolio reviews with government and other partners to exchange lessons, and regional implementation workshops by PMD regional

divisions. However, relatively few resources are allocated to knowledge management activities, limited formal opportunities exist to share knowledge among CPMs, and efforts to learn from failures can be expanded. Thus further opportunities exist to ensure knowledge management can play a truly incremental role in the delivery of IFAD-supported country programmes.

Systematic knowledge management activities at the country level are of critical importance, inter alia, to enable the Fund to pursue its policy dialogue agenda, improve the design and implementation of projects and programmes, and achieve success in scaling up impact. The relatively recent establishment of the Office of Strategy and Knowledge Management (SKM) is an indication of recognition by Management of the importance of knowledge management to better results in rural poverty reduction. However, the 2012 ARRI concludes that, moving forward, PMD, too, will need to step up its knowledge management efforts within IFAD-supported country programmes.

**Figure 5.** Performance of non-lending activities 2006-2011



CPEs also rate the relevance, effectiveness and performance of COSOPs. Results for the 18 CPEs are summarized in table 3. They show a high percentage of moderately satisfactory or better performance, but, as with projects, a small percentage of satisfactory ratings and none that are highly satisfactory. Only 9 per cent of COSOPs have been rated as satisfactory for effectiveness.

Most CPEs, if not all, reveal that IFAD-supported country programmes are still largely seen as a compilation of individual investment projects. However, results-based COSOPs introduced late in 2006 are serving to ensure better coherence of country programmes. However, stronger efforts can be made to ensure greater synergy across projects and between projects and grants and non-lending activities (knowledge management, policy dialogue and partnership-building). The integration of all IFAD-supported activities at the country level is critical to ensuring the scaling up of impact and sustainability, as well as to achieving more efficient delivery.

One important dimension of the results-based COSOP was the provision for systematic COSOP management, including annual, midterm and completion reviews. However, CPEs undertaken by IOE for which results-based COSOPs are available reveal that annual reviews are not always conducted systematically, and the MTR (which is an important instrument) is at times conducted too late and is of variable quality.

COSOP completion reviews are likely to be introduced in the very near future, once the initial results-based COSOPs are revised by IFAD Management. In this regard, IOE will confer with Management to determine ways and means of conducting COSOP completion review validations (as for PCRVs). This would further align IOE activities with those of independent evaluation units in most other MDBs. Moreover, future validation of COSOPs by IOE, together with CPEs, will further expand the independent dataset available for the ARRI.

A further common finding across CPEs is the importance of a well-resourced IFAD country presence for better development effectiveness. IOE notes that the IFAD model for establishing country presence is different from that of other MDBs and United Nations organizations. In particular, the Fund is exploring alternative arrangements to ensure an effective and efficient country presence. In recent years, it has increased the number of IFAD country offices (ICOs) and is taking a more systematic approach to their establishment – including issuing comprehensive guidelines for ICOs and incentives to the outposting of CPMs to the country level. Moreover, the target of setting up 40 ICOs by the end of 2012 is close to being achieved.

Evaluations find that outposting of CPMs with the required seniority is an important dimension of successful country presence. However, such outposting is relatively slow and does not yet appear to be driven by a coherent strategy and priority. For example, attention is drawn to the outposting in 2012 of the Laos CPM, where IFAD has a relatively small ongoing portfolio (and an estimated PBAS allocation for 2013-2015 of about US\$10 million), and delay in outposting the India CPM, where the Fund has its largest portfolio of all regions. There are other, similar examples, such as Brazil, China and Egypt, three large countries with sizeable portfolios, which are also managed by Rome-based CPMs. However, the ARRI team does recognize that, in addition to outposting CPMs to countries with large portfolios, IFAD is paying attention to their outposting to fragile states and other low-income countries, where performance is generally weak, given that the in-country permanent presence of the CPM can contribute to better development effectiveness in the future.

**Table 3.** Performance of COSOPs (in percentages) based on CPEs carried out from 2006 to 2011<sup>a</sup>

Rating	COSOP relevance	COSOP effectiveness	COSOP performance <sup>b</sup>
6 Highly satisfactory	-	-	-
5 Satisfactory	28	9	36
4 Moderately satisfactory	56	73	55
<b>Total satisfactory</b>	<b>83</b>	<b>82</b>	<b>91</b>
3 Moderately unsatisfactory	17	18	9
2 Unsatisfactory	-	-	-
1 Highly unsatisfactory	-	-	-
<b>Total unsatisfactory</b>	<b>17</b>	<b>18</b>	<b>9</b>
Number of country programmes rated	18	11	11

<sup>a</sup> The seven CPEs completed before 2009 did not contain ratings for COSOP relevance, effectiveness and overall performance, since this rating was not required by the IOE methodology at that time. IOE thus 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.

<sup>b</sup> 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.

# 3

## Selected project and programme issues

The aim of this section is to highlight selected issues that remain an important challenge for IFAD-supported operations. The issues selected for this year's ARRI include three recurring areas that were highlighted in the first ARRI – sustainability, poverty targeting and M&E; one issue that was the subject of a major CLE this year – efficiency; and two issues that warrant further attention – management, and the performance of government as a partner.

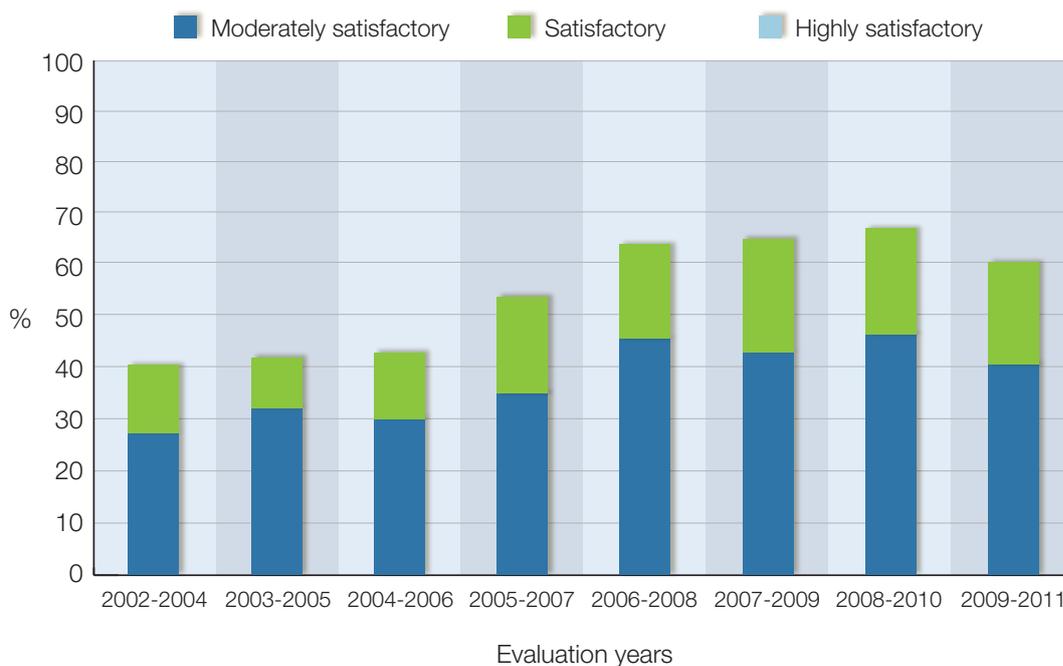
### Sustainability

Sustainability 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.

Sustainability has long been recognized as a problematic issue for IFAD – as it is for all other development agencies. In 2002-2004, 28 per cent of projects were assessed as moderately satisfactory, and 13 per cent as satisfactory. In 2009-2011, 41 per cent were moderately satisfactory and 19 per cent were satisfactory. As can be seen in figure 6, while this is a clear improvement over the first half of the decade, it appears to have tailed off more recently. Less than 20 per cent of projects rate as satisfactory, and over one third are moderately unsatisfactory or worse.

Figure 6. Sustainability 2002-2011



Sustainability is even more significant when combined with other measures of project performance, such as rural poverty impact. The goal has to be projects that achieve satisfactory or better rural poverty impact and have satisfactory prospects for sustainability. Just 11 per cent of the projects evaluated since 2002 fall into this group (table 4). A further 39 per cent achieved moderately satisfactory 'sustainable impact'. These were projects that either had satisfactory or better impact, but were only moderately sustainable at best, or projects that achieved moderately satisfactory impact, but had satisfactory sustainability prospects. The remainder of

the projects evaluated – 50 per cent – were moderately unsatisfactory in terms of rural poverty impact or sustainability. The figures for the most recent three-year period (2009-2011) suggest that the goal of satisfactory and sustainable impact remains largely elusive. Just 13 per cent of projects evaluated from 2009 to 2011 had satisfactory sustainable impact. The better news is that a further 51 per cent were moderately satisfactory, which is an improvement on the 2002-2011 period as a whole. This reinforces the finding that sustainable impact of IFAD-supported projects has improved, even if, in the vast majority of cases, it remains less than satisfactory.

**Table 4.** Sustainable rural poverty impacts, 2002-2011 and 2009-2011

Sustainable impact		2002-2011	2009-2011
Satisfactory	<i>Satisfactory or better rural poverty impact and sustainability</i>	11%	13%
Moderate	<i>Moderately satisfactory rural poverty impact or sustainability</i>	39%	51%
Unsatisfactory	<i>Moderately unsatisfactory or worse rural poverty impact or sustainability</i>	50%	36%

The first ARRI in 2003 concluded that effective community participation and tried and tested design features were key factors. Projects needed to be designed for sustainability, and this was unlikely where investments and services needed to be highly subsidized, or for short-timescale projects in remote and marginal areas.

The 2007 ARRI included a special section on sustainability. It recognized that a number of actions were already under way that would improve performance, notably the 2006 Policy on Supervision and Implementation Support as well as the establishment in 2007-2008 of an 'arms-length' quality assurance system under the then Vice-President. Priorities for improving sustainability that were highlighted in the 2007 ARRI comprised: greater realism in project design; an early focus on exit

strategies, including post-project operation and maintenance; longer project-identification time frames to ensure that the necessary implementation capacity and ownership were in place; more systematic economic and institutional analysis; and increased resources for supervision and implementation support, particularly in countries with limited capacities and weak enabling environments.

The 2011 evaluations reinforce a number of earlier lessons. The operation and maintenance of project-financed infrastructure is best assured by strong community ownership. In the Burundi PPA, for example, maintenance was ensured by high local ownership and strong management committees. Sustainability can also be enhanced by ensuring that the relevant local government authorities are involved from

the start and take responsibility after project closure. This was the case in the Philippines, where institutional sustainability was built into the design, and local government made long-term support commitments beyond the life of the project. However, community and government involvement is no guarantee of sustainability where maintenance and service budgets are constrained, as observed in the Uganda CPE, and Grenada and Morocco PCRVs. The financial and institutional viability of local groups also represented a risk to sustainability in the PCRVs for Grenada, Guinea and Honduras. This reinforces the need, identified above, for attention to sustainability from the start; for exit strategies to be devised at the start; and for realism regarding what can be achieved from a single phase of a project where institutional capacity is weak.

Sustainability is much more likely where private-sector markets exist and activities are profitable without subsidies. This appears to be the case for some of the activities evaluated in the Jordan and Uganda CPEs, Bangladesh and Burundi PPAs, and Morocco and Zambia PCRVs. On the other hand, where market linkages and profitability are doubtful – as reported in a Zambia PPA – sustainability will also be doubtful. This reinforces the importance of supporting, where possible, activities with proven technologies, markets and commercial potential. The most sustainable activities will be those that are privately profitable without continued public-sector support and subsidy. Where these conditions do not exist, IFAD needs to support more thorough testing and piloting of technologies and to involve private entrepreneurs early in the project conception phase.

#### Targeting and reaching poor people

Recognition of the diversity of poor rural people and thus the need for a differentiated – targeted – approach to reducing poverty has been a central feature of IFAD's approach for at least 30 years. However, the effectiveness of different targeting approaches in reaching different types of poor people has been an issue since the first ARRI in 2003, and remains an issue in a number of the 2011 evaluations. It also remains

a live policy issue within IFAD. The poverty implications of the shift to value-chain projects, and the question of how poverty should be defined, are ongoing debates.

This issue was the subject of a recent IOE evaluation synthesis paper on rural differentiation and smallholder development. Syntheses are a new evaluation product that brings together relevant evaluation experience and lessons learned, as well as external knowledge, on specific themes. They are relatively short, quick and inexpensive products compared with full-fledged evaluations. The evaluation synthesis and the 2011 evaluations address three questions: (i) who, in terms of specific target groups, should IFAD work for? (ii) how are these groups best targeted and reached? and (iii) how effective is IFAD at reducing the poverty of these diverse groups?

Taking the last question first, the 2011 evaluations confirm findings identified in previous ARRIs: IFAD's success in helping the poorest groups has been mixed. The Jordan CPE concluded that the beneficiaries were generally the non-poor<sup>13</sup> and that the poverty impact of the programme had therefore been negligible. According to the Bangladesh PPA, the project was less successful at reaching hard-core poor people,<sup>14</sup> which was a specific target group. The Morocco PCRV and the Philippines PPA questioned the extent to which the projects had reached the poorest or the most vulnerable groups respectively. The Philippines PPA did, however, compliment the project for effectively reaching a majority of very poor households.

There is an important distinction to be made between programmes that intended to reach the poorest people and underperformed; programmes that did not explicitly target the poorest people; and programmes that explicitly included non-poor people. The designs of the latter two types of programmes are not necessarily contrary to IFAD's mandate, which is to benefit poor rural people. There may be good reasons why IFAD-supported activities are not the best way of helping the poorest and

<sup>13</sup> The poverty line in Jordan is estimated at approximately US\$2.70 per day.

<sup>14</sup> The hard-core poor are defined as those consuming less than 1,805 kilocalories per day.

most vulnerable groups, and good reasons why including non-poor people may generate greater benefits for poor people than more exclusive approaches. Inclusive targeting approaches that include non-poor people may be the best tactical approach to working in communities, or may be the best strategic approach to reducing rural poverty. As reported in the Philippines PPA, non-poor households brought the benefits of their resources, skills and leadership to community groups. In this case, a non-exclusive approach to targeting helped to make entire communities less vulnerable.

This is relevant to the first question: who, in terms of specific target groups, should IFAD work with? This important question cannot be avoided, neither in projects nor at a more strategic level. IFAD has a clear mandate to work to reduce rural poverty and to work with poor rural people. The best way of doing this, and which specific groups it is best to work with, is quite correctly left to case-by-case judgement. There can be no universal presumption that reducing poverty is best achieved directly by working with the poorest people, or indirectly by working with the less poor and more commercially able. The answer has to be context-specific and based on good evidence. The only universal lesson is that the specific objective and specific target groups need to be explicitly and clearly defined. A clear definition of poverty for IFAD as a whole is also required in order to guide programme design and to facilitate results-based management and reporting.

The importance of defining and understanding different categories of rural households was highlighted in the evaluation synthesis paper. It reviewed the various ways proposed by the World Bank, the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) and others to categorize rural households. It also included data for the Latin America and the Caribbean region on the estimated number of households in each category. The single striking conclusion was that no more than one third of rural households in this region have a reasonable prospect of moving out of poverty

as full-time commercial farmers. For the other two thirds who lack land, market access, capital or labour, farming will be a part-time enterprise alongside work in the non-farm economy or migration to towns and cities. This implies that an important part of IFAD's work will need to be in the non-farm sector (including skills-development programmes for migrants); in maximizing the indirect pro-poor effects of agricultural development; and in continuing to work with the majority of small, marginal and increasingly part-time farmers.

How the specific target groups are reached also needs to be a context-specific judgement. Either inclusive or exclusive strategies, and/or uniform or differentiated instruments/activities, may be appropriate. However, a clear lesson of evaluation is that the choice of targeting strategy and the choice of project activity, need to be informed by a careful analysis and understanding of poverty and its causes for each specific target group. In the case of the Jordan CPE, for example, poor rural people were not landowners to any significant extent. A landowner-based programme thus had little prospect of reaching IFAD's target group and was an inappropriate instrument of poverty alleviation in that context. As the evaluation synthesis concludes, there is often a mismatch between project activities and the ability of target groups to take advantage of them. In some situations, this will require a more-tailored approach to enable poor or the poorest people to benefit from project interventions. A 'one size fits all' approach will generally not be appropriate. The main lesson, once again, is that good programme design, informed by detailed analysis, is required if rural poverty is to be effectively addressed.

### Efficiency

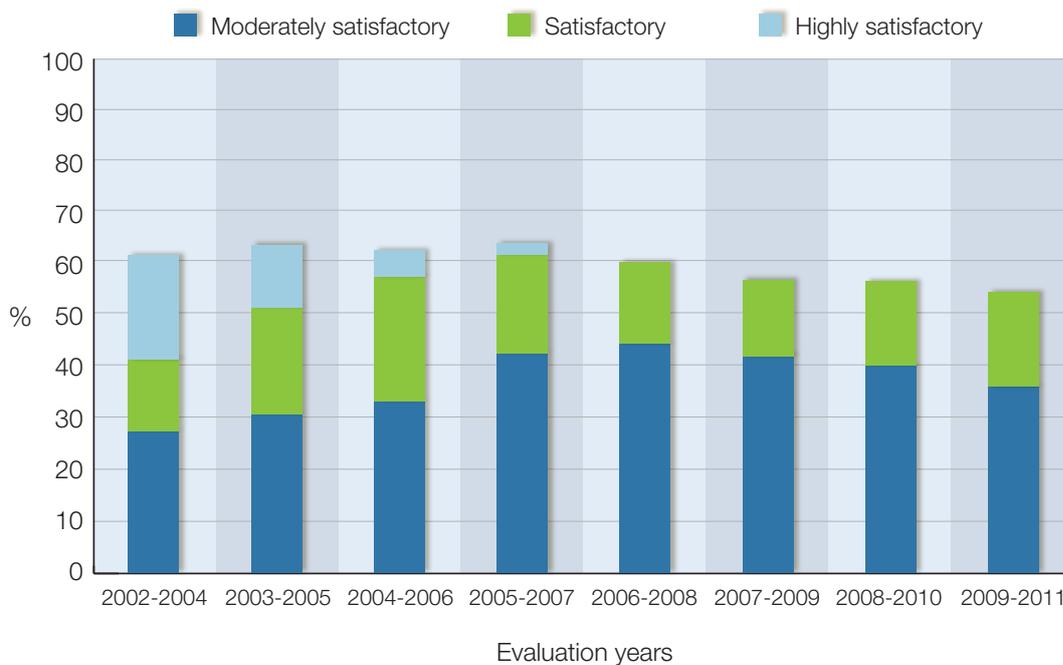
Efficiency is a measure of how well resources (funds, expertise, time, etc.) are converted into results. It can be assessed at different levels: outputs, outcomes and impacts.

As mentioned earlier, the efficiency of IFAD-supported projects is also affected by the efficiency of government processes (e.g. in terms of flow of funds, timely deployment and

retention of project management staff, time taken for governments to obtain approvals of new COSOPs and project designs, etc.). It is important to keep this in mind, especially given that projects funded by IFAD are ultimately implemented by recipient governments. As such, the ongoing CLE on efficiency has devoted attention to undertaking country case studies in order to identify cross-cutting concerns related to the efficiency of government processes that will require attention in the future.

As with sustainability, the efficiency of IFAD-supported projects has long been identified as one of the weaker performance areas. In the period 2002-2011, some 60 per cent of projects were rated as moderately satisfactory or better for efficiency, with 23 per cent rated as satisfactory. While this is an improvement since the 2005 IEE, performance regarding this criterion remains a challenge (figure 7). IFAD's self-evaluation data also reveal that there is room for improvement in the efficiency of projects.

**Figure 7. Project efficiency 2002-2011**



Efficiency was also the learning theme in the 2010 ARRI, which laid the foundations for the ongoing CLE on the topic. The CLE focuses largely on IFAD's institutional efficiency, in addition to reviewing the efficiency of IFAD-supported projects. IFAD's institutional efficiency is critical because it also affects project efficiency. For example, IFAD's processes for the management of consultants – which is just one driver of IFAD's institutional efficiency – have implications for project efficiency, given the role consultants play in

design, direct supervision, implementation support and MTRs.

Based on CPEs and project evaluations, there are a number of common evaluation findings that affect project efficiency and need attention moving forward. Only five findings related to project efficiency are summarized here, given that the topic will receive dedicated attention by IFAD Management and the governing bodies when they consider the relevant CLE:

- Projects within country programmes often cover very large geographical areas (e.g. as found in the ongoing Indonesia CPE). This makes M&E, direct supervision and implementation support much more challenging and cost- and time-intensive.
- Late deployment and frequent changes in project management personnel have caused delays in implementation and disbursement. This often necessitates extending loan closing dates, thereby increasing administrative costs.
- Complex project design, especially with numerous components and subcomponents, is another factor affecting project efficiency. Complex designs require greater investments in coordination and communication across multiple technical and administrative departments (e.g. the Uganda CPE).
- Insufficient institutional analysis, leading to inadequate institutional choices (e.g. Nigeria CPE), constrains the ability of projects to provide the inputs and services required for smooth and timely delivery.
- Several projects evaluated were found to incur project management and administrative costs well above the 10-15 per cent of loan funds originally planned at appraisal, which reduced the amount of loan funds available for development purposes.

In the recently completed Jordan CPE, however, there is one institutional efficiency issue worth noting – in anticipation of a more comprehensive discussion of the efficiency CLE. IOE recommended that IFAD disengage from providing loans to Jordan from IFAD replenishment resources. This was based on the fact that Jordan has a very small rural population (about 250,000 people); small-scale agriculture is not the main source of livelihood for poor rural people; the country receives large amounts of foreign

aid (especially in grants) from other donors; and there is very limited interest within the Ministry of Finance in borrowing from IFAD. This raises the issue of strategic selectivity (i.e. the number of countries covered by IFAD operations globally) as one important aspect Member States may wish to consider in moving forward. Greater selectivity might enhance IFAD's broader institutional efficiency, while at the same time furthering the Fund's mandate of reducing rural poverty globally.

### Management

Past ARRIs have highlighted the importance of project management to both effectiveness and efficiency. In fact, it is increasingly acknowledged by development practitioners that a strong management team can have a far-reaching role in the delivery of and results attained by IFAD-supported operations. Evaluations in several countries show that, during implementation, a strong management team can redress inherent design weaknesses (e.g. Brazil PPA of the Dom Helder Câmara Project), but weak management might not be able to deliver the desired results even with a relatively good design as a basis (e.g. completion evaluation of the Orissa Tribal Development Project in India).

The importance of effective project management was confirmed by the 2011 evaluations. This is a function of both management quality and institutional location. Management quality was a key success factor according to the PPAs for Burundi and Uganda, and the PCRV for Nicaragua. According to the latter report, “nothing can replace leadership.” In Uganda, effective project management enhanced efficiency and was able to address design shortcomings.

Poor project management can be equally significant. This was reportedly the case in the Zambia PPA, and in the PCRVs for Grenada, Guinea, Morocco and Tunisia. All these projects were negatively affected by one or more of the following: a lack of professional staff; high staff rotation; and inadequate management information systems.

Institutional arrangements can also be important to effectiveness, efficiency and sustainability. A continued reliance on separate project management units (PMUs), without explicit strategies to mainstream them into the country's institutional set-up, undermines project efficiency and sustainability. This was the case in the Zambia PCRV, where the PMU was contracted out to a consultancy company, costly and isolated from public services. PMUs embedded within government structures from the start, as reported in the Philippines PPA, are preferable. However, some degree of focus and autonomy may be required even where project management is embedded within existing organizational structures. According to the Morocco PCRV, dispersing project management among a variety of different and poorly coordinated government agencies did not make for a harmonized and integrated approach. A single project implementation unit is desirable if embedded within government. And, as reported in the Uganda CPE, effective PMUs can, to some extent, counteract weaknesses in government and governance more generally.

Project management is also affected by the quality of supervision and implementation support. Recognition of this fact was the major reason for the shift to direct supervision and implementation support in 2006. Improvements since then are reflected in the higher ratings for IFAD as a partner (see figure 1). However, as noted in previous ARRI and in the Uganda CPE, the shift of human resources to direct supervision and implementation support for the lending programme has resulted in fewer resources being available for non-lending activities such as policy dialogue. Allocating the right amount and mix of skills between the lending and non-lending programmes, and between Rome and ICOs, is a significant challenge for IFAD.

Another related issue is the attention devoted to the overall management of country programmes by IFAD. In particular, evaluations are increasingly revealing that PMD plays a

critical role in ensuring that the right choice and decisions are made and that adequate resources are deployed strategically to achieve COSOP objectives.

Emerging evaluative evidence from the ongoing Indonesia CPE (which will be reported fully in the 2013 ARRI) points to the limited attention devoted to partnership between IFAD and government since about 2004-2005, although Indonesia is a large country with a vast number of poor rural people. The assignment of an associate professional officer as Indonesia CPM from about mid-2004 to 2006 is one example of the limited attention devoted to the partnership. Another example is the delay in preparing the new COSOP (finally considered by the Board in December 2008), following completion of the first Indonesia CPE at the end of 2003. However, Management has taken steps to redress the situation by appointing a new CPM for Indonesia, who will also be outposted in the near future to strengthen the partnership, so as to achieve better results on the ground. The emerging findings from another ongoing CPE in Ecuador also highlight the critical role of PMD in promoting a solid partnership between IFAD and government – again, in the interests of better results on the ground.

The issue of IFAD's management of country programmes is thus a critical topic, which will be given more space and attention in future IOE evaluations. This would in fact be consistent with the IFAD evaluation manual and in line with international good evaluation practice, with the ultimate aim of better understanding the underlying and proximate causes of good or less-good performance.

#### **Monitoring and evaluation**

Good M&E is at the core of IFAD's ability to measure and report on results, as well as to distil lessons for better development effectiveness. Management is increasingly recognizing this and is devoting more time and resources to the topic. Better M&E, including impact evaluation, is a key commitment in the Ninth Replenishment period (IFAD9).

However, criticism of the quality of project-level M&E has been an ever-present feature of evaluations since the first ARRI. The 2011 evaluations are no exception. These criticisms are generally of two distinct types: those that relate to monitoring, and those that relate to impact assessment.

A common monitoring criticism is the lack of an adequate logical framework and/or measurable indicators. In some cases, there was no requirement for logical frameworks or results-based COSOPs when the projects/programmes were designed, although since the introduction of results-based COSOPs, this is a key requirement for all country strategies. In others, the frameworks and/or indicators were deficient. The Jordan CPE concluded that the results framework was unrealistic. The PCRVs for Guinea, Morocco, the Syrian Arab Republic, Tunisia and Zambia all contained criticisms of the logical framework and/or indicators. Without clear objectives and measurable indicators, M&E and programme management cannot be effective. As the Tunisia PCRV observed, the lack of SMART indicators and targets provided no incentive for building a functioning M&E system. The 2007 ARRI said the same: Until and unless M&E matters, it will not happen.

The majority of the 2011 evaluations contain criticisms of the M&E system. Relevant data were not collected; baselines were often done late in the project life cycle; data were primarily limited to activities and outputs; reports were untimely and inadequate; M&E staffing was insufficient; and M&E was seen as a separate activity, rather than integral to management. In some cases, improvements were made over the life of the project, often as a result of IFAD's implementation support. This happened in Armenia and Grenada according to the PCRVs for these projects. In three other cases – Guinea, the Syrian Arab Republic and Zambia – the evaluations concluded that IFAD should have provided more effective support to the M&E function.

The final common M&E criticism relates to the quantity and quality of data on outcomes and impacts. Sufficient data of this kind were not available, according to the Jordan CPE, Zambia PPA, and the PCRVs for Grenada and Morocco. Doubts over the reliability of the data were raised in the PCRVs for Guinea, Haiti, Honduras and Tunisia.

Even where impact data were available, many of the evaluations noted that the absence of baseline and/or control group data meant that the attribution of any reported impacts was difficult. In other words, while incomes may have increased, there was no causal pathway from activities to impact or certainty that this was due to IFAD-supported activities. This issue was raised in all the PPAs (Armenia, Bangladesh, the Philippines, Uganda and Zambia) and in a number of the PCRVs (Grenada, Guinea, Morocco, Nicaragua, Tunisia and Zambia).

The unavoidable conclusion is that weak M&E remains an important challenge for IFAD. Effective M&E is required for effective and efficient programme management, for learning from both successes and failures, and for accountability. As regards the latter, the recent commitment by IFAD Management in the context of IFAD9 to undertake 30 impact evaluations is a positive development. In this regard, efforts are under way – led by SKM in collaboration with PMD – to develop partnerships with other organizations (e.g. the International Food Policy Research Institute and the International Initiative for Impact Evaluation, etc.), inter alia, with the aim of conducting some of these impact evaluations, as well as to develop alternative methods and approaches that can eventually be mainstreamed across the portfolio.

With regard to these observations, beginning in 2013, IOE plans to support IFAD Management in developing its capabilities for undertaking more thorough impact evaluation. In particular, IOE will provide methodological inputs towards the design of the impact evaluations that will be undertaken during

IFAD9, as well as review the draft final reports that will eventually be produced. It will also remain engaged in the debate on impact evaluation, within and outside IFAD, and itself conduct one impact evaluation next year.

#### Performance of government

The role and performance of recipient governments are fundamental determinants of the success of IFAD-funded operations. Previous ARRI have repeatedly underlined the importance of IFAD support to governments – among other areas, in the development of pro-poor policies in the agriculture and rural sectors, capacity-building to enable them to provide services and inputs quickly and effectively, as well as establishing frameworks for engaging with the private sector.

Taking this into account, the 2010 ARRI recommended that IFAD Management should organize a dedicated consultation (e.g. in the form of a learning workshop with all relevant stakeholders) to develop the Fund's capacity-building strategy. The aim of the workshop was to define methods to support governments and their agencies in ensuring a wider and more effective contribution to the design and implementation of IFAD-supported operations. The consultation was to take place in 2011, and Management was to provide a summary of the main findings and proposals for strengthening government ownership and performance in the context of the RIDE.

The fact remains that the performance of government as a partner has remained more or less unchanged over the past decade (figure 8). The performance of government is not satisfactory in one in three IFAD-supported projects. On average, 65 per cent of project evaluations rate government performance as moderately satisfactory or better since 2002. Only about 28 per cent rate government performance as satisfactory or better.

Comments on government performance fall into three groups: formal compliance with loan covenants; overall government commitment

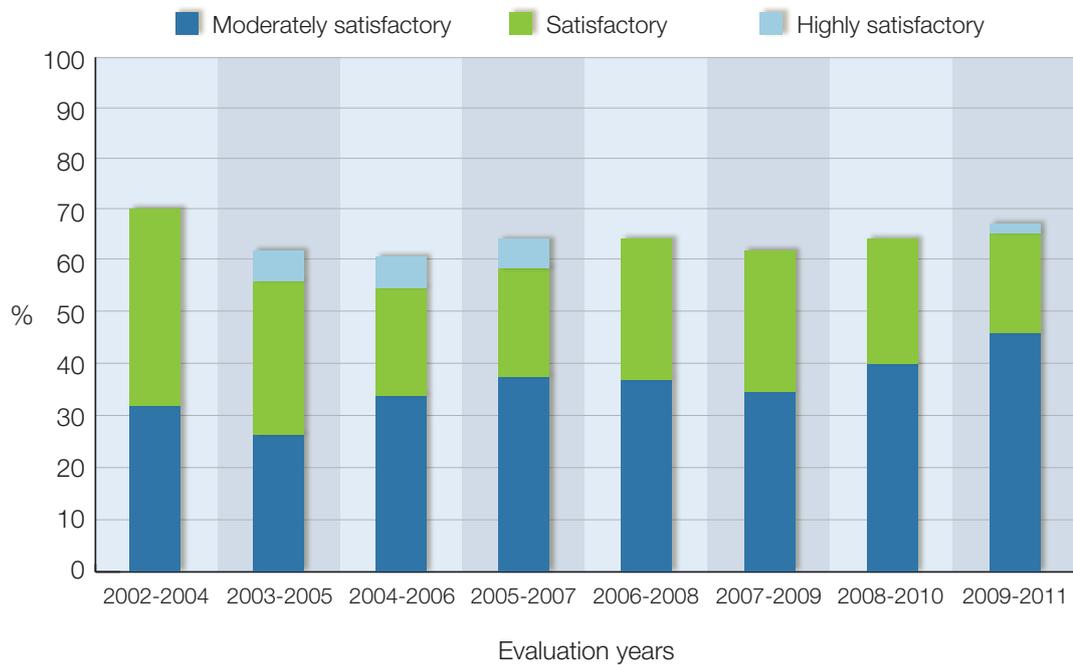
and support; and project management performance.

Compliance with loan covenants was generally adequate according to almost all the 2011 evaluations. The Nicaragua PCRV mentions delayed audit reports, but apart from that there were few problems reported. Counterpart contributions were generally supplied as agreed. On this issue, the 2011 ARRI recommended that Management 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 recommendation was made because evaluations found that several middle-income countries were providing less counterpart funding, compared with selected lower-income ones.

The quality of overall government commitment and support was much more varied. It was rated as highly satisfactory in the Philippines PPA. Government demonstrated strong commitment throughout; provided additional resources as required; was actively engaged in joint supervision; provided fully adequate management and technical support; and facilitated coordination.

At the other end of the spectrum, government performance was rated as unsatisfactory in the Zambia PPA. Government did not deliver the required legislative, institutional or policy framework; did not drive implementation towards agreed targets; and displayed weak capacity in both the PMU and the main cooperating department. The main lessons were that project design must be based on a realistic institutional foundation and must be fully owned by government.

The quality and location of the PMU and the quality of the M&E system are key success factors in many projects, but these issues were discussed earlier.

**Figure 8.** Performance of government as a partner 2002-2011

The implications for IFAD differ according to the level of government performance. At the level of overall government commitment and support, there are two possible lessons. First, it is critical that a strong partnership, common understanding and joint commitment be established in the design phase. Second, it is important that a realistic assessment be made of government's capacity to change and to implement. Project and programme design need to reflect this and adapt correctly to the context.

Working to ensure adequate project management capacity (including M&E) is realistic and is an important priority for IFAD. As previously discussed in this section, the quality of project management has been shown to be a critical success factor in numerous evaluations. IFAD does and should proactively engage in this area.

# 4

## The 2012 learning theme – policy dialogue

### Introduction

Policy dialogue is a process of working with partners to jointly explore and implement policies that achieve shared goals. It is defined by IOE as the extent to which IFAD, government and others have collaborated on policy processes and contributed to pro-poor policy development in the agriculture and rural sectors. An enabling institutional and policy environment for poor rural people is one of IFAD's five strategic objectives,<sup>15</sup> and is key in scaling up the impact of IFAD-supported initiatives. IFAD recognizes that given its relatively small financial resources, the projects it finances are vehicles through which to achieve broader impact in the country in rural poverty reduction. This approach is outlined in various IFAD documents and reiterated most recently in the IFAD Strategic Framework 2011-2015, which states that “improved policy and regulatory frameworks at the local, national and international levels” and “strengthened in-country institutional capacities for pro-poor agricultural and rural development” are among the key outcomes it expects to achieve through “policy dialogue and advocacy initiatives.... involving governments, rural producers’ organizations, other donors or other partners” (p. 35). The Report of the Consultation on the Ninth Replenishment of IFAD's Resources (February 2012) explicitly links effective policy dialogue to IFAD's core objective of scaling up.

However, IFAD has had only limited success in conducting effective policy dialogue at the country level, as concluded by most CPEs. The latter provide varied reasons for this, including, potentially, some systemic factors. This section explores the opportunity and challenges of IFAD's engagement in policy dialogue at the country level in greater detail, with the objective of identifying

lessons learned, good practice examples and possible actions IFAD could take to improve performance in this area. It is based on: (i) a review of 18 CPEs completed in the past five years (2007-2012) and selected IFAD strategy documents; (ii) interviews with selected IFAD staff and managers in order to understand and draw from their perspectives; and (iii) discussions with a few staff from other multilateral organizations to extract their experiences with policy dialogue that could be relevant to IFAD. The section also draws on a learning workshop of IFAD staff and managers held in September 2012.

As mentioned previously, this section deals only with policy dialogue at the country level. IFAD also carries out policy dialogue within its mandate at regional and international forums, and through regional and global grants. These are important corporate-level activities. An assessment of these is beyond the scope of this review. However, IFAD's policy dialogue efforts in regional and international forums have been covered by several recent CLEs, such as on gender and private-sector engagement, which found the Fund's performance to be on the whole satisfactory, at least in these thematic areas. Moreover, the recent establishment of the SKM is a further reflection of IFAD's commitment to engage in regional and international policy dialogue processes.

This section is organized as follows: part B discusses CPE assessments of policy dialogue; part C summarizes the perspectives emerging from interviews with IFAD staff and managers; part D describes the experience of other international financial institutions (IFIs) with policy dialogue; and part E provides a summary of the issues and conclusions arising from the review and the learning workshop held in September 2012.

15. IFAD, IFAD Strategic Framework 2011-2015 (Rome, 2011).

### Policy dialogue assessment in CPEs

Fifty per cent of CPEs rate policy dialogue as moderately satisfactory, and just 6 per cent as highly satisfactory. This means that 44 per cent of CPEs rate policy dialogue to be moderately unsatisfactory or worse. Indeed, with an average rating of 3.6, policy dialogue is the lowest-rated aspect of the country programmes.

The CPEs provide a variety of rationales for the low ratings of policy dialogue:

- (i) COSOPs invariably specified a large and ambitious agenda for policy dialogue, but without specifying implementation details.
- (ii) None of the COSOPs discussed the resources needed to carry out policy dialogue. As a result, in practice it received only marginal attention.
- (iii) Much of IFAD's focus during implementation was on projects, with little attention to conducting dialogue on broader sectoral policy and institutional issues, even when these were critical to assuring sustainability or scaling up.
- (iv) There was insufficient effort made to draw and disseminate lessons from project experiences.
- (v) Few country and regional grants from IFAD were used to feed into policy dialogue at the country level.
- (vi) Overall, the weak performance of policy dialogue appears to be correlated with the performance of knowledge management and of partnerships with MDBs.

Despite the overall weak performance of policy dialogue at the country level, there were individual cases of success cited in several CPEs. The most common theme

in successful examples was that IFAD was able to draw from project experiences and infrastructure to influence a specific policy, introduce a new concept, or influence the design of government programmes outside the projects. In the case of Ghana, IFAD used the PMUs located in diverse government departments as a basis for knowledge-sharing among ministries. In Brazil, the successes of the IFAD-funded Dom Helder Câmara Project led to agreement by the federal Ministry of Agrarian Development to a national campaign for identity cards for rural women to improve their access to credit, land and other resources. In India, based on the use of women's self-help for rural poverty alleviation in a range of IFAD-funded projects, the Government began using this instrument in domestically financed rural development initiatives. In Mozambique, IFAD's work on artisanal fisheries has led to important policy reform related to promoting better coastal fisheries and environmental management, for example in terms of agreeing to the use of fishing nets with specific mesh sizes and ensuring a no-trawler zone reaching three miles from shore.

In some cases, IFAD's successful project experience provided the basis for its policy advocacy function on behalf of marginalized groups. The IFAD grant-funded REAF (Specialized Meeting on Family Farming) in the Common Market of the South (MERCOSUR) – especially Argentina and Brazil – provided a platform for small producers and their organizations to engage in national policy processes on agriculture, including mobilizing technical assistance and identifying market opportunities (see box). In Yemen, IFAD contributed to bringing marginalized areas into the policy mainstream. In Mali, IFAD's support for farmers' associations raised issues of public/private partnerships, which then spawned elements of a new farm bill, reinforcing the vehicles through which donors have been able to work in the following 15 years.

### **REAF: Building a forum for policy dialogue in MERCOSUR**

The Common Market of the South now has five full members (Argentina, Brazil, Paraguay, the Eastern Republic of Uruguay and the Bolivarian Republic of Venezuela) and two associate members (the Plurinational State of Bolivia and Chile). Although 5 million family farms account for 80 per cent of agricultural production in the MERCOSUR area, public policies have traditionally been tailored to export-orientated, large-scale agribusiness.

From 2004 to 2011 IFAD supported REAF as a platform where public policies and programmes are shaped through a consultation process involving both governments and small-scale farmers' associations. REAF has met in 16 regional sessions, over 200 sessions of the respective national sections, and over 20 workshops and seminars. It is now functioning without IFAD support.

The main result of REAF has been to formalize the existence of the family farming sector and to create new forums for public policy dialogue on family farming within the countries of MERCOSUR. Specific results include new or strengthened institutions – such as the State Secretariat for Rural Development and Family Farming in Argentina and the General Directorate for Rural Development in Uruguay – and changes to regional and national policy agendas.

REAF succeeded in creating a long-term space for policy dialogue involving a wide range of public and private participants. IFAD is acknowledged as having played a significant role in supporting an efficient regional technical secretariat that was trusted and respected by all players, and as a reliable and neutral partner that could articulate and facilitate dialogue.<sup>16</sup>

In a slightly different country example, project presence and experience were used to conduct policy dialogue at the local level. This occurred in India, where the Government monitored local legislation and brought issues to the attention of the tribal areas where the projects were located. This approach of supporting lobbying and advocacy for the communities participating in a project is another way that IFAD has performed well in policy dialogue. Much headway was made in terms of giving land rights equally to the husband and wife in tribal areas. This also corresponded with a movement in India towards greater recognition of NGOs and outside groups. The country programme evaluation notes, "Contributing to national policy debate in a large country like India requires, inter alia, the ability to undertake or have access to analytic work on key policy issues, knowledge management, and a sufficient presence at an appropriate level to gain access to high-level policy platforms." It is essential to have country-specific project track records, as well as knowledge management capacity and the ability to access partnerships for dialogue with the appropriate stakeholders.

The success of initiatives such as those in Latin America and India highlights the importance of enabling poor rural men and women to influence policies and institutions that affect their livelihoods, which is one of IFAD's strategic objectives. Helping poor rural people articulate their interests and participate in national, regional and global policy debates is as important as direct dialogue involving IFAD.

Such examples, cited in several CPEs, indicate that it is possible for IFAD to have an impact on policies and institutions through engaging with and supporting policy dialogue. The main challenge is whether and how such occasional and episodic instances can be made a systematic part of IFAD's activities in a country, consistent with the intentions of COSOPs and IFAD's stated goals, and with the ultimate aim of scaling up impact.

#### **IFAD managers' views**

Interviews were conducted with selected IFAD managers and staff in PMD and SKM, including several CPMs, to gain greater insights into the issue. Few disputed the CPE findings, but they

**16.** Based on Susana Márquez and Álvaro Ramos, *Differential Policies for Family Farming in MERCOSUR: Contribution of Political Dialogue in the Design of Public Policies and Institutionalization* (Rome: IFAD, no date).

offered useful insights on both the reasons for a lack of adequate performance on policy dialogue and suggestions on specific actions that IFAD could take. The key findings from these interviews are as follows:

- (i) PMD managers now increasingly recognize IFAD's important role in policy dialogue. But there is a wide variation in views on what constitutes policy dialogue, with little consensus. So, there is a need for more clarity on IFAD's definition of policy dialogue at the country level.
- (ii) At the same time, most managers seemed to agree that IFAD's comparative advantage in dialogue is to focus on issues arising from the experience of IFAD-funded projects.
- (iii) Resource and skill limitations were cited by many managers regarding the lack of success in policy dialogue. In this regard, ARRI realizes that the majority of CPMs – especially those who have been in the Fund for some time and who are at the forefront of policy dialogue at the country level – were not hired to perform policy dialogue in any significant manner in the past. Their main task was to develop COSOPs, design projects and perform supervision and implementation support (the latter since 2007). However, this issue will have to be addressed soon, given that policy dialogue is a key commitment in the IFAD9 period.
- (iv) Managers acknowledged that IFAD CPMs are unlikely to have the same degree of access to high-level policymakers as other IFIs on major sectoral issues.
- (v) The need for selectivity in the policy agenda was cited by several managers, given limited resources and institutional limitations such as lack of country presence in many countries.
- (vi) Partnerships with other major players, especially MDBs and the Food and

Agriculture Organization of the United Nations (FAO), are seen as critical to IFAD's ability to influence policy in the agriculture and rural sectors.

- (vii) Direct supervision and implementation support have not been used adequately to promote policy dialogue, particularly if they are closely linked to project experiences.
- (viii) Grants were acknowledged as potential tools for supporting policy dialogue, but their use has been limited (especially regional and global grants), partly because they are not sufficiently integrated into IFAD-supported country programmes.
- (ix) Country presence (especially with outposted CPMs) is seen by most managers as a step that would improve IFAD's ability to at least participate in policy dialogue and occasionally lead it, as and where appropriate (e.g. in Ghana with an outposted CPM, where IFAD is now co-chair of the donor working group on agriculture).

### Experience of other international organizations

The experience of other organizations with policy dialogue is not always relevant to IFAD because of significant differences in size and country presence. Nevertheless, it provides some lessons that could be pertinent for IFAD going forward. The experience of the World Bank is considered in this review to provide a comparative perspective for IFAD. In the absence of any formal available evaluations, the review has been limited to discussions with a few current and former senior managers of the Bank. A recent FAO evaluation has also been used.

Policy dialogue is an integral part of the operations of the World Bank. It can take the form of seeking government agreement on specific policy conditionality that it requires in specific operations. It can also take the form, as in the case of IFAD, of pushing for

policy and institutional changes it considers relevant to pursuing its development mission in the country. However, unlike IFAD, its policy agenda is backed by extensive analytical and advisory services, also sometimes referred to as economic and sector work (ESW), that provide the rationale and justification for the specific policy reforms it seeks to promote in the country. Besides ESW, the World Bank sometimes also provides technical assistance, funded from within loans and credits or from external trust fund sources (normally grants to the country) to help implement the reform agenda. Together, these comprise the Bank's programme of 'non-lending services'.

The World Bank's country assistance strategy (CAS), also sometimes referred to as the country partnership strategy, defines the indicative programme of non-lending services (and lending) over the CAS period. In contrast with IFAD's COSOP, the CAS does not include policy dialogue as a discrete activity. Rather, the emphasis is on the strategic objectives and results framework that is to be achieved through both lending and non-lending services, with the latter receiving significant emphasis. This is not merely a difference in form. It reflects a much stronger view in the Bank of the importance of policy and institutional reforms at the core of achieving development outcomes.

The World Bank devotes significant budget resources to non-lending services in the country. This can be as much as one third of the total country budget, and in some cases even more. Trust fund resources and project finance technical assistance can provide additional resources.

Following the decentralization thrust started in the mid-1990s, the World Bank has significant country presence in most countries, including significant sectoral expertise in the country or in regional hubs. This has helped strengthen country partnerships, but has also had some adverse consequences (discussed below). The Bank has also been able to attract high-quality national staff in many countries, who are able to shoulder significant autonomous responsibility

not just for portfolio management, but in many cases also in promoting policy dialogue.

There is little doubt that the World Bank carries considerable weight in promoting policy dialogue and has been instrumental in policy and institutional reforms in many countries. However, much of its influence has stemmed from the calibre of its specialists working in the country and their consistent involvement in the country over time. The decline of technical capacity in agriculture in the World Bank – as highlighted in two recent IEG evaluations<sup>17</sup> – and the fragmentation and dilution of this technical capacity as a consequence of decentralization to the field are thus significant challenges. Not all ESW has been effective or demand-driven.<sup>18</sup> All these challenges are pertinent to IFAD.

A recent FAO evaluation of its policy work<sup>19</sup> is also relevant to IFAD. It found that FAO had a strong reputation and comparative advantage for its policy work at the global level, but much less so at the country level. Although FAO is well suited to help with the latter, it does not play a leading role. There is a lack of organizational accountability and incentives to deliver policy work at this level; insufficient backstopping of country representatives to enable them to engage in high-quality dialogue; and policy work by consultants, to whom much of the work is entrusted, is of uneven quality. One major recommendation is that FAO needs to be more selective in prioritizing its country-level policy assistance. Rather than presuming that it can do everything everywhere, it should focus on activities that it has the capacity to deliver and that are likely to have the highest impact on food-insecure people.

The topic of policy dialogue was discussed at a well-attended learning workshop for IFAD staff organized by IOE in September 2012. There was widespread agreement among IFAD managers that, with some notable exceptions, IFAD has not been very successful in influencing policies consistently across its client countries. This has been a recurring theme of most CPEs in the past five years. The main reason

**17.** World Bank, *Evaluative Lessons from World Bank Group Experience: Growth and Productivity in Agriculture and Agribusiness*. Independent Evaluation Group – World Bank, International Finance Corporation and Multilateral Investment Guarantee Agency (Washington, D.C.: World Bank Group, 2011); and World Bank, *World Bank Assistance to Agriculture in sub-Saharan Africa: An IEG Review* (Washington, D.C.: World Bank, 2007).

**18.** A recent IEG review points to significant shortcomings in quality and relevance, with emphasis on producing formal reports rather than on policy change. There was not always sufficient attention to link ESW with operational follow-up. Internal incentives that reward 'good reports' create supply-driven tasks that are not always a priority for the country. World Bank, *Using Knowledge to Improve Development Effectiveness: An Evaluation of World Bank Economic and Sector Work and Technical Assistance, 2000-2006*. Report of the Independent Evaluation Group (Washington, D.C.: World Bank, 2008).

**19.** FAO, *Evaluation of FAO's Role and Work in Food and Agriculture Policy* (Rome: FAO Office of Evaluation, 2012).

for limited success has been a mismatch between the scale of IFAD's policy ambition as articulated in country strategies; the challenges of achieving pro-poor policy change; and IFAD's capacity, resources and management incentives to deliver that change.

An important conclusion of the workshop was that policy dialogue is a means to an end, where the end is improved food security and nutrition for poor rural people resulting from the scaling up of successful initiatives. Policy dialogue is only one way of achieving this critical institutional goal.

Achieving pro-poor policy change is rarely quick or easy. Policy is by definition political. IFAD can be involved directly by bringing evidence and lessons of what works, or indirectly by supporting rural peoples' organizations or other partners to help them participate in national and regional debates. The latter may be more effective, and it is certainly a mistake to see policy dialogue as something that IFAD itself has to do or has sole responsibility for. Either way (i.e. direct or indirect), policy dialogue requires partners, time, resources and skills.

It follows from this that realism is critical. Country conditions, including its politics and capacities, and IFAD's resource and skills constraints, need to be considered in setting the expectations for IFAD's engagement in policy. Realistic objectives are required for

which IFAD managers are clearly accountable. Addressing IFAD's institutional constraints will take time.

This calls for a clear focus regarding policy dialogue. There was agreement that IFAD's policy dialogue should focus on: (i) ensuring a supportive institutional and policy context for IFAD-supported initiatives; and (ii) scaling up successful interventions in the areas or business lines in which IFAD is engaged through projects in a particular client country. Policy dialogue should generally not be freestanding. There may be exceptional cases where a government requests IFAD's engagement in policy dialogue unrelated to IFAD's project engagement, and where IFAD judges that it has the capacity and instruments to provide this assistance effectively.

Looking to the future, there was general agreement on how IFAD could enhance its engagement with policy. In addition to a greater realism and focus, it was recognized that continuity and long-term engagement were crucial. Internal incentives within IFAD need to encourage an effective engagement with policy issues. Grants could be used more systematically, and new types of documents (policy notes) considered. These suggestions will be revisited as part of the planned CLE. IOE will also consider whether, in the light of the workshop discussion, a CLE on pro-poor policy might be more appropriate than a CLE on policy dialogue.

# 5

## Benchmarking

Previous ARRI have benchmarked IFAD's performance both externally against the performance of other development agencies, and internally against targets and previous benchmarks. This ARRI repeats this exercise, but for the first time uses more comparable datasets for the external benchmarking.

### External benchmarking

External benchmarking is important for IFAD. It allows the Fund to position the performance of its operations in relation to other development organizations involved in international cooperation, as well as to identify good practices and lessons that might be of relevance to IFAD.

There are, however, a number of challenges involved in external benchmarking. The main one is to find comparable data. Comparability requires: (a) similar programmes; (b) similar time frames; (c) similar evaluation methods; and (d) a large enough number of projects. If any of these are dissimilar or lacking, any comparison risks being neither fair nor meaningful. Previous ARRI have had to rely on published data, which were often not available for the agricultural and rural development (ARD) sector, or not available for the same time period as IFAD's data.

During the preparation of the 2012 ARRI, formal approaches were made to a number of multilateral and bilateral agencies (including the African Development Bank (AfDB), ADB, Department for International Development (United Kingdom), FAO, German Agency for International Cooperation, Oxfam, United States Agency for International Development, World Bank and others) to ascertain whether comparable datasets were available. Bilateral meetings were organized with the evaluation offices in several of these organizations. The research suggested that only two

development agencies – the World Bank and ADB – have datasets that would enable a meaningful and fair comparison with IFAD operations. Both of these agencies use the OECD/DAC evaluation criteria as followed by IOE. Their independent evaluation systems are largely similar to IFAD's (given efforts towards greater harmonization across MDBs in the context of the Evaluation Cooperation Group, of which IFAD is a member).

The results for projects completed in the period 2000-2011, and for three subperiods, are given in table 5. All data are for projects in the ARD sector only. It is noteworthy that the performance of IFAD-assisted operations is considerably better than that of ADB in the Asia and the Pacific region for the period 2000-2011, and broadly similar to World Bank operations globally.

Data included in last year's ARRI (see table 5 of document EB 2011/104/R.8) show that, over the period 2002-2009, 72 per cent of IFAD-supported operations were moderately satisfactory or better in Africa, as compared with 61 per cent for the AfDB. This comparison was made possible due to dedicated efforts in the context of the joint IFAD/AfDB evaluation on agriculture in Africa<sup>20</sup> done in 2009. AfDB was not included in table 5 because more-recent comparable data were lacking. However, special efforts will be made by IOE to collect these data from the Operations Evaluation Department of AfDB, so that the data can be included in the benchmarking exercise in the 2013 ARRI.

**20.** AfDB and IFAD, Towards Purposeful Partnerships in African Agriculture: A joint evaluation of the agriculture and rural development policies and operations in Africa of the African Development Bank and the International Fund for Agricultural Development (Rome, 2010).

**Table 5.** Project performance: percentage of ARD projects completed in 2000-2011 and rated moderately satisfactory or better

Time period	IFAD	ADB	World Bank
2000-2004	84%	62%	77%
2005-2008	84%	67%	86%
2009-2011	72%	74%	75%
2000-2011	80%	67%	80%
Number of projects	149	138	396

The data used in table 5 are still not perfectly comparable, given that the organizations compared are not identical, though they have largely similar operating models. For example, IFAD-supported projects tend to be smaller than those of ADB and the World Bank, and, in the main, work with poorer groups in more-challenging contexts and marginal areas.<sup>21</sup> The latter would suggest that IFAD's performance was relatively better than both ADB and the World Bank. Another difference is that ADB works only in the Asia and the Pacific region, whereas IFAD and the World Bank work in all geographical regions.

### Internal benchmarking

Table 6 benchmarks performance against the results reported in the 2005 IEE and the 2012 IFAD Results Measurement Framework.

The table reveals that performance has improved since the IEE in all areas, with the exception of relevance. The latter is due

to more rigorous measurement standards applied by IOE in recent years to assess the relevance criterion by evaluating both the 'relevance of objectives' and the 'relevance of design'. Improvements in efficiency have been least satisfactory as compared with performance in other criteria.

With regard to the Results Measurement Framework (RMF), the performance of IFAD operations has met the corresponding 2012 targets for relevance and gender. The performance in innovation is nearly in line with the target. However, only when the 2012 independent evaluations currently being conducted by IOE are completed and reported in the 2013 ARRI, will it be possible to ascertain whether the 2012 targets will also be met for effectiveness, efficiency, rural poverty impact and sustainability. It is, however, unlikely that these targets will be met, given the fairly wide gap in performance at the end of 2011.

21. IFAD has a greater focus on post-conflict states than either ADB or the International Development Association (World Bank Group). N. Birdsall and H. Kharas, *Quality of Official Development Assistance Assessment*, appendix, table 8 (Washington, D.C.: Brookings Institution and the Center for Global Development, 2010).

**Table 6.** Internal benchmarking (percentage moderately satisfactory or better)

Evaluation criteria	Independent External Evaluation <sup>a</sup>	IOE 2009-2011 evaluations	2012 Targets from the Results Measurement Framework <sup>b</sup>
Relevance	100	92	90
Effectiveness	67	72	90
Efficiency	45	55	75
Rural poverty impact	55	78	90
Sustainability	40 <sup>c</sup>	60	75
Innovation <sup>d</sup>	55	77	80
Gender <sup>e</sup>	n/a	81	80

<sup>a</sup> See IEE, chapter 2.

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

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

<sup>d</sup> 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.

<sup>e</sup> Based on two years of data (2010-2011).

Table 7 compares overall project achievement across the five geographical regions where IFAD operates. However, it is important to highlight that the performance of IFAD-funded projects by region is not tantamount to assessing the performance of the corresponding PMD regional division. As previously reported, projects in Asia and the Pacific are the most successful on average, and those in West and Central Africa are the least successful. In reflecting on performance across regions, it is worth keeping in mind the prevailing institutional and policy contexts in the different regions, as well as the percentage of projects in least developed countries and fragile states – which may also be seen in table 7.

One measure for strengthening the performance and promoting scaling up of IFAD-supported projects in Africa is the Fund's partnership with AfDB. As concluded by the IFAD/AfDB joint evaluation, the two organizations have complementary mandates and can together play an important role in rural poverty reduction on the continent. However, concerted attention is required in building a purposeful partnership between IFAD and AfDB at regional, subregional and country levels. With regard to cofinancing of projects at the country level (which is only one manifestation of partnership), IFAD data reveal that, since the completion of the joint evaluation, only 2 out of 37 new IFAD-funded projects have been cofinanced with AfDB (in

Ghana and the United Republic of Tanzania). This is indeed very low. In any case, IOE, together with AfDB, is undertaking a follow-up study on implementation of the joint

evaluation's recommendations and overall commitments by the respective managements of IFAD and AfDB, and will be able to report on the findings in 2013.

**Table 7.** Comparisons of overall project achievement across geographic regions (2002-2011)

Geographical region	Number of projects evaluated <sup>a</sup>	Percentage of projects in least developed countries <sup>b</sup>	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	40	33	93	7
Latin America and the Caribbean	27	7	78	22
East and Southern Africa	39	87	76	24
Near East, North Africa and Europe	28	32	75	25
West and Central Africa	33	64	61	39

<sup>a</sup> The total number of projects in this table adds up to 167 (and not 170, which is the number of project evaluations undertaken since 2002 used throughout this ARR). A few project evaluations conducted several years ago did not include a rating for 'overall project achievement'.

<sup>b</sup> These include countries that have low income (GNI per capita under US\$992), 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.

# 6

## Conclusions and recommendations

### Conclusions

This tenth ARRI includes an analysis of evaluations completed in 2011, as well as the dataset of independent evaluation ratings from 2002. Overall, evaluation data and findings show that IFAD is an improving organization that has made a positive contribution to combating rural poverty in all regions.

The broad picture that emerges is positive, with strong points in terms of performance as well as areas that remain a challenge. On the one hand, there is evidence of clear and significant improvement across many of the criteria assessed by IOE evaluations. But equally, it is also evident that a number of the important issues identified in early ARRIs have not yet been fully addressed.

Performance in two important areas has improved over time: IFAD's own performance as a partner, and the results for promoting better natural resource and environmental management. Both were areas of concern in the past. Achievements in promoting gender equality and women's empowerment are also generally good, and there have been improvements in partnership-building and knowledge management.

Performance against other evaluation criteria is more mixed. One group of criteria – rural poverty impact, sustainability, and innovation and scaling up – show a marked improvement since 2002-2004, but a slight tailing off since a peak in 2006-2008. Another group of criteria – relevance, effectiveness, efficiency, project performance and the performance of government as a partner – show a broadly flat trend since 2002.

The present ARRI process made concerted efforts to benchmark the performance of IFAD operations against the agriculture sector

operations of AfDB, ADB and the World Bank. The performance of IFAD operations is better than ADB's in Asia and the Pacific for projects completed since 2000, and marginally better than AfDB's performance in Africa over the period 2002-2009. The performance of IFAD-financed operations is on a par with the World Bank.

This year's ARRI reveals that performance across most evaluation criteria is generally weaker in fragile states (with the highest proportion of moderately unsatisfactory, as well as fewer moderately satisfactory or better ratings) than in other country contexts. Given the importance of working in fragile states, and IFAD's focus on 'fragile areas' in other states, this is something worth deeper exploration in the future. A better understanding is needed of the reasons for relatively weaker or stronger performance in these contexts.

Two important areas that remain a challenge are project efficiency and sustainability, both of which are fundamental to ensuring that IFAD makes a lasting difference in the lives of poor rural people and provides value for money. While there have been improvements in project efficiency and sustainability since the 2005 IEE, further work and effort are required to meet the performance targets agreed with Member States.

IFAD's performance in policy dialogue at global and regional levels is satisfactory. While there are some examples of IFAD's favourable contribution to policy dialogue at the country level, they are by and large episodic and not based on a systematic approach. Improving IFAD's effectiveness in engaging with policy, and in supporting others (e.g. farmers' groups) to engage effectively with policy, will often be critical to scaling up the impact of IFAD-supported initiatives. That IFAD has

not been more successful in this area is the result of a mismatch between the scale of IFAD's policy ambitions as articulated in country strategies; the challenges of achieving pro-poor policy change; and IFAD's capacity, resources and management incentives to deliver that change. Greater realism and focus regarding IFAD's ambitions, and clearer incentives and managerial accountability, are likely to be key to greater success in this area.

In addition to the foregoing, the following five conclusions are worth highlighting:

- (i) Moderately satisfactory performance remains the norm. Approximately half of all projects since 2003 have been rated as moderately satisfactory, one quarter as satisfactory, and one quarter as moderately unsatisfactory or unsatisfactory. In fragile states, only 9 per cent of projects are satisfactory and almost half are moderately unsatisfactory or unsatisfactory. A key objective for IFAD has to be to increase the proportion of satisfactory projects and to reduce the proportion of moderately unsatisfactory or unsatisfactory projects. This is fundamental if IFAD is to be a recognized centre of excellence in the field of small agriculture and rural development – especially if other partners are to scale up successful innovations and approaches for wider impact.
- (ii) Government capacity and country context are equally important. The main lessons are that, first, it is critical that a strong partnership, a common understanding and joint commitment are established in the design phase. Second, it is important that a realistic assessment be made of the government's capacity to change and to implement. Project design and implementation support need to be adapted to this. IFAD also needs a more differentiated approach to matching the very diverse country contexts, something the ARRI has underlined in the past. The proposed CLE on fragile states, followed possibly by a CLE on middle-income countries, should be important contributions to exploring these issues further in the future.
- (iii) Weaknesses in project and programme M&E remain. The variable quality of PCRs is evidence of this. Better M&E is critical to more-accurate reporting on results, as well as to identifying lessons learned and good practices that can be fed back into policy, strategy and projects for greater development effectiveness.
- (iv) The effectiveness of various targeting strategies and distribution of benefits among diverse types of poor people remain key issues for IFAD.
- (v) The importance of effective project and programme management is confirmed and will be covered more thoroughly in future IOE evaluations. Findings point to the critical role of both project management staff and IFAD management in achieving results in rural poverty reduction.

In its tenth edition, it can be underscored that the ARRI is unique in providing an independent perspective of results, systemic issues and lessons for strengthening IFAD's development effectiveness. Its value and role in promoting accountability and learning is recognized by Management, the Evaluation Committee, the Executive Board and key partners outside the Fund. The ARRI does, however, need to continue to experiment and evolve to reflect changes in the products produced by IOE and any further changes in the type and quality of reports produced by IFAD Management, as well as to build on the good practices of similar independent annual evaluation reports produced by others. As in the past 10 years, IOE is committed to refining the ARRI as and when needed in order to ensure its continued relevance and usefulness to the organization. This will mean continuing the shift towards:

- (i) validation of reviews and results produced by IFAD's self-evaluation system; and
- (ii) evaluation for learning, especially in relation to understanding the causes of good and less-good performance.

### Recommendations

The 2012 ARRI makes the following seven recommendations:

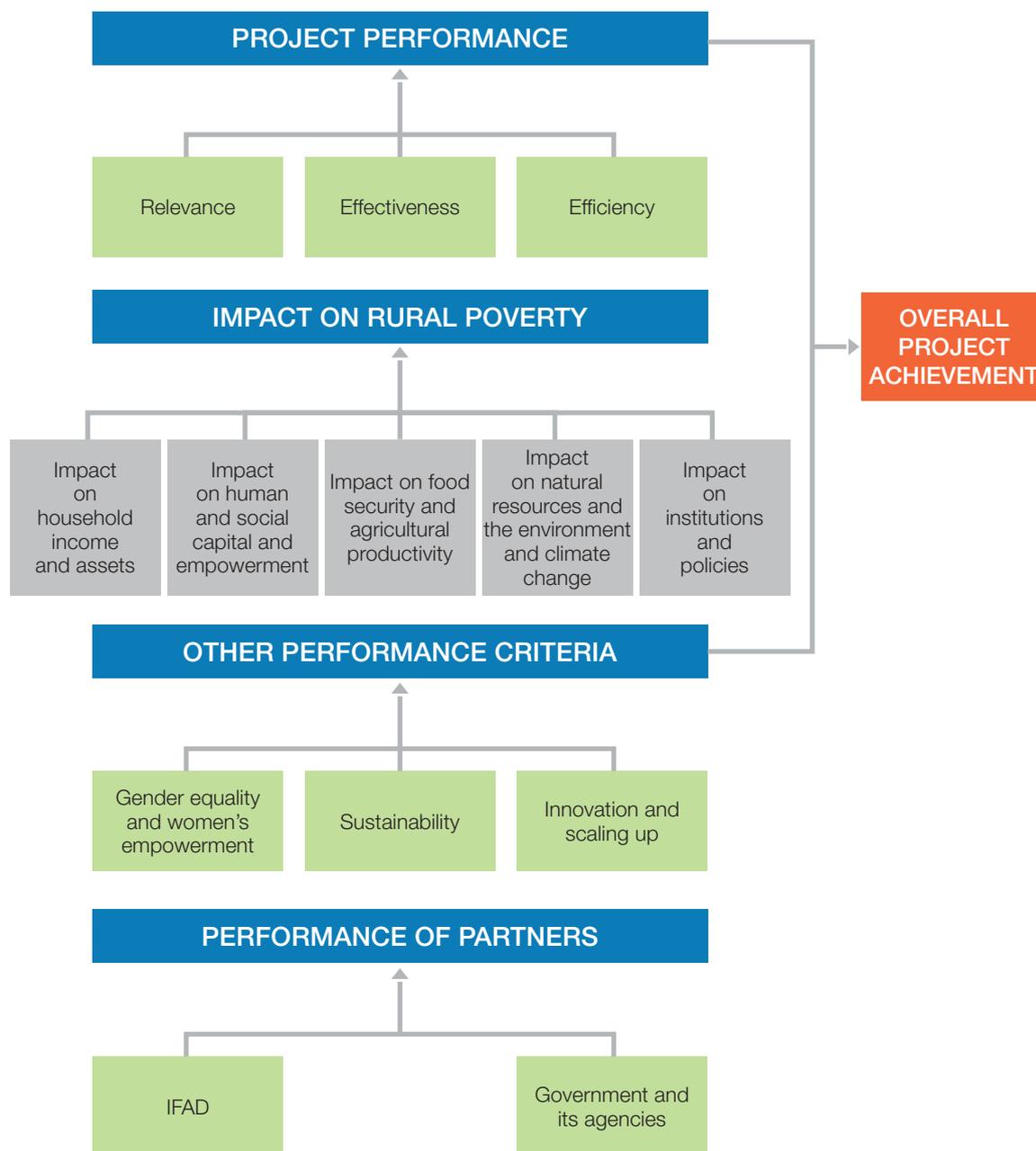
- (i) The 2013 ARRI should have two learning themes. The first should be an examination of particularly successful (satisfactory) and unsuccessful (moderately unsatisfactory/unsatisfactory) projects in diverse country categories, with a special emphasis on fragile states and middle-income countries. The second should be deeper analysis of the role of governments, with the aim of identifying further efforts the Fund could deploy to strengthen government performance in the context of IFAD-assisted activities.
- (ii) Future ARRIs should track and report on performance in those evaluation criteria (i.e. relevance, effectiveness, efficiency and government performance) for which performance has been flat or declining since 2002.
- (iii) IFAD Management should pay special attention to issues raised in paragraph 23 to further improve the quality and usefulness of PCRs.
- (iv) The issues embedded in paragraphs 111 and 117 should be addressed in order to improve performance in policy dialogue at the country level.
- (v) To provide Member States with an overview of trends in the performance of IFAD operations and lessons learned, it is recommended that a dedicated slot be allocated at the first session of future consultations on the replenishment of IFAD's resources, beginning with IFAD10 in 2014, for IOE to make a presentation of the most recent ARRI available at the time. This will also assist Member States in identifying key topics for discussion and priorities for the corresponding replenishment discussions.
- (vi) The ARRI should be considered as one of the first agenda items in December sessions of the Executive Board, prior to Board discussion of the Fund's annual programme of loans and grants and administrative budget for the subsequent year. This will provide Board Directors the opportunity to better discern whether adequate resources have been allocated to areas highlighted by the ARRI as meriting attention so as to further strengthen IFAD's development effectiveness.
- (vii) Follow-up to and implementation of these recommendations will be reported on by IFAD Management through the PRISMA report, in accordance with past practice.



## Uganda. Area-Based Agricultural Modernization Programme

Katojo Market. Markets built by the Area-Based Agricultural Modernization Programme have created employment for over 5,700 people engaged in different types of activities.

# Annex 1 Project evaluation methodology



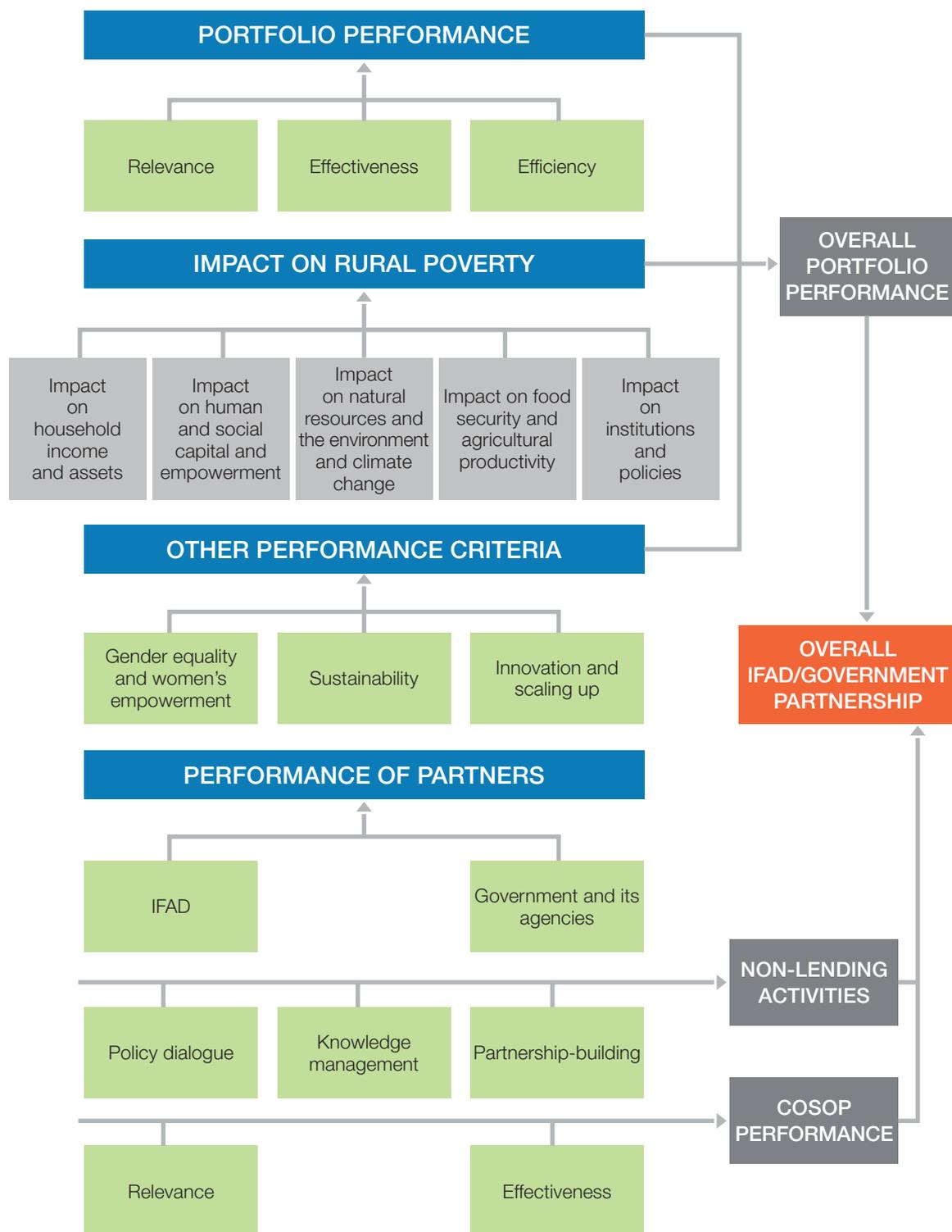


**Tunisia. Agropastoral Development and Local Initiatives Promotion Programme for the South-East**

Women's artisanal production training centre, Ghermassa Village, Tunisia.

Young women are provided with an 11-month course on sewing and fine embroidery. The project supplies sewing machines, tables and chairs and the instructor. Upon completing the course, the women take an exam and receive a diploma. They can then open their own business and apply for a loan to purchase inputs and establish their own enterprise. Preserving culture and tradition is an integral part of the project.

## Annex 2 Country programme evaluation methodology



## Annex 3 Definition of the evaluation criteria used by the Independent Office of Evaluation of IFAD

Criteria	Definition <sup>a</sup>
<b>Project performance</b>	
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.
<b>Rural poverty impact<sup>b</sup></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"> <li>Household income and assets</li> </ul>	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"> <li>Human and social capital and empowerment</li> </ul>	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"> <li>Food security and agricultural productivity</li> </ul>	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"> <li>Natural resources, the environment and climate change</li> </ul>	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.

Criteria	Definition <sup>a</sup>
<p><b>Other performance criteria</b></p> <ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Innovation and scaling up</li> <li>• Gender equality and women's empowerment</li> </ul>	<p>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.</p> <p>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 others agencies.</p> <p>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.</p>
<p><b>Overall project achievement</b></p>	<p>This provides an overarching assessment of the project, drawing on the analysis made under the various evaluation criteria cited above.</p>
<p><b>Performance of partners</b></p> <ul style="list-style-type: none"> <li>• IFAD</li> <li>• Government</li> </ul>	<p>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.</p>

<sup>a</sup> These 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).

<sup>b</sup> The 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 4 2011 project evaluation data

**Table 1.** Relevance, effectiveness and efficiency (per cent by rating) – projects evaluated in 2011 (Percentage)

Rating	Relevance	Effectiveness	Efficiency	Project performance
6 Highly satisfactory	-	-	-	-
5 Satisfactory	29	25	25	25
4 Moderately satisfactory	54	42	25	46
<b>Total satisfactory</b>	<b>83</b>	<b>67</b>	<b>50</b>	<b>71</b>
3 Moderately unsatisfactory	17	29	38	25
2 Unsatisfactory	-	4	13	4
1 Highly unsatisfactory	-	-	-	-
<b>Total unsatisfactory</b>	<b>17</b>	<b>33</b>	<b>50</b>	<b>29</b>

*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 2011 (Percentage)

Rating	HIA	HSCE	FSAP	NRE	IP	Rural poverty impact
6 Highly satisfactory	-	-	-	-	9	-
5 Satisfactory	29	38	29	5	13	29
4 Moderately satisfactory	46	25	62	68	26	46
<b>Total satisfactory</b>	<b>75</b>	<b>63</b>	<b>90</b>	<b>74</b>	<b>48</b>	<b>75</b>
3 Moderately unsatisfactory	13	33	-	26	35	25
2 Unsatisfactory	13	4	10	-	17	-
1 Highly unsatisfactory	-	-	-	-	-	-
<b>Total unsatisfactory</b>	<b>25</b>	<b>38</b>	<b>10</b>	<b>26</b>	<b>52</b>	<b>25</b>

*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 – projects evaluated in 2011

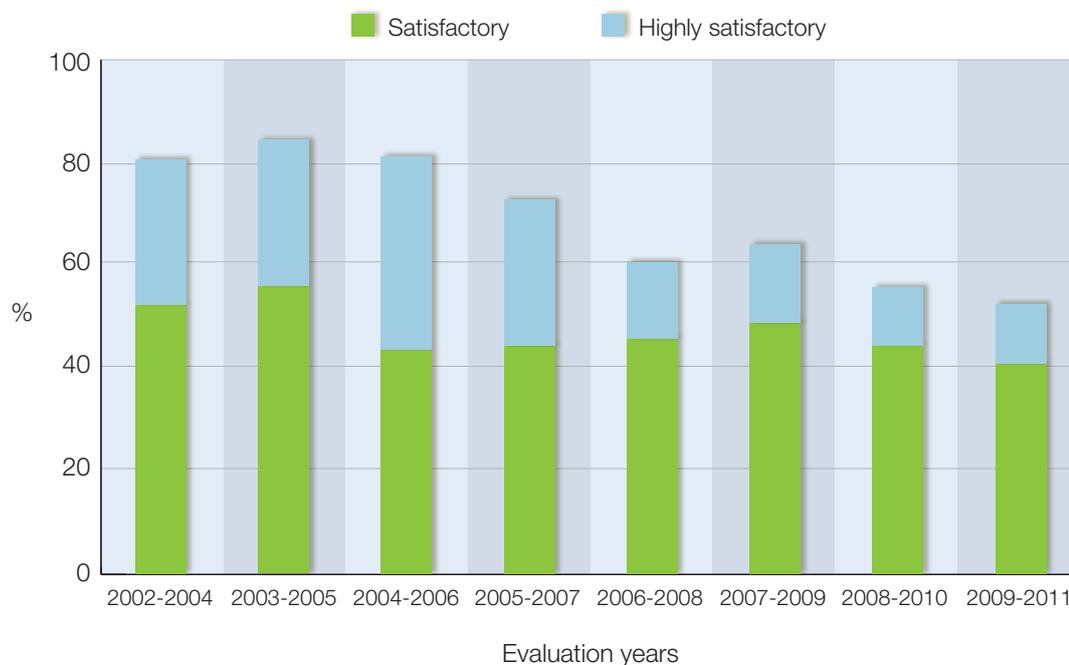
Rating	Percentage		
	Sustainability	Innovation and scaling up	Gender
Highly satisfactory	-	4	4
Satisfactory	13	17	21
Moderately satisfactory	38	42	46
<b>Total satisfactory</b>	<b>50</b>	<b>63</b>	<b>71</b>
Moderately unsatisfactory	46	38	29
Unsatisfactory	4	-	-
Highly unsatisfactory	-	-	-
<b>Total unsatisfactory</b>	<b>50</b>	<b>38</b>	<b>29</b>

**Table 4.** Performance of partners – projects evaluated in 2011

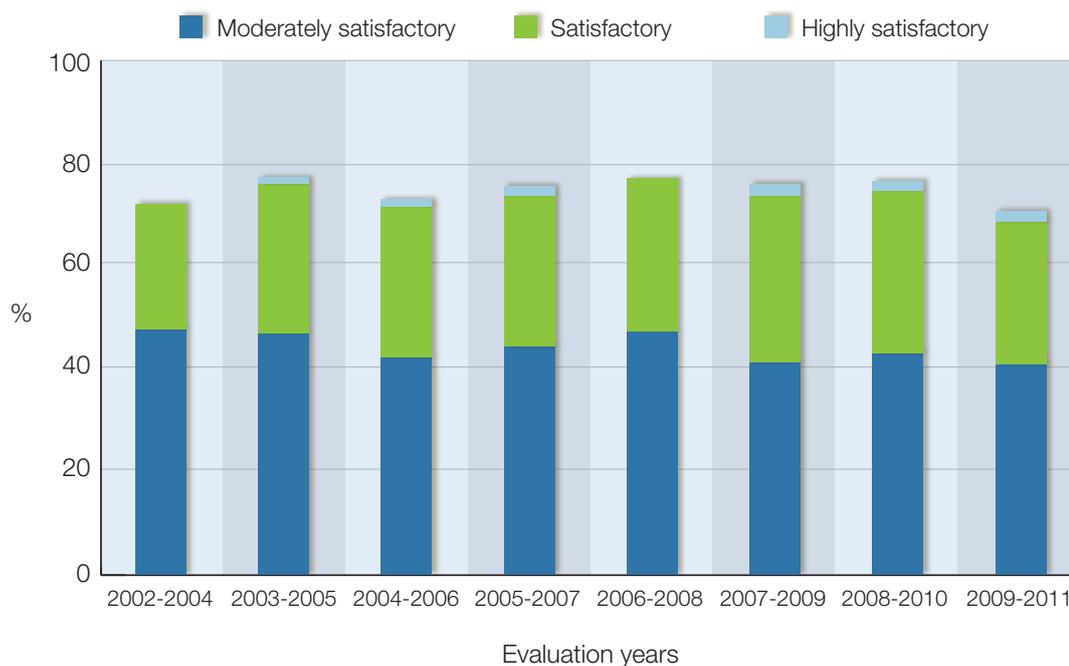
Rating	Percentage		
	IFAD	Cooperating institutions	Government
Highly satisfactory	4	-	4
Satisfactory	38	-	21
Moderately satisfactory	38	-	46
<b>Total satisfactory</b>	<b>79</b>	<b>-</b>	<b>71</b>
Moderately unsatisfactory	21	-	24
Unsatisfactory	-	-	4
Highly unsatisfactory	-	-	-
<b>Total unsatisfactory</b>	<b>21</b>	<b>-</b>	<b>29</b>

## Annex 5 2002-2011 project evaluation graphs

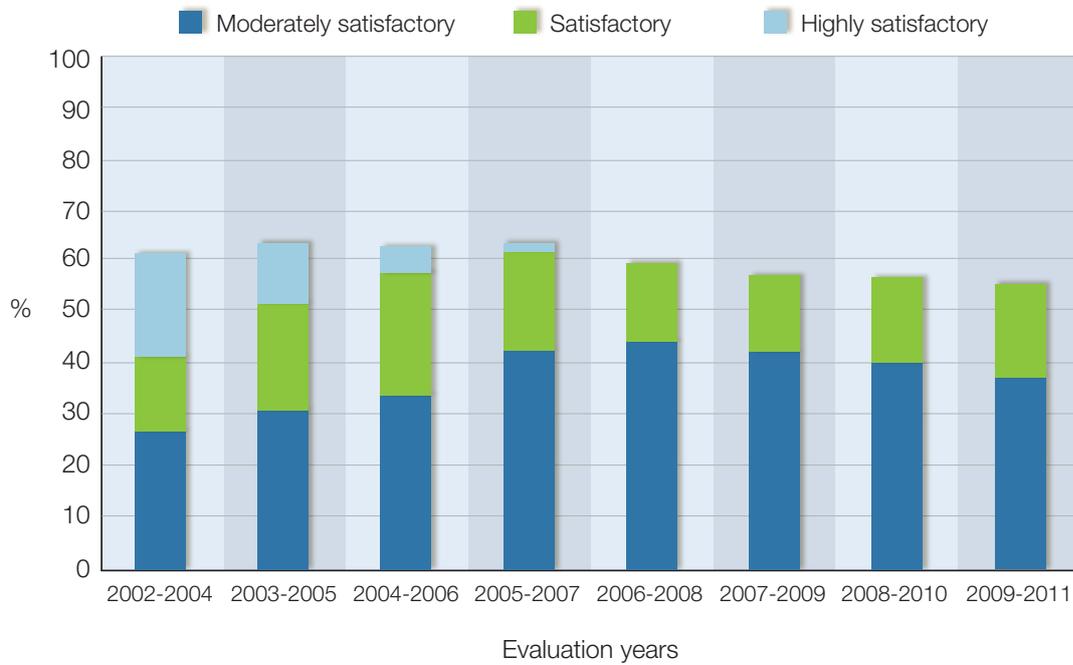
### Relevance



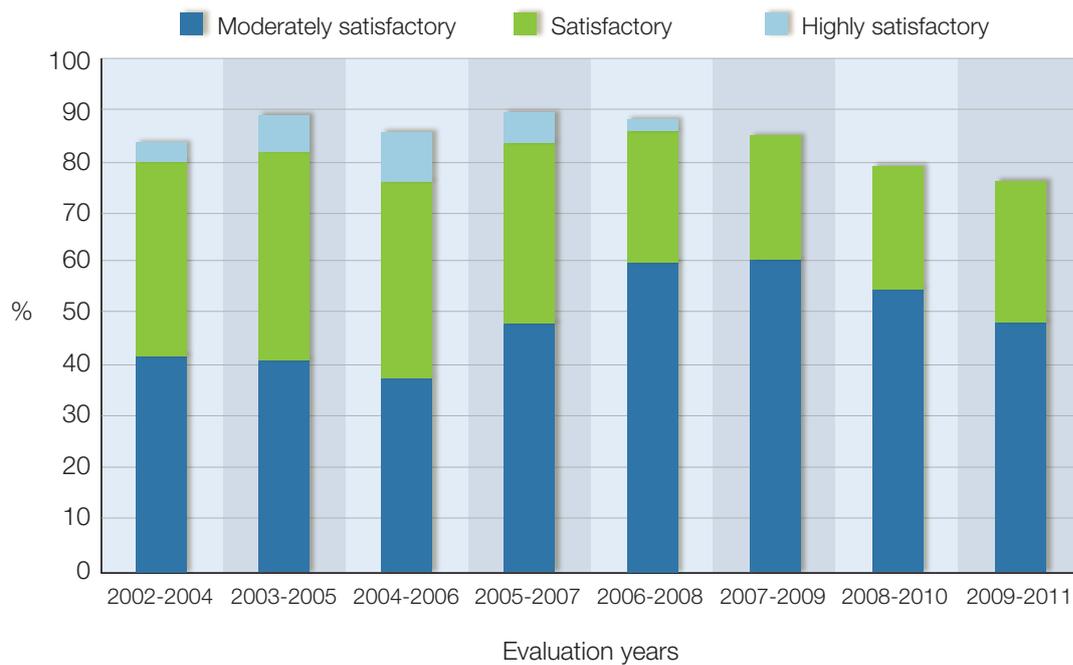
### Effectiveness



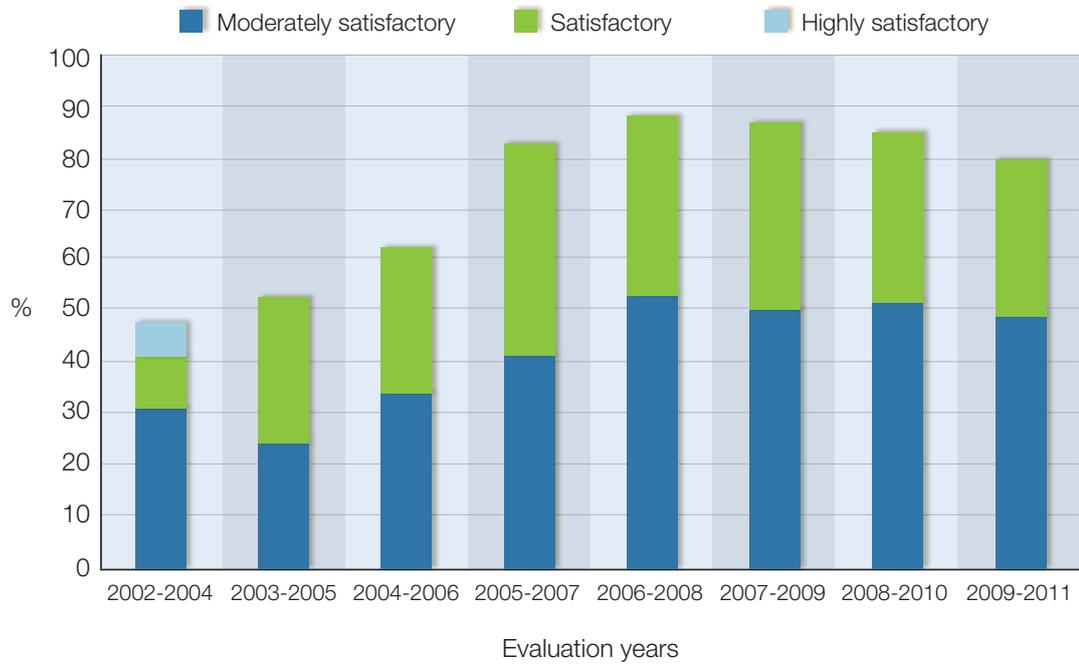
### Efficiency



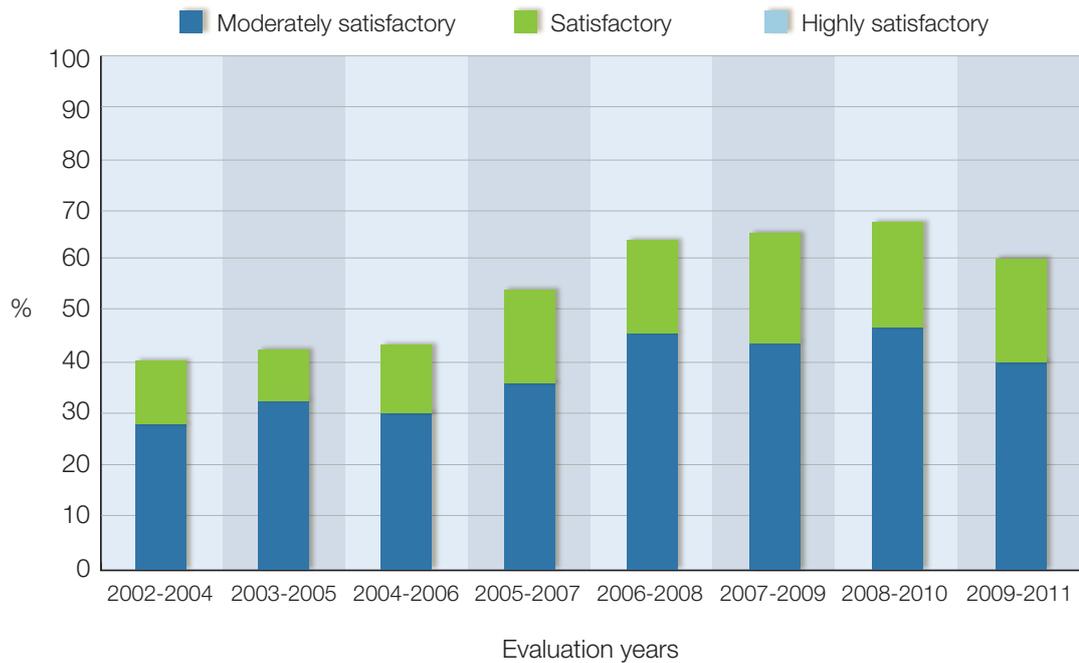
### Project performance



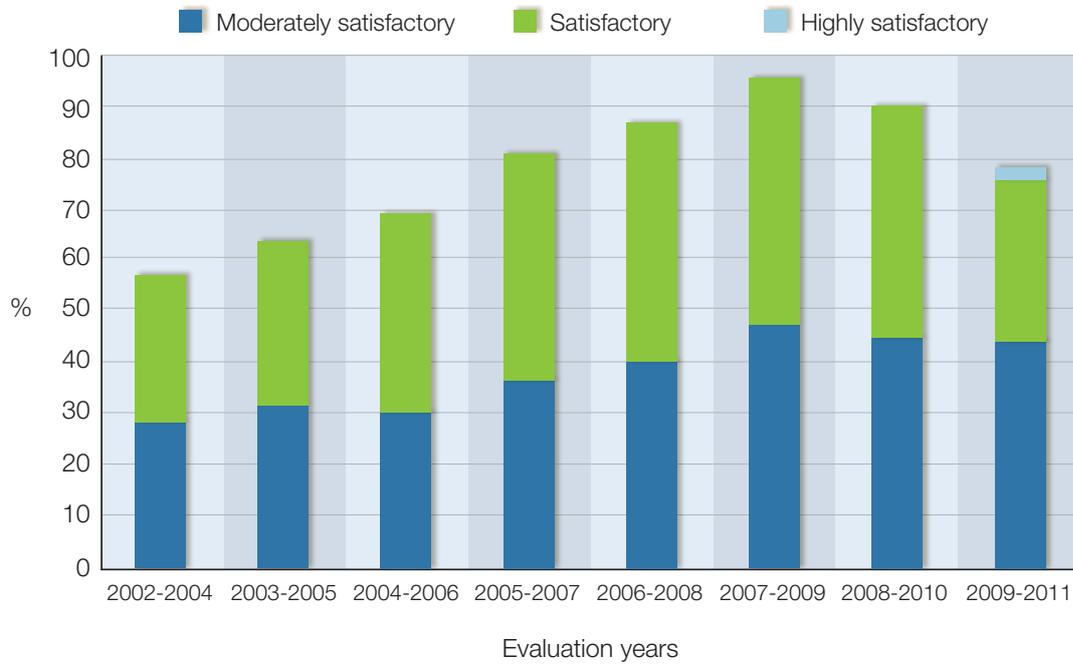
### Rural poverty impact



### Sustainability



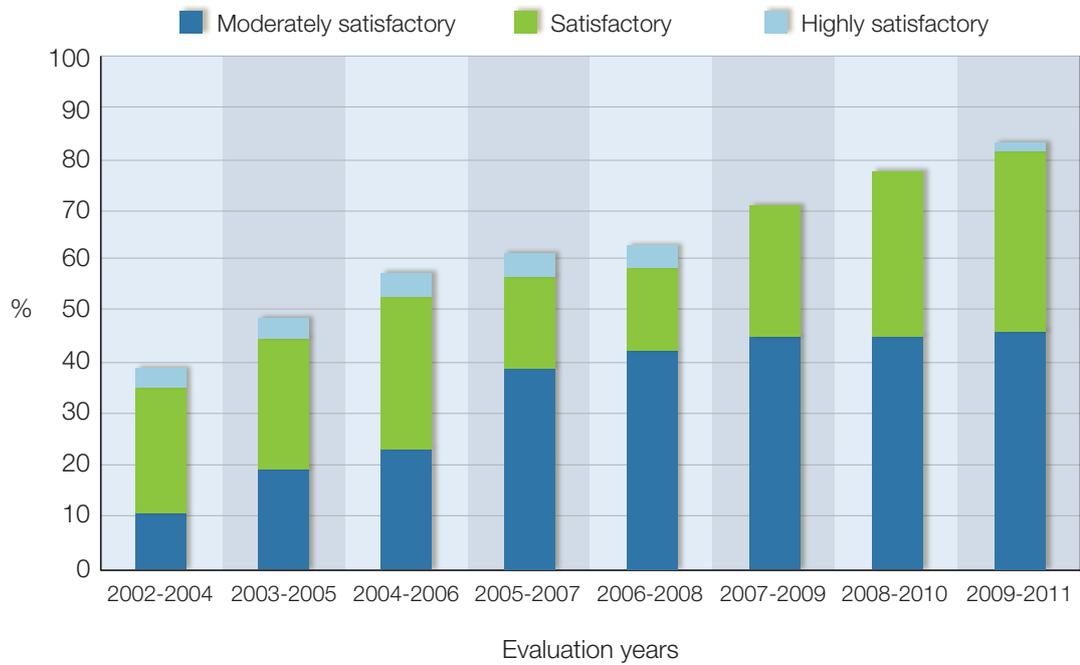
### Innovation and scaling up



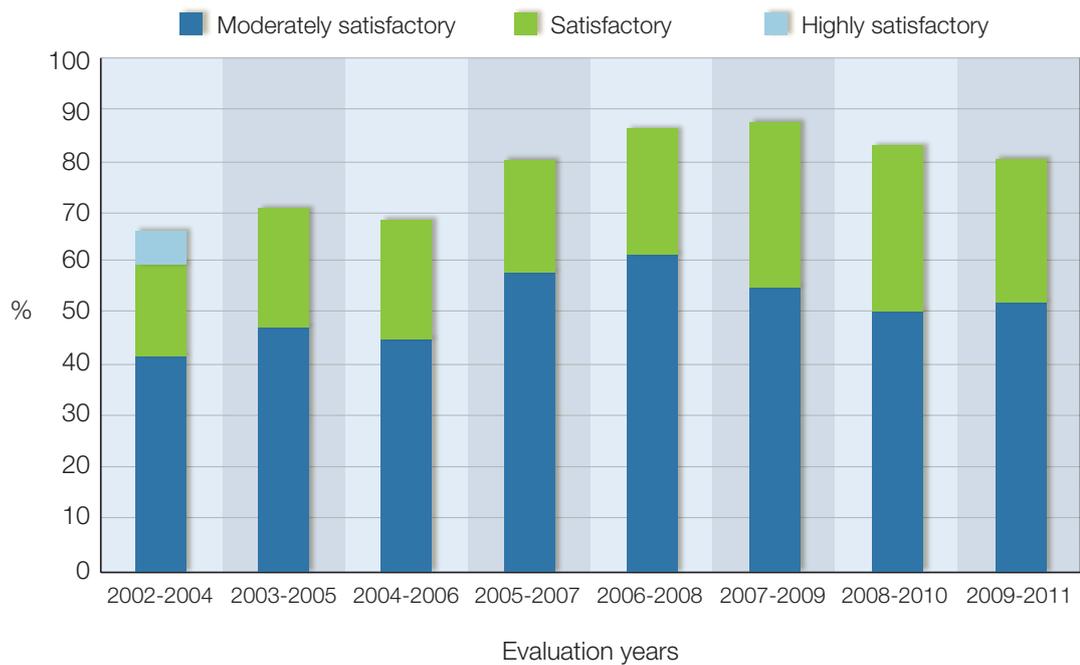
### Government performance



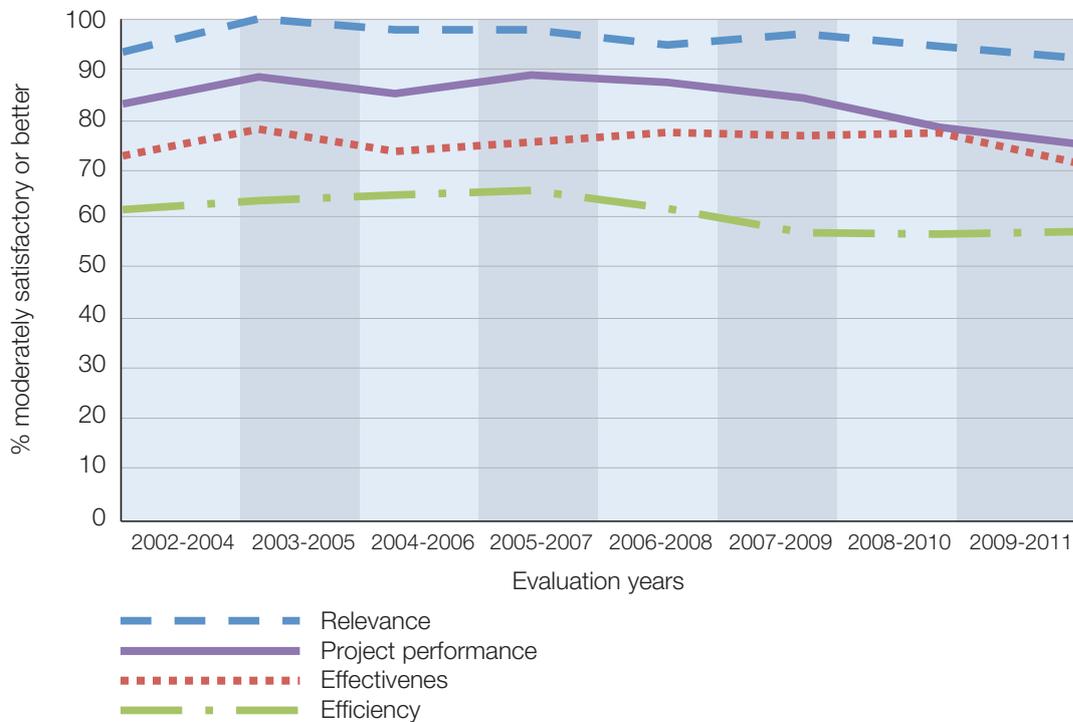
### IFAD performance



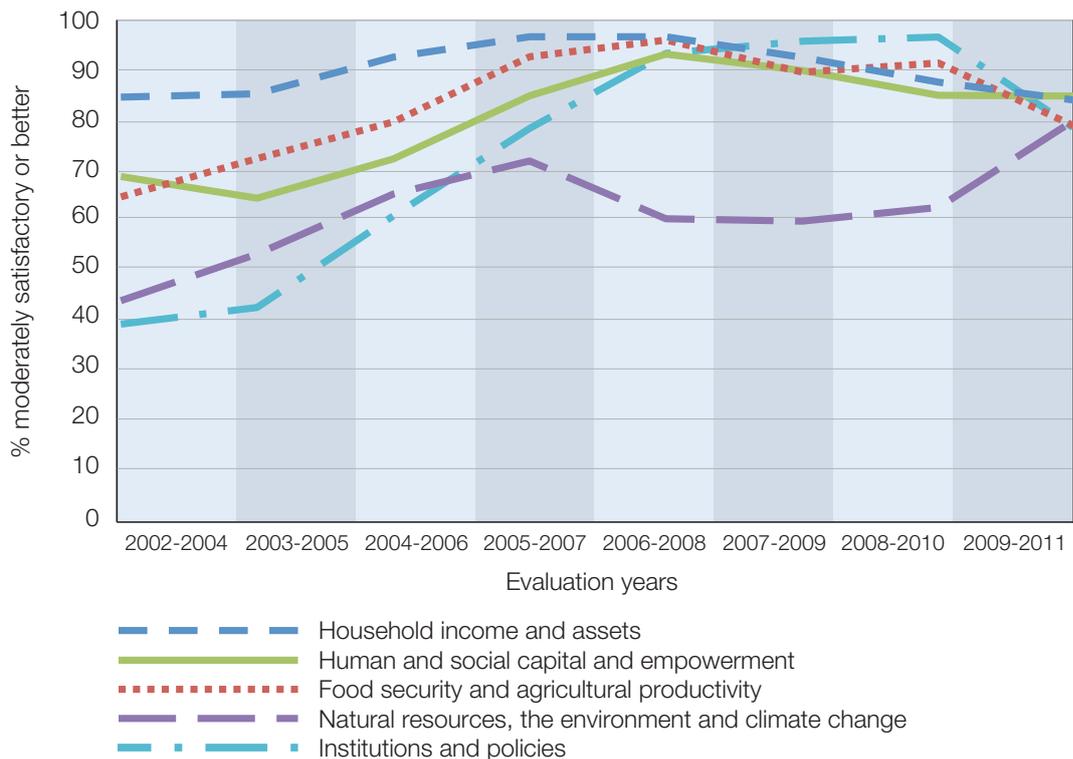
### Overall project achievement



### Relevance, effectiveness, efficiency and project performance



### Rural poverty impact by domain





### **Haiti. Food Crops Intensification Project, Phase II**

Women sort through black beans. The Food Crops Intensification Project focuses on an area where 95 per cent of the people depend on agriculture as their main source of livelihood and where one third of the population is involved in seasonal migration to the capital city of Port-au-Prince and to the Dominican Republic. Farm families have six members on average, and 90 per cent of the farms consist of less than 4 hectares. Food production per capita is inadequate.

## Annex 6 Evaluations included in the 2012 ARRI

Type	Country/ region	Title	Executive Board approval date	Project completion date	IFAD loan <sup>a</sup> (US\$ million)	Total project costs <sup>a</sup> (US\$ million)	
Country programme evaluations	Jordan <sup>b</sup>	National Programme for Rangelands Rehabilitation and Development Project – Phase I <sup>c</sup>	December 1997	June 2005	4.0	9.0	
		Agricultural Resource Management Project in the Governorates of Karak and Tafila	December 1995	June 2003	12.8	18.5	
		Agricultural Resource Management Project – Phase II	December 2004	December 2015	11.8	42.0	
	Uganda <sup>b</sup>	Area-based Agricultural Modernization Programme <sup>c</sup>	December 1999	June 2008	13.2	30.0	
		National Agricultural Advisory Services Programme	December 2000	June 2010	17.5	107.9	
		Rural Financial Services Programme	September 2002	June 2013	18.4	24.5	
		District Livelihoods Support Programme	December 2006	December 2014	47.8	50.9	
		Community Agricultural Infrastructure Improvement Programme	September 2007	March 2013	32.0	81.9	
	Project performance assessments	Armenia	Rural Areas Economic Development Programme	December 2004	September 2009	15.3	28.7
		Bangladesh	Microfinance and Technical Support Project	April 2003	December 2010	16.3	20.2

Type	Country/ region	Title	Executive Board approval date	Project completion date	IFAD loan <sup>a</sup> (US\$ million)	Total project costs <sup>a</sup> (US\$ million)
Project performance assessments	Burundi	Rural Recovery and Development Programme	April 1999	June 2010	20.0	34.2
	Republic of Moldova	Rural Business Development Programme	December 2005	September 2011	13.0	20.3
	Philippines	Northern Mindanao Community Initiatives and Resource Management Project	December 2001	June 2009	14.8	21.6
	Zambia	Forest Resource Management Project	December 1999	June 2007	12.6	16.0
Project completion report validations	Grenada	Rural Enterprise Project	April 2001	June 2009	4.2	7.7
	Guinea	Programme for Participatory Rural Development in Haute-Guinée	December 1999	March 2010	14.0	19.8
	Haiti	Food Crops Intensification Project – Phase II	December 1998	September 2010	15.4	20.1
	Honduras	National Fund for Sustainable Rural Development Project	December 1999	November 2009	16.5	25.7
	Honduras	National Programme for Local Development	April 2001	November 2009	20.0	31.3
	Morocco	Rural Development Project Taourirt – Taforalt	December 1996	December 2009	19.5	49.4
	Nicaragua	Programme for the Economic Development of the Dry Region in Nicaragua	April 2003	December 2010	14.0	25.0

Type	Country/ region	Title	Executive Board approval date	Project completion date	IFAD loan <sup>a</sup> (US\$ million)	Total project costs <sup>a</sup> (US\$ million)
Project completion report validations	Syrian Arab Republic	Badia Rangelands Development Project	April 1998	December 2010	20.2	104.9
	Tunisia	Agropastoral Development and Local Initiatives Promotion Programme for the South-East (PRODESUD)	September 2002	June 2010	23.2	52.2
	Zambia	Smallholder Enterprise and Marketing Programme	December 1999	June 2008	15.9	18.3
Evaluation syntheses	All	Targeting				
	All	Gender				
<b>Total</b>					412.4	860.1

<sup>a</sup> The IFAD loan and the costs indicated for the two CPEs relate to the total loan amount and overall costs only of those projects evaluated and rated in the framework of the corresponding 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.

<sup>b</sup> The projects listed in the next column were individually assessed as part of the Jordan and Uganda CPEs respectively. They do not constitute a comprehensive list of projects funded by IFAD in the two countries.

<sup>c</sup> The project has undergone a project performance assessment.

## Annex 7 Objectives of country programmes and individual projects evaluated

### Objectives of country strategies

The main objectives of the two country strategies are summarized below.

**Jordan.** The 2007 COSOP identifies three strategic objectives of the country programme as follows:

- a. Strategic objective 1: Improved access to markets, rural finance and technical advisory services for poor rural women and men;
- b. Strategic objective 2: Improved and sustainable access to land and water resources for poor rural women and men; and
- c. Strategic objective 3: Strengthened capacities of poor rural people and their organizations.

**Uganda.** The 2004 COSOP objective is that coherent, supportive national policy/strategy, institutional and material frameworks for smallholders are provided. The COSOP also identified four results/outputs as follows:

- a. Sector-wide programmes successfully implemented, uniting government and donor efforts in providing a basis for smallholder development, especially relating to:
  - i. access to improved technologies
  - ii. access to land
  - iii. access to finance
  - iv. access to markets;
- b. Marginal areas and regions emerging from conflict rehabilitated;
- c. Orphan crisis (brought about by effects of civil disorder and HIV/AIDS pandemic) mitigated; and
- d. Policy dialogue, partnership development and knowledge management enhanced.

### Objectives of projects and programmes

Country and project/ programme names	Objectives
<p><b>Armenia</b> Rural Areas Economic Development Programme</p>	<p>The programme's overall goal and objectives are to increase sustainable incomes among rural people in the mountain areas of seven disadvantaged <i>marzes</i> and to stimulate sustained growth of rural enterprise activity in the defined programme area. The principal outputs will be to: (i) provide medium- and long-term financing to rural commercial entities in a competitive environment; (ii) ensure that SMEs have effective access to required business intermediation services; and (iii) establish commercially derived infrastructure in the programme area. More specifically, the project is expected to contribute to a number of beneficial results at institutional and operational levels within the financial sector. For example, it will increase the competence and interest of commercial banks to serve small and medium-sized enterprise clients, and it will provide new and more appropriate financing instruments to the client population. Financial-sector reforms and operations will also constitute the principal areas for future policy dialogue with the Government.</p>

Country and project/ programme names	Objectives
<b>Bangladesh</b> Microfinance and Technical Support Project	The project's goals are the improved livelihoods and food security of moderately and hard-core poor households and the empowerment of women. Its objectives are the adoption of sustainable income-generating activities and livestock technologies by the moderately and hard-core poor people and the acquisition of livestock knowledge by the Palli Karma-Sahayak Foundation (PKSF) and its partner organizations (POs). The project will seek to meet these objectives by financing three components: (i) microcredit; (ii) technical support, with four sub-components (training for beneficiaries, training for PO staff, training for PKSF and other government staff, and research and development); and (iii) project implementation support, with three subcomponents (project coordination, monitoring and evaluation, and support to POs).
<b>Burundi</b> Rural Recovery and Development Programme	The objective of the programme is to contribute to establishing conditions in which poor rural people and their communities can develop and implement sustainable individual and collective strategies to overcome what they perceive as the main obstacles to improving household food security and income and reducing the pressure on livelihoods that has so persistently contributed to social tension. The programme includes six components: (i) community development; (ii) on-farm production support; (iii) natural resource development and conservation; (iv) socio-economic infrastructure development; (v) support to local initiatives; and (vi) programme coordination.
<b>Grenada</b> Rural Enterprise Project	The project's main goal is to reduce rural poverty in a sustainable and gender-equitable manner, offering rural households a chance to enhance their incomes by helping them recognize and realize economic opportunities. This is in line with the Government's long-term goal for poverty eradication. The project's objectives are to: (i) diversify, improve and sustain beneficiary income-earning activities; (ii) strengthen capacities and build confidence within rural communities; (iii) strengthen rural service providers so they can meet community needs; (iv) promote efficient and environmentally sustainable production and processing activities; and (v) foster sector and market linkages.
<b>Guinea</b> Programme for Participatory Rural Development in Haute-Guinée	The goal of the programme is to contribute sustainably to improving the incomes and living conditions of the target group, especially women and other vulnerable groups. Specific objectives include: (i) fostering self-managed, sustainable grass-roots organizations capable of undertaking their own development; (ii) promoting sustainable rural financial service systems, with emphasis on meeting women's needs; (iii) raising farm and non-farm household incomes; and (iv) ensuring participatory and rational planning and use of programme resources while promoting coordination with other donors.
<b>Haiti</b> Food Crops Intensification Project – Phase II	The overall goal of the project is to bring about sustainable improvement in incomes, welfare and participation in the development of rural households following a gender-balanced approach. Its specific objectives are to: (i) strengthen the capacity of grass-roots organizations; (ii) provide financial support to community initiatives identified within the framework of local and participatory development plans; and (iii) improve the sustainable access of poor rural people to financial services.

Country and project/ programme names	Objectives
<p><b>Honduras</b> National Fund for Sustainable Rural Development Project</p>	<p>The project's development objective is to bring about sustainable improvement in human development conditions and local empowerment by fostering rural development opportunities. Primarily, it aims to: (i) raise target population incomes through expansion and diversification of agricultural production and off-farm activities while improving access to development opportunities, particularly for indigenous people, rural women and youth; (ii) increase access to key production and financial resources and markets through multiple microprojects and other activities financed from the rural development fund, and rehabilitate physical and productive infrastructures damaged by Hurricane Mitch; (iii) enhance household food security through improved production/storage of basic foods; (iv) improve the management and conservation of natural resources, particularly in hillside farming areas; and (v) strengthen the service delivery capacity of local organizations, municipal governments and providers of technical services (rural development enterprises) through the provision of resources for selected institution-building activities and training.</p>
<p><b>Honduras</b> National Programme for Local Development</p>	<p>The overall objective of the programme is to enable poor rural communities to gain access to rural investments, local development institutions and technical services in order to increase their food security, income and employment levels, and to ensure sustainable management of natural resources. To that end, it will: (i) strengthen local organizations and institutions to enable them to address development needs and undertake self-management development initiatives; (ii) enhance the quality of private rural development services and expand their geographic coverage; (iii) provide financial support for local initiatives that will lead to long-term development; and (iv) establish effective management processes and an efficient programme management unit. It will also promote increased collaboration with development partners at the field level; derive lessons of experience and best practices; and promote innovative intervention mechanisms for the management of natural resources and for rural development finance.</p>
<p><b>Republic of Moldova</b> Rural Business Development Programme</p>	<p>The programme's overall goal is to produce sustainable income growth for poor people in rural areas and small towns in the Republic of Moldova by stimulating the growth of strategic farming and rural business activities in which the country has a comparative advantage. Its approach is designed to induce incremental private and public investment and, by extension, income growth through existing and new rural value chains. Programme investments are organized under four components: (i) rural enterprise mediation services; (ii) rural financial services; (iii) market-derived infrastructure investment; and (iv) programme management.</p>
<p><b>Morocco</b> Rural Development Project for Taourirt-Taforalt</p>	<p>The objective is to improve the incomes and living conditions of farmers living in the project area through protection of natural resources, increased productivity and profitability of agricultural exploitation and improved use of pastoral resources. The project also aims to improve the living conditions of women and rural youth through promotion of on- and off-farm income-generating activities and infrastructure for drinkable water.</p>

Country and project/ programme names	Objectives
<p><b>Nicaragua</b> Programme for the Economic Development of the Dry Region in Nicaragua</p>	<p>The programme's overall development objective is to contribute to the reduction of rural poverty by increasing the income of poor rural households. Its specific objective is to improve sustainable and equitable access by poor rural households to assets that allow them to benefit from income-generating opportunities. The programme is demand-driven. It will assist in the participatory planning and implementation of business and employment plans. In addition, it will ensure improved access to income-generating activities by: (i) strengthening the target group's capacity to access markets, with special emphasis on creating the right conditions for women and youth; and (ii) increasing the supply of local financial and non-financial services. All business and employment plans must fulfil feasibility and sustainability criteria.</p>
<p><b>Philippines</b> Northern Mindanao Community Initiatives and Resource Management Project</p>	<p>The overall goal will be to reduce the vulnerability and enhance the food security of about 58,500 low-income households (310,000 people) in the project area. This will be achieved by: (i) promoting/strengthening community institutions of indigenous people, poor upland farmers, agrarian reform beneficiaries, poor fisher families and women's self-help groups – making them self-reliant and capable of undertaking their own development activities; (ii) promoting the conservation and improvement of their natural resource base; (iii) improving village infrastructure; (iv) facilitating the representation of indigenous peoples in local councils and the issuance of certificates of ancestral land/domain titles; and (v) enhancing the responsiveness of local government units and other service providers to the diverse needs of community institutions.</p>
<p><b>Syrian Arab Republic</b> Badia Rangelands Development Project</p>	<p>The project will re-establish the productive capacity of the Syrian Arab Republic's Badia resources in 3.0 million hectares in eight provinces. It will establish and implement a replicable participatory methodology for sustainable natural resource conservation and management. The project will be the first large-scale integrated operation aimed at preserving the environment and improving the well-being of the Bedouin community. It has five components: (i) rangeland development; (ii) livestock development; (iii) rural infrastructure; (iv) community development; and (v) project management.</p>
<p><b>Tunisia</b> Agropastoral Development and Local Initiatives Promotion Programme for the South-East</p>	<p>The programme will seek to initiate a process of community-led sustainable development. To this end, it will create instruments to: (i) promote participatory and sustainable management of pastures and water resources; (ii) improve livestock husbandry practices; and (iii) promote local economic initiatives. The programme is expected to produce the following economic, environmental and socio-institutional outputs: (i) strengthened organizational structures and capacities of rural people; (ii) a governmental and administrative apparatus more responsive to people's expressed needs, and better able to carry out policies in partnership with professional and civil society organizations; (iii) increased presence of women and young people in decision-making and economic management processes; (iv) improved productivity of pasture land through investments and collective discipline; (v) rehabilitation of existing irrigation schemes; (vi) enhanced productivity of livestock production systems; and (vii) increased and more-diversified sources of income.</p>

Country and project/ programme names	Objectives
<b>Zambia</b> Forest Resource Management Project	The goal of the project is to increase the incomes of poor people who depend on the exploitation of forest resources. It will do so both in the short term, through increased productivity and more efficient marketing, and in the longer term, by maintaining forest production activities at sustainable levels. The project is structured around three components: (i) community development in forest areas; (ii) sustainable income generation; and (iii) project facilitation.
<b>Zambia</b> Smallholder Enterprise and Marketing Programme	The primary objective of the programme is to improve smallholder farmers' access to input and output markets, with the overall goal of realizing increased smallholder incomes and food security. This will be achieved through five intermediate objectives: (i) facilitate the formation and strengthening of smallholder enterprise groups and develop the capacity of local institutions to implement such activities; (ii) improve physical access to input and output markets in concert with market linkage initiatives; (iii) facilitate a cost-effective, competitive and efficient network of agribusiness/trading enterprises that serve smallholder farmers; (iv) promote diversification in production and marketing of smallholder crops/enterprises; and (v) strengthen the policy, legislative and institutional framework for improving smallholder-market linkages.

## Annex 8 Summary of main issues raised in previous ARRIs

ARRI	Highlighted issues	Learning themes
2002	<ul style="list-style-type: none"> <li>- poverty targeting</li> <li>- monitoring and evaluation</li> <li>- sustainability</li> <li>- replicable innovation and policy influence</li> </ul>	
2003	<ul style="list-style-type: none"> <li>- poverty objectives and impacts</li> <li>- working beyond the project</li> <li>- marketing</li> <li>- IFAD as a strategic partner at the national level</li> <li>- social capital</li> </ul>	
2004	<ul style="list-style-type: none"> <li>- ownership of objectives and priorities</li> <li>- policy and institutional country context</li> <li>- project design and implementation support</li> <li>- target group focus</li> <li>- partnerships and efficiency</li> <li>- diversified approaches and services</li> </ul>	
2005	<ul style="list-style-type: none"> <li>- project review and supervision</li> <li>- impact on the poorest people</li> <li>- sustainability</li> <li>- risk management</li> </ul>	
2006	<ul style="list-style-type: none"> <li>- country context</li> <li>- monitoring and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>- sustainability</li> <li>- innovation</li> </ul>
2007	<ul style="list-style-type: none"> <li>- access to markets</li> <li>- environment and natural resources</li> <li>- sustainability</li> <li>- innovation and scaling up</li> </ul>	<ul style="list-style-type: none"> <li>- country context</li> <li>- monitoring and evaluation</li> </ul>
2008	<ul style="list-style-type: none"> <li>- project efficiency</li> <li>- government performance as a partner</li> <li>- performance in sub-Saharan Africa</li> </ul>	<ul style="list-style-type: none"> <li>- access to markets</li> <li>- environment and natural resources</li> </ul>

ARRI	Highlighted issues	Learning themes
2009	<ul style="list-style-type: none"> <li>- 'moderately satisfactory' performance</li> <li>- government performance as a partner</li> <li>- IFAD performance as a partner</li> <li>- efficiency</li> <li>- sustainability</li> <li>- scaling up</li> <li>- environment and natural resources</li> <li>- IFAD results measurement framework</li> <li>- gender</li> <li>- non-lending activities</li> <li>- supervision and implementation support</li> </ul>	<ul style="list-style-type: none"> <li>- efficiency</li> </ul>
2010	<ul style="list-style-type: none"> <li>- 'moderately satisfactory' performance</li> <li>- COSOP and institutional analysis</li> <li>- policy dialogue</li> <li>- private-sector partnerships</li> <li>- partnerships with IFIs</li> <li>- counterpart funding</li> <li>- country presence and CPMs</li> <li>- country and project-level M&amp;E</li> </ul>	<ul style="list-style-type: none"> <li>- supervision and implementation support</li> </ul>

## Annex 9 Disconnect between PCRV/ PPA ratings and PCR ratings

Evaluation criteria	Average disconnect
Relevance	-0.5
Effectiveness	-0.6
Efficiency	-0.4
Project performance	-0.6
Rural poverty impact	-0.1
Sustainability	-0.2
Innovation and scaling up	-0.6
Gender equality and women's empowerment	-0.3
Performance of IFAD	-0.1
Performance of government	-0.2
Overall project achievement	-0.3
Average disconnect with PCR ratings (PCR <sub>V</sub> – PMD ratings)	-0.4
<b>Impact domains</b>	
Household income and assets	-0.4
Human and social capital and empowerment	-0.2
Food security and agricultural productivity	-0.2
Natural resources and the environment and climate change	-0.4
Institutions and policies	0.0
<b>PCR document quality</b>	
Scope	-0.4
Quality (method, data, participatory process)	-0.7
Lessons	-0.1
Candour	-0.3
Overall rating PCR document	-0.3

# Annex 10 Response of IFAD Management to the Annual Report on Results and Impact of IFAD Operations evaluated in 2011

## Introduction

In line with the decisions taken by the Executive Board in September 2004 and reconfirmed by the Revised IFAD Evaluation Policy (document EB/2011/102/R.7/Rev.1, paragraph 54), this document presents IFAD Management's written response to the Annual Report on Results and Impact of IFAD Operations (ARRI) evaluated in 2011 (document EC 2012/74/W.P.3).

## Methodological issues

This year's ARRI sample consists of 24 projects: 16 projects reported through 15 project completion reports (PCRs)<sup>22</sup> after due validation through the project completion report validation (PCRv) or the project performance assessment (PPA) process; and 8 projects assessed under two country programme evaluations – Jordan and Uganda. The inclusion of PCRs has allowed the Independent Office of Evaluation of IFAD (IOE) to enlarge the size of the sample that underpins ARRI findings and thus increase the overall robustness of these findings. This has contributed to addressing Management's concern that the trend analyses contained in past ARRIs, using data exclusively from the independent evaluations, were not reliable given the small and non-random nature of the sample.

When considering the data presented in this year's ARRI, it is important to note that the projects comprising any given year's ARRI sample are not a true 'cohort': they have significantly different statistical characteristics (e.g. in terms of entry and completion dates) and thus are not representative of any specific category of project. This makes trend analysis risky and unreliable.

Annex I illustrates this point. Almost half of the projects in the 2012 ARRI sample (45 per cent) were approved in or before 1999 and about 20 per cent were approved in or after 2004. Over 40 per cent were completed in or before 2009 and about 16 per cent are ongoing. The 'older generation' projects<sup>23</sup> and some of the ongoing projects that have not yet achieved their outcome-level objectives<sup>24</sup> have reported lower performance and have thus contributed to the significantly lower overall performance in 2011.

In light of the above, IFAD Management feels that it would be of greater benefit if:

- (a) Comparisons were made by grouping together 4- to 5-year data and by using appreciably distinct time frames;
- (b) The projects selected in any given year had, to the extent possible, similar project initiation (design and approval) and completion dates; and
- (c) The ARRI included projects completed and reviewed more recently, which would be generally in line with the universe included in the Report on IFAD's Development Effectiveness (RIDE) of that year.

In addition, some discussion of the project sample included in any given year would give the reader a better perspective on the data being presented.

## Evaluation findings

### PCR document quality

This year's ARRI continues to report on systemic issues and to identify lessons emerging from the PCRVs and the PPAs. While thanking IOE for the effort that this has

22. Two projects had a joint PCR.

23. For example, in Jordan, the National Programme for Rangeland Rehabilitation and Development – Phase I, and the Agricultural Resource Management Project in the Governorates of Karak and Tafilat; and in Grenada, the Rural Enterprise Project.

24. This could include, in Uganda, the Rural Financial Services Programme; and in Jordan, the Agricultural Resource Management Project – Phase II.

required, IFAD Management would like make the following comments.

On variability in PCR quality, it is important to note that the project completion process is led by the borrowing/recipient Member States, and that the outputs in the form of PCRs remain their product (General Conditions for Agricultural Development Financing, article 8.04). IFAD's current operating model accords highest priority to respecting country ownership of the development process and to building national capacities, including for evaluations. IFAD will therefore pay greater attention to helping build government capacity in this respect.

As communicated through the Management response to last year's ARRI, the quality of project-level monitoring and evaluation (M&E), although improving, remains weak. This weakness will continue to affect the quality not only of PCRs but also of the evaluations undertaken by IOE. The PCR process alone, however, cannot bring about radical changes in the quality of M&E.

As part of the effort to facilitate knowledge-sharing, IFAD Management has posted 150 project completion digests and corresponding PCRs and performance ratings.<sup>25</sup> In line with the IFAD Policy on the Disclosure of Documents, these are accessible not only to IFAD staff but also to the general public.

Beginning with the current PCR review cycle, prior to being posted, the PCR digest and the ratings assigned are shared with the concerned country programme manager (CPM), who is requested to comment and make suggestions on these outcomes. In addition, the PCRV and PPA guidelines are being upgraded to allow for the increased participation of country programme management teams in the PCR review and rating process.

In reviewing the PCRs, the Programme Management Department (PMD) front office uses the project supervision reports but validates them against Results and Impact Management System (RIMS) reports. It then calculates the divergence between the PCR ratings and the last project status report ratings, assigned by the supervision mission.

In terms of document management, PMD has given high priority to the Project Life File system, through which all relevant project documents are assembled in an 'electronic home'.

#### Comparative performance of the projects evaluated and reviewed

The methodological issues highlighted above have significant bearings on the results reported in this year's ARRI. First, it should be noted that the sample sizes of the early ARRIs were small – for example, 10 or fewer projects per year between 2002 and 2004 (annex II). Furthermore, sample sizes have varied significantly over the years – ranging from 9 to 40 projects per year. More importantly, the samples were selected on a non-random basis. As a result of these factors, performance as reported by the ARRI swings significantly from year to year.<sup>26</sup> This is particularly so for impact domains related to project effectiveness, poverty impact, sustainability, innovation/scaling up and IFAD performance (see table in annex III recreated using annual historical performance against key indicators reported in ARRIs).

In contrast, performance reported through the PCRs shows much less variation (annex III). This is explained at least in part by the fact that these ratings are based on the entire universe of the projects completed in a given review period.<sup>27</sup>

**25.** This is consistent with the commitment made under the Action plan for strengthening the self-evaluation system (EB 2011/103/R.6), paragraph 34.

**26.** Measured as a coefficient of variation (standard deviation divided by the mean multiplied by 100 per cent).

**27.** IFAD Management's self-evaluation, including through PCRs, does not take samples and thus covers the entire universe.

The above requires that the performance trend analyses presented in the ARRI are interpreted with a high level of caution.

With respect to the relative performance of various impact domains, in particular the domains that are performing relatively weakly, it is noteworthy that the findings of the self-evaluation and the independent evaluation systems generally coincide. This is shown by the relatively low level of 'disconnect' between the figures presented in the ARRI and those in the RIDE.

The level of disconnect, however, has increased in recent years with the introduction of PCRVs, in particular after IFAD Management started sharing its ratings prior to IOE's validation exercise. In this light, IFAD may have to revert back to the system of independent ratings by IOE without reference to the IFAD Management ratings. The ratings database can be shared at the completion of the review cycle for comparison purposes. Such a 'blind rating' is being applied by PMD for all PCRs reviewed since last year. The results thus obtained are generally more robust.

IFAD Management agrees with this year's ARRI's contention that country context is a major determinant of project performance. The analyses undertaken in that light are welcome. In interpreting the results presented, however, the following factors need to be considered carefully:

(a) The sample sizes for fragile states (23 projects) and upper-middle-income countries (16 projects) are too small, especially in view of the fact that these projects were reviewed over the course of a decade and initiated and completed over an even longer time frame; and

(b) Even in countries that are considered 'non-fragile', IFAD operates with target groups in areas that are characterized by fragility (e.g. weak institutions, widespread social discontent and unrest, lack of basic physical infrastructure, etc.). The formal classification obtained by applying the Harmonized List of Fragile Situations may therefore not lead to an accurate analysis.

In undertaking the proposed learning theme on different country categories in next year's ARRI, IOE may find the above considerations of significant value.

### Country programme performance

IFAD Management has noted ARRI's conclusion that "IFAD has generally good partnerships ... (and) ... is highly appreciated." It agrees that PMD too needs to step up its knowledge management efforts and would like IOE to note that annual portfolio reviews, learning fairs, meetings with project managers, and the posting of 150 project completion digests and corresponding PCRs and performance ratings are notable knowledge management achievements. With regard to the proposed discussion on country strategic opportunities programme (COSOP) completion review validations, however, IFAD Management has serious reservations as IFAD is constrained in these exercises by significant resource limitations when compared with other international financial institutions (IFIs).

On country presence, in particular with respect to the outposting of CPMs, a number of decisions have been taken in the past year that will help contain costs (IFAD Country Presence Policy – Update) and IOE may like to refer to those changes.

### Selected project and programme issues

IFAD Management takes note of the five selected issues that IOE considers to be important challenges. Of these, most are of high relevance to IFAD, and issues such as efficiency are being subjected to a full-fledged corporate-level evaluation. Understandably, for want of space, the discussion has been kept at a fairly general level and the findings and recommendations are of a generic nature. In this light, IOE may wish to consider limiting the project and programme issues selected to a maximum of two – as is the practice with learning themes in past ARRI – and dealing with these in detail and with greater contextualization.

### Learning theme – policy dialogue

Country-level policy dialogue is a major concern. Since policy dialogue relates to establishing the policy and institutional framework for transforming effective approaches into broad, multistakeholder initiatives, it will be an important factor in the success of the scaling-up strategy in achieving expanded impact targets. IFAD has in the past principally focused on policy issues bearing on projects, and the success of projects with this emphasis compared with others without suggests that these efforts have been effective. In this regard, a retrospective review that spans 10 years does not capture the increased attention paid to this issue in recent years, and it is worth noting that there are many examples not only of successful project-related policy changes, but also of the integration of project-related changes into the broader policy and institutional framework in the specific areas of IFAD's engagement.

The question remains of what model of engagement in policy dialogue is relevant for IFAD. The ARRI dwells at length upon the World Bank approach, without, however,

demonstrating that the much higher level of policy dialogue has been effective, particularly in the agricultural sector. Clearly, IFAD cannot hope to emulate the World Bank. The sheer size of its financing resources guarantees the World Bank a place at the policy table that IFAD cannot usually aspire to. Moreover, the World Bank, through its own resources and through substantial trust funds, supports its policy engagement with a high level of expenditure devoted mainly to undertaking economic and sector analyses. IFAD cannot match this expenditure.

IFAD has sought to develop and implement an approach that is more cost-effective, more economical and, at the same time, more broad-based. It is supporting greater policy engagement through decentralization and the outposting of CPMs. It has been narrowing its focus to engage with the truly strategic issues in smallholder development. And it has been broadening its partnerships. The ARRI points to the need for policy partnerships with other IFIs – whose engagement with smallholder-related issues has been rather marginal in most cases (hence limiting the scope for effective partnerships). It overlooks a different set of partnerships that IFAD has been assiduously developing – with organizations of poor people themselves. In effect, a central element of IFAD's strategy to improve the policy environment for smallholder development has been to strengthen the capacity of poor people's organizations to participate in policy processes at local and national levels – including farmers' organizations (both national and regional), self-help groups and community organizations. The World Bank's model is **not** IFAD's model. The objective is not to have IFAD speak on behalf of smallholders, but for smallholders themselves to have a bigger voice. This vital element of IFAD's strategy is not recognized in the ARRI, which, therefore,

offers a very incomplete picture of IFAD's engagements and accomplishments.

Nonetheless, IFAD staff do have an important role in policy dialogue, not least because inclusion of smallholder organizations in policy dialogue is very uneven across the country systems in which IFAD operates. As IFAD's increasingly decentralized staff move towards the greater policy engagement required by the scaling-up strategy, they need support. This is one of the reasons that the Office of Strategy and Knowledge Management was created in IFAD: to provide analysis of the policy dimensions of emerging issues; to bring to bear knowledge about best practice; and to help articulate analysis and knowledge into the policy work of IFAD staff and their country-level partners. The strength of multi-year retrospectives in evaluation is that the limitations of an extremely small sample base of cases examined are overcome. The weakness is that it is a poor instrument for recognizing change – unless findings are stratified by 'age', which, however, reveals again the limits of the sample size. IFAD welcomes IOE's emphasis on the importance of policy dialogue – clearly defined and within a sustainable model. Management looks forward to working with IOE in exploring how IFAD can respond to the true demand of the developing countries with which IFAD works (demand that the ARRI – within an essentially supply-side commentary – did not analyse), i.e. for collaboration rather than didacticism, and for building the capacities of local stakeholders to effectively address policy issues themselves.

### Benchmarking

IFAD Management appreciates IOE's efforts in benchmarking IFAD's performance with that of other IFIs, which, while involving "challenges" with respect to "comparable data", is "important to IFAD". It also notes that the performance of

IFAD-assisted operations is "considerably better than [the Asian Development Bank] in the Asia and Pacific region for the period 2000-2011, and broadly similar to World Bank operations globally." The report also notes that, as per previous years' data, IFAD's performance has been considerably better than that of the African Development Bank. This indicates that IFAD-assisted operations are conducted in line with the best standards in the sector.

For reasons cited above, IFAD Management would consider only the pooled sample over 2000-2011 and would avoid comparing performance over different time periods – whether for external or internal benchmarking. Performance analyses across geographical regions give some interesting insights. Care should be taken, however, in view of the necessarily reduced regional sample size and the wide-ranging time frames within which these projects were designed and implemented.

### Recommendations

Of the seven recommendations made in the 2012 ARRI, IFAD Management supports the following:

- (a) The 2013 ARRI should have two learning themes: (i) examination of particularly successful and unsuccessful projects in different country categories, with a special emphasis on fragile states and middle-income countries; and (ii) a deeper analysis of the role of governments;
- (b) IFAD Management should pay special attention to further improving the quality and usefulness of PCRs;
- (c) A dedicated slot should be allocated at the first session of future replenishment consultations, starting from the Tenth Replenishment in 2014, for IOE to present the most recent ARRI available at the time; and

(d) Implementation of the above recommendations should be followed up through the President's Report on the Implementation Status of Evaluation.

Of the above, (b), (c) and (d) have been or are being implemented by IFAD Management and as such are not new recommendations. Similarly, concerning the recommendation that future ARRI should track, and report on performance in, "those evaluation criteria" (i.e. relevance, effectiveness, efficiency and government performance), IFAD Management feels that this is in line with the current practice and the provisions of the Evaluation Manual and thus is not a new recommendation.

With respect to the issues discussed in the ARRI document on the second paragraph of the *policy dialogue assessment in CPEs* and the *IFAD manager's views* subsections and the ARRI recommendation that these should be addressed to improve performance in policy dialogue at the country level, IFAD Management would suggest that IOE take note of Management's response contained in the section above on policy dialogue.

Concerning the recommendation that the ARRI should be considered one of the first agenda items at the Executive Board's December sessions prior to Board discussions on the Fund's annual programme of loans and grants and administrative budget for the subsequent year, IFAD Management would like to reflect on this further. In the event that this recommendation is agreed, both the ARRI and the RIDE will be presented to the Board prior to the discussion on the Fund's annual programme of loans and grants and administrative budget.

## Annex I to the Response of IFAD Management Entry and completion cohort for the ARRI 2010-2012

### A. Board approval

Year project approved	ARRI 2010		ARRI 2011		ARRI 2012		<i>Total (three-year cohort)</i>	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
1993	-	0	1	3	-	0	1	1
1994	-	0	-	0	-	0	-	0
1995	1	6	-	0	1	4	2	2
1996	2	12	-	0	1	4	3	4
1997	3	18	2	5	1	4	6	7
1998	-	0	2	5	2	8	4	5
1999	3	18	4	10	6	25	13	16
2000	4	24	10	25	1	4	15	19
2001	4	24	3	8	3	13	10	12
2002	-	0	7	18	2	8	9	11
2003	-	0	4	10	2	8	6	7
2004	-	0	2	5	2	8	4	5
2005	-	0	3	8	1	4	4	5
2006	-	0	2	5	1	4	3	4
2007	-	0	-	0	1	4	1	1
<b>Total</b>	<b>17</b>	<b>100</b>	<b>40</b>	<b>100</b>	<b>24</b>	<b>100</b>	<b>81</b>	<b>100</b>

## B. Loan effectiveness

Year project became effective	ARRI 2010		ARRI 2011		ARRI 2012		Total (three-year cohort)	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
1994	-	0	1	3	-	0	1	1
1995	1	6	-	0	-	0	1	1
1996	-	0	-	0	1	4	1	1
1997	-	0	-	0	-	0	-	0
1998	3	18	2	5	3	13	8	10
1999	2	12	1	3	1	4	4	5
2000	-	0	6	15	2	8	8	10
2001	4	24	7	18	4	17	15	19
2002	5	29	4	10	3	13	12	15
2003	2	12	5	13	3	13	10	12
2004	-	0	6	15	2	8	8	10
2005	-	0	2	5	2	8	4	5
2006	-	0	3	8	1	4	4	5
2007	-	0	3	8	1	4	4	5
2008	-	0	-	0	1	4	1	1
<b>Total</b>	<b>17</b>	<b>100</b>	<b>40</b>	<b>100</b>	<b>24</b>	<b>100</b>	<b>81</b>	<b>100</b>

### C. Project completion

Year project completed/ to be completed	ARRI 2010		ARRI 2011		ARRI 2012		<i>Total (three-year cohort)</i>	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2004	1	6	-	0	-	0	1	1
2005	1	6	2	5	1	4	4	5
2006	3	18	-	0	-	0	3	4
2007	1	6	3	8	1	4	5	6
2008	3	18	4	10	2	8	9	11
2009	2	12	13	33	6	25	21	26
2010	1	6	4	10	8	33	13	16
2011	3	18	6	15	1	4	10	12
2012	1	6	4	10	-	0	5	6
2013	-	0	2	5	2	8	4	5
2014	-	0	1	3	1	4	2	2
2015	-	0	1	3	1	4	2	2
2016	1	6	-	0	-	0	1	1
<b>Total</b>	<b>17</b>	<b>100</b>	<b>40</b>	<b>100</b>	<b>24</b>	<b>96</b>	<b>81</b>	<b>99</b>

**Annex II to the Response of IFAD Management  
Annual performance shown by independent evaluation and reported in ARRI**

Impact domains	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Mean (2002-2011)	Standard deviation (2002-2011)	Coefficient of variation (2002-2011)
<b>Number of projects included in ARRI</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>32</b>	<b>15</b>	<b>12</b>	<b>11</b>	<b>17</b>	<b>40</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-</b>
Relevance	80	90	99	100	93	100	91	100	93	83	<b>93</b>	<b>7</b>	<b>8</b>
Effectiveness	60	70	67	78	67	83	82	65	85	63	<b>72</b>	<b>9</b>	<b>13</b>
Efficiency	50	50	55	59	73	58	55	59	58	54	<b>57</b>	<b>7</b>	<b>11</b>
Poverty impact	50	50	48	n/a	80	91	91	75	85	71	<b>71</b>	<b>18</b>	<b>25</b>
Sustainability	40	50	33	40	53	67	73	56	73	54	<b>54</b>	<b>14</b>	<b>26</b>
Innovation/scaling up	50	40	56	77	67	91	100	94	74	63	<b>71</b>	<b>20</b>	<b>28</b>
IFAD performance	60	33	56	58	60	67	64	81	88	79	<b>65</b>	<b>16</b>	<b>24</b>
Government performance	60	70	56	61	67	67	64	53	68	71	<b>64</b>	<b>6</b>	<b>9</b>
<b>Overall achievement</b>	<b>50</b>	<b>70</b>	<b>55</b>	<b>81</b>	<b>73</b>	<b>100</b>	<b>82</b>	<b>76</b>	<b>85</b>	<b>71</b>	<b>74</b>	<b>14</b>	<b>19</b>

Note: The recreated dataset may have variation limited to 1-2 percentage points due largely to rounding.

### Annex III to the Response of IFAD Management Annual performance shown by self-evaluation and reported in RIDE

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Average (2005- 2011)	Standard deviation (2005- 2011)	Coefficient of variation
<b>Number of PCRs reviewed</b>	<b>25</b>	<b>27</b>	<b>25</b>	<b>24</b>	<b>25</b>	<b>24</b>	<b>22</b>	-	-	-
Relevance	96	81	91	96	100	96	95	94	6	7
Effectiveness	72	78	88	83	88	71	91	82	8	10
Efficiency	60	68	68	67	68	71	68	67	3	5
Poverty impact	-	70	88	79	92	75	95	83	10	12
Sustainability	48	63	75	71	80	67	71	68	10	15
Innovation/scaling up	56	62	75	65	88	88	91	75	14	19
IFAD performance	78	58	92	86	71	75	91	79	12	15
Government performance	67	59	68	83	76	71	77	72	8	11
Overall achievement	68	70	88	79	92	75	91	80	10	12

Note: The 2011/12 sample (covered in RIDE in 2012) included 22 assessments but 23 projects: two projects in Honduras had a joint PCR.

# Abbreviations and acronyms

<b>AfDB</b>	African Development Bank
<b>ARD</b>	agricultural and rural development
<b>ARPP</b>	Annual Review of Portfolio Performance
<b>ARRI</b>	Annual Report on Results and Impact of IFAD Operations
<b>ADB</b>	Asian Development Bank
<b>CLE</b>	corporate-level evaluation
<b>COSOP</b>	country strategic opportunities programme
<b>CPE</b>	country programme evaluation
<b>CPIA</b>	country policy and institutional assessment
<b>CPM</b>	country programme manager
<b>DAC</b>	Development Assistance Committee (OECD)
<b>ES</b>	evaluation synthesis
<b>ESW</b>	economic and sector work
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>ICO</b>	IFAD country office
<b>IEE</b>	Independent External Evaluation of IFAD
<b>IFI</b>	international financial institution
<b>IOE</b>	Independent Office of Evaluation of IFAD
<b>M&amp;E</b>	monitoring and evaluation
<b>MDB</b>	multilateral development bank
<b>MTR</b>	midterm review
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PCR</b>	project completion report
<b>PCRv</b>	project completion report validation
<b>PMD</b>	Programme Management Department
<b>PMU</b>	project management unit
<b>PPA</b>	project performance assessment
<b>PRISMA</b>	President's Report on the Implementation Status of Evaluation Recommendations and Management Actions
<b>RIDE</b>	Report on IFAD's Development Effectiveness
<b>SKM</b>	Office of Strategy and Knowledge Management (IFAD)





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