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Enabling poor rural people
to overcome poverty

Annual Report on Results and Impact of IFAD Operations Evaluated in 2009

Note to Executive Board representatives

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Abbreviations and acronyms

AfDB	African Development Bank
ARRI	Annual Report on Results and Impact of IFAD Operations
AsDB	Asian Development Bank
CBO	community-based organization
CI	cooperating institution
CLE	corporate-level evaluation
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPM	country programme manager
DFID	Department for International Development (United Kingdom)
FSAP	food security and agricultural productivity
HIA	household income and assets
HSCE	human and social capital and empowerment
IDB	Inter-American Development Bank
IEE	Independent External Evaluation (of IFAD)
IOE	IFAD's Office of Evaluation
IP	institutions and policies
M&E	monitoring and evaluation
MERCOSUR	Common Market of the South
NRE	natural resources and the environment
OECD/DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
PASK	Poverty Reduction Project in Aftout South and Karakoro (Mauritania)
PCR	project completion report
PMD	Programme Management Department
PMU	project management unit
PRISMA	President's Report on the Implementation Status of Evaluation Recommendations and Management Actions
RIDE	Report on IFAD's Development Effectiveness
RMF, revised	revised Results Measurement Framework for the Eighth Replenishment period (2010-2012)
UNDP	United Nations Development Programme

Executive summary

1. **Background.** This is the eighth Annual Report on the Results and Impact of IFAD's Operations (ARRI) produced by the Office of Evaluation (IOE). It presents a synthesis of the results and impact of IFAD-funded operations, and raises systemic issues and lessons learned that can contribute to further improving performance in the future.
2. This year's ARRI has devoted particular efforts to summarize the reasons for stronger or weaker performance (the why question), as derived from recent and earlier evaluations. It includes a new section, derived from country programme evaluations, on the performance of non-lending activities, and a more disaggregated analysis of performance using all six ratings, rather than the two broad categories of satisfactory and unsatisfactory.
3. However, emphasis continues to be placed on the trends in the three-year moving averages, rather than on evaluation data from one single year. That is, caution should be exercised in drawing conclusions about performance from a single year of evaluation data, as well as in making comparisons of the evaluation ratings from one year to another. This is because the sample of projects evaluated by IOE in a given year is relatively small and not chosen on a random basis. Using a three-year moving average however allows for the assessment of trends in performance over time, and helps smooth out biases that may result from the sample of project evaluations not chosen randomly.
4. As in the past, the ARRI is mainly based on evaluation of past projects. Therefore, it is fair to note that the assessment contained in this year's ARRI may not necessarily reflect the type and performance of projects designed more recently. This is most probably the case of projects that were analysed in the moving averages calculated for all evaluation data from 2002 up to around 2006. However, the ARRI also provides an appreciation of the performance of more recent operations based on the analysis of 44 projects that were evaluated in 2007-2009, which is the most recent point in the three-year moving averages of the entire data set used as a basis for the ARRI. Finally, in an attempt to provide a more "real time" perspective in its analysis, this year's ARRI assessed the relevance of selected recent country strategic opportunities programmes (COSOPs) and project designs. The analysis reveals that IFAD is learning from the past, as more recent COSOPs and projects have more realistic objectives and are more results-oriented than older operations.
5. **Project performance.** In terms of results, past project performance has improved since 2002 in a number of areas, including rural poverty impact, sustainability, innovation, and IFAD's own performance as a partner in the context of the projects it supports. In terms of overall project achievement (which is a composite of relevance, effectiveness and efficiency, and therefore a key evaluation criteria), performance has increased from 41 per cent moderately satisfactory and 17 per cent satisfactory in 2002-2004, to 55 per cent and 31 per cent respectively in 2007-2009.
6. In general, however, evaluations found that the majority of the past projects manifest a merely moderately satisfactory performance in most of the evaluation criteria, even in those areas where improvements are visible over time. There are few instances of satisfactory performance and even less of highly satisfactory performance. This represents a challenge for the organization.
7. Moreover, the performance of past projects continues to remain especially weak in natural resources and the environment, efficiency and scaling up. There are some recent initiatives underway to redress the weak performance in natural resources and environment as well as scaling up, but dedicated efforts will need to be devoted to improve project efficiency. The move to direct supervision and

implementation support has been very important, even though there is scope for further improvements such as increased staff skills in providing implementation support and the timeliness of processing withdrawal applications, which also affect efficiency.

8. The performance of Government as a partner in the context of IFAD-funded projects – which is one of the most important factors for achieving results on the ground – has not shown improvement since 2002. On its side, IFAD has not done enough in the past to build capacity within key institutions in borrowing governments involved in the design and implementation of IFAD-financed projects.
9. **Non-lending activities.** This year's ARRI contains a dedicated chapter on non-lending activities, namely policy dialogue, knowledge management, and partnership-building. It is important to underline that non-lending activities are integral components of country programmes supported by IFAD, and together with loan-funded projects and grant activities, contribute to achieving the strategic objectives in the COSOPs.
10. Fifty-five per cent of the eleven country programmes evaluated since 2006 were rated as moderately satisfactory, 9 per cent as satisfactory and none as highly satisfactory in terms of non-lending activities. Policy dialogue has mainly been limited to the project context. In most countries, IFAD has not engaged systematically and successfully at the national policy level or with donor coordination platforms. Knowledge management was generally found to be weak. Almost two-thirds of 2006-2009 CPEs rated knowledge management as moderately unsatisfactory. The main reasons for this were the lack of specific initiatives, mechanisms and resources attached to knowledge management at country level. Partnerships have been good with community organizations, NGOs and governments, but weak with donor organizations and the private sector.
11. **CLEs.** Two such evaluations were completed in 2010, on innovation and gender. The former found that the performance of IFAD-funded projects in promoting innovation has improved over time, but that scaling up remains weak. Past efforts to promote innovation have been too broad-based and insufficiently selective and context-specific. The evaluation recommended that the Fund develop a corporate agenda for promoting innovations. The performance of IFAD-funded projects in promoting gender equality and women's empowerment is moderately satisfactory, but there is variability across projects and countries. The evaluation underlines the need for deeper internalization of the country context in setting gender objectives and activities. The gender evaluation recommends that IFAD develop a corporate policy on the topic in 2011. Both CLEs revealed that the performance of more recent projects (in terms of innovation and gender, respectively) were better than older operations.
12. **Efficiency as the 2010 learning theme.** Efficiency was selected as this year's learning theme because it was, and remains, an area of noticeably weak performance. There is also scope to clarify the understanding and measurement of efficiency more widely within IFAD.
13. There are a number of factors that affect the efficiency of IFAD-funded operations. Some of them include complex designs with overambitious objectives that require multiple components and activities; inadequate institutional partners that have weak capacity to deliver services to the poor; ineffective project management; and weak monitoring and evaluation.
14. Selected corporate business processes – such as human resources management and loan administration – have major implications for both project efficiency as well as IFAD's institutional efficiency. The latter is a major challenge that IFAD will need to address in the near future. In this regard, there is potential to streamline a number of corporate business processes (e.g. human resources management) that can contribute to better institutional efficiency at large. The corporate-level

evaluation planned for 2011 will provide an opportunity to deepen the analysis in all the aforementioned areas, and is therefore a timely undertaking.

15. **Conclusion.** Around 1.4 billion of the world's population live on less than US\$1.25 per day.¹ About seventy percent of the poor live in rural areas. One billion people, or 15 per cent of the global population, are malnourished. One of the reasons for this alarming situation was the low level of investments in agriculture for the past three decades, which is the main source of livelihood for the majority of the rural poor in developing countries.
16. By promoting agriculture and rural development projects and programmes in developing countries, IFAD has an important role to play in improving the welfare of small farmers, women, fisher folk, pastoralists and small entrepreneurs living in rural areas. Its comparative advantage and specialization – in particular, focus on smallholder agriculture – positions the Fund as a critical global player among multilateral development organizations to combat rural poverty.
17. The performance of past IFAD-supported operations, as measured by a number of internationally recognized evaluation criteria is, on the whole, merely moderately satisfactory. However, performance of these operations has improved over time in a number of areas (e.g. sustainability and innovation), but other areas (e.g. efficiency, and natural resources and environment) still remain a challenge. Recent projects analysed tend to be better than older-generation operations, *inter-alia*, as design and objectives are more realistic. They also devote greater attention to achieving results. However, all in all, the momentum gained in improving the performance of IFAD-funded projects needs to be sustained and built upon in the future.
18. The 2010 ARRI benchmarks the performance of IFAD-financed operations across the 2012 targets included in the results measurement framework for the eighth replenishment period. It also reviews the framework as an instrument for corporate results-based management. The benchmarking reveals that performance in relevance and innovation has already exceeded the 2012 targets, whereas the Fund is close to meeting the target for rural poverty impact. However, three other agreed targets have not yet been met, namely on effectiveness, efficiency, and sustainability.
19. With regard to the results measurement framework as an instrument, the ARRI found that:
 - There is no dedicated composite indicator and target in the results measurement framework for measuring Government's performance;
 - Rural poverty impact is not disaggregated according to the domains used in IOE evaluations (e.g. food security and agriculture productivity), which would provide a more accurate appreciation of impact in key corporate priority areas; and
 - The measurements adopted for key indicators related to project and country programme performance do not allow for a more discernable appreciation of performance between moderately satisfactory, satisfactory and highly satisfactory performance.
20. Performance in sub-Saharan Africa continues to be weaker than in other regions, which can be attributed partly to the difficult and unpredictable situations of many countries on the continent. The other explanation is that the difficulty of the context has not been adequately analysed nor factored in at the time of design, often resulting in over-optimistic project objectives. This is not a new finding, as previous ARRIs have come up with the same conclusion. But, it does raise the issue whether dedicated measures are being deployed to improve performance in sub-Saharan

¹ Food and Agriculture Organization of the United Nations (FAO), 2010.

Africa, as also recommended by last year's ARRI and by the recently concluded joint evaluation with the African Development Bank on agriculture and rural development in Africa.

21. The external benchmarking analysis shows that the performance of IFAD-funded projects is somewhat better than the agriculture sector operations of other multilateral development organizations. However, it is to be noted that the organizations compared work in a variety of sectors, whereas IFAD has an exclusive focus on agriculture and rural development.
22. This year's ARRI raises the question as to whether an overall "moderately satisfactory" performance can be considered sufficient for an organization such as IFAD which aspires to be a global leader in agriculture and rural development.
23. **Recommendations.** The Executive Board is invited to adopt the following recommendations:
 - (i) 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 workshop would also aim to define methods to support governments and their agencies that would ensure a wider and more effective contribution to the design and implementation of IFAD-supported operations. This consultation should take place in 2011, and the Fund would provide a summary of the main findings and proposals for strengthening government ownership and performance in the context of next year's Report on IFAD's Development Effectiveness (RIDE).
 - (ii) IFAD should renew efforts to achieve the targets included in the results measurement framework of the Eighth Replenishment period, especially those related to effectiveness, efficiency, rural poverty impact and sustainability – which are lagging behind at this time.
 - (iii) The ARRI recommends that consideration be given to including the following recommendations in the new results measurement framework to be developed eventually for the forthcoming corporate strategic framework 2011-2015 and the Ninth Replenishment period: (a) introduce a dedicated composite indicator and target to track and report on the performance of government; (b) in order to facilitate comparisons in the achievements reported by the ARRI, disaggregate the rural poverty impact indicator in the results measurement framework according to the domains covered in the ARRI and establish corresponding targets; (c) develop indicators and targets to track and report on corporate performance in the RIDE on the three non-lending activities, namely policy dialogue, partnership-building and knowledge management; and (d) adjust the concerned indicators and analyse the results related to project and country programme performance, as appropriate, using moderately satisfactory, satisfactory and highly satisfactory performance as distinct categories. These recommendations will also have implications for the other components of IFAD's self-evaluation system (e.g. the results-framework of the COSOPs).
 - (iv) In light of the relatively weaker performance in sub-Saharan Africa, it is recommended that the next edition of the President's Report on the Implementation Status and Management Actions (PRISMA) on Evaluation Recommendations and Management Actions contain a chapter specifically dedicated to the follow up on the recommendations contained in the IFAD-African Development Bank joint evaluation on agriculture and rural development in Africa (also mentioned in last year's ARRI), which emphasized the need for improving performance in sub-Saharan Africa.
 - (v) In the past the ARRI has highlighted the importance of direct supervision and implementation support in IFAD's rural poverty reduction efforts, and also illustrated the opportunities for improvements in this area. Therefore, in light

of its importance for IFAD's development effectiveness, supervision and implementation support should be the learning theme to be treated in the context of the 2011 ARRI. The proposed timing of this learning theme would also allow IOE to identify hypothesis and key questions for the planned CLE on the same topic, which will be undertaken in 2012.

Annual Report on Results and Impact of IFAD Operations evaluated in 2009

I. Introduction

1. This is the eighth Annual Report on Results and Impact of IFAD's Operations (ARRI) produced by IFAD's Office of Evaluation (IOE).¹ The ARRI report consolidates and synthesizes the results and impact of IFAD-funded operations based on a cohort of project, country programme evaluations (CPEs) and corporate-level evaluations (CLEs) conducted in the previous year.
2. As in the past, the objective of the ARRI report is twofold: (i) to present a synthesis of the 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 borrowing countries need to address to enhance their development effectiveness. While the primary audience for the report includes IFAD Management, staff, and the Fund's Evaluation Committee and Executive Board, it is also of interest to the wider development community, including borrowing countries.
3. The ARRI report has evolved since it was first produced in 2003. Initially, the report merely provided a synthesis of results and findings from individual project evaluations. However, starting from the 2007 report, each year the document has devoted greater attention to learning in order to generate debate on key themes² to improve the performance of IFAD-funded operations in selected areas.
4. As agreed with the Executive Board in December 2009, this year's ARRI report focuses on efficiency as the main learning theme, and chapter VI is entirely devoted to the subject. Efficiency is an important issue for both the Fund's Governing Bodies and its Management. It was selected as the learning theme for 2010 because it has recurrently been an area of weak performance in the past and continues to be an area of concern. Treatment of the efficiency learning theme in this year's report has also provided an opportunity to identify key questions and hypotheses for the planned CLE on the same topic in 2011.
5. The Board also decided last year that IOE should "pay special attention to monitoring progress on performance in the two impact domains on institutions and policies, as well as human and social capital and empowerment", given that performance in these areas was relatively weak in the past. Thus, in this year's ARRI report, these two topics have been treated with greater attention in the analysis of rural poverty impact in chapter III.
6. IOE has recognized the importance of analysing the why factor as a means of generating lessons and insights that can be of use in improving the performance of IFAD-funded policies and operations. Efforts have been made throughout this document to address the question of why, with a view to discerning the proximate causes of stronger or weaker performance across all evaluation criteria for assessing results and impact.
7. In the past, the ARRI report presented project performance through two broad categories, namely the satisfactory or unsatisfactory zones. That is, whether a project had a moderately satisfactory, satisfactory or highly satisfactory performance, it would still be classified as being in the satisfactory zone³. Thus, the distinction between projects that were moderately satisfactory, satisfactory or highly satisfactory would not be easily discernable. The same held true for projects

¹ IOE is required to produce the ARRI report each year in accordance with the provisions of the IFAD Evaluation Policy (paragraph 20, EB 2003/78/R.17/Rev.1).

² The learning themes covered to date by previous ARRI reports are: sustainability and innovation (2007), country context and project-level monitoring and evaluation (2008), and access to markets and natural resources management and the environment (2009).

³ Past ARRI reports would often present a project's performance as 'moderately satisfactory or better'.

within the unsatisfactory zone. However, this year's ARRI report has gone a step further by distinguishing the performance of the projects evaluated according to their actual ratings, rather than clustering them into satisfactory or unsatisfactory zones. This will provide a more revealing and accurate picture of the performance of IFAD-supported operations.

8. Anticipating some of the recommendations of the Peer Review of IFAD's Office of Evaluation and Evaluation Function,⁴ in recent years, IOE has increasingly been conducting higher plane evaluations (CLEs and CPEs). In line with this trend, for the first time IOE has included a separate chapter in this year's ARRI report (chapter IV) devoted exclusively to discussing the performance of IFAD-funded country programmes, drawing on the CPEs undertaken by IOE since 2006. Among other issues, the chapter provides an overview of results achieved and insights into IFAD's efforts in non-lending activities, including policy dialogue, knowledge management and partnership-building, which are important elements of IFAD-funded country strategies.
9. A separate chapter is dedicated to the CLE of IFAD's capacity to promote innovation and scaling up (chapter V), which was discussed by the Evaluation Committee and the Board in their respective April 2010 sessions. The same chapter also includes a synopsis of the main findings from the CLE on gender, which will be discussed with the Evaluation Committee and Executive Board before the end of 2010.
10. This year's ARRI report is structured as follows: chapter II outlines the methodology and evaluation reports used in the preparation of this year's edition; chapters III-V summarize the main evaluation findings from the project, country and CLEs carried out in 2009; chapter VI presents this year's contribution to learning on the topic of efficiency; and chapter VII contains conclusions and recommendations, including a proposed learning topic for the 2011 report.

II. Methodology and operations covered

11. The ARRI report is a synthesis of the ratings and findings contained in the evaluation reports produced by IOE in the previous year, in this case 2009. It also looks at trends in performance based on the entire cohort of evaluations done since 2002, following a common evaluation methodology. This chapter provides an overview of the methodology and evaluation reports used.

A. Methodology issues

12. The methodology and processes used in IOE project evaluations and CPEs are outlined in the Evaluation Manual published in 2009.⁵ Visual illustrations of the project evaluation and CPE methodologies are contained in annex I of this report.
13. The various internationally recognized evaluation criteria and corresponding definitions used by IOE are contained in annex II. Following good practice standards, each evaluation criterion is rated on a six-point scale, ranging from highly satisfactory (6) to highly unsatisfactory (1).⁶
14. Earlier editions of the ARRI report compared the evaluation ratings for each year with the previous year, or with the entire data set of evaluation ratings available since 2002. The 2009 ARRI report introduced three-year moving averages for the first time, in order to smooth out short-term (year-to-year) variation that may result from the project sample not being chosen on a random basis. Three-year moving averages⁷ adds reliability to the conclusions derived and also facilitate the

⁴ The final report (February 2010) of the peer review, undertaken by the Evaluation Cooperation Group of the multilateral development banks, may be downloaded from the IFAD website at www.ifad.org/gbdocs/eb/99/e/EB-2010-99-R-6.pdf.

⁵ *Evaluation manual: methodology and processes* may be downloaded from the IFAD website at www.ifad.org/evaluation/process_methodology/index.htm.

⁶ 6 - highly satisfactory, 5 - satisfactory, 4 - moderately satisfactory, 3 - moderately unsatisfactory, 2 - unsatisfactory, 1 - highly unsatisfactory.

⁷ In statistics, a 'moving average' (also called rolling average, rolling mean or running average) is used to analyse a set of data points by creating a series of averages of different subsets of the full data set. Given a series of numbers and a fixed subset size (in this case, three years), the moving average can be obtained by first taking the average of the first

identification of long-term trends, and have been used again this year in representing evaluation data for the period 2002-2009.

B. Projects and programmes evaluated

15. As shown in table 1, this year's ARRI report synthesizes results from 17 projects evaluated by IOE in 2009, which is more than those forming the basis of the three previous editions of the report.⁸ Eleven of the 17 projects were evaluated as part of the four CPEs,⁹ whereas the remaining six were stand-alone project evaluations (three of which were completion and three interim project evaluations). The total overall cost of the operations covered was US\$779 million, of which IFAD contributed US\$339 million (44 per cent) in loans. The objectives of these projects and programmes are summarized in annex III. Finally, the 2010 ARRI report also draws on the findings contained in two CLEs and the four CPEs completed in 2010.
16. The 111 project evaluations undertaken since 2002, including the 17 in 2009 analysed as part of the 2010 ARRI report, were approved between 1990 and 2001. The ARRI report is therefore mainly based on evaluations of past projects. This is not surprising, as evaluation in IFAD and in other multilateral and bilateral aid organizations are required to assess the performance of past projects. It is fair however to note that the assessment contained in the ARRI may not necessarily reflect the type and performance of projects designed more recently, say in the past three to four years. This is most probably the case of projects that were analysed in the moving averages of all evaluation data since 2002 up to around 2006 (see figure 2).
17. However, the ARRI report does provide an appreciation of the performance of more recent operations. This is based on the analysis of 44 projects that were evaluated in 2007-2009, which is the most recent point in the three-year moving average of the entire data set used as a basis for the report. This is because projects evaluated in 2007-2009 were mostly approved around year 2000, and would have undergone a mid-term review (MTR) around 2005-2006. The MTR, as well as the subsequent supervision missions, would have provided opportunities to redesign the projects as necessary to bring them in line with the type of projects designed currently. Furthermore, although these projects were approved about 10 years ago, they were under implementation and disbursing IFAD loan funds until rather recently. In fact, three of the projects that were analysed for this year's ARRI are still ongoing.
18. In an attempt to provide a more "real time" perspective in its analysis, this year's report assessed the relevance of selected recent country strategic opportunities programmes (COSOPs) and project designs. This was done in the framework of the CLEs on innovation and gender, and all CPEs that have formed the basis of this ARRI. Broadly speaking, the analysis reveals that IFAD is learning from the past, as recent COSOPs and projects have more realistic objectives and greater results-orientation than older operations. The ARRI report cannot, however, make a comprehensive assessment of the results and impact of the recent COSOPs and projects, given that they have been under implementation for a relatively short period of time.
19. There is another limitation in the sample of evaluated projects included in the ARRI report that has long been recognized by IOE: the projects evaluated are not chosen

subset. The fixed subset size is then shifted forward, creating a new subset of numbers, which is averaged. This process is repeated over the entire data series. The plot line connecting all the (fixed) averages is the moving average. Thus, a moving average is not a single number, but a set of numbers, each of which is the average of the corresponding subset of a larger set of data points. A moving average is commonly used with time series data to smooth out short-term fluctuations and highlight longer-term trends or cycles.

⁸ The 2009 ARRI report was based on 11 project evaluations, the 2008 edition on 12 and the 2007 on 15.

⁹ This includes one project evaluation as part of the Argentina CPE, six from the India CPE, three from Mozambique and one from the Niger. These four CPEs contained a total of 38 project evaluations. However, a number of projects were not included for two main reasons: (i) to avoid a bias in analysis and reporting towards these four countries; and (ii) because some projects were very old or too new. IOE introduced a decision rule this year for selecting project evaluations from CPEs for inclusion in this and future ARRI reports: application of the rule ensures that only projects closed up to six years before the year of evaluation or due to close within three years are considered in the report.

on a random basis, which, in theory, could lead to results that are unrepresentative of the portfolio as a whole. In practice, it is unlikely that it has done so. Reporting by Management on the performance of the IFAD-financed portfolio in the Report on IFAD's Development Effectiveness (RIDE) reveals a broadly similar picture.¹⁰ Also, it is important to underline that the number of projects covered by the ARRI report is now relatively large as a proportion of completed projects. These facts bring reassurance that the results reported through the report are a reliable measure of the performance of IFAD-supported operations.

20. In any case, the methodological limitation noted in the previous paragraph will not be a concern in future ARRI reports. As recommended by the Peer Review, IOE will also use ratings from the validation of all available project completion reports (PCRs) in preparing next year's report. Thus, as in the RIDE report, from 2011 onwards the ARRI report will be based on ratings in evaluations done by IOE as well as on the validated ratings of the entire sample of closed projects.

¹⁰ The ratings for the 2008-2009 project completion reports are slightly higher than the IOE evaluation ratings for effectiveness and sustainability, and slightly lower for rural poverty impact and for innovation, replication and scaling up. RIDE report 2009.

Table 1
Evaluations undertaken in 2009

Type	Country/ region	Title	Executive Board approval date	Project completion date	IFAD loan ^a (US\$ million)	Total project costs ^a (US\$ million)
Corporate-level evaluations	All	IFAD's capacity to promote pro-poor innovation and scaling up				
		IFAD's performance with regard to gender equality and women's empowerment	N/A	N/A	N/A	N/A
Country programme evaluations	Argentina ^b	North Western Rural Development Project (PRODERNOA)	September 1999	June 2010	17.5	25.0
	India ^b	Mewat Area Development Project	April 1995	December 2004	15.0	22.3
		Rural Women's Development and Empowerment Project	December 1996	June 2005	19.2	53.5
		North Eastern Region Community Resource Management Project for Upland Areas	April 1997	March 2008	42.9	53.2
		Jharkhand-Chattisgarh Tribal Development Programme	April 1999	June 2011	23.0	41.7
		National Microfinance Support Programme	May 2000	June 2009	22.0	134.0
	Mozambique ^b	Livelihood Security Project for Earthquake-affected rural households in Gujarat	September 2001	October 2006	15.0	24.0
		Family Sector Livestock Development Programme	December 1996	June 2006	19.4	25.7
		PAMA Support Project	December 1999	June 2008	22.8	26.6
	Niger ^b	Sofala Bank Artisanal Fisheries Project	September 2001	March 2011	18.0	30.6
Rural Financial Services Development Programme		May 2000	December 2006	11.8	27.3	
Project interim evaluations	Ethiopia	Rural Financial Intermediation Programme	December 2001	March 2010	25.7	88.7
	Uganda	Vegetable Oil Development Project	April 1997	December 2011	19.9	60.0
	Mauritania	Poverty Reduction Project in Aftout South and Karakoro	September 2001	December 2009	11.3	22.9
Project completion evaluations	Benin	Roots and Tubers Development Programme	May 2000	September 2008	13.1	19.3
	China	West Guangxi Poverty Alleviation Project	December 2000	March 2008	30.4	107.3
	Yemen	Raymah Area Development Project	December 1997	December 2007	12.1	17.0
Total					339.1	779.1

^a The IFAD loan and the costs indicated for the four 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.

^b The projects listed in the next column were assessed as part of the Argentina, India, Mozambique and Niger CPEs respectively. They do not constitute a comprehensive list of projects funded by IFAD or evaluated by IOE in the four countries.

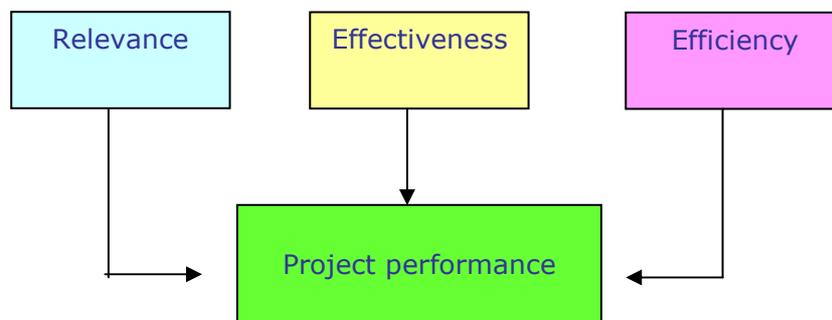
III. Project evaluations

21. As in recent years, in addition to providing an account of the results achieved based on the evaluations undertaken in 2009, IOE has analysed the three-year moving average from 2002 of the performance of IFAD-funded operations. Caution should be exercised in drawing conclusions about performance from a single year of evaluation data, as well as in making comparisons of the evaluation ratings from one year to another. As mentioned in paragraph 14, the sample of projects evaluated by IOE in a given year is relatively small and not chosen on a random basis. However, using a three-year moving average allows for the assessment of trends in performance over time, and helps smooth out possible biases that may result from the sample of evaluated projects not being chosen on a random basis.

A. Project performance

22. This subsection discusses project relevance, effectiveness and efficiency, as well as overall project performance.¹¹ The latter is a composite of these three evaluation criteria (figure 1).

Figure 1
How project performance is determined

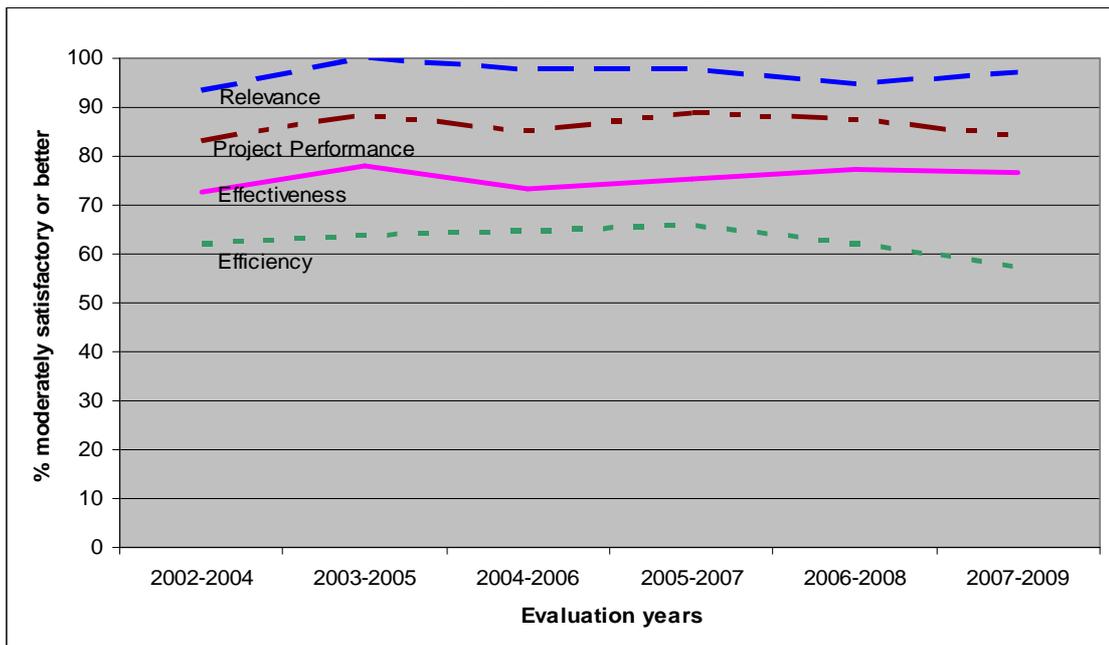


23. The three-year moving averages showing the levels and trends in performance since 2002 may be seen in figure 2. Sixty per cent of projects have been rated moderately satisfactory and 24 per cent as satisfactory for project performance over the period 2007-2009. However, none are highly satisfactory. The relatively higher overall project performance is a reflection of the generally high scores for relevance, in spite of the fact that effectiveness and efficiency are comparatively lower.
24. The overall picture presented in figure 2 is of broadly similar performance over the period 2002-2004 to 2007-2009, with no significant indication of improvement over time. None of the moving averages for each of the four criteria change by more than a few percentage points over the entire period. However, the reduction in efficiency scores in 2007-09 may be partly a reflection of a more rigorous assessment in independent evaluations, following the introduction of the evaluation manual,¹² as well as of the dedicated training for IOE staff in efficiency analysis conducted in 2007.
25. Another important finding is that – on the whole – performance is overwhelmingly moderately satisfactory over time since 2002 in terms of project performance, including relevance, effectiveness and efficiency. Very few projects manifest a highly satisfactory performance and only some have satisfactory performance, especially in terms of effectiveness, efficiency and overall project performance.

¹¹ Key questions for assessing this criterion are presented in Annex II.

¹² Although the manual was formally published in 2009, it was already being applied in 2008.

Figure 2
Relevance, effectiveness, efficiency and project performance, (2002-2009)



26. **Relevance** is assessed in terms of both the alignment of project objectives with the policies and priorities of the government, IFAD and poor rural people, and the appropriateness of the design. The three-year moving averages reveal that 33 per cent of IFAD-funded projects are moderately satisfactory, 48 per cent satisfactory and 15 per cent highly satisfactory in terms of relevance in 2007-2009.
27. Relevance has always been favourably rated in IOE evaluations. Projects have generally been well aligned and relevant to the policies and priorities of poor rural people, the government and IFAD. For example, the Mauritania evaluation stated that the Poverty Reduction Project in Aftout South and Karakoro (PASK) was relevant to the particular context of the area with the large number of households headed by vulnerable women. In China, the explicit gender focus and strategy of the West Guangxi Poverty-Alleviation Project similarly made it highly relevant to the needs of poor rural women.
28. The most common criticism in past evaluations related to targeting, and specifically to shortcomings in the identification and coverage of poorer groups. This criticism was not made in the 2009 evaluations, with the exception of Benin where the targeting strategy was largely inadequate. To the extent that there were weaknesses, these tended to be of the appropriateness of design in relation to the context of the project, and specifically the tendency towards overambitious designs. Half the evaluation reports made this point. For example, the Mozambique CPE concluded that project designs were highly relevant to the needs of poor rural people, but often out of line with what could realistically be achieved on the ground. Four reports made a related point about a lack of analysis during design: of the extent and isolation of the project area in Mauritania; the difficulties related to the incorporation of small farmers to commercial banks in Argentina; the characteristics and constraints of smallholder farming systems in Uganda; and the contextual factors and constraints of the country and project area in Yemen. In the latter case, limited knowledge of what was likely and feasible in terms of gender-sensitive targeting meant that the project had overambitious targets. Perhaps surprisingly for IFAD, three reports also concluded that insufficient support for some aspect of agriculture had reduced project relevance: agropastoralism in Mauritania; irrigated agriculture and livestock in the Niger; and smallholder agriculture in India.¹³ The India CPE concluded that there had been insufficient

¹³ The CPEs for Nigeria and the Sudan covered in last year's ARRI report contained similar comments.

investment in livestock development, land management, and agricultural research into low-cost, pro-poor technologies and extension services.

29. Box 1 summarizes some main causes of greater or lesser relevance of IFAD-supported operations, outlined in the above paragraphs and in previous ARRI reports. This is a new feature of the present edition and provides a quick overview of some key learning elements (i.e. the why factor) captured in this and previous ARRI reports. Given space constraints, the box cannot exhaustively reflect all learning elements contained in the reports. Moreover, some learning elements illustrated in the box may be valid for other evaluation criteria of the ARRI report.
30. A similar box has been included for each evaluation criterion covered in this report. These boxes will be included in the 2011 ARRI report and onwards, updated as appropriate, based on learning emerging from future evaluations.

Box 1

The why factor for relevance

Main lessons from previous ARRI reports

- Participatory and demand-driven approaches have built ownership and contributed to better design.
- Flexible design that can be adjusted during implementation, for example to changing political and socio-economic country contexts has enhanced relevance.
- Poor targeting, especially of poorer groups, was the most common criticism.
- Weak analysis led to overambitious objectives and targets.
- Inadequate project strategies (e.g. in terms of institutional choices) have constrained relevance.

New lessons from 2009 evaluations

- Targeting was not an issue in projects evaluated in 2009.
- An explicit gender focus and strategy are essential to ensure that projects are highly relevant to the needs of poor rural women.
- Relevance was reduced in some projects due to insufficient support for some aspects of agriculture (e.g. livestock development, dairy production, rainfed agriculture), which is the main source of livelihoods for poor rural people.

31. **Effectiveness** is a measure of the actual or likely attainment of project objectives. The three-year moving averages reveal that 42 per cent of IFAD-funded projects evaluated in 2007-2009 are moderately satisfactory in terms of effectiveness, 33 per cent satisfactory and only 2 per cent highly satisfactory. This is an improvement over the 2002-2004 data, where 48 per cent of the projects evaluated were moderately satisfactory, 24 per cent satisfactory, and none highly satisfactory.
32. Previous ARRI reports identified a variety of factors associated with greater or lesser effectiveness. The two most powerful positive factors were a supportive policy, economic and institutional context, and designs appropriate to the context. Other important contributors included effective community participation, direct supervision and implementation support, good coordination, monitoring and evaluation (M&E) and country presence. Negative factors were the opposites of the positive ones, including overoptimistic and geographically dispersed designs, limited synergies among components and activities, and inappropriate technology.
33. The 2009 evaluations confirm, but do not add to these lessons. Effectiveness varied markedly by project, component and service provider, with few common themes. Project effectiveness was helped by the favourable policy and economic context in China, and by overall improvement in the capacity of government and private sector providers in Mozambique. Poor design contributed to a lack of successful

community organization in Yemen, and to a lack of effective poverty reduction for vulnerable households (especially poor rural women) in Benin. The mixed effectiveness record of rural financial services was again evident: effectiveness was low in Argentina, Mozambique, the Niger and Yemen, but high in India.

Box 2

The why factor for effectiveness

Main lessons from previous ARRI reports

- Positive factors include: a supportive policy, economic and institutional context; effective community participation, for example in small-scale infrastructure development and operations and maintenance; reliable access to markets; careful and realistic design; timely mid-term reviews and direct supervision and implementation support; good coordination among executing agencies; country presence; and good M&E, including a coherent results framework.
- Negative factors were the converse of the above: over-optimistic and geographically dispersed projects were not uncommon.
- Factors constraining effectiveness included: multiple components, with limited synergies among components and activities; inappropriate technologies; unclear institutional arrangements; and weak institutional capacities.
- Delays in the provision of counterpart funding and agreed cofinancing that often does not materialize after loan approval also limit effectiveness.

New lessons from 2009 evaluations

- None: previous lessons were confirmed. Favourable policy, economic and institutional contexts helped make projects effective. Poor project design did not.

34. **Efficiency** is a measure of how economically resources and inputs (funds, expertise, time, etc.) are converted into results. It is the main learning issue in this ARRI report and is treated at length in chapter VI. Efficiency is the worst-performing evaluation criterion of the four covered in figure 2, with no discernable improvement since 2002. In 2007-2009, 42 per cent of the projects evaluated were moderately satisfactory for efficiency, 15 per cent satisfactory and none highly satisfactory.
35. The assessment of efficiency in evaluations has improved over time, but is still constrained by limited data – a product of weak M&E systems at the project level – and the measurement challenge presented by quantifying non-physical results (e.g. participation, social capital, gender equality and women’s empowerment, etc.). Among other issues, previous ARRI reports have identified the quality of design, project management and community participation as key factors in efficiency. There were a number of other factors raised in past ARRI reports that led to reduced efficiency: delays between loan approval and effectiveness; extensions to the original project closing date; complex flow-of-funds mechanisms in borrowing countries; delays in appointment of the project director; and high overall project management costs.
36. Additional factors affecting efficiency emerged from the 2009 evaluations. In Argentina, efficiency was affected by implementation delays as a result of complex implementation arrangements, political volatility and limited ownership in some participating provinces, owing to inadequate consultation processes. Community contributions led to lower unit costs for social infrastructure.¹⁴ Effective project management arrangements did the same in China and Uganda, and in the projects with separate project management units (PMUs) in Mozambique. Projects in Mozambique under which implementation units were not separate, but fully integrated into national institutions, were less efficient. Finally, the topic of

¹⁴ As was seen in evaluations of the Community-Based Rural Development Project (PNGT2) in Burkina Faso (ARRI report 2008) and of the Nigeria country programme (ARRI report 2009).

efficiency is treated in greater detail in chapter VI. Among other issues, it illustrates that challenges related to measuring efficiency, as well as performance in efficiency of operations, is a concern shared by other development organizations as well.

Box 3

The why factor for efficiency

Main lessons from previous ARRI reports

- Quality of design, project management and community participation are key efficiency factors.
- Other key factors associated with favourable efficiency include: use of competitive bidding processes to contract service providers, rather than inter-ministerial committees; involvement of NGOs and the private sector to bring services to poor rural people, based on their respective comparative advantage; government ownership; qualified implementing agencies; and clear objectives.
- Some key aspects that limit efficiency: delays between loan approval and effectiveness, which are often due to unclear design; extensions to original project closing date; complex flow-of-funds mechanisms; delays in appointment of project director; weak project-level M&E; and high overall project management costs.

New lessons from 2009 evaluations

- Previous lessons were confirmed. Efficiency was positively affected by good design, community contributions, and effective project management arrangements. Community contributions (in kind or through cost-sharing arrangements) enhanced ownership and led to greater efficiency.
- The following are some main reasons contributing to lowering efficiency: wide geographical coverage; involvement of multiple states/provinces within countries; too many project components and implementing agencies, creating coordination challenges; over-optimism about the capacity and poverty orientation of implementing agencies; weak monitoring and implementation arrangements; rapid turnover of project staff; and limited flexibility in design to take corrective actions during execution.

Box 4

Key points on relevance, effectiveness, efficiency and project performance

- ❖ Ratings for relevance, effectiveness, efficiency and project performance have been broadly unchanged since 2002-2004.
- ❖ The relevance of IFAD-funded projects has been consistently highly rated. Thirty-three per cent were rated moderately satisfactory, 48 per cent satisfactory and 15 per cent highly satisfactory in 2007-2009.
- ❖ Forty-two per cent of projects are rated moderately satisfactory for effectiveness, 33 per cent satisfactory and only 2 per cent highly satisfactory in 2007-2009.
- ❖ Efficiency has been, and remains, the weakest of the three criteria that make up project performance. No projects have been rated highly satisfactory since 2006. Most of the projects are either moderately satisfactory or moderately unsatisfactory, and only a few are satisfactory.
- ❖ A significant proportion of projects have a moderately satisfactory performance in all criteria and very few are highly satisfactory. That is, performance is merely within the satisfactory zone, and therefore there is ample opportunity for further improvement.

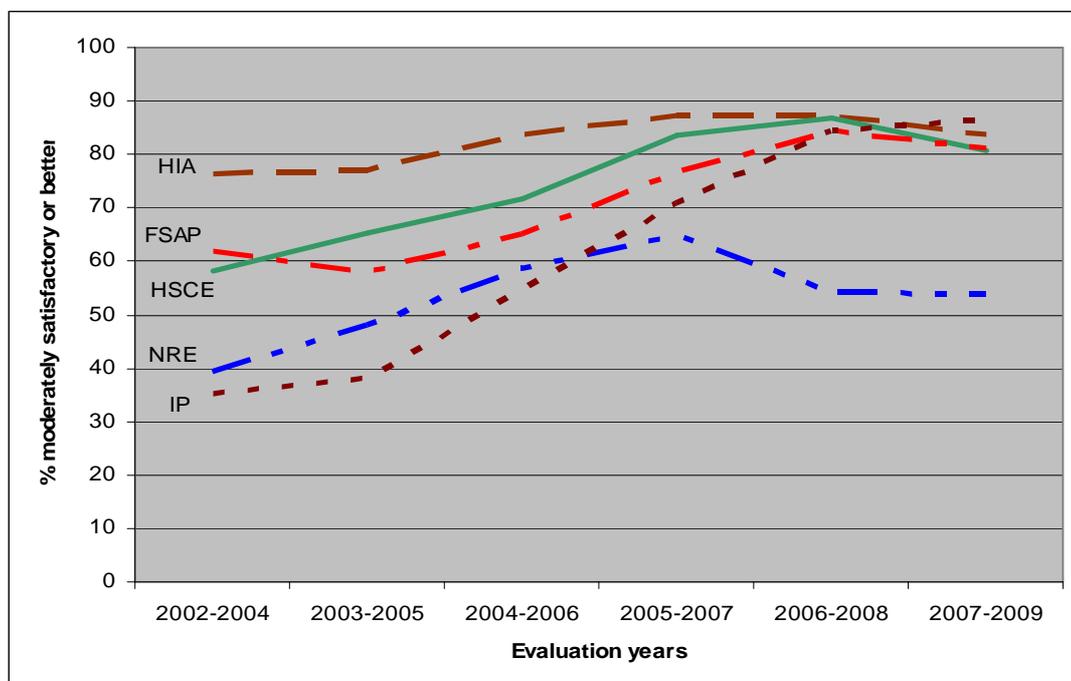
B. Impact on rural poverty

37. Impact on rural poverty is assessed using five impact domains: household income and assets (HIA); human and social capital and empowerment (HSCE); food security and agricultural productivity (FSAP); natural resources and the environment (NRE); and institutions and policies (IP). As requested by the

Executive Board and mentioned in paragraph 5, this section has greater coverage of two domains, namely HSCE, and IP.

38. The three-year moving averages showing the levels and trends in performance across the five impact domains since 2002 are shown in figure 3. It contains three main messages. First, with the sole exception of the natural resources and environment domain, performance in all impact domains has improved markedly since 2002. Second, as discussed in some detail in last year's ARRI report, performance in the natural resources and environment domain continues to lag behind, with half the projects evaluated in 2007-2009 still being rated moderately unsatisfactory or worse. Third, in terms of overall rural poverty impact criteria (see figure 5), a large proportion of projects are merely moderately satisfactory. In particular, some 50 per cent of the projects evaluated since 2006 are moderately satisfactory, between 35-37 per cent are satisfactory, and none are highly satisfactory.
39. With regard to natural resources management and environment, it is fair to point out that IFAD Management is aware of the weaknesses in this thematic area, and is introducing measures that are likely to improve performance in the future. For example, new environmental and social assessment procedures have been developed over the past year for the formulation of new COSOPs and project designs; the Executive Board approved a policy on climate change in April 2010; a new environment and climate division was established in the Programme Management Department (PMD) in 2010, and an overarching natural resources and environmental policy is in preparation for Board approval this year. Using Finnish supplementary funds, IFAD is also strengthening its capacity to mainstream environmental and social issues in its projects and programmes. Similarly, IFAD is increasing the number of GEF and GEF-managed grants being associated to the loans. Finally, PMD is piloting a climate screening tool for COSOP and project formulation.

Figure 3
Rural poverty impacts, (2002-2009)



40. As requested by the Board (see paragraph 5), this ARRI report provides a relatively deeper coverage of HSCE, as well as IP), as compared with the other three impact domains. Thus, the following paragraphs first cover the findings related to these, followed by HIA, FSAP, and NRE issues.

41. The impact domain for **human and social capital and empowerment** assesses the extent to which projects have built the collective (social capital, such as sustainable grass-roots organizations) and individual (human capital) capacities of poor people. Both are essential for poverty reduction, as is wider institutional strengthening covered by the IP domain (see paragraphs 49-53).
42. The three-year moving averages (figure 3) reveal an improvement in HSCE. There has been a steady increase in projects rated satisfactory, up from 17 per cent in 2002-2004 to 50 per cent in 2007-2009. Twenty per cent of projects evaluated in 2007-2009 are moderately satisfactory and 11 per cent highly satisfactory.
43. Previous evaluations have generated a rich set of lessons relating to HSCE. The first is that a strong commitment to empowerment, participation or gender in project design is not sufficient. This commitment needs systematic support and follow-up during implementation, adequate resources and expertise, and awareness among project staff and implementing agencies. Second, project designs need to be realistic as to the pace and potential for change, particularly in unfavourable socio-cultural contexts. Ambition needs to be tempered by the reality that the changing of non-participatory, inequitable or male-dominated attitudes and structures takes time. Third, ensuring the sustainability of local capacity requires prolonged support. Serious consideration needs to be given to building on existing local institutions, rather than assuming that new institutions are required or can easily be sustained. Institutions need to be financially viable, have a long-term rationale that extends beyond the project, and be linked to existing local/regional/national institutions and networks. Disaggregated and well-researched targeting, and the long-term engagement of qualified service providers (such as NGOs) may be required.
44. The projects evaluated in 2009 provide many examples of positive impacts on HSCE, and a few examples of less satisfactory impact. The Mauritania evaluation reported that a transformation of the individual and collective social environment had occurred. The project evaluations in China and Uganda, as well as the India CPE, were similarly positive. The Mozambique CPE reported a substantial contribution to the empowerment of fishing communities.
45. Some evaluations were more qualified in their assessment. The overall conclusion of the Mozambique CPE was that success with HSCE involves a complex process of social engineering, which in turn requires specialized and capable service providers. Projects need to provide tangible benefits to group members, as well as sufficient time. The CPE concluded that these and other conditions were not always fulfilled. The Ethiopia evaluation mentioned a number of studies claiming positive impacts on women's participation, empowerment and social cohesion, but cautioned that inequalities remain. And, the Benin evaluation reported little positive impact. Groups were mainly joined to gain access to project benefits, had received support for too short a time, and most were not expected to survive.
46. The 2009 evaluations provide much improved coverage of gender issues, and generally report positive performance. In most cases projects have helped improve women's position and status. In China, the project triggered a series of changes in land use, credit and access to education and health that have led to higher status for women. Literacy courses had a strong focus on women and poorer households. In Mauritania, education interventions have centred on girls, and women are well represented on local bodies. The India CPE reported major advances in the role of women in decision-making at family and community levels, as well as far-reaching improvements in women's livelihoods. And in Uganda, sunflower cultivation has helped improve women's position, increased their access to farm assets and income-earning opportunities, and promoted their participation in and leadership of farmers' groups. In Argentina, there are positive results in terms of promotion of a gender approach in project activities, while specific changes in terms of equal opportunities in access to resources or decision-making are still limited.

47. There were a few criticisms. In Yemen, while the project made an important contribution to addressing a major constraint on women (the availability and collection of water), it was much less successful in terms of empowering women. For example, women were virtually absent from community committees, as they were from village leadership positions in China. The Yemen experience echoes the point made above about the need for adapted strategies in unfavourable socio-cultural contexts, as has been done successfully by IFAD in other places.¹⁵
48. The absence of gender strategies in all the Mozambique projects and the lack of gender-disaggregated data were noted by the CPE. In fact, a large majority of agencies associated with the execution of IFAD-supported projects in Mozambique did not have a gender policy or strategy. This is a main reason for the relatively low attention to such issues in the Mozambique project portfolio.

Box 5

The why factor for human and social capital and empowerment

Main lessons from previous ARRI reports

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

New lessons from 2009 evaluations

- HSCE can be a long and complex process requiring specialized and capable support for a sustained period.
- Supporting education initiatives, providing rural finance, and promoting low-cost agriculture activities have contributed to improving women's welfare. In this regard, the need to ensure context-specific interventions is essential.
- The absence of gender policies in partner institutions in borrowing countries is a constraint on gender equality and women's empowerment.

49. The **IP** domain covers the contribution of IFAD-supported projects to the strengthening of government institutions at federal, state/provincial and other levels, as well as involvement of the private sector. This domain also includes any contributions made by these projects to promoting pro-poor policies in agriculture and rural development.
50. Performance in this domain has improved markedly in the period 2002-2009, from 35 per cent moderately satisfactory or better in 2002-2004 to 86 per cent in 2007-2009. However, it is to be noted that close to 50 per cent of the projects evaluated in 2007-2009 are merely moderately satisfactory, even though 24 per cent are satisfactory and 14 per cent highly satisfactory in the same period. Further discussion on IPs is contained in chapter IV.
51. A key message from previous evaluations is that some projects have contributed significantly to impact on national or sectoral institutions or policies related to agriculture and rural development. However, most of the success stories are largely a reflection of individual staff commitment, initiative and efforts. There was a lack of understanding of how experience from stand-alone projects could be brought to bear at the national level, and a lack of IFAD engagement in particular with federal/national governments and other development partners in policy-related discussions. The conclusion drawn was that projects needed to be designed and managed with wider IP impact as a significant objective, and that IFAD needed to

¹⁵ IOE, CLE on gender.

allocate sufficient resources if it was to embark on more comprehensive policy dialogue. This was seen as requiring significant investment in staff time and skills, allocation of dedicated financial resources, and coherent knowledge management activities, as well as attention to partnerships with a range of development agencies. This is now beginning to happen with the shift to direct supervision and an increased country presence.

52. The 2009 evaluations provide evidence of improved performance in this area. The Mozambique CPE identified IP impacts from IFAD-supported projects. For example, projects made contributions to: facilitating an important revision of the law on associations; introducing the concept of district development funds, which became a key element of the decentralization policy; formulation of the country's livestock-sector strategy; and introduction of a three-mile zone reserved for artisanal fishing in coastal areas. The Argentina CPE reports that, despite challenges faced, the decentralized implementation scheme helped build institutional capacity in the provinces and contributed to improving relations between national and provincial levels (historically complex in Argentina). The India CPE reported significant IP contributions, for example in relation to tribal land rights, and in ensuring recognition of women's self-help groups as instruments for poverty reduction in large, nationally funded development schemes. The rural finance project in Ethiopia provided useful inputs to the drafting of a revised microfinance law. The Mauritania project strengthened the capacities of municipalities and, through that support, the national process of decentralization.
53. The evaluation reports contain a few criticisms. The Ethiopia evaluation was concerned about the lack of improvement in the credit cooperative sector, and the China project evaluation made a similar point with respect to village management capacity. Both the Mozambique and India CPEs acknowledge the limitations of the parallel project management systems that IFAD has created alongside existing government channels. This raises sustainability issues, not least by limiting the extent to which links have been built between community-level institutions and local government/state institutions. Separate PMUs may bring short-term implementation benefits, but are less conducive to developing national ownership, institutional capacity and sustainability. The India CPE reports that IFAD is conscious of this issue and is working towards a more convergent model of project management in recent operations. Through the Uganda Vegetable Oil Development project, IFAD supported development of a significant public/private partnership, which is contributing to improving the livelihoods of small farmers.

Box 6

The why factor for institutions and policies

Main lessons from previous ARRI reports

- Projects need to be designed and managed with wider impacts on institutions and policies as a significant objective and with resources to match.
- More comprehensive policy dialogue requires significant investment in staff time and skills, as well as dedicated financial resources, coherent knowledge management and partnership-building.
- Direct supervision and country presence are important features of IFAD's new operating model that contribute to impact on IP.

New lessons from 2009 evaluations

- Parallel project management systems may bring short-term implementation benefits, but are less conducive to ensuring sustainability, and developing national ownership and institutional capacity.
- The collective capacities of and synergies between public- and private-sector institutions are instrumental in bettering the lives of poor rural people.

54. **Household income and assets** includes the flow of economic benefits derived from the production and/or sale of goods and services (income); the stock of accumulated infrastructure, land, housing, livestock, tools and equipment (physical assets); and savings and credit (financial assets).
55. The three-year moving averages reveal an increase in the number of projects that are assessed as moderately satisfactory or better, from 76 per cent in 2002-2004 to 84 per cent in 2007-2009. In particular, there is a slight decrease in the number of projects evaluated as merely moderately satisfactory (from 35 per cent in 2002-2004 to 30 per cent in 2007-2009), but an increase in the number of projects that are satisfactory (from 31 per cent in 2002-2004 to 49 per cent in 2007-2009).
56. Previous ARRI reports have described significant benefits from irrigation, water and road infrastructure investments, but weaker performance by interventions in rural financial services. The need to ensure that interventions were appropriate for and accessible to poorer households was stressed. Participatory design and local institutional development were often key to ensuring ownership, impact and sustainability.
57. Recent evaluations reveal that market access was improved by road investments in Mozambique and Yemen. Successful components and success factors otherwise tended to be country or project specific, with few general findings. For example, rural financial services had a major impact in the India portfolio, but there was limited outreach in Yemen. The significant gains in income in China were attributed to integrated activities based on local preferences (plus a favourable policy, institutional and economic environment). By contrast, the low and indirect impact on the income of vulnerable households in Benin was attributed to an inadequate targeting strategy and the erroneous design assumption that a focus on traditional crops (cassava and yam), processed by women, would automatically benefit poor women and producers with little land and inadequate market access.

Box 7

The why factor for household income and assets

Main lessons from previous ARRI reports

- Irrigation, water and road infrastructure investments have generally been beneficial to poor rural people in terms of income and assets. Some rural finance interventions have been less so.
- Interventions need to be explicitly designed to be appropriate to poorer households. Activities that reduce the workload in collecting firewood and water increase time available for work outside the household, further contributing to improved incomes.
- Lack of market analysis and access and limited availability of rural financial services constrain the profitability of small farmers and small-scale processors.

New lessons from 2009 evaluations

- Building on local preferences and promoting integrated activities to address the multifaceted nature of rural poverty result in significant income gains.
- Although focusing on traditional crops may prove to be an appropriate strategy to raise incomes, the latter can only be achieved if simultaneous provision is made for better access to markets.

58. Achieving improvements in **FSAP** is central to IFAD's mandate. Performance in this area has improved from 24 per cent moderately satisfactory and 31 satisfactory in 2002-2004, to 38 per cent moderately satisfactory and 37 per cent satisfactory in 2007-2009. However, based on data from 2007-2009, impact on FSAP still remains only moderately satisfactory in one in three IFAD-funded projects, and there are very few projects with highly satisfactory performance in this area.
59. The following key factors cited in previous ARRI reports have led to enhanced FSAP: adequate investment in pro-poor research and extension; promotion of sustainable rural financial systems; access to reliable input and output markets;

and the ensuring of complementary activities such as training, advisory services and rural infrastructure.

60. Past reports also highlight areas of concern. First, while increased agricultural productivity and production have generally resulted in increased incomes and food security, this has not always been the case. A relative neglect of value addition to primary commodities and of marketing considerations were constraints highlighted in these reports. Second, income gains from increased agricultural productivity have tended to be distributed in favour of relatively better-off groups. The poorest and most disadvantaged have not benefited to the same extent. Reasons include an unsustainable seed supply system and inadequate approaches to reducing post-harvest losses. Third, project design in countries prone to drought or other natural disturbances must include sufficient risk analysis and mitigation provision, which are essential in ensuring food security and enhancing agricultural productivity.
61. The FSAP impacts of the projects evaluated in recent years were mixed. The Uganda evaluation reported that in oil-seed-producing districts there was a remarkable impact on food security. This was largely due to farmers maintaining a highly diversified farming system, growing a range of cash and food crops and rearing small livestock. There were important impacts from support for marketing, crop diversification and fisheries in Mozambique. Investments in low-cost agroprocessing technology, provision of appropriate fishing gear for artisanal fishers, and attention to the demonstration of alternative farming systems contributed to positive results. Apart from impact on productivity and food security within tribal areas and for women primarily through off-farm activities, the India CPE reported limited focus on and investments in livestock productivity and rainfed agriculture in the past, which are essential to the livelihoods of poor rural people.
62. The impacts of the projects in Benin, Mauritania and Yemen were much less satisfactory. In Yemen, many of the vegetable seeds were discontinued, and some coffee technologies were unaffordable to poor people. Moreover, drought hindered the use of improved technology and limited farmer investment. Irrigation loans were limited in number and, due to their size, not accessible to poorer farmers. In Benin, poorer groups were under-represented in producer groups due to their lack of access to land, services, inputs and markets. In the Niger, positive impacts were limited in scale and vulnerable to external shocks. These findings reinforce those of earlier evaluations.

Box 8

The why factor for food security and agricultural productivity**Main lessons from previous ARRI reports**

- Key factors that have led to enhanced FSAP include: adequate investment in pro-poor research and extension; promotion of sustainable rural financial systems with sufficient outreach; products tailored for and accessible to poor rural people; access to reliable input and output markets; and ensuring complementary activities such as training, advisory services and rural infrastructure.
- Increased FSAP has not always resulted in increased incomes and food security, sometimes because of a neglect of value addition to primary commodities and of marketing issues.
- Income gains from increased agricultural production have tended to be distributed in favour of relatively better-off groups. Some reasons for poor rural people not benefiting adequately include lack of a reliable seed supply system and limited attention to post-harvest losses.
- Project design in countries prone to drought or other natural disturbances must include sufficient risk analysis and mitigation provision to ensure FSAP.

New lessons from 2009 evaluations

- Attention to diversified farming systems has produced favourable results in income and food security.
- Appropriate context-specific technology is essential in enhancing productivity. It must take environmental considerations into account and be low cost.
- Investments in small-scale agriculture that include livestock development should be emphasized, as they are integral to the food security concerns of poor rural people.

63. The **natural resources and environment** impact domain focuses on the extent to which a project or programme contributes to the protection, rehabilitation or depletion of NRE.
64. This year's ARRI report underlines that there has been some improvement since 2002. Twenty five per cent of projects evaluated in 2002-2004 were moderately satisfactory, 14 per cent satisfactory and none highly satisfactory, as compared to 33 per cent moderately satisfactory, 17 per cent satisfactory and 4 per cent highly satisfactory in 2007-2009. However, this situation is still of concern, given that nearly half of IFAD-funded projects in 2007-2009 were moderately unsatisfactory or worse.
65. Natural resources and environment was a learning themes for last year's ARRI report, and some main lessons emerging from past evaluations are given in box 9. In treating NRE as a key learning theme last year, two main categories of IFAD-funded projects were identified. First, there were projects in which NRE risks and opportunities had been overlooked or not adequately addressed. Second, there were some projects in which NRE components had not been as successful as planned. In summary, while most IFAD-funded projects have succeeded in avoiding environmental harm, IFAD has not been particularly successful at achieving positive NRE impacts on a larger scale.
66. The 2009 sample includes projects that: (i) did not address environmental issues adequately in design or did not achieve desired results; and (ii) made efforts to identify and mitigate environmental risks, and achieved useful results. In the Yemen project, environmental risks were never systematically taken into account, nor were strategies to address the worsening climatic conditions introduced. In a Mozambique project, although one objective was to replace slash and burn, the cultivation system did not change and the reforestation support produced limited results.

67. On the other hand, there are also examples of projects in which environmental risks were properly identified and addressed and NRE components were successful. Environmental risks were recognized and are being addressed in the oil palm component in Uganda, even though the project entailed the conversion of 3,600 hectares of secondary forest. In China, major changes in forest cover and protection were observed. This was due, among other reasons, to strong government commitment and efforts.

Box 9

The why factor for natural resources and environment

Main lessons from previous ARRI reports

- Design and supervision weaknesses in environmental assessments have contributed to negative impacts, for example, groundwater depletion, fuelwood exploitation, grazing pressure and diminishing fish stocks.
- Projects tend to be constrained in time and scale, and are often focused on the Ministry of Agriculture. Achieving NRE results on a broader scale requires a wider set of partnerships and policy engagement.
- Even though it is not easy to quantify accurately, the level of investment in past operations in NRE does not appear to be commensurate with the wide-ranging corresponding challenges.
- Not all IFAD-funded projects can address NRE issues, given that some issues are too large, long-term and complex for the Fund to deal with.

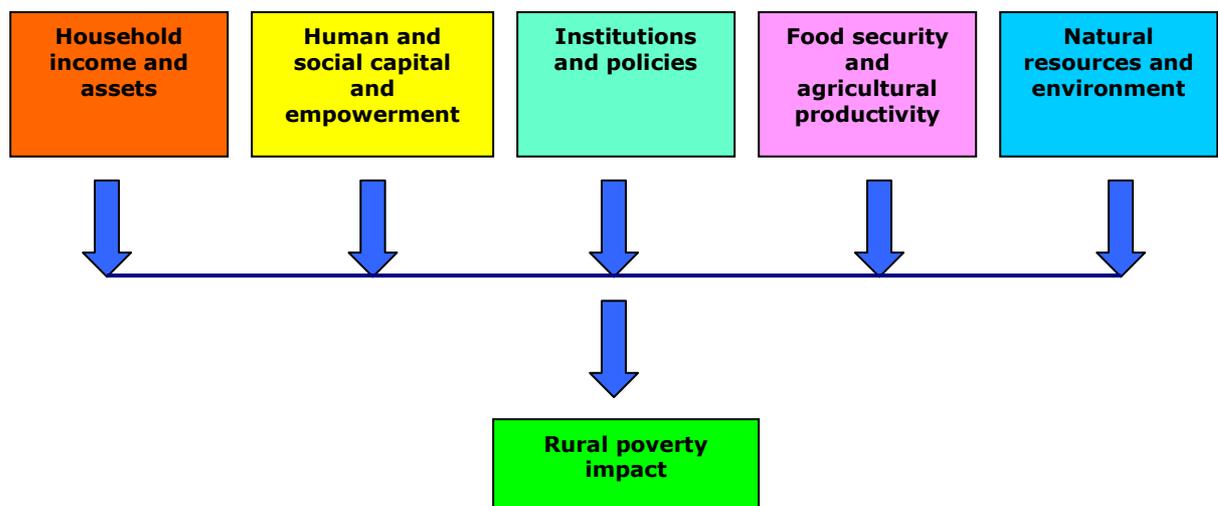
New lessons from 2009 evaluations

- Previous lessons were confirmed: some projects did not properly identify and address environmental risk in design and/or have NRE components.
- The role of borrowing governments and their commitment is particularly critical to ensuring that NRE issues are addressed in a timely manner.

C. Overall rural poverty impact

68. The overall rating for rural poverty impact is derived by aggregating the ratings from the five impact domains discussed previously (see figure 4).

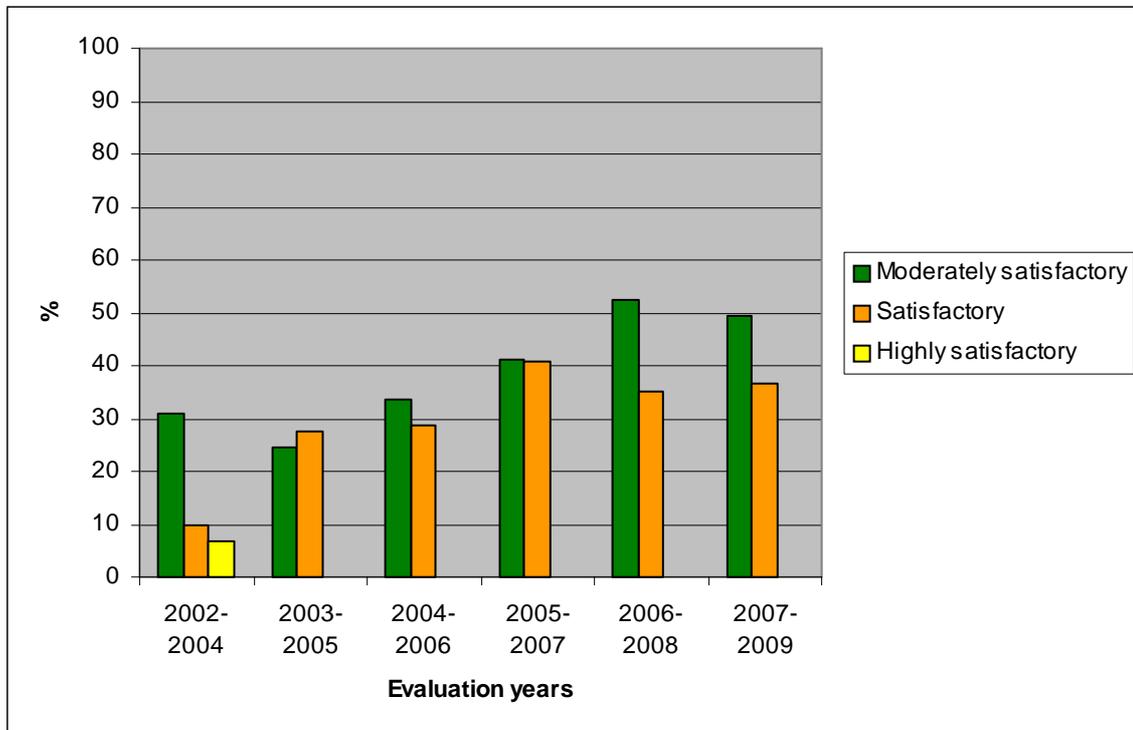
Figure 4
Rural poverty impact



69. Data since 2002 show a significant and steady improvement over time. Thirty-one per cent of the projects evaluated in 2002-2004 were moderately satisfactory for overall rural poverty impact, 10 per cent satisfactory and 7 per cent highly

satisfactory, as compared to 49 per cent moderately satisfactory and 37 per cent satisfactory in 2007-2009 (figure 5). However, apart from the cohort of projects evaluated between 2002-2004, there are no highly satisfactory projects in terms of overall rural poverty impact, and about half the projects evaluated since 2006 are merely moderately satisfactory. Moreover, the number of projects assessed as satisfactory has not increased since 2005.

Figure 5
Rural poverty impact, (2002-2009)



Box 10

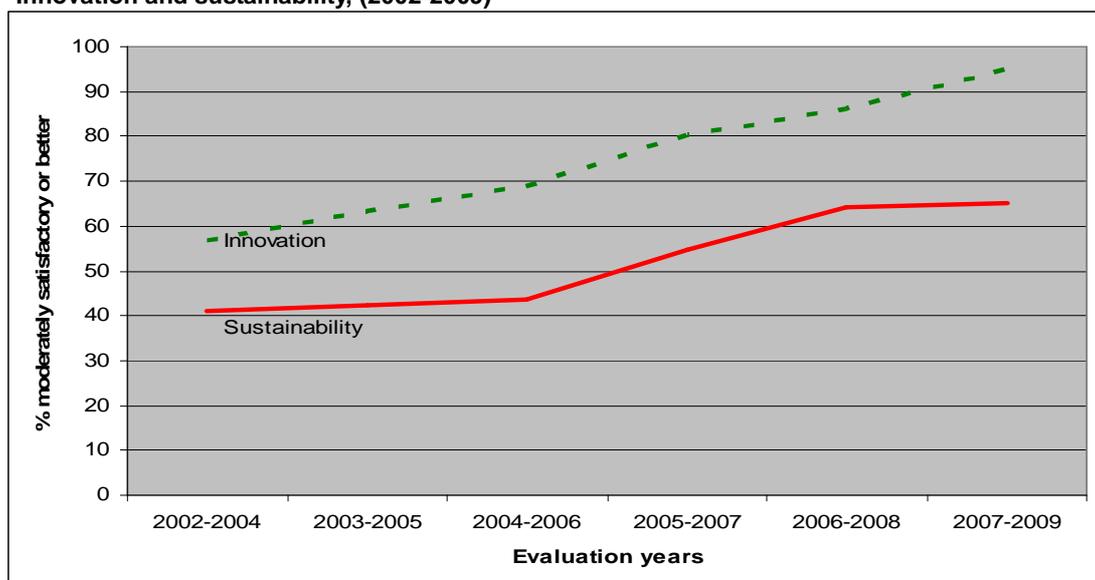
Key points on rural poverty impact

- ❖ Performance in four of the five rural poverty impact domains, and in terms of overall rural poverty impact, has improved significantly since 2002-2004. **Natural resources and environment** remains the exception.
- ❖ The greatest improvements have been in **IP**, where impact in 2002-2004 was very weak. However, evaluations reveal that projects must be designed and managed specifically with the objective of having impact on IP.
- ❖ Another domain in which improvements are visible is **human and social capital and empowerment** – half the projects evaluated in 2007-2009 are satisfactory, and some highly satisfactory. Among other issues, evaluations note that adequate time needs to be devoted in implementation in order to have an impact on human and social capital and empowerment, which is not a consistent feature in all country programmes.
- ❖ Performance in **food security and agricultural productivity** has improved since 2002. There are positive results, but also areas needing attention in the future, such as ensuring access by poor rural people to technologies that are affordable and environmentally sound.
- ❖ Close to 50 per cent of projects were rated satisfactory for **household income and assets** in 2007-2009. But, also nearly one in three projects was merely moderately satisfactory in the same period.
- ❖ Overall **rural poverty impact** has improved markedly since 2002-2004, but 49 per cent of the projects evaluated between 2007-2009 remain only moderately satisfactory, and none were assessed to be highly satisfactory.

D. Other performance criteria: sustainability and innovation

70. IOE evaluations assess two other important performance criteria: (i) sustainability and (ii) innovation and scaling up. The three-year moving averages for the levels and trends in performance for these two criteria since 2002 are shown in figure 6. The figure reveals a very positive trend and performance level for innovation and scaling up, and a positive trend for sustainability.
71. The 2007-2009 moving averages show that, for innovation, 47 per cent of projects evaluated are moderately satisfactory and 48 per cent satisfactory. In the same period, 43 per cent of projects evaluated are moderately satisfactory and 22 per cent satisfactory for sustainability. None are highly satisfactory for either evaluation criterion. It is useful to underline the significant improvements in sustainability in recent years, as it was an area of major concern highlighted in past ARRI reports.
72. The positive trends shown in figure 6 need to be interpreted with caution. In the case of sustainability, the three-year moving averages reveal that in 2007-2009 35 per cent of the projects evaluated were still moderately unsatisfactory or worse. With regard to innovation, nearly half the projects evaluated were only moderately satisfactory in the three year period 2007-2009. Scaling up is particularly weak in past operations. These qualifications are indicative of the challenges that remain in ensuring the sustainability of benefits, and in promoting innovation and scaling up.

Figure 6
Innovation and sustainability, (2002-2009)



73. IOE defines **sustainability** as the likely continuation of net benefits from the 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.
74. Challenges related to sustainability were highlighted in the 2007 ARRI report, which treated this criterion as one of the two learning themes (the other being innovation and scaling up). The learning chapter in that report recognized that sustainability was a challenge for other development agencies as well and not just IFAD. The major priorities identified for IFAD in addressing this issue were: to ensure that project objectives are realistic given the project context; to design exit strategies early in the project cycle; and to make systematic efforts to build ownership and improve the capacities of implementing institutions. One result of

that ARRI report was the development of a new approach to sustainability by IFAD management.¹⁶

75. The 2008 and 2009 ARRI reports identified a number of additional factors. Sustainability was positively associated with: strong alignment with government priorities, policies and programmes; the integration of PMUs into existing institutional frameworks; strong community ownership and contributions; long-term support for grass-roots organizations; and effective alignment of and links between project-created organizations and existing institutions. Sustainability was negatively associated with poor design, inadequate operation and maintenance arrangements, and dependence on continued financial support. Interventions and infrastructure need to be financially and economically viable and self-supporting after the project ends.
76. The 2009 evaluations mirror many of these conclusions. The India CPE identified four different routes to sustainability. The first is to embed the project or PMU within an effective and viable institution (governmental, quasi-governmental, non-governmental or private). This was the model used in China (governmental), Uganda (private) and India (quasi-governmental). The second related route is to secure continued funding from local, regional or central government. A number of the projects in China, India and Mozambique followed this route. However, as the Mozambique CPE points out, this works best where there is a government institution with clear responsibility, a priority mandate, and adequate resources. It works less well where there are diffuse needs or responsibilities, and/or a lower priority. Support for private sector activities, such as smallholder marketing, may not be provided with an adequate mandate and budget by a single public institution.
77. The third route to sustainability is through viable, self-supporting grass-roots organizations. This worked well in some projects in India, but less well in the Niger. Exit strategies in the latter were dependent on durable grass-roots organizations, many of which were far from durable. The fourth route to sustainability is the scaling up of project activities through support from other donors, which in IFAD's case in India usually meant the World Bank and/or government.
78. The least sustainable project – the Raymah Area Development Project (RADP) in Yemen – did not follow any of these routes. The large-scale infrastructure (80 per cent by value) is unlikely to be sustainable for a mix of technical, financial and managerial reasons. The same applies to virtually all the other aspects of the project - the extension system, tree nurseries, agricultural research, and revolving credit fund. None of the extension officers continued their activities after the project was closed, and most of the women's development centres constructed by the project were no longer functioning at the time of the evaluation. Only the small-scale infrastructure that had been identified in consultation with communities, and with an adequate system for collective management and maintenance, may turn out to be sustainable.

¹⁶ See document REPL.VIII/3/R.3, which was presented to the July 2008 meeting of the Consultation on the Eighth Replenishment of IFAD's Resources.

Box 11

The why factor for sustainability**Main lessons from previous ARRI reports**

- Positive factors include: realistic project objectives tailored to the project context; early design of exit strategies; systematic efforts to build ownership and institutional capacity; alignment with government policies and programmes; community ownership and contributions; long-term support for grass-roots organizations; and alignment of and links between project-created organizations and existing institutions.
- Negative factors include: poor design; inadequate operation and maintenance arrangements; inappropriate technology; lack of access to markets and rural financial services; insufficient implementation support and short project timeframes; limited technical assistance after project closure; and dependence on continued external financial support.

New lessons from 2009 evaluations

- Previous lessons were confirmed. Sustainability can be aided by embedding project management/coordination units within an existing and viable institution; securing continued funding from a government department with the mandate and resources; developing viable and self-supporting grass-roots organizations; scaling up through donor or government support; identifying, managing and maintaining appropriately scaled investments with the communities; and involving the private sector in agricultural development activities.

79. **Innovation and scaling up** covers the extent to which IFAD development interventions have: (i) 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 or other agencies.
80. As in previous years, the 2009 evaluations contain many examples of innovation within IFAD-supported projects. Encouragement to hire women PMU staff in China made a real difference and has promoted gender attitude change. Innovative gender elements were also present in the Yemen project design, but most were either unfeasible or unsustainable in the context. More positively, unlike in previous years, there were also examples of replication and scaling up in two project evaluation reports and two CPEs. Significant replication and scaling up of the traditional oilseed subproject in Uganda was achieved by working through government structures in neighbouring districts. In Ethiopia, the cofinancing obtained from African Development Bank (AfDB) led to a significant expansion of credit outreach. In Mozambique, artisanal fisheries innovations, district development funds and savings and credit associations have been scaled up to the national level and are being implemented across the country or incorporated into the national regulatory framework. The India CPE also contains various examples of replication and scaling up. However, both the Mozambique and India CPEs repeat the earlier ARRI report finding that the process of innovation, replication and scaling up still tends to be more scattered than systematic.
81. The CLE on innovation completed earlier in 2010 revealed that, over time, IFAD has devoted less attention to promoting pro-poor innovation in agriculture technology, which is essential to enhancing smallholder productivity. Instead, IFAD has attributed greater emphasis on piloting innovations in institutional arrangement for project implementation, social mobilization and promotion of people's participation. The evaluation concluded that innovations are important in agriculture, especially given the eroding asset base (e.g. access to fertile land, natural resources and water) of the rural poor.
82. In spite of some achievements, the processes for scaling up are not well defined, and most successful examples found are largely due to the individual efforts of country programme managers (CPMs), rather than pursued in a systematic

manner. In particular, older generation projects were not designed with explicit attention to scaling up, which is fundamental if IFAD is to have a wider impact on rural poverty. IFAD Management is cognizant of the importance of scaling up, and in 2009/2010 entered into a partnership with Brookings Institution with the specific aim of developing pathways for ensuring scaling up of successfully piloted innovations in the context of IFAD-supported projects. On its part, IOE is developing dedicated indicators to determine the results of IFAD-financed projects related to scaling up. These indicators will be applied in all IOE evaluations done in 2011 onwards.

Box 12

The why factor for innovation and scaling up

Main lessons from previous ARRI reports

- Identifying the right partner institutions is critical to innovation and scaling up.
- Innovations that address needs widely shared by the poor rural people and that are based on traditional knowledge, technology, practices, and cultural and social norms are more likely to succeed.
- Direct supervision and implementation support and country presence are important ingredients in innovation and scaling up.
- Design and approval pressures do not allow time for scouting for new ideas.
- Limited attention to non-lending activities (knowledge management, policy dialogue, and partnership-building) are constraining the promotion of innovation, and especially of scaling up.
- Disproportionate attention has been allocated to innovation as compared with scaling up, which is not treated to the same extent in design.
- Grants have not been used sufficiently for promotion of innovation and scaling up, and the links between grant and loan activities are generally weak.
- Gaps exist in staff skills, competencies and systems within IFAD (e.g. incentive and accountability structures) to effectively promote pro-poor innovation.

Lessons from 2009 evaluations

- There are examples of innovation, but scaling up still tends to be more scattered than systematic, and mostly left to individual initiatives and efforts.
- Government can play an especially important role through its own ministries and departments in replicating and scaling up valid innovations, as can multilateral development banks by providing cofinancing or funding projects on their own that build on innovations initially supported by IFAD.
- Proactive attention to women staff in PMUs can contribute to further promoting gender attitude changes at diverse levels.

Box 13

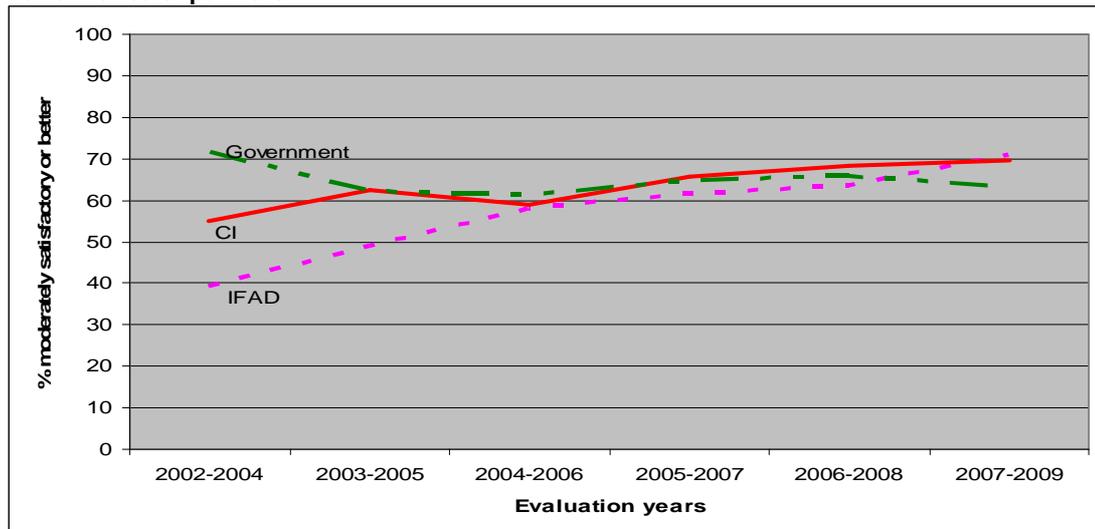
Key points on sustainability, innovation and scaling up

- ❖ **Sustainability** has improved since 2002. This achievement needs to be highlighted, given that sustainability was in the past an area of much concern. However, there is no room for complacency, as 43 per cent of the projects evaluated in 2007-2009 were only moderately satisfactory.
- ❖ Ratings for **innovation and scaling up** have improved markedly and steadily over time. About half the projects evaluated in 2007-2009 were moderately satisfactory in 2007-2009, and the other half were satisfactory. However, scaling up was found to be weak in past projects.

E. Performance of partners

83. Each evaluation assesses the performance of IFAD, the government and, where applicable, cooperating institutions (CIs). Figure 7 shows the trends since 2002. While the performance of CIs is still assessed as part of project evaluations, the shift to direct supervision and implementation support by IFAD means that it is of diminishing importance. CI performance is no longer discussed for this reason. It is important to highlight that this section provides an overview of the performance of IFAD and the government, respectively, as partners in the context of IFAD-funded projects. It is not intended to provide an overarching assessment of IFAD as an organization or a particular government at large.

Figure 7
Performance of partners



84. Evaluation ratings for **IFAD's** performance continue to improve, from a low base in 2002. Average data for projects evaluated in 2007-2009 reveal that 45 per cent of the projects are moderately satisfactory and 25 per cent are satisfactory in terms of the Fund's performance. Seen from another angle, 70 per cent of projects evaluated in 2007-2009 are moderately satisfactory or better, as compared with 39 per cent in 2002-2004.
85. However, these improvements need to be interpreted with caution: the three-year moving averages between 2007-2009 reveal that IFAD's performance is moderately unsatisfactory or worse in nearly one in three projects funded. This is a cause for concern, especially as improvements to IFAD's performance are within its own realm.
86. Previous ARRI reports have acknowledged IFAD's strengths. It is valued and trusted by governments for its focus, flexibility and responsiveness, as well as its contribution to national rural poverty reduction efforts. The Fund's exclusive focus on small-scale agricultural development in rural areas distinguishes it from other multilateral development organizations. Its bottom-up, participatory approaches allows poor rural people to have a greater say in decision-making and resource allocation. Criticisms in past evaluations tended to relate to three main areas: design weaknesses, inadequate supervision and implementation support and limited country presence. Slow response times to issues emerging during implementation and an insufficient emphasis on M&E were also mentioned.
87. IFAD's shared responsibility for design again featured prominently in the 2009 evaluations. In the Uganda evaluation, IFAD was commended for its positive design influence, but criticized for insufficient analysis of the socio-economic context. The Yemen evaluation made a similar criticism: the design of the project was inappropriate to local conditions and capabilities. IFAD could have been more

discriminating in its choice of implementing partners, and more willing to take corrective action to redress bottlenecks emerging during execution. IFAD's shared responsibility for design flaws was also mentioned in the Mauritania and Mozambique evaluations. In Mozambique, the CPE was critical of designs based on very optimistic assumptions and that lacked critical institutional assessment and mapping. The Argentina CPE highlighted that projects had to deal with challenging institutional arrangements between federal and provincial authorities, which caused delays in execution and constrained overall results.

88. The positive decision to move to direct supervision and implementation support in 2006 is one of the most far-reaching changes to IFAD's operating model since the establishment of the Fund. Among other issues, it allows IFAD to get closer to the ground and better understand country context, follow-up more directly with implementing agencies in resolving bottlenecks that may emerge during implementation, enhance communication with government and other partners, as well as establish and nurture partnerships with multiple stakeholders. However, evaluations reveal that some issues need to be resolved to ensure that direct supervision and implementation support can be even more effective in the future. The India CPE was generally positive about the way in which direct supervision and implementation support had turned around a number of difficult projects with unpromising beginnings. It has given IFAD a better understanding of the context and of the challenges and opportunities relating to project implementation. The CPE noted that direct supervision and implementation support, as compared with supervision by CIs, was conducted as a more participatory exercise, where problems and solutions were jointly identified with implementing partners. Nevertheless, the CPE also raised issues of supervision and implementation support planning, follow up and quality control, which need to be worked out in the India programme, as elsewhere.
89. The Mozambique and Niger CPEs present a similar story, albeit with different conclusions. Supervision in Mozambique was distant and passive until country presence was established in 2003. The Mozambique CPE made the point that different projects need different levels of supervision and implementation support, which is difficult to provide if each project is allocated the same amount of resources annually. Some projects had highly professional management teams with extensive experience working with IFAD. Others were less experienced and would have benefited from more frequent and closer supervision and implementation support. In the Niger, supervision remained too light in terms of duration and the inclusion of subsector expertise. The CPE recommended an increase in the duration and frequency of supervision missions and in the use of international and national technical assistance to provide regular project support. The shift to direct supervision and implementation support in Argentina contributed to significant improvements in dialogue, communication and follow-up with the federal Government. Implementation support allowed for adequate redirection of problem projects – although it took too long to address and solve the problems identified.
90. There are, however, also some general issues that need to be addressed. For example, insufficient efforts have been deployed in strengthening IFAD staff capacity for and skills in direct supervision and implementation support, and there are limited systematic opportunities to ensure cross-fertilization and exchange of lessons among CPMs on approaches and experiences.
91. Prompt action in response to supervision and implementation support missions, or to emerging problems, is important. In Ethiopia, IFAD has been recognized as a responsive partner. It responded quickly and flexibly to address financing gaps that could have caused significant implementation delays. But, in the case of the projects in Mauritania and Yemen, however, IFAD did not take sufficient action in a timely manner. RADP in Yemen was identified as a problem project by IFAD Management for most of its life and IFAD did not take any corrective action to bring the operation back on track. A long list of recommendations produced by the mid-term review went largely unaddressed. In Mauritania, performance with respect to

PASK has improved since 2006 with the appointment of a new CPM, which also indicates the importance of the skills, experience and approach taken by individuals in ensuring project effectiveness.

92. All CPEs but also some project evaluations, underline the importance of IFAD's permanent presence in borrowing countries. Together with direct supervision and implementation support, the establishment of country presence is another far-reaching positive change in IFAD's operating model. Evaluations highlight the useful role of country presence, *inter-alia*, in direct supervision and implementation support, improved policy dialogue, communication and follow-up with projects and other partners, and monitoring and coordination in general. The ARRI report believes that it would be appropriate for both Management and the Board to consider further enhancing and expanding IFAD's country presence in borrowing member states, based on a well-defined set of criteria. At the same time, a number of concerns have emerged, including delegation of authority to country presence officers, the focus and priorities of country presence, and administrative challenges associated with officer's integration into IFAD's overall work force.

Box 14

The why factor for IFAD performance

Main lessons from previous ARRI reports

- IFAD is valued and trusted by governments for its focus, flexibility, and responsiveness.
- Criticisms include: design weaknesses; inadequate supervision and implementation support; slow response times to issues emerging during implementation; limited country presence; and an insufficient emphasis on M&E.
- High rotation of CPMs for some countries led to loss of institutional memory and continuity. In other cases, the opposite was observed, limiting cross-fertilization of experiences across portfolios and diversification of approaches and partnerships.
- Timely mid-term reviews have contributed to better effectiveness.

Main lessons from 2009 evaluations

- The consolidation of direct supervision and implementation support, and expanded and well-resourced country presence, are essential in enhancing the performance of IFAD-funded country programmes. These processes are critical for development effectiveness and therefore should receive priority attention by both the Management and IFAD's Executive Board.
- Projects classified 'at risk' by Management during execution merit special attention and more intensive follow-up.

93. The performance of **government** as a partner has worsened slightly since 2002. Thirty-two per cent of projects were moderately satisfactory and 39 per cent satisfactory in 2002-2004, as compared with 36 and 27 per cent respectively in 2007-2009. None were highly satisfactory in either period.
94. Governments' performance needs improvement – in one in three projects in 2007-2009 their performance is moderately unsatisfactory or worse. Improvements are particularly important, in that they are arguably one of the most important actors in determining project performance.
95. The major joint evaluation with AfDB on agriculture in Africa¹⁷ underscored that Governments have a paramount role in ensuring achievement of the results of IFAD-funded operations, for example by: ensuring smooth project execution, prompt allocation of counterpart funds, and a conducive policy and institutional environment, including encouraging the participation of the private sector; assigning project management staff in a timely manner; and carrying out effective M&E.

¹⁷ 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* (Abidjan, Côte d'Ivoire, and Rome, 2010).

96. However, IFAD has devoted relatively little attention to this issue in general, perhaps because it is seen as a given and outside IFAD's control. In this regard, evaluations do reveal examples of some efforts by IFAD in promoting capacity building (e.g. in participatory process and grassroots institution building, etc.). However, there is no evidence of a systematic and sustainable approach to capacity building by the Fund efforts within key institutions involved in IFAD-supported operations in borrowing governments at different levels. Another common finding of previous evaluations was that government performance has varied greatly among projects and over time, but few key messages have emerged beyond familiar statements about the weakness of M&E, the negative effects of delays in counterpart funding, and the importance of effective PMUs.
97. The 2009 evaluations present a largely familiar set of various findings. Strong and consistent government support and ownership was cited as important in achieving project results in China, Ethiopia, India, Mozambique and Uganda. For instance, the Government of Uganda was open to partnership with a large private-sector operator in the Vegetable Oil Development Project, despite long delays initially in selecting the operator. In Mozambique, good coordination and collaboration was evident among diverse government agencies, including the Ministry of Planning, the Fund for Economic Rehabilitation, the Central Bank of Mozambique, the Institute for the Development of Small-Scale Fisheries, and the Ministries of Agriculture, Finance and Fisheries. In the projects funded by IFAD in India, the Government encouraged wide-ranging participation of NGOs and civil society organizations.
98. In the Niger, however, there were structural weaknesses in administration, political uncertainty, and a lack of realism concerning the capacity of government institutions. Government performance, and with it project performance, have suffered. PMUs were effective in China and in some projects in Mozambique. Dedicated PMUs, with capable managers and limited staff turnover were, unsurprisingly, more effective and efficient. Where they were understaffed (Ethiopia) or suffered from extensive interference, turnover or delays in staff appointments (India and Yemen), project performance was negatively affected. Delayed or non-provision of counterpart funds was a problem in Mozambique and Yemen, as were legal and procedural delays in India and Uganda, respectively.
99. One particular finding from the Argentina and India evaluations is the need for clear roles and responsibilities in project design and implementation between federal and state/provincial governments. Other previous evaluations (e.g. the CPEs for Brazil and Pakistan) revealed a similar finding. For instance, the role of the federal government was not always specifically articulated and agreed on beforehand, especially in contexts in which project execution is entrusted to state/provincial-level authorities. This has led to communication difficulties among federal and state/provincial authorities and to delays in implementation, as well as creating challenges for IFAD in managing relationships with all in-country partners.
100. Finally, the performance of borrowing governments can also be assessed by the rate of implementation of IOE country programme and project evaluation recommendations. As reported in the 2010 President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA),¹⁸ only some 50 per cent of agreed recommendations addressed to governments have been fully followed up. This is a cause for concern, as it limits opportunities to improve the performance of IFAD-funded operations on the ground. Through direct supervision and wider country presence, IFAD can play a role in following up with governments to ensure full implementation of evaluation recommendations. A more systematic approach needs to be taken to this issue in the future.

¹⁸ See document EB 2010/100/R.7, presented to the Executive Board in September 2010.

Box 15

The why factor for government performance**Main lessons from previous ARRI reports**

- Government performance is one of the most fundamental ingredients in ensuring the success of IFAD-funded projects. Performance in countries with high CPIA scores¹⁹ is better than in countries with lower scores.
- Government performance varies hugely from country to country, within countries between federal and provincial/state levels, and also from agency to agency. It also varies over time.
- Systemic weaknesses in government performance include: (i) inadequacies in the staffing of the PMU, coupled with high staff turn-over; (ii) inadequate support to, and experience and training of, project staff in participatory planning, procurement procedures and financial management; (iii) weak institutional support; (iv) lack of experience with IFAD procedures; and (v) ineffectiveness of M&E systems as management instruments.
- In the past, insufficient attention has been devoted by IFAD to systematically support governments in enhancing their capacity and performance in agricultural and rural development.

New lessons from 2009 evaluations

- Good coordination and collaboration among line departments is important for smooth implementation.
- The government role in encouraging participation of private-sector entities and NGOs in project design and implementation is critical.
- Timely provision of counterpart funds is important, as is the need to clearly define at the outset the roles and responsibilities of government agencies involved at diverse administrative levels.

Box 16

Key points on the performance of partners

- ❖ **IFAD's** performance has steadily improved since 2002. IFAD is valued as a focused, trusted and flexible partner by borrowing countries.
- ❖ There is no room for complacency, however, as IFAD's performance in 2007-2009 was moderately unsatisfactory or worse in one in three projects financed between 2007-2009.
- ❖ The performance of **government** as a partner has remained relatively constant since 2002 and needs improvement, given that in one out of three projects in 2007-2009 their performance is moderately unsatisfactory or worse.
- ❖ Government performance is one of the most important determinants of project performance, and IFAD can do more in terms of capacity building to enhance this performance in the agriculture and rural sector.
- ❖ Government's weak performance is manifested by, among other issues, delays in the provision of counterpart funds, inadequate attention to project-level M&E, and a low implementation rate for evaluation recommendations.

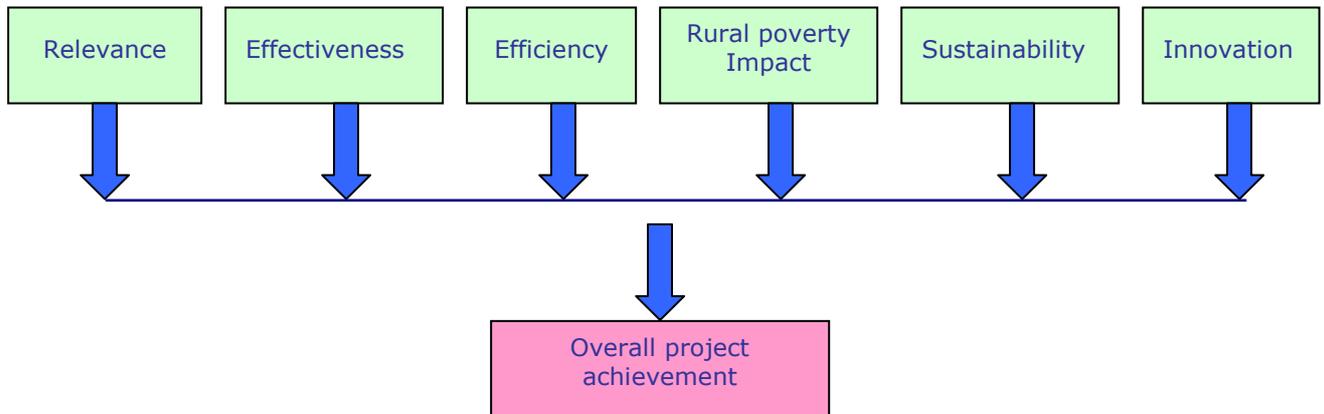
F. Overall project achievement

101. Overall project achievement is an extremely important evaluation criterion. It is a composite of six other criteria applied by IOE in each project evaluation, namely relevance, effectiveness, efficiency, rural poverty impact, sustainability and innovation and scaling up (figure 8). For each project, evaluators are expected to use their judgement in determining overall project achievement, rather than simply calculating a mathematical average. The performance of IFAD and Government, as

¹⁹ Scores obtained in the World Bank's Country Policy and Institutional Assessments.

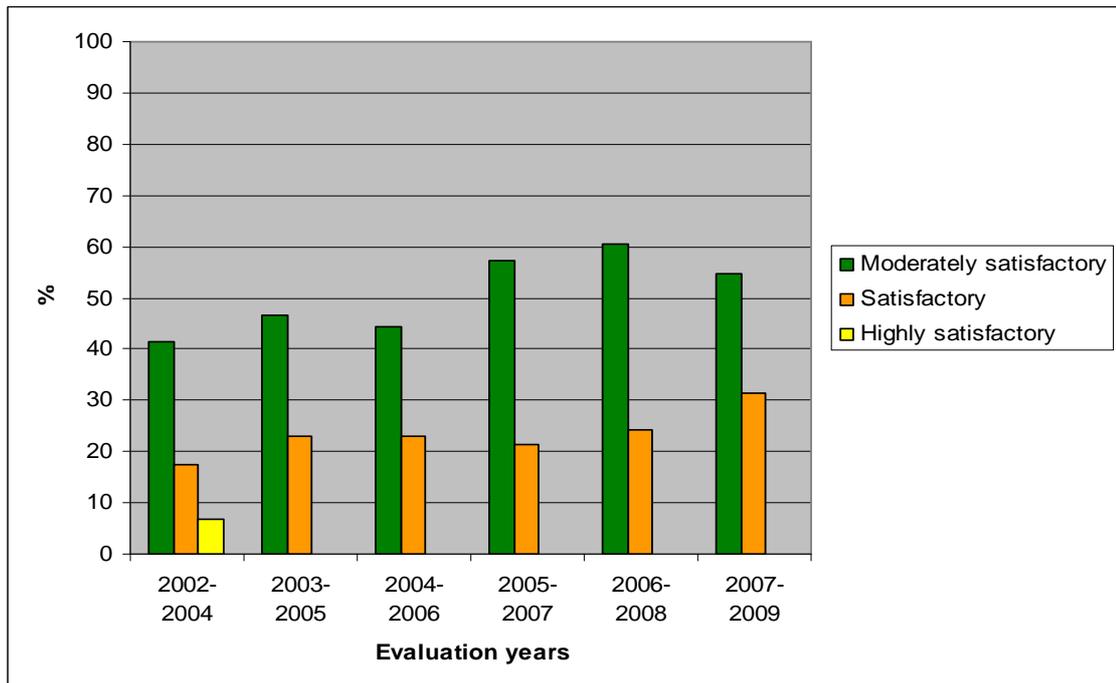
partners in the implementation of IFAD-supported project, is not included, as this is a critical factor in the achievement of results across the six criteria.

Figure 8
Overall project achievement



102. Overall project achievement has steadily improved from 2002-2004 to 2007-2009 (figure 9), with a greater proportion of moderately satisfactory and satisfactory projects. However, it is important to note that over half the projects in 2007-2009 were only moderately satisfactory and none highly satisfactory.

Figure 9
Overall project achievement



Box 17

Key points from the 2009 project evaluations

- ❖ The relevance of IFAD-funded operations is generally high, even though in some cases objectives are ambitious and project strategy is not fully appropriate to meet the objectives. Increased attention to market access and the private sector is contributing to greater effectiveness, even though multiple components and wide geographical dispersion constrain results. Efficiency, however, is weak.
- ❖ Rural poverty impact is generally good, but impact on natural resources management and the environment is poor, while greater attention is being attributed to gender issues.
- ❖ Improvements have been achieved in sustainability, but various factors need to be addressed to obtain better results, including the introduction of appropriate technology and early design of exit strategies. While promotion of innovation is good, scaling up is constrained by weak performance in policy dialogue, knowledge management and partnership-building.
- ❖ There is room for improvement in IFAD's performance as a partner in the project life cycle, especially given that this is within the organization's own realm. Government performance is a critical factor in sustainable reduction in rural poverty, but performance on the whole is inadequate, for example in terms of timely provision of counterpart funds, attention to M&E systems at the project level, and follow up of evaluation recommendations.

G. Internal and external benchmarking

103. **Internal benchmarking.** In its past three editions, the ARRI report presented a section on benchmarking of performance based on results communicated in the report of the Independent External Evaluation (IEE).²⁰ It also included benchmarking of performance across the five geographical regions covered by IFAD operations. This year, for the first time, it reports on benchmarking of the performance of IFAD-funded operations against the targets agreed with the Executive Board in the revised Results Measurement Framework for the Eighth Replenishment Period (2010-2012) (hereafter 'revised RMF').
104. Table 2 shows that performance has improved since the IEE. Benchmarking against the revised RMF reveals that performance in relevance and innovation has already exceeded the 2012 targets, whereas the Fund is close to meeting the target for rural poverty impact. However, three other agreed targets have not yet been met: for effectiveness, efficiency and sustainability. Efficiency is the area where greatest ground still needs to be covered to meet the 2012 target, followed by effectiveness and sustainability.
105. The revised RMF itself has been assessed as an instrument for corporate results-based management. The assessment found that:
- There is no dedicated composite indicator for measuring government performance, as partners in the context of IFAD-supported operations;
 - Rural poverty impact is not disaggregated according to the domains used in IOE evaluations (e.g. food security and agriculture productivity), which would provide a more accurate appreciation of impact in key corporate priority areas; and
 - The measurements adopted for key indicators related to project and country programme performance do not allow for a more discernable appreciation of performance among moderately satisfactory, satisfactory and highly satisfactory.

²⁰ IOE, *An independent external evaluation of the International Fund for Agricultural Development* (Rome, September 2005).

Table 2
Internal benchmarking (percentage moderately satisfactory or better)

<i>Evaluation criteria</i>	<i>Independent External Evaluation^a</i>	<i>IOE 2007-2009 evaluations</i>	<i>PCRs 2008-2009^b</i>	<i>2012 Targets from the Results Measurement Framework^c</i>
Relevance	100	97	94	90
Effectiveness	67	77	87	90
Efficiency	45	57	64	75
Rural poverty impact	55	86	80	90
Sustainability	40 ^d	65	75	75
Innovation ^e	55	95	71	80

^a See chapter 2 of the IEE.

^b IFAD, Report on IFAD's Development Effectiveness (RIDE) (Rome, 2009).

^c These are targets approved by the Executive Board in September 2009, to be compared with ARRI report results. See table 2 in the revised RMF.

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

^e The IEE report 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.

106. Table 3 compares performance of IFAD-funded projects across the five geographical regions covered. However, it is not intended to benchmark the performance of the PMD regional divisions as organizational units, which are responsible for COSOP development and project life cycle management in the respective regions.
107. As underlined last year, the performance of IFAD-funded operations in sub-Saharan Africa is relatively weak compared with other regions. This is partly a reflection of the overall challenging context, especially weak government capacity and performance. A majority of fragile states are in sub-Saharan Africa, and in spite of risk analysis undertaken at the time of project design, they are more likely to be affected by unexpected developments (e.g. natural calamities, political disturbances, etc.) during implementation that are hard to predict at design. The other explanation is that the difficulty in the context has not been adequately analysed nor factored in at the time of design, often resulting in overoptimistic project objectives. It is fair to note that other major multilateral development organizations, (AfDB and the World Bank) have a similar performance in the agriculture sector of the continent. This is confirmed by the recent global evaluation on agriculture by the Independent Evaluation Group of the World Bank.²¹
108. Thus, the ARRI report again raises the importance of taking a differentiated approach to the allocation of administrative resources to countries with a more complex context, rather than follow the current one-size-fits-all approach. This would endow the East and Southern Africa and West and Central Africa Divisions, as well as some countries with weak policy and institutional environments, with the required level of resources to address their leadership, knowledge and policy gaps, including weak government performance, as well as to conduct more- effective COSOP formulation, project design and supervision and implementation support in the future.

²¹ World Bank. *Growth and productivity in agriculture and agribusiness: evaluative lessons from World Bank Group Experience* (Washington, DC: Independent Evaluation Group, 2010).

Table 3
Comparisons of overall project achievement across geographic regions (2002-2009)

<i>Geographic region</i>	<i>Number of projects evaluated</i>	<i>Percentage of projects in Least Developed Countries^a</i>	<i>Overall project achievement</i>	<i>Overall project achievement</i>
			<i>Percentage moderately satisfactory or better</i>	<i>Percentage moderately unsatisfactory or worse</i>
Asia and the Pacific	30	37	93	7
Latin America and the Caribbean	18	6	78	22
Near East and North Africa	14	29	71	29
East and Southern Africa	22	95	68	32
West and Central Africa	23	70	57	43

^a These include countries that have low incomes (GNI per capita under US\$745), low human capital status and high economic vulnerability, as defined by the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS).

109. **External benchmarking.** Since 2007, the ARRI report has included benchmarking of the performance of IFAD-financed operations with the agriculture- and rural-sector portfolios of selected international financial institutions (IFIs) that annually produce a report similar to the ARRI.²³ There are inherent limitations in benchmarking with other organizations, which among other issues have different mandates, are of varying sizes in terms of their annual programme of work and administrative budgets, and do not use the same measurement systems for assessing results of the projects they finance. However, despite this, there is value in continuing the benchmarking exercise, as it permits the performance of IFAD-financed projects to be transparently compared with those of other development organizations and to learn from their experiences and good practices. Comparisons with the AfDB, AsDB and the World Bank are shown in table 4.
110. On the whole, the performance of IFAD-funded projects is somewhat better than the three organizations covered in table 4. This is especially the case given that data from the World Bank's recent global evaluation on agriculture issued in October 2010 illustrates that the performance of the World Bank's agriculture operations are even less satisfactory²⁴ as compared to the data contained in the Bank's 2009 Annual Review on Development Effectiveness, which has been used in table 4.
111. The benchmarking analysis reveals encouraging outcomes for IFAD, even though it could be argued that the performance of the Fund's operations could be even better, given that it focuses only on one sector as compared to the benchmarked organizations.

²³ Apart from IFAD, only AsDB and the World Bank produce such reports and make them publicly available.

²⁴ According to the Global Evaluation Report (2010), 65 per cent of World Bank agriculture operations are satisfactory for projects approved during 2002-2008, rather than 87 per cent as reported in the 2009 Bank Annual Report on Development Effectiveness for the projects evaluated in the last five years leading up to 2008.

Table 4
Benchmarking against other financial institutions (per cent projects rated as moderately satisfactory or better)

	IFAD (evaluated 2002-2009) ^a	World Bank (closing 2004-2008) ^b	Asian Development Bank (approved 1992-2000) ^c	African Development Bank (evaluated 2002-2009)
Project performance – world-wide	83	87	N/A	N/A
Project performance – Asia and Pacific	97	83 ^d	55 ^e	N/A
Project performance in Africa (2003-2007) ^f				
Overall project performance	72	N/A	N/A	61
• Relevance	90			70
• Effectiveness	61			62
• Efficiency	66			50
• IFAD/ADB	41			48
• Poverty impact	54			55
• Sustainability	40			35

^a Evaluation data for 2002-2009; data for Africa (2003-2007) from the AfDB/IFAD joint evaluation report.

^b World Bank, *Annual Review of Development Effectiveness 2009: achieving sustainable development*. Agricultural and rural development projects, five-year average 2004-2008 (Washington, DC, 2009), table A.1. The World Bank rates project outcomes according to the extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently.

^c AsDB, *Annual Evaluation Review 2009: role and direction of self-evaluation practices* (Manila, 2009), appendix 3, table A3.1.

^d This includes operations across all sectors (not merely agriculture and rural development operations).

^e 'Project success' as used at AsDB is a composite of relevance, effectiveness, efficiency and sustainability.

^f Data from AfDB/IFAD joint evaluation report, table 3.

IV. Country programme evaluations

112. This is the first ARRI report to include a dedicated chapter based on the findings contained in CPEs. Its aim is to provide an overview of the performance of: (i) non-lending activities (policy dialogue, partnership-building and knowledge management); and (ii) the relevance and effectiveness of the COSOP. CPEs also provide an assessment of the performance of individual IFAD-funded projects (covered in chapter III) and overall portfolio performance in any given country.
113. The CPE methodology also includes assessment and rating of the performance of the overall government/IFAD partnership for reducing rural poverty (see subsection IV.C). This is a composite assessment of: (i) the project portfolio; (ii) non-lending activities; and (iii) the COSOP. A schematic illustration of the CPE methodology is shown in annex 1.
114. IOE has undertaken eleven CPEs since 2006, which have been used as a basis for the analysis contained in this chapter. Table 5 includes the list of countries where CPEs were undertaken from 2006 to 2010. It should be noted that none of the CPEs are in countries with a results-based COSOP at the time of the evaluation, a specific framework for which was adopted by the Executive Board in September 2006. That is, the CPEs included in this report covered country programmes with older generation COSOPs, which were largely considered as internal management documents and most of them were not discussed with the Executive Board. As compared to the results-based COSOPs, the older generation COSOPs were prepared with very few administrative resources, often had overambitious objectives, and did not contain a results framework or outline the COSOP management²⁵ and country programme management²⁶ arrangements. In any case,

²⁵ Which includes, for example, provision for COSOP mid-term review and completion reviews.

²⁶ This would include the definition of country presence and supervision arrangements for the country concerned.

it is expected that IOE will, in the near future, start also undertaking country programme evaluations (CPEs) in countries that have benefited from a results-based COSOP.

Table 5

List of country programme evaluations (2006-2009)^a and associated COSOPs

<i>Evaluation year</i>	<i>Country Programme Evaluation</i>	<i>Date of COSOP(s)</i>
2006/2007	Mali	1997
2006/2007	Morocco	1999
2007	Brazil	1996
2007/2008	Ethiopia	1999
2007/2008	Pakistan	2000, 2002
2008	Nigeria	2000
2008/2009	Sudan	2002
2009	India	2001, 2005
2009/2010	Argentina	2003
2009/2010	Mozambique	1997, 2000, 2004
2009/2010	Niger	1999, 2005, 2006

^a Some CPEs under implementation in 2010 are not included in this table.

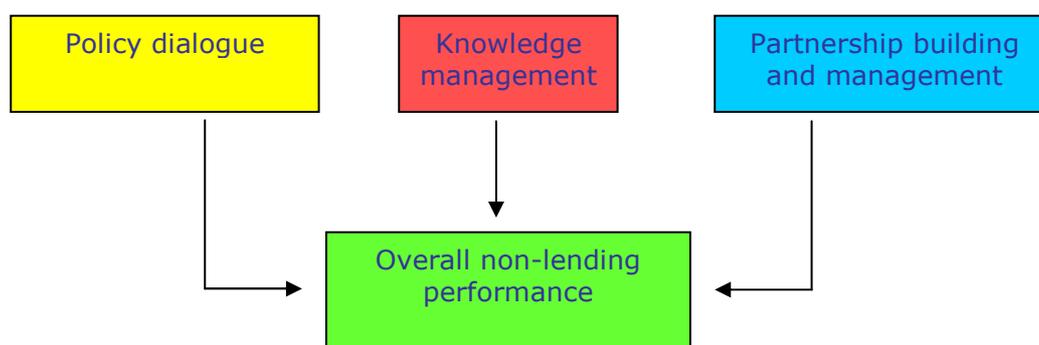
115. More recent CPEs (Argentina, India, Mozambique and the Niger) have followed the new evaluation manual. As mentioned in paragraphs 112-113, the CPE methodology in the manual requires each CPE to include an assessment and ratings for the project portfolio, non-lending activities, COSOP performance (which as mentioned earlier is a composite of COSOP relevance and effectiveness), and government/IFAD partnership. Before introduction of the manual, however, CPEs included an assessment and ratings for project portfolio and non-lending activities, but not for COSOP performance or government/IFAD partnership.
116. Thus, seven CPEs (Brazil, Ethiopia, Mali, Morocco, Nigeria, Pakistan and the Sudan) undertaken before introduction of the manual include ratings for project portfolio and non-lending activities, but not for COSOP performance and government/IFAD partnership. However, in reviewing these seven CPEs during preparation of the 2010 ARRI report, IOE was able to assign a rating for COSOP relevance in each case, based on the evidence available in the corresponding CPE report. However, due to lack of detailed information, it was not possible to attribute ratings for COSOP effectiveness or overall government/IFAD partnership.

A. Non-lending activities

117. Non-lending activities are a set of instruments that encompass the inter-related areas of policy dialogue, knowledge management and partnership-building (figure 10). It is important to clarify that non-lending activities are not stand alone activities pursued by IFAD in a given country, but are integral elements of IFAD-supported country programmes. They are complementary both to loan-funded projects and grant-financed activities, and contribute to achieving the overall strategic objectives defined in a COSOP. Non-lending activities are important, *inter-alia*, as they allow IFAD to learn from past activities for achieving better results in the future, identify and nurture strategic partnerships with other development actors in support of its rural poverty reduction efforts, and engage in a process of dialogue on key agriculture and rural development policies and institutional reform.
118. It is useful to clarify that older generation COSOPs (i.e. those prepared before the end of 2006) had little coverage of non-lending activities. They were neither given the required attention in terms of allocation of resources and work plans, nor were specific objectives or targets established. This is however changing because the Fund is recognizing the importance of non-lending activities, which as mentioned

above, are essential to support IFAD loan and grant-financed activities in the country programmes it supports.

Figure 10
Performance of non-lending activities



119. Table 6 presents the consolidated results from all 11 country programmes evaluated since 2006. It reveals that 55 per cent were rated moderately satisfactory and 9 per cent as satisfactory for overall non-lending activities. Thirty-six per cent are moderately unsatisfactory and none highly satisfactory. Nearly half the CPEs reveal that IFAD and government combined performance is merely moderately satisfactory in both partnership-building and policy dialogue. Performance in knowledge management has been the least satisfactory of the non-lending activities.

Table 6
Performance of non-lending activities from 2006-2009

Rating		Policy dialogue	Knowledge management	Partnership building	Overall non-lending activities
6	Highly satisfactory	9	0	0	0
5	Satisfactory	0	18	18	9
4	Moderately satisfactory	46	18	46	55
Total satisfactory		55	36	64	64
3	Moderately unsatisfactory	27	64	36	36
2	Unsatisfactory	18	0	0	0
1	Highly unsatisfactory	0	0	0	0
Total unsatisfactory		45	64	36	36
Number of country programmes rated		11	11	11	11

120. Non-lending performance depends on a number of factors, notably the performance of both IFAD and partner governments. Two main limitations in IFAD's own performance in non-lending activities were identified by the CPEs: inadequate attention to defining a clear agenda for non-lending activities and insufficient allocation of human and financial resources for the purpose; and (ii) limited IFAD country presence, and supervision previously undertaken by CIs rather than directly by IFAD. For example, in the case of Ethiopia, the COSOP did not match good objectives and initiatives in non-lending activities with dedicated resources and implementation tools. It implicitly assumed that policy dialogue and knowledge management would be taken care of through projects, without accompanying dedicated resources and activities. The Brazil, Nigeria, and Sudan CPEs made the same point. Two CPEs commented that non-lending activities are critical in scaling up successful innovations.

121. The CPEs underlined that a strong and more permanent country presence and direct supervision and implementation support by IFAD were essential ingredients for success in non-lending activities. The respective CPEs underlined that IFAD was a “flexible but distant partner” in Ethiopia or a “passive player” in Pakistan. This began to change for the better with establishment of country presence and with adoption of the corporate policy on direct supervision and implementation support in December 2006.
122. **Policy dialogue.** In assessing policy dialogue, CPEs review the extent to which IFAD and government have collaborated on policy processes and contributed to policy development in agriculture and rural development at local and national levels.
123. In terms of results, 46 per cent of the country programmes were moderately satisfactory and another 9 per cent highly satisfactory in terms of policy dialogue. Forty-five per cent were moderately unsatisfactory or worse. COSOPs sometimes set goals for policy dialogue, but these were either overambitious (Brazil), unfocused (the Sudan), or more commonly had no resources attached (Brazil and Ethiopia). In Brazil, there was little systematic engagement with government, donors and others, partly because there was no coherent agenda for policy dialogue and lack of country presence in the past, and partly because the necessary resources were not deployed. Another reason is that in the past, IFAD focused most of its energies on designing and providing support to investment projects. A number of CPEs commented that policy dialogue was difficult without a country presence (Mali), and was reinvigorated once this was established (Nigeria and Pakistan). The Mali and Sudan CPEs made the point that, in the absence of a country presence, policy dialogue with partners and IFAD’s sphere of influence were effectively limited to the scope of IFAD-supported projects.
124. The findings of 2009 CPEs – Argentina, India, Mozambique and the Niger – showed improvement compared with earlier ones. The Argentina CPE concluded that policy dialogue is the most significant IFAD contribution to agriculture and rural development in Argentina. Through a combination of national and subregional grants, as well as contributions from the projects, IFAD has engaged in a very active and fertile policy dialogue, which has resulted in an increase in the visibility and profile of smallholder farming in the country and in concrete institutional results, such as the creation of a dedicated secretariat for rural development and smallholder farming within the new Ministry of Agriculture. In Mozambique, the lending programme has made important advances in influencing the institutional and policy framework. For example, IFAD contributed to establishing a national policy restricting industrial trawlers from fishing within three miles of the country’s coastline, thus protecting the operations of artisanal fishers. And in India, constant policy dialogue has resulted in broad participation of NGOs in development programmes and the inclusion of women’s self-help groups as vehicles for rural poverty reduction in nationally financed schemes.
125. Across all the CPEs reviewed, it is evident that most of the policy dialogue has taken place within the context of IFAD-funded projects, based on experiences accumulated on the ground. This form of bottom-up policy dialogue is important, especially as it can instil changes in policies, systems and development approaches at the grassroots level. In addition, IFAD has successfully promoted policy dialogue at the subregional level within the Common Market of the South (MERCOSUR), through a series of successive subregional grants that has contributed significantly to fuelling the policy debate on agriculture and rural development in Argentina. In most countries, however, the Fund has not been able to participate coherently and systematically in policy dialogue with the national government, for example in the formulation of national agriculture and rural development subsector policies and strategies. This is especially the case in large countries with relatively strong national institutions and capacities (e.g. Brazil and India).
126. IFAD’s engagement in donor coordination and national policy platforms at the country level has been generally weak, especially in terms of the ultimate results

achieved. This includes IFAD's participation in local donor thematic working groups on selected subsectors (e.g. food security, water, natural resources management, etc.) and the United Nations Country Team.

127. On the above issue, IFAD CPMs participate in such platforms from time to time, but as most of them are based in Rome, they cannot provide the required continuity and inputs. IFAD (national) country officers do however participate in several such meetings and platforms, but often do not have the necessary delegation of authority to take decisions and speak on behalf of IFAD in these platforms. They are also at times constrained by time to attend critical meetings, given their wide-ranging responsibility for project design, as well as supervision and implementation support. Another reason is that other donors and development organizations (e.g. Department for International Development (United Kingdom) (DFID) in India, World Bank in Brazil) have relatively large teams of technical expertise in-country that can bring knowledge, experience and expert inputs into these processes. Such organizations can also participate in multiple platforms at the same time. However, due to its limited human and financial resources at the country level and technical capacities, IFAD is unable to make the same type of contribution. This is especially the case in some countries where the Fund is invited to participate in numerous donor coordination meetings and national policy platforms. In these cases, specific efforts will need to be made by IFAD to prioritize its inputs in order to make a more effective contribution.
128. The recent CLEs by IOE however reveal that IFAD is playing a useful role in several policy and advocacy forums at regional and global levels. One example is the participation of the Fund in the African Green Revolution Forum in Ghana in September 2010 where, among other issues, it advocated greater participation of the private sector in smallholder agriculture value chain development. Another example relates to the efforts of IFAD in promoting gender equality and women's empowerment in international platforms of the United Nations.
129. **Knowledge management.** CPEs assess the efforts made by IFAD to systematically document knowledge from the country programme, package it appropriately and share it with key partners in the country concerned and beyond. They also review efforts to capture and use the knowledge and lessons from the experiences of other development actors working in agriculture and rural development.
130. Assessment of knowledge management in the 2006-2008 CPEs was poor. Only 18 per cent of the country programmes assessed were moderately satisfactory in knowledge management. Another 18 per cent were satisfactory, but none were highly satisfactory. Sixty-four per cent were moderately unsatisfactory.
131. While knowledge-sharing had been pursued to some extent, for example through the dedicated regional electronic networks²⁷ set up by IFAD and periodic country portfolio reviews, more could have been done to document successful innovative approaches and to analyse and share experiences within and across the programme and with others. Efforts with country programmes to capture and utilize the knowledge and experiences of others were also limited.
132. The main reason advanced for this weak performance was the lack of specific initiatives, mechanisms and resources dedicated to knowledge management in the past. For example, the Ethiopia CPE found that a goal had been set for knowledge management, but no resources had been allocated. The Pakistan CPE noted various knowledge management efforts, but even here more could have been done to systematically review and analyse IFAD's experience in Pakistan, with a view to extracting lessons and knowledge to share across the programme.
133. The 2009 CPEs present a slightly more positive picture. The India CPE comments that the scale of knowledge management activities is impressive and improving,

²⁷ ENRAP in Asia and the Pacific, FIDAMERICA in Latin America and the Caribbean, FIDAFRIQUE in West and Central Africa, and KARIANET in the Near East and North Africa.

and that a great deal of useful learning is taking place. In fact, a dedicated knowledge management strategy is currently being carried out by the India country office team. In Mozambique, project directors have devoted attention to learning lessons from the IFAD portfolio, and project M&E has significantly improved over time. However, the basic conclusion is the same as that for policy dialogue: planning of knowledge management activities is not systematic, the financial resources made available are limited, and the capacity of country offices and project staff to document and disseminate experiences and lessons, also from others, is still insufficient.

134. The cohort of CPEs examined in this ARRI report underline the special significance knowledge management plays in middle-income countries, which value IFAD's financial assistance but are also increasingly interested in benefiting from the Fund's experiences in rural poverty reduction in other, similar countries and regions, as well as IFAD's support to facilitating exchanges through south-south cooperation. Governments and other partners repeatedly stressed that IFAD could enhance its facilitation role by appropriately packaging and systematically sharing with them its experiences from other middle-income countries in innovation, and issues related to project design and implementation, and agriculture and rural development. The CPEs generally found few activities that would satisfy this demand at the moment, even though there are some sporadic examples leading in this direction, such as exchange visits by project staff to other countries, participation of government officials and others in regional implementation workshops, and so on.
135. All the CPEs underline the importance of coherent knowledge management as key to ensuring scaling up, which is critical to achieving wider impact on rural poverty. The recent CLE of IFAD's capacity to promote innovation and their scaling up came to the same conclusion. However, given the generally unsystematic approach to knowledge management at the country level, the CPEs were not able to document many examples of scaling up of innovations that demonstrated positive results in rural poverty reduction. The conclusion is that if scaling up is to be treated as "mission critical", then greater knowledge-management efforts will have to be made at project and country levels.
136. However, there are numerous current corporate initiatives in knowledge management, which illustrates that the topic is now receiving more attention within the Fund. For example, approval of IFAD's corporate knowledge management strategy in 2007, identification in 2010 of an institutional "champion" for knowledge management (and innovation), and the recent transformation of the Office of the Chief Development Strategist to the Office of Strategy and Knowledge Management are steps in the right direction. An institution-wide knowledge management working group was established in 2009. The group has organized a knowledge fair and undertaken other activities to strengthen cross-fertilization of experiences and good practices throughout the five geographical regions covered by IFAD operations. In October 2009 the East and Southern Africa Division introduced a regional process to develop more systematic and strategic approaches to knowledge management and learning at the project and country levels. The challenge, however, is to ensure that the necessary attention is devoted to knowledge management in country strategies across the board and that adequate incentives, mechanisms and resources are also put in place.
137. **Partnership-building and management.** CPEs assess IFAD's partnership with government agencies, development organizations including donors, NGOs and civil society organizations, and the private sector. Forty-six per cent of country programmes were moderately satisfactory and another 18 percent satisfactory overall in partnership-building. Thirty-six per cent were moderately unsatisfactory and none were highly satisfactory.
138. The AfDB/IFAD joint evaluation on agriculture in Africa (2009) contained a comprehensive analysis of the partnership between IFAD and AfDB, as well as a summary of good practices for building purposeful partnerships. It highlighted that,

within the new aid architecture, organizations cannot work alone to fulfil their mandates. To build purposeful partnerships, among other issues, organizations need to fill gaps in specialized skills, increase country focus, devote more attention systematically to knowledge management, and recognize the emergence of new players in agriculture and rural development, particularly in the private sector.

139. The CPEs reveal that IFAD has a strong partnership with community-based organizations (CBOs) and NGOs. CBOs (e.g. water users', self-help, and other common-interest groups) are usually actively involved in project activities. Partnership with NGOs is also good in most countries, in terms of service delivery, social mobilization and capacity-building among poor rural people. There is, however, an issue of sustainability with CBOs, fundamental to ensuring continuation of benefits following project closure.
140. Partnership with governments is also generally good. IFAD is perceived as a flexible and reliable partner, and in some countries (e.g. Mozambique) it is considered a major player in their agriculture and rural sectors. In some other countries with a federal system of governance (e.g. Argentina and India), partnership in the past focused mostly on building relationships with state-level authorities for project design and implementation. Dialogue, cooperation and relationship with a range of federal agencies involved in agriculture and rural development – responsible for national policy formulation, monitoring and coordination – has been somewhat limited overall.
141. Partnership with donor organizations has on the whole been weak, barring some exceptions. The AfDB/IFAD joint evaluation illustrated that partnership between IFAD and the Bank, over more than 30 years, has mainly focused on cofinancing a few projects and on AfDB providing supervision services for IFAD in the past. This evaluation is confirmed by the CPEs in Africa (Ethiopia, Mali, Morocco, Mozambique, the Niger, Nigeria and the Sudan). All 11 CPEs underline that partnership with other multilateral banks (AsDB, the Inter-American Development Bank (IDB) and the World Bank) is weak, even though there are examples of cooperation (e.g. in Ethiopia and to some extent in India). Partnership with the United Nations system is sporadic. There are, in fact, few joint field activities with the other two Rome-based United Nations organizations or the United Nations Development Programme (UNDP). In some countries, bilateral aid agencies have provided grant funding in support of IFAD operations (e.g. DFID in India; Belgium - through the Belgium Fund for Food Security²⁸ Joint Programme - in several countries in Africa), but in none of the countries reviewed did the CPE find a strategic partnership with any such agency.
142. Partnership with the private sector has not been a strong point in the past, even though more efforts have been made in recent years to engage private-sector entities. A good example is the Sir Ratan Tata Trust in India, which has provided some US\$20 million for an IFAD-funded project in Maharashtra. Little evidence of private sector engagement was found in the CPEs conducted in Argentina, Ethiopia and the Sudan. The issue of private-sector engagement is being analysed in detail within the context of the ongoing CLE on IFAD's 2005 private-sector strategy of 2005, which will be presented to the Board next year.
143. The CPEs underline a number of issues in terms of IFAD's partnership-building efforts. In the case of Pakistan, the COSOP was vague about who IFAD's partners might be, and could have expanded the range of partnerships to include the private sector. In Mali, IFAD suffered from a lack of visibility and partnerships, largely due to the absence of country presence at the time. However, as has already been mentioned, country presence needs to be at a sufficient level and with the required delegated authority if effective partnerships are to be established (particularly where the issues are contentious). In Brazil, for example, access to land was and remains a crucial area, as also underlined in the COSOP. This is a highly political issue, requiring consistent and informed partnerships and advocacy on an issue

²⁸ Formerly the Belgian Survival Fund.

where IFAD has little comparative advantage and where other, larger donors were already active. Because IFAD did not allocate sufficient resources or mobilize the requisite partnerships in Brazil, its impact in promoting access to land has been negligible.

144. Regarding country presence, most governments underlined the importance of IFAD considering out-posting of the CPM to the country. This would be an important measure that would contribute to better partnerships and cooperation, policy dialogue and knowledge management. In fact, this is consistent with the finding of the IOE CLE (2007) of the Field Presence Pilot Programme, which concluded that out-posting CPMs from Rome would be the most effective form of country presence for achieving better results on the ground. In this regard, as was outlined in its Programme of Work and Budget for 2010,²⁹ IFAD plans to have presence in 30 countries by the end of 2010. However, only a handful of countries (seven at the moment) are covered by an out-posted CPM. This is because, *inter-alia*, in many cases CPMs are not enthusiastic about the proposal of being out-posted from Rome owing to personal and other reasons.
145. There are additional reasons why stronger partnerships have not been established. Partnership-building has high transaction costs in the short term, particularly outside the immediate context of loan-financed projects. But there is also the view, most clearly expressed in the India CPE, that more could be achieved with existing resources if partnerships were a strategic and operational priority. Without real commitment and monitorable objectives, COSOP statements about partnership-building risk not being achieved.

Box 18

The why factor for non-lending activities

Main lessons from previous ARRI reports

- No clear agenda has been set for policy dialogue. Lack of country presence, supervision by CIs, and limited resources, staff skills and competencies effectively restrict policy dialogue. Insufficient attention to policy dialogue at the national level has in turn constrained wider achievements.
- COSOPs have not always been clear about which institutions should be considered for partnership. Partnerships have often been equated with mobilization of cofinancing, rather than a wider range of activities. Establishing and expanding partnerships is difficult without adequate country presence.
- Lack of specific initiatives, mechanisms and resources dedicated to knowledge management accounts for poor performance. Weak M&E systems are constraining knowledge management activities.

Main lessons from 2009 evaluations

- Partnership-building has high transaction costs in the short term. More could be achieved with existing resources if partnerships were a strategic and operational priority.
- Investments in knowledge management are critical for, *inter-alia*, the purpose of scaling up. Coherent knowledge management is a priority for IFAD activities in middle-income countries.
- In general, incentive mechanisms and accountability frameworks for pursuing non-lending activities are inadequately defined within IFAD.

²⁹ IFAD, IFAD's 2010 results-based programme of work and administrative and capital budgets, and the Office of Evaluation's three-year (2010-2012) rolling work programme and 2010 resource issues (Rome, 2009), EB 2009/98/R.2.

Box 19

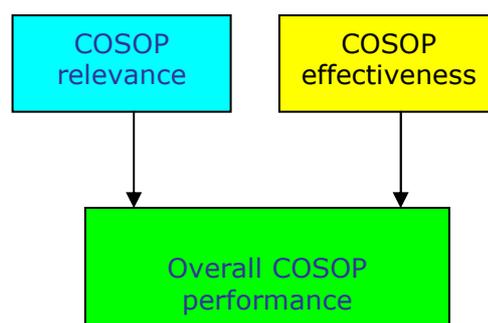
Key points on non-lending activities

- ❖ Sixty-four per cent of the country programmes evaluated since 2006 were rated moderately satisfactory or better for overall **non-lending activities**, but about 55 per cent are only moderately satisfactory, 36 per cent moderately unsatisfactory, and none were highly satisfactory.
- ❖ The 2009 CPEs reported better achievements in policy dialogue as compared with the findings of earlier CPEs. This is due to the increased attention to and recognition of the importance of policy dialogue in having an impact on rural poverty.
- ❖ Sixty-four per cent of the country programmes assessed since 2006 were moderately unsatisfactory in terms of knowledge management. However, a number of measures have recently been put in place with the aim of improving performance in this area.
- ❖ Partnership-building was rated moderately satisfactory in just less than half the CPEs done since 2006, and 36 per cent were moderately unsatisfactory. Partnerships are generally good with community organizations, NGOs and governments, but weak with donor organizations and the private sector.
- ❖ All in all, significant improvements are required across the board in non-lending activities, especially if IFAD is to play a wider role in policy dialogue, become a knowledge organization on agriculture and rural development, and have strategic partnerships for reducing rural poverty globally.

B. Country strategy relevance, effectiveness and overall performance

146. Analysis of the relevance of the country strategy (i.e. the COSOP) includes assessment of the following: alignment of the country strategy objectives with IFAD and government policies and strategies; internal coherence of the main elements; and appropriateness of the provisions for country programme and COSOP management.³⁰ Analysis of COSOP effectiveness, on the other hand, determines the extent to which the strategic objectives are achieved. Overall COSOP performance is a composite of the ratings of relevance and effectiveness (figure 11).

Figure 11
COSOP performance



147. Since 2009, CPEs have included individual ratings for country strategy relevance and effectiveness, as well as a composite rating for COSOP performance. Of the 11 CPEs that formed the basis for this year's ARRI report, four CPEs conducted in 2009 (Argentina, India, Mozambique and the Niger) included the full set of ratings for COSOP relevance, effectiveness and overall performance.

³⁰ COSOP management includes M&E arrangements for COSOP implementation, annual reviews, and mid-term and COSOP completion reviews. Country programme management includes arrangements for country presence, direct supervision, annual portfolio reviews and country programme management teams.

148. As mentioned earlier, the seven CPEs done before 2009 do not contain ratings for COSOP relevance, effectiveness and overall performance, as IOE methodology did not require this rating in the past. However, based on evidence available in these seven CPE reports, during the production of this year's ARRI report, IOE made efforts to rate the country strategies for relevance and effectiveness and to provide an overall rating for COSOP performance. It was possible to generate ratings for country strategy relevance in all seven cases, but there was insufficient evidence to provide a reliable rating for country strategy effectiveness and to determine COSOP performance for these seven CPEs.³¹
149. Table 7 summarizes of the analysis of the 11 CPEs forming the basis for this year's ARRI report.

Table 7

Performance of COSOPs based on CPEs done between 2006-2009

<i>Rating</i>	<i>COSOP relevance</i>	<i>COSOP effectiveness</i>	<i>COSOP performance</i>
6 Highly satisfactory	0	0	0
5 Satisfactory	18	25	50
4 Moderately satisfactory	64	75	50
Total satisfactory	82	100	100
3 Moderately unsatisfactory	18	0	0
2 Unsatisfactory	0	0	0
1 Highly unsatisfactory	0	0	0
Total unsatisfactory	18	0	0
Number of country programmes rated	11	4	4

150. **COSOP relevance.** Sixty-four per cent of the CPEs were moderately satisfactory for country strategy relevance, and another 18 per cent were satisfactory. A further 18 per cent were moderately unsatisfactory, and none were highly satisfactory. An important finding is that country strategy relevance is not as high as the ratings for relevance of IFAD-funded projects. A micro/macro paradox of this type between performance at one level (project) and performance at another (country) is not unusual, echoing a recurrent finding from CPEs that country strategies are often a compilation of individual investment operations, which are not always tied together in a coherent country programme. The micro/macro paradox is partly a result of the fact that, in the past, IFAD funded projects without sufficient attention to synergies among operations or projects and non-lending activities, and that country strategies were often developed without adequate participation by the partner country. A similar finding emerged from last year's AfDB/IFAD joint evaluation on agriculture and rural development in Africa.
151. The CPEs document that the main strategic objectives in the country strategies were broadly consistent with key country priorities, as well as with IFAD regional and corporate strategies for rural poverty reduction. They generally focused on appropriate geographical areas, and suitable subsector priorities and partner institutions. For example, the focus on the north-east of Brazil was well justified. The 2002 COSOP for the Sudan was commended for being one of the first strategic documents to explicitly recognize the links between development and peace. The attention to commercialization and artisanal fisheries was appropriate in the Mozambique context, as was the focus on women and tribal peoples in India, and support for the development of traditional crops (e.g. cassava and other roots and tubers) in Nigeria.

³¹ It should be noted that the ratings done ex-post have not been discussed with IFAD Management or the governments concerned.

152. However, the CPEs also reveal areas that were not adequately addressed. The quality of the analysis – political, social and economic in the case of Morocco, agricultural and rural in the case of Nigeria – was somewhat limited. Some COSOPs were not updated frequently enough to take account of changes in policy and context (Mali and Morocco). And some had important thematic gaps: access to markets in the case of Brazil and Pakistan; smallholder agriculture in India and Nigeria; the non-farm sector, rural microenterprises and remittances in Pakistan; and indigenous peoples of the Amazon in Brazil. The Sudan COSOP had an unfocused policy dialogue agenda and was unclear about how scaling up would happen. The two COSOPs reviewed for the Niger presented good analyses, were well aligned, and corresponded well to the needs of poor people. However, the case for developing rural financial services was not fully justified, and the COSOPs did not recognize the risk associated with a wide geographical and thematic spread. The ARRI report echoes findings from previous evaluations that analysis is generally insufficient and is also constrained by limited allocation of resources.
153. Grants comprise a small but significant and growing part of IFAD operations (18 per cent of total IFAD disbursements 2007-2009),³² but they are not always well integrated into country programmes. While generally relevant and useful, the overall picture is one of grants as an “added extra”, the full potential of which has not been realized. Grants are not always well linked to the loan portfolio, and accountability and supervision are not as clear or effective as they should be, particularly for global/regional grants, which are outside the control of the country management team. On the other hand, the series of subregional grants provided by IFAD in MERCOSUR has been valuable in supporting policy dialogue. Finally, the 2009 grants policy is expected to lead to improvements in the future, given the greater attention it devotes to ensuring enhanced links between grants and loans, as well as opportunities for provision of grants directly to the private sector for the first time.
154. **COSOP effectiveness.** Three of the four country strategies assessed were moderately satisfactory and one was satisfactory. There was no highly satisfactory performance.
155. The satisfactory rating for effectiveness of the India COSOPs closely reflects the effectiveness of the project portfolio, but also the relatively good achievements in non-lending activities. Projects have been effective in promoting women’s empowerment and tribal development, and in developing sustainable rural microfinance systems in the country. Two factors have contributed to the moderately satisfactory effectiveness of the Mozambique COSOP: flexible timeframes, which have allowed projects to address needs and opportunities as they emerge, and the approach of combining field support activities with national policy and strategic components. This combination within a country programme should also have had positive benefits on effectiveness.
156. In the Niger, grants have had a positive impact on loan-financed projects through the additional support provided to knowledge management and innovation. On the other hand, their implementation has sometimes encountered capacity constraints or structural problems (e.g. the weak link between research and extension in the Niger).
157. **COSOP performance.** The India and Mozambique CPEs rated COSOP performance as satisfactory, whereas those for Argentina and the Niger rated COSOP performance as moderately satisfactory. One distinguishing factor that can explain the relatively better performance in India and Mozambique is that IFAD has had stronger country presence in both these countries for quite a number of years, whereas there was no form of country presence in Argentina and the Niger at the time of evaluation. Similarly, both in India and Mozambique, greater attention has been devoted to working with the private sector, especially in recent years, for

³² IFAD. Consolidated Financial Statements 2007, 2008 and 2009 – in IFAD annual reports (Rome).

example in the provision of rural finance to IFAD's target group and in promoting access to input and output markets.

Box 20

The why factor for COSOP relevance, effectiveness and performance³³

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

Box 21

Key points on COSOP relevance, effectiveness and performance

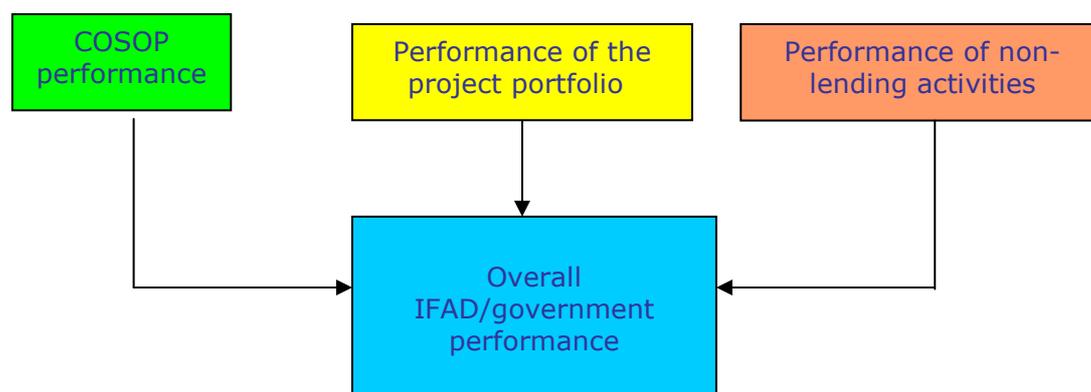
- ❖ COSOP **relevance** was moderately satisfactory or better in 82 per cent of the CPEs since 2006, with a rather high proportion of moderately satisfactory ratings, but none were highly satisfactory. The COSOPs generally identified appropriate strategic objectives for rural poverty reduction, but there were some areas not addressed sufficiently systematically, such as engagement with the private sector, smallholder agriculture, and indigenous peoples' issues, as well as approach towards scaling up.
- ❖ Three of the four 2009 CPEs found COSOP **effectiveness** to be moderately satisfactory. None was highly satisfactory.
- ❖ COSOP performance was satisfactory in two of the four 2009 CPEs, and moderately satisfactory in the other two.
- ❖ Review of evaluations revealed that the amount of analysis undertaken for the development of country strategies is insufficient and is constrained by inadequate resources.
- ❖ The micro/macro paradox is constraining the relevance of IFAD's overall contribution to rural poverty reduction at the country level.

C. IFAD/government partnership

158. The rating for overall IFAD/government partnership is a composite of the ratings for portfolio performance, non-lending activities, and COSOP performance (figure 12).
159. It is useful to clarify that the overall performance assessment of IFAD/government partnership is different from the performance of IFAD and Government, respectively, covered in the section on performance of partners in chapter III (see paragraphs 84-100). The latter reflects the individual performances of the lending agency (IFAD) and borrower (i.e. the concerned government and its agencies) in the design, implementation and M&E of projects financed by IFAD. Overall IFAD/government partnership is a broader assessment of the collective efforts of both IFAD and the government in reducing rural poverty in the country concerned.

³³ As this is the first time the ARRI report contains a dedicated chapter on COSOP relevance, effectiveness and performance, this box is not divided into two parts (i.e. 'main lessons from previous ARRI reports', and 'main lessons from 2009 evaluations'), as are similar boxes in the document.

Figure 12
IFAD/government partnership



160. As explained in paragraph 115, only four of the 11 CPEs considered in this ARRI report (Argentina, India, Mozambique and the Niger) include a rating for IFAD/government partnership in reducing rural poverty. Three of the CPEs (Argentina, Mozambique and the Niger) rated this partnership as moderately satisfactory, and only one (India) was assessed as satisfactory.
161. Earlier CPEs (excluding the four mentioned in the previous paragraph) did not contain an overall rating, but did contain some common findings. Five CPEs (Brazil, Mali, Pakistan, Nigeria and the Sudan) made the point that the lack of a more permanent and better-funded country presence was a major constraint on IFAD's profile, partnerships, policy dialogue and overall success. Three CPEs (Brazil, Mali and Pakistan) highlighted that weakness in M&E at the project level – which mainly emphasizes output monitoring, rather than outcomes and impact – is constraining project management and effectiveness.
162. The IFAD/government partnership has produced significant results in India and has substantial value. The CPE concludes that IFAD has played, and can play, an important catalytic role in promoting rural poverty reduction in India even as it becomes a major global economic player on a par with other emerging countries. The Argentina CPE makes a similar point. The combination of its middle-income status, relatively low percentage of rural population, limited IFAD allocation and the relatively poor performance of its investment portfolio could lead to the conclusion that IFAD is of little interest to Argentina. In fact, however, IFAD is seen as an important and strategic partner because of its experience, flexibility and uniqueness as the only international institution dedicated to the eradication of rural poverty through agriculture and rural development. As already outlined, the partnership has generated real institutional and policy benefits for Argentina.
163. While the relevance and value of the IFAD/government partnership is confirmed by all the 2009 CPEs, there is a common message concerning the need for IFAD to adapt its approach so as to fit the very diverse country contexts and the increasing demands of its new operating model. In the case of very poor countries such as the Niger, there is a particular need for IFAD to adapt its model and approach to better fit the context. This means: allowing sufficient flexibility in the design of interventions to adapt to changing circumstances; provision of tailored technical assistance and stronger supervision and support; greater care and critical eye in selecting implementing partners; and simplicity and modest ambitions in objectives and activities in line with the context and capacity of these selected partners.
164. A similar argument can be made for middle-income countries. According to the CPE for Argentina, IFAD did not take the difficulties of operating in a distant, complex and volatile institutional context sufficiently into account. It sought to manage its programme in a standard way from Rome with inadequate consultation at the country level, and without taking sufficient account of the differences in procedures

and operating rules of the different parties involved. The lack of a physical presence in-country limited IFAD's ability to react quickly to changing political and economic conditions. It was also expensive and difficult to manage the programme from Rome which added to the serious delays.

165. The general case for a stronger and better-resourced country presence has by now been made and accepted within IFAD. Increased country presence over the past five years has already delivered benefits. However, the additional points made in the 2009 CPEs are that, first, the level and status of the country presence matters in terms of the financial resources, staff and responsibilities allocated. While some physical presence is better than none, making significant progress in terms of lending and non-lending results may require considerable presence. Second, the shift to direct supervision will increase the workload on country offices. Without additional resources, there is a risk that the demands of the lending portfolio will eat into or at least constrain improvements in non-lending activities.
166. One limitation, at least in the past, was the lack of ownership by governments of the COSOPs prepared by IFAD, which previously were primarily perceived as internal IFAD management documents and did not always entail adequate consultation and buy-in by partners at the country level. However, this has changed dramatically in recent years, as COSOPs are now considered documents owned by both the government and IFAD, and are finalized following wide-ranging consultation with government and other partners.

Box 22

Key points on overall IFAD/government partnership

- ❖ One of the four CPEs in 2009 rated the overall IFAD/government partnership as satisfactory (India) and three as moderately satisfactory.
- ❖ In the case of very poor countries such as the Niger, as well as in middle-income countries such as Argentina and India, there is a need for IFAD to adapt its model and approach to better fit the particular context.
- ❖ Strong country presence, also in terms of level and status, is an essential factor in ensuring positive overall IFAD/government partnership.
- ❖ Ownership of the COSOP by the government and other key in-country partners is important in ensuring the success of the IFAD/government partnership.

V. Corporate-level evaluations

167. This ARRI report covers two CLEs: on IFAD's capacity to promote innovation and scaling up, and on gender equality and women's empowerment.
168. The present focus on innovation follows more than a decade of increasing attention to this theme within IFAD, and notably an earlier evaluation in 2000-2001 of IFAD's capacity as a promoter of replicable innovations in rural poverty reduction. The evaluation found that, since the mid-1990s, concerted efforts had been made to incorporate innovation into the Fund's key policy and strategy documents. This is demonstrated by the inclusion of innovation, learning and scaling up as one of the six principles of engagement in the IFAD Strategic Framework 2007-2010, and by the fact that, of the five organizations covered by the evaluation's benchmarking study, IFAD was the only one to have a definition and stand-alone strategy for innovation. Nonetheless, the evaluation found that insufficient resources and attention had been allocated to translating policy and strategy pronouncements into concrete action.
169. As mentioned earlier, as far as results on the ground are concerned, the performance of IFAD-funded projects in promoting innovation has improved over time. This should not, however, give rise to complacency, as almost 50 per cent of all projects evaluated in 2009 revealed only moderately satisfactory results in terms of innovation, and none were highly satisfactory.

170. Scaling up is particularly weak in IFAD-funded operations. With IFAD's relatively limited resources, scaling up is of paramount importance if the organization is to have a greater impact on rural poverty. While the evaluation found examples of successfully scaled up innovations, these were largely the result of individual initiatives and commitment, rather than of a systematic approach. Indeed, it was found that far too much is left to the initiative and entrepreneurial skills of individual IFAD CPMs, who frequently act without clear incentives and/or accountability.
171. The evaluation found that IFAD's organizational capabilities and culture for promoting innovation have developed since the beginning of 2000, but the improvements have been small and from a very low base. Among other things, there is a need for further development of human resource skills and competencies, for strengthening knowledge management systems, promoting a more-open environment to foster creativity, and for setting clear, focused directions for promoting innovation and scaling up. In this regard, as mentioned earlier, IFAD's recent appointment of a Chief Development Strategist as the focal point for knowledge and innovation may be seen as a move in the right direction.
172. Perhaps the evaluation's most important finding is that IFAD's past efforts to promote innovation have been too broad. That is, rather than pursuing innovation in a focused manner, building on its comparative advantage, track record and specialization, the Fund has followed the "let a thousand flowers bloom" approach. One reason is that the Fund's innovation strategy does not require it to channel resources to selected strategic areas, or to chart the way to become an innovative organization. If IFAD is to move forward it should define selected "big bets" in areas of the agriculture and rural sector that have a proven need for innovative solutions, and where the organization has (or can develop) a comparative advantage in promoting pro-poor innovations that might be scaled up. The evaluation also recommended that IFAD should be ready to promote country- and project-level innovations that respond to challenges specific to the context.
173. The CLE on gender equality and women's empowerment will be discussed at the same Executive Board session at which the 2010 ARRI report will be reviewed. Thus, in order to minimize duplication across documents, the present report includes only a brief overview of the main findings of the gender evaluation.
174. On the whole, the gender evaluation reports moderately satisfactory performance in two of the corporate objectives (expand women's access to and control over fundamental assets, such as capital, land, knowledge and technology; and strengthen women's agencies – their decision-making role in community affairs and representation in local institutions). However, performance in the third corporate objective (improve women's well-being and ease their workloads by facilitating access to basic rural services and infrastructures) was found to be moderately unsatisfactory.
175. Several examples illustrate the Fund's commitment towards the topic, including the fact that in 2009 IFAD received the MDG3 Gender Torch and as a result, committed to do something extra to address gender equality and women's empowerment. Projects have helped improve women's position, income and status. The evaluation reveals that the performance is overall moderately satisfactory in IFAD-funded operations, but with a high degree of variability across projects and countries, even though there is little difference in the aggregate performance across the five regions covered by IFAD operations. The variability is caused by numerous factors including a compliance, rather than a results-oriented culture, in treating gender equality and women's empowerment, and insufficient management follow-up.
176. Although a number of members of the Executive Board forcefully advocate the importance of this topic, the Board has not on the whole taken an institutionalized and consistent approach towards the subject. For example, it has never asked for periodic dedicated progress reports on implementation of the gender aspects

contained in the human resources policy of 2004, nor asked for evidence that adequate resources are invested for this purpose.

177. A number of key corporate business processes essential to support IFAD's work on gender issues remain weak. The evaluation concludes that, in summary, there appears to be a gap between the pronouncements on paper and the actions to achieve the required results on the ground. This raises the question of whether IFAD is indeed "walking the talk" in promoting gender equality and women's empowerment. The CLE on gender provides a much more comprehensive treatment of the topic and recommends the preparation of IFAD's first corporate gender policy next year.

Box 23

Key points from the CLEs of: (i) IFAD's capacity to promote innovation and scaling up; and (ii) gender equality and women's empowerment

- ❖ Concerted efforts have been made to incorporate innovation into the Fund's key policy and strategy documents, but insufficient resources and attention have been allocated to translating policy and strategy pronouncements into concrete action.
- ❖ The performance of IFAD-funded projects in promoting innovation has improved over time; scaling up remains weak.
- ❖ IFAD's organizational capabilities and culture for promoting innovation have been developed since the beginning of 2000, but the improvements have been small and from a very low base.
- ❖ IFAD's past efforts to promote innovation have been too broad – a more-selective, context-specific focus is required. The evaluation recommended that the Fund develop a corporate agenda for promoting innovation, by identifying selected priority subsector and/or thematic areas of focus to be pursued in a given period of time.
- ❖ The performance of IFAD-funded projects in promoting gender equality and women's empowerment is moderately satisfactory, but there is variability across projects and countries. The evaluation underlines the need for deeper internalization of the country context in setting gender objectives and activities.
- ❖ The gender evaluation recommends that IFAD develop a corporate policy on the topic in 2011.

VI. 2010 learning theme: efficiency

178. **Background.** As agreed by the Executive Board in December 2009, this year's ARRI report focuses on "efficiency" as the main learning theme. Efficiency was selected as the theme for 2010 because it has recurrently been an area of weak performance in the past and continues to be an area of concern. Its treatment in this year's ARRI report has also provided an opportunity to identify key questions and hypotheses for the planned CLE on the same topic in 2011.
179. Given the intrinsic link between the efficiency of IFAD-funded operations and key corporate business processes, this section provides an initial analysis of the efficiency of IFAD-funded operations and the most important corporate business processes affecting them. As one example of this link, the timeliness with which withdrawal applications are processed by IFAD's Controller's and Financial Services Division impinges on the availability of resources for the implementation of IFAD-funded projects.
180. Moreover, the fact that Management and the Executive Board alike are concerned about IFAD's overall institutional efficiency is another key reason for treating both project-level efficiency and the efficiency of corporate business processes.
181. **Objective.** The main objective of this section is to allow for reflection and debate on: (i) the broad underlying causes of strong or weak efficiency of both IFAD-financed projects and a number of key corporate business processes that critically affect the efficiency of IFAD-funded operations and the Fund's overall institutional

efficiency; (ii) key areas that need priority attention in the future to improve the Fund's efficiency in general; and (iii) topics that deserve in-depth treatment during the planned CLE on efficiency.

182. **Process.** As a first step, IOE prepared an Issues Paper on the topic, in collaboration with Management. The paper drew on discussions with representatives of IFAD Management and staff, examination of a range of IFAD documents, and literature prepared by other organizations, as well as discussions with the evaluation department of Germany's Federal Ministry for Economic Cooperation and Development (BMZ), which is currently undertaking a study of methods for evaluating aid efficiency.³⁴ As a second step, an IFAD-wide learning workshop on the topic was organized with staff to exchange views and capture their thoughts on the main areas that need attention in the future. This section builds on the analysis contained both in the Issues Paper and in the main outcomes of the workshop.
183. **Definition.** Efficiency can be defined as "getting the most out of the resources used".³⁵ The Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD/DAC) defines efficiency as "a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to result". IOE uses the same definition in undertaking evaluations.
184. **Measurement.** Independent evaluations at IFAD use a mix of methods to assess the efficiency of the operations it finances. The June 2006 Project Completion Report Guidelines issued by PMD also make provision for the assessment of efficiency. Each independent evaluation addresses a series of questions, which are customized according to the context of application. The assessment of efficiency requires the availability of reasonably accurate and comparable data for both sides of the ratio – the amount of resources (time, costs, etc.) and the amount of the results (outputs, impacts, etc.) – and a clear linkage between the resources and results sides. Cost-benefit analysis using economic internal rates of return³⁶ are calculated, where possible and appropriate, as one indicator in assessing project efficiency in IOE evaluations. Where economic returns cannot be estimated, project efficiency is ascertained through other proxy indicators, such as loan costs per beneficiary, administrative costs per beneficiary, and cost ratio of inputs to outputs. For example, in the case of rural finance, efficiency indicators can be obtained through the Microfinance Information Exchange (MIX) initiative. Timescale (i.e. time from loan approval date to effectiveness date; extension of closing date, etc.) and disbursement rates are also considered, as they affect the overall efficiency of a project. In making a final assessment of efficiency, the Evaluation Manual also requires IOE evaluations to attempt to benchmark the efficiency of IFAD operations with similar activities/projects funded by the government or other development actors in the same country and/or geographical region.
185. **Efficiency of IFAD-funded operations.** The performance of IFAD-financed operations is discussed in chapter III. Data from project completion reports prepared by borrowers and IFAD show a similar picture. The main lessons from previous ARRI reports and from the 2009 evaluations were also summarized in chapter III. Based on a review of ARRI and other reports, as well as discussions with IFAD staff, a number of critical factors can be highlighted that contribute to greater or lesser efficiency. Many of these are common factors associated with well-performing projects: clear objectives; appropriate, simple, and focused designs; high-quality partners and implementing agencies; effective project management, including well-functioning M&E; rapid and responsive decision-making; and good administration.

³⁴ Palenberg, M. Tools and methods for evaluating aid efficiency, inception report (Bonn: Federal Ministry for Economic Cooperation and Development, 2009).

³⁵ The Economist. Economics A-Z, www.economist.com/research/economics/.

³⁶ Economic internal rate of return is a measure of economic success. It is calculated by expressing the economic gain (usually profit) as a percentage of the capital used to produce it (ibid.).

186. The number of components and geographical coverage of a project have implications for its efficiency. For example, numerous evaluations – including the joint AfDB/IFAD evaluation on agriculture and rural development in Africa – have shown that projects with multiple components and/or wide geographical coverage have had higher costs, especially in terms of supervision and implementation support, project implementation and coordination, and M&E.
187. Good project design is a common factor in ensuring greater efficiency. But there are trade-offs. Unlike some other IFIs, IFAD’s design process is relatively quick and low cost, and thus in the short term may be seen as efficient. Many projects are rightly designed as “process” rather than “blueprint” projects. However, the downside of such an approach is that projects are often less ready when approved and have longer start-up and disbursement delays. This makes projects less efficient once approved, and carries with it the risk that projects will be less efficient in the long run if the time and resources spent on the design have resulted in deficiencies.
188. Factors associated with service provision and the construction of local infrastructure can contribute to project efficiency. For instance, the Nigeria CPE found the costs of rural infrastructure construction with community participation to be lower and often of higher quality than infrastructure constructed only by contractors. In Colombia, the use of competitive bidding processes to identify contractors for project service delivery, instead of having inter-ministerial committees lead the selection, was found to have favourable effects on project efficiency.
189. Another evaluation finding is that the choice of partner institutions and the overall institutional arrangements are critical in ensuring greater efficiency. The Argentina CPE found that the complexity of institutional arrangements involving federal and provincial authorities caused delays in loan effectiveness, flow of funds and project execution. Limited ownership in some participating provinces, due to inadequate consultation processes during design, was a determining factor.
190. There are mixed experiences with PMUs. In some cases, the location of PMUs within existing government structures contributed to efficiency. In other cases, such as that reported in the Mozambique CPE, separate, dedicated PMUs were more efficient than those fully integrated national institutions.³⁷ Delayed recruitment and rapid staff turn over within PMUs (the latter often caused by government’s own policies related to rotation of human resources) are other causes of inefficiency.
191. The competence of partner institutions and PMUs highlights the importance of the national context and, more specifically, borrowers own systems and procedures related to development planning, resource allocation, project implementation, M&E and reporting. These have an important bearing on the efficiency of all development assistance efforts, including those funded by IFAD. This observation is consistent with a major evaluation finding that the borrowing government’s own performance is one of the most important factors in determining the success or failure of rural poverty-reduction efforts. As long as IFAD works with government as its primary partner, it is government that will make the difference, including in terms of efficiency.
192. Direct supervision and implementation support, as well as country presence, are two further factors that contribute to greater efficiency. A number of evaluations have noted that direct supervision helps IFAD make more-timely decisions, which promotes smooth execution, and that country presence enables IFAD to better monitor implementation progress and introduce needed remedial measures. The CLEs of the Direct Supervision Pilot Programme (2005) and Field Presence Pilot Programme (2007) found that these processes contribute to better implementation

³⁷ World Bank and AsDB evaluations tend to confirm the efficiency benefits of separate PMUs, but recognize that these parallel units tend to hinder, or at least do not help, government capacity building and sustainability. World Bank, *Annual Review of Development Effectiveness*. (Washington, DC, 2005); and AsDB, *Annual Review of Portfolio Performance*. (Manila, 2004).

performance including across selected proxy indicators for efficiency. This is evident, for example, in the time taken from loan approval to effectiveness, pace of disbursements, preparation of the audit report, and number of extensions needed to the project completion date.

193. Cofinancing is an important instrument for wider impact on rural poverty. However, as found in the Ethiopia CPE, it can at times lead to lower project efficiency. In particular, AfDB and IFAD did not harmonize their procurement procedures in a cofinanced project, creating difficulties for project management and delays in implementation. There is scope for exploring approaches to cofinancing that minimize overlap and duplication of effort, while still meeting IFAD's governance and accountability requirements.
194. Box 24 presents some major factors affecting project efficiency, as identified in discussions with IFAD Management and staff.

Box 24

Key issues affecting project efficiency

- ❖ Procedures for flow of funds within borrowing governments.
- ❖ Quality of project designs, for example, the number of components and activities and geographical coverage.
- ❖ Choice of institutional partners, and their capacities to provide the required inputs for project implementation.
- ❖ Harmonization of procurement procedures in cofinanced projects.

195. **Corporate business processes and their implications for project and institutional efficiency.** As mentioned earlier, the efficiency of IFAD's corporate business processes³⁸ affects the efficiency of IFAD-supported projects as well as IFAD's overall institutional efficiency.³⁹ The aim of this section therefore is to identify and provide an overview of selected key corporate business processes and their implications for project level and institutional efficiency. Assessment of corporate business processes is a relatively new field for IOE,⁴⁰ as it is for the evaluation functions of other IFIs and the United Nations. This is a specialized field, and the division will need to carefully develop approaches and methods for their assessment.
196. There are a number of corporate business processes that impinge most directly on project as well as institutional efficiency: human resources management, including management of consultants, and loan administration, including processing of withdrawal applications, among others. These and related issues will be covered in depth during the CLE on efficiency planned for 2011.
197. Management of IFAD's work force is critical. One key issue in this area is staff performance management. Although IFAD has a well-defined annual staff performance evaluation system, which has recently been further streamlined, accountability mechanisms and incentives are not always clearly defined. That is, not always is good performance rewarded or some form of "sanction" applied for weak staff performance. Moreover, the guidance provided in the past for undertaking annual performance evaluations is widely regarded as complex and time-consuming. Procedures for the management of consultants are also cumbersome, for example the numerous steps and background documentation and information required to contract consultants.
198. Loan administration includes a series of activities: clearing withdrawal applications for the procurement of goods and services and ensuring that IFAD-funded projects

³⁸ A 'corporate business process' is a collection of related, structured activities or tasks that produce a specific service or product for a particular customer. It can also be considered a series of logically related activities or tasks performed to produce a defined set of results.

³⁹ 'Institutional efficiency' is a measure of the collective costs incurred by an organization as a whole to achieve the desired results.

⁴⁰ The IEE and a few subsequent evaluations have included an assessment of some corporate business processes.

have prompt access to the corresponding loan resources approved by the Executive Board among others. It is a major area affecting efficiency. Until recently, this function was largely carried out by CIs. Thus, IFAD did not need much in-house expertise in the area. With the approval of the Direct Supervision and Implementation Support Policy, IFAD has had to internalize the loan administration function. This has revealed the need to strengthen IFAD's capacity in this function, so that projects can be implemented without disruptions caused by lack of timely resources or insufficient skills in their administration. Some regional divisions have already recruited dedicated officers to support the loan administration process in their regions. This function is likely to become even more critical with an expanding programme of work in the coming years, and thus requires urgent attention.

199. In addition to affecting project efficiency, the efficiency of corporate business processes in turn affects the efficiency of the institution as a whole. For example, as mentioned above, the number of steps and processes required to issue a consultancy contract may be disproportionately high, and creates unnecessary administrative costs that could otherwise be avoided.
200. In order to restrain growth in corporate overhead, the Executive Board decided to introduce an institutional efficiency ratio in 2005. The ratio is calculated by determining the percentage of IFAD's annual administrative budget in relation to its programme of work. It was decided that the percentage should not exceed 17.1 per cent, and the Fund was required to work towards reducing the ratio over time. In spite of increases in absolute terms in the programme of work and the administrative budget since 2005, the efficiency ratio has been diminishing consistently and is expected to reach about 14.4 per cent in 2011. This is quite close to the 2012 target of 13.5 per cent adopted by the Board within the context of the corporate-level RMF. Management calculates that a broader measure of efficiency – which includes external resources directly managed and supervised by IFAD and the estimated management fees for such resources is projected to be approximately 10 per cent.
201. However, one limitation of this ratio is that it compares planned administrative expenses with the planned programme of work. Some other measures could include: the ratio of actual operating expenses to actual disbursements or of actual operating expenses to total current portfolio value. Over the period 2003-2008, the former has remained fairly constant at 27-30 per cent.⁴¹ In its September 2010 session, the Executive Board questioned whether it was appropriate to establish IFAD's institutional efficiency by determining the percentage of IFAD's annual administrative budget in relation to its programme of work. In fact, they requested Management to come up with a proposal in the future of alternative indicators for measuring IFAD's institutional efficiency.
202. Ideally, it should also be benchmarked against comparable development organizations. However, benchmarking IFAD against other IFIs or development agencies is fraught with problems. The few attempts to do so have generated controversial results,⁴² not least because they concluded that IFAD was relatively inefficient compared with bilateral agencies and other IFIs, but better than most United Nations agencies. The problem with this and other attempts at external benchmarking is the difficulty of comparing like with like. Agencies account for administrative costs in different ways, and it is difficult to allow, for example, for the diseconomies of scale encountered by IFAD compared with other IFIs and the additional costs imposed by its particular mandate and its status as a specialized agency of the United Nations.
203. One further factor should be considered. The Fund was established primarily as an institution to provide financing for projects designed by other institutions. It was not allowed by the Agreement Establishing IFAD to undertake direct supervision, nor was it expected to have country presence or get involved in policy dialogue.

⁴¹ IFAD. *Annual Report 2009* (Rome, 2010).

⁴² For example, research and publications by William Easterly, Professor of Economics, New York University.

However, in recent years, there has been a radical shift in its operating model, which has increasingly established IFAD as a full-fledged development agency that finances investment projects and programmes, conducts its own supervision, is involved in policy processes, and has presence in numerous member states. The recent changes imply a steep learning curve for the institution and resultant, one-time "entry costs". These and other factors need to be considered in any benchmarking of efficiency between IFAD and other multilateral or bilateral aid agencies.

204. **Evaluation findings on efficiency by other organizations.** A number of reports from other agencies have identified weaknesses in the way the efficiency criterion is assessed. An IDB review of country strategies found that the absence of a clear definition of the concept of efficiency made its usage "uninformative".⁴³ A review of 25 UNDP evaluations of projects and country programmes found that in 40 per cent there was no efficiency assessment, and in a further 40 per cent, the assessment was rated poor or very poor.⁴⁴ A review of 34 Swedish International Development Cooperation Agency (SIDA) evaluations concluded that only 21 per cent considered efficiency sufficiently.
205. There has been a more general decline in the use of cost-benefit analysis (CBA) in both appraisals and evaluation. A recent World Bank study has found that the percentage of investment operations that contain an estimate of the economic return has declined from nearly 70 per cent in the 1970s to about 30 per cent in the early 2000s. The World Bank Annual Review of Development Effectiveness (2009) commented that economic CBA had become a "dormant subject". An IDB review found that only 8 per cent of projects with CBA achieved a high score for the quality of the economic analysis.⁴⁵ While part of this decline in the priority attached to CBA may be traced to changes in the type of aid, this is only a partial explanation.
206. Unsurprisingly, this weak focus on efficiency is reflected in its very limited treatment in the evaluation literature. While all IFIs use efficiency as a main OECD/DAC evaluation criterion, there is very little published data on project efficiency. Data has only been found for AsDB and the World Bank. No specific evaluations of efficiency have been found so far.
207. Most of the discussion of efficiency in annual reports relates to institutional efficiency, with the ratio between administrative expenses and disbursements or approvals, and improvements in this over time, seen as a key indicator. OECD/DAC Peer Reviews highlight the measures taken by bilateral agencies in recent years to improve efficiency. A common approach is to reduce administrative costs; implement a smaller number of larger projects; shift to programme and budget support; concentrate on a smaller number of countries; and relocate all or part of headquarters staff to a cheaper location. While not focusing on efficiency directly, the net effect of these changes – together with the increased focus on development results and the harmonization agenda – is expected to improve the institutional efficiency of the agencies concerned.
208. **Improving efficiency.** The learning workshop with representatives of IFAD Management and staff revealed a wide degree of consensus. It is evident from both the project-level evaluation results and the efficiency ratios for the institution as a whole that efficiency is an issue that needs to be addressed. The proximate causes of greater or lesser efficiency at the project level are to some extent quite well known. Staff thus stressed that the bulk of effort in the CLE should be invested in gaining a thorough understanding of opportunities and challenges related to corporate business processes that affect the efficiency of IFAD-funded operations and determine overall institutional efficiency.

⁴³ IDB, *Report on the evaluability of country strategies* (Washington, DC, 2005).

⁴⁴ Swedish Agency for Development Evaluation, *Strengthening the results-orientation in Sweden's engagement in multilateral development cooperation: an evaluation of UNDP's country level evaluation activities* (Karlstad, Sweden, 2008), SADEV Report 2008:6.

⁴⁵ IDB, *Evaluation of the quality of economic analysis for projects approved 1997-2006* (Washington, DC, 2008).

209. Thus, the CLE scheduled for 2011 is timely and should make an important contribution. Three distinct but interrelated areas will deserve attention to varying degrees: (i) approaches to assessing efficiency; (ii) project efficiency; and (iii) institutional efficiency through a review of key corporate business processes. Taking the above into consideration, the objectives and scope of the evaluation will be elaborated in an approach paper, which will capture the main directions and the priorities of the Executive Board and IFAD Management and staff.

VII. Conclusions and recommendations

A. Conclusions

210. **Context.** Improvements in the lives of the poor have been unacceptably slow, and some hard-won gains are being eroded by the climate, food and economic crises. This has been caused in part by three decades of low investment in agriculture, the main source of livelihood for the majority of poor people in developing countries. The challenge for the international community therefore still remains paramount.
211. By promoting agriculture and rural development projects and programmes in developing countries, IFAD has an important role to play in improving the welfare of small farmers, women, fisher folk, pastoralists and small entrepreneurs living in rural areas. Its comparative advantage and specialization – in particular, focus on smallholder agriculture – positions the Fund as a critical global player among multilateral development organizations to combat rural poverty.
212. **The main message from the 2010 ARRI.** The performance of past IFAD-supported operations, as measured by a number of internationally recognized evaluation criteria,⁴⁷ is on the whole merely moderately satisfactory. That is, their performance is just within the satisfactory zone. Performance is satisfactory⁴⁸ to a larger extent only in few criteria such as relevance and innovation, but hardly any projects were found to be highly satisfactory in any one of the criteria used in IOE evaluations.
213. Performance has improved over time in a number of areas, for example, in overall project achievement, rural poverty impact, sustainability and IFAD's own performance. This is a reflection of the concerted efforts by the Fund in the recent past towards strengthening its development effectiveness. However, even with this improvement, performance in these areas still remains overwhelmingly moderately satisfactory. The momentum gained, therefore, needs to be sustained and further built upon in the future.
214. The external benchmarking analysis shows that the performance of IFAD-funded projects is somewhat better than the agriculture sector operations of other multilateral development organizations. However, it is to be noted that the organizations compared work in a variety of sectors, whereas IFAD has an exclusive focus on agriculture and rural development.
215. This year's ARRI, therefore, raises the question as to whether an overall performance of "moderately satisfactory" can be considered sufficient for an organization such as IFAD, which aspires to be a global leader in agriculture and rural development.
216. This question is justified by a number of considerations related to the performance of IFAD-supported operations as well as the performance of IFAD and the Government as partners – that are consistent with the findings from IFAD's self-evaluation system including the Report on IFAD's Development Effectiveness – which merit collective reflection and improvement. These include:
- (i) Government's performance, which evaluations have underlined as the most critical factor for effectiveness on the ground, has not improved since 2002.

⁴⁷ See annex II.

⁴⁸ With a score of 5 on a scale of 1 to 6, where 6 is the highest score and 1 the lowest.

Currently, more than one in every three projects reveals moderately unsatisfactory Government performance. IFAD's on its part has not done enough to strengthen Government performance in the past. In this regard, evaluations reveal examples of some efforts by IFAD in promoting capacity building (e.g. in promoting participatory processes and grassroots institution building). However, there is no evidence of a systematic and sustainable approach to capacity-building by the Fund within key institutions involved in IFAD-supported operations in borrowing governments at different levels. This is therefore an area that deserves urgent reflection, especially in determining the role IFAD can play in bringing about the necessary changes and improvements in Government performance – in particular, the contribution it can make to improve the policy gap and weak capacity in the institutions of many of its borrowing countries.

- (ii) IFAD's own performance as a partner in the context of the operations it funds has improved from a very low base in 2002, thanks to initiatives like direct supervision and implementation support, country presence, and strengthened quality enhancement and quality assurance mechanisms. However, improvements in IFAD's performance need to be interpreted with caution. Forty-five per cent of the projects evaluated in 2007-2009 are still moderately satisfactory, 25 per cent satisfactory and none highly satisfactory. The remaining (30 per cent) projects evaluated in the same period are moderately unsatisfactory or worse. What is worrisome is that at least one in every three projects evaluated since 2002 is moderately unsatisfactory or worse in terms of IFAD's own performance. This is a cause for concern, especially as improvements, for example, in terms of the Fund's contribution to project design as well as direct supervision and implementation support are very much within its own realm.
- (iii) Efficiency of IFAD-funded operations remains weak. Forty-two per cent of the projects evaluated in 2007-2009 are moderately satisfactory, fifteen per cent satisfactory and none highly satisfactory. In fact, there have been only marginal improvements since 2002 – one in three projects financed by IFAD remains moderately unsatisfactory or worse in this criterion. Institutional efficiency also remains a challenge. The proposed CLE on efficiency in 2011 is therefore timely and provides an opportunity for collective reflection and debate around the topic.
- (iv) With regard to sustainability of benefits, efforts have been made in the past few years to address known weaknesses and improvements are becoming visible. However, as for efficiency, one in three projects is still moderately unsatisfactory or worse in terms of sustainability. This seriously undermines the achievements of IFAD-funded projects in other areas, such as effectiveness and impact on rural poverty.
- (v) The ARRI has noted that the promotion of innovation is generally good, with close to fifty per cent of projects evaluated in 2007-2009 being satisfactory. However, innovation alone cannot achieve a decisive reduction in rural poverty. Given the relatively limited amount of financial resources IFAD has at its disposal for rural poverty reduction, scaling up is "mission critical" for the Fund to have a wider impact in terms of the numbers of poor people reached or the expansion of specific development objectives to a wider geographic area. Scaling up thus is the ultimate test of IFAD's capacity to promote innovations, but results in this area are still weak overall. The current partnership with the Brookings Institution aims at developing systematic approaches and pathways for scaling up in IFAD-supported operations, but results are not yet discernable on the ground.
- (vi) Performance in natural resources management and environment, as also highlighted in last year's ARRI, continues to remain a cause for concern. The magnitude of the challenges faced is very large, and given the relatively limited resources at its disposal, the Fund will require stronger partnerships

with national and international technical and funding agencies to scale up its efforts to promote sustainable natural resources and environmental management in borrowing countries. IFAD Management is cognizant of the weak performance in natural resources and environment, and is introducing remedial measures to address the bottlenecks.

217. **Results Measurement Framework for the Eighth Replenishment period (2010-2012).** The 2010 ARRI benchmarks the performance of IFAD-financed operations across the 2012 targets included in the results measurement framework for the eighth replenishment period. It also reviews the framework as an instrument for corporate results-based management. The benchmarking reveals that performance in relevance and innovation has already exceeded the 2012 targets, whereas the Fund is close to meeting the target for rural poverty impact. However, three other agreed targets have not yet been met, namely on effectiveness, efficiency, and sustainability. Efficiency is the area where greatest ground still needs to be covered to meet the 2012 target, followed by effectiveness and sustainability.
218. With regard to the results measurement framework as an instrument, the ARRI found that:
- There are no dedicated composite indicators and targets in the results measurement framework for measuring government's performance, which is a critical determinant of effectiveness;
 - Rural poverty impact is not disaggregated according to the domains used in IOE evaluations (e.g. food security and agriculture productivity), which would provide a more accurate appreciation of impact in key corporate priority areas; and
 - The measurements adopted for key indicators related to project and country programme performance do not allow for a more discernable appreciation of performance between moderately satisfactory, satisfactory and highly satisfactory performance.
219. **Performance in sub-Saharan Africa.** Another form of internal benchmarking conducted by the ARRI included assessing the performance of IFAD-financed projects across the five geographic regions in which IFAD works. This assessment reveals that performance in sub-Saharan Africa continues to be less good than in other regions, which can be partly attributed to the weak institutional capacity and policy gaps in many countries on the continent. The other explanation is that the difficulty in the context has not been adequately analysed nor factored in at the time of design, often resulting in overoptimistic project objectives. This is not a new finding, as previous ARRIs have come to the same conclusion. But it does raise the issue whether dedicated measures are being deployed to improve performance in sub-Saharan Africa, as also recommended by last year's ARRI. The latter underlined the importance of allocated administrative resources, for example for project design, supervision and country presence, in a differentiated manner depending on the country context. The recently concluded joint evaluation with AfDB on agriculture and rural development in Africa on the other hand underlined the importance of greater investments in analytic work to ensure more realistic country strategies and project design.
220. **Gender.** The 2009 evaluations provide a more thorough coverage of gender issues. These evaluations as well as the dedicated CLE on gender underline that the performance of IFAD-funded projects in this thematic area is as for most other areas, moderately satisfactory on the whole, but performance is variable across projects and countries. This is due to a variety of reasons, including a compliance rather than a results-oriented culture, in which staff often appear to pay more attention to ensuring that IFAD's internal design procedures are followed without necessarily devoting the same attention to taking actions during implementation that can lead to better results. Evaluations point to the need for a better understanding of the theory and concepts underpinning gender equality and

women's empowerment, as well as of the prevailing socio-cultural contexts upfront in future gender activities. The gender CLE recommends IFAD to develop next year its first comprehensive evidence and results-based corporate policy on gender equality and women's empowerment.

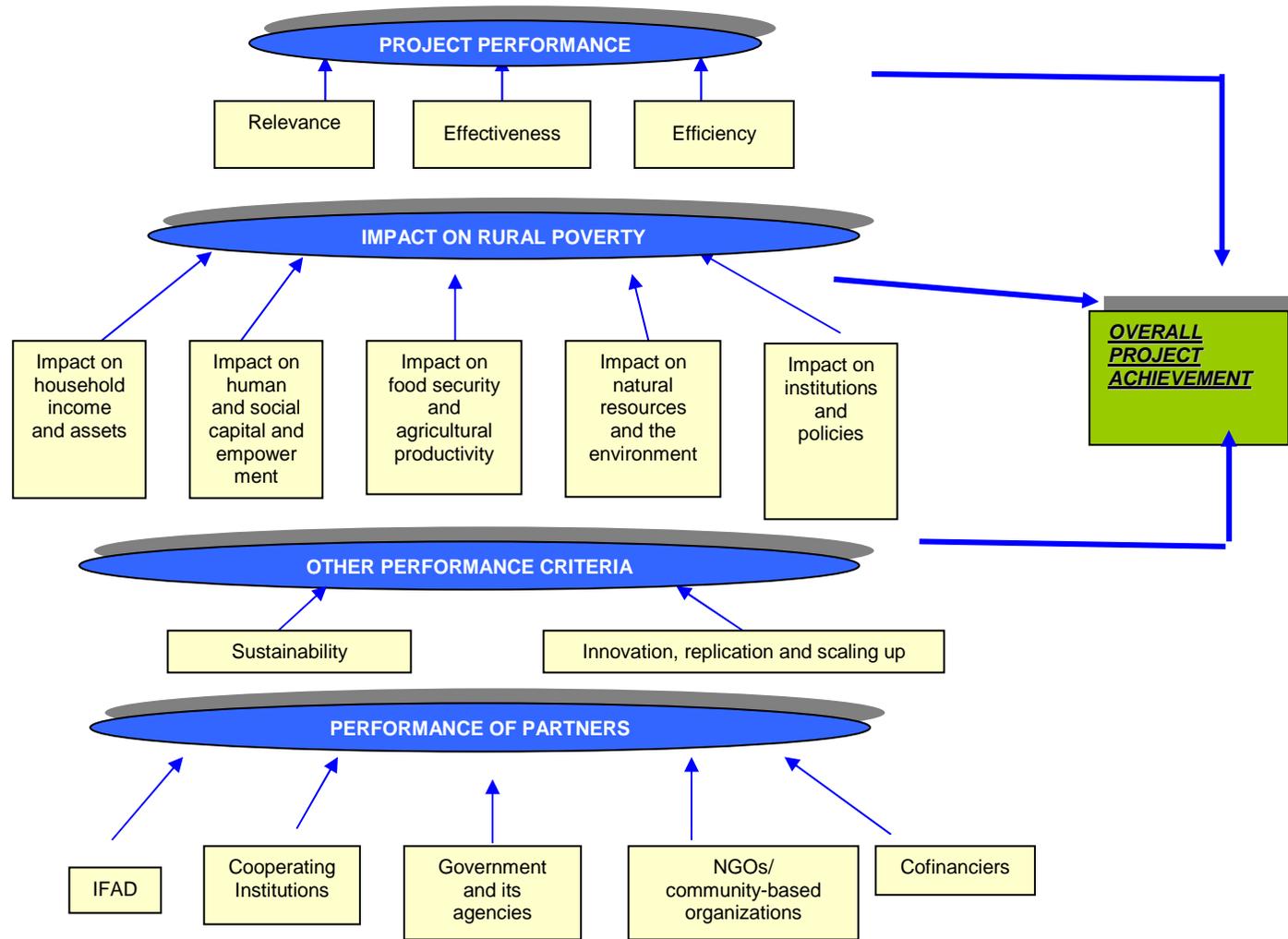
221. **Non-lending activities.** This ARRI includes much greater coverage of the findings from CPEs. In particular, for the first time, the ARRI contains an analysis of non-lending activities: policy dialogue, knowledge management, and partnership-building, which are not stand alone initiatives, but an integral part of country programmes supported by IFAD, alongside loan and grant-funded projects. Overall, non-lending performance has been rated as mostly moderately satisfactory in around two-thirds of the eleven country programmes evaluated since 2006.
222. The relevance and value of the IFAD-government partnership is confirmed by the CPEs that formed the basis of analysis for this year's ARRI. IFAD is considered a trusted and flexible partner, and in some countries, one of the most important government partners in their agriculture and rural sector. However, IFAD needs to adapt its approach to better fit the different country contexts, as the analytic work underpinning country strategies and project designs in the past have often been inadequate. Partnership with a variety of government sub-sector agencies has not been as wide ranging, limiting the Fund's capacity to leverage their knowledge, expertise and resources. Partnership with NGOs and civil society has been positive on the whole, but less so with other multilateral and bilateral development organizations. Partnership with the private sector was weak in past operations, but CPEs reveal that recent operations show more attention to private sector engagement.
223. Performance in policy dialogue has been mainly moderately satisfactory in around half of the CPEs done since 2006. Most of the achievements in policy dialogue are within the context of IFAD-funded projects. Apart from some exceptions, the Fund has not been able to participate in a systematic manner in policy dialogue on key sector issues with national governments. However, CLEs reveal that IFAD is playing a useful role in global policy and advocacy forums, for example, in terms of drawing attention to the role of women in smallholder agriculture.
224. Performance has been moderately unsatisfactory in knowledge management. This is essential and requires attention at all levels (i.e. in headquarters as well as at the country level), as easy access to the experiences, lessons and good practice from the ground is important for IFAD's policy dialogue efforts, as well as other areas, such as COSOP and project preparation. There is however greater attention now in IFAD to knowledge management, but new initiatives introduced need to be further nurtured and monitored, and adequate staff time and resources allocated accordingly.
225. There are two general reasons for this modest performance in non-lending activities: (i) unsystematic agenda, with unclear activities and limited human and financial resources; and (ii) limited IFAD country presence, both in terms of coverage across country programmes and the nature of presence when it exists with limited delegation of authority, inadequate seniority and numbers of staff, and a wide-ranging work programme that is often not commensurate with the resources available. IFAD will need to address these limitations rapidly, to have more systematic influence outside the context of its loan portfolio and ensure the satisfactory achievement of the strategic objectives contained in COSOPs. A further limitation is that the Fund does not have indicators in its self-evaluation processes to track and report on the performance in non-lending activities, which could be useful to inform management of progress and serve as a tool for introducing the required remedial measures to enhance performance in the future.

B. Recommendations

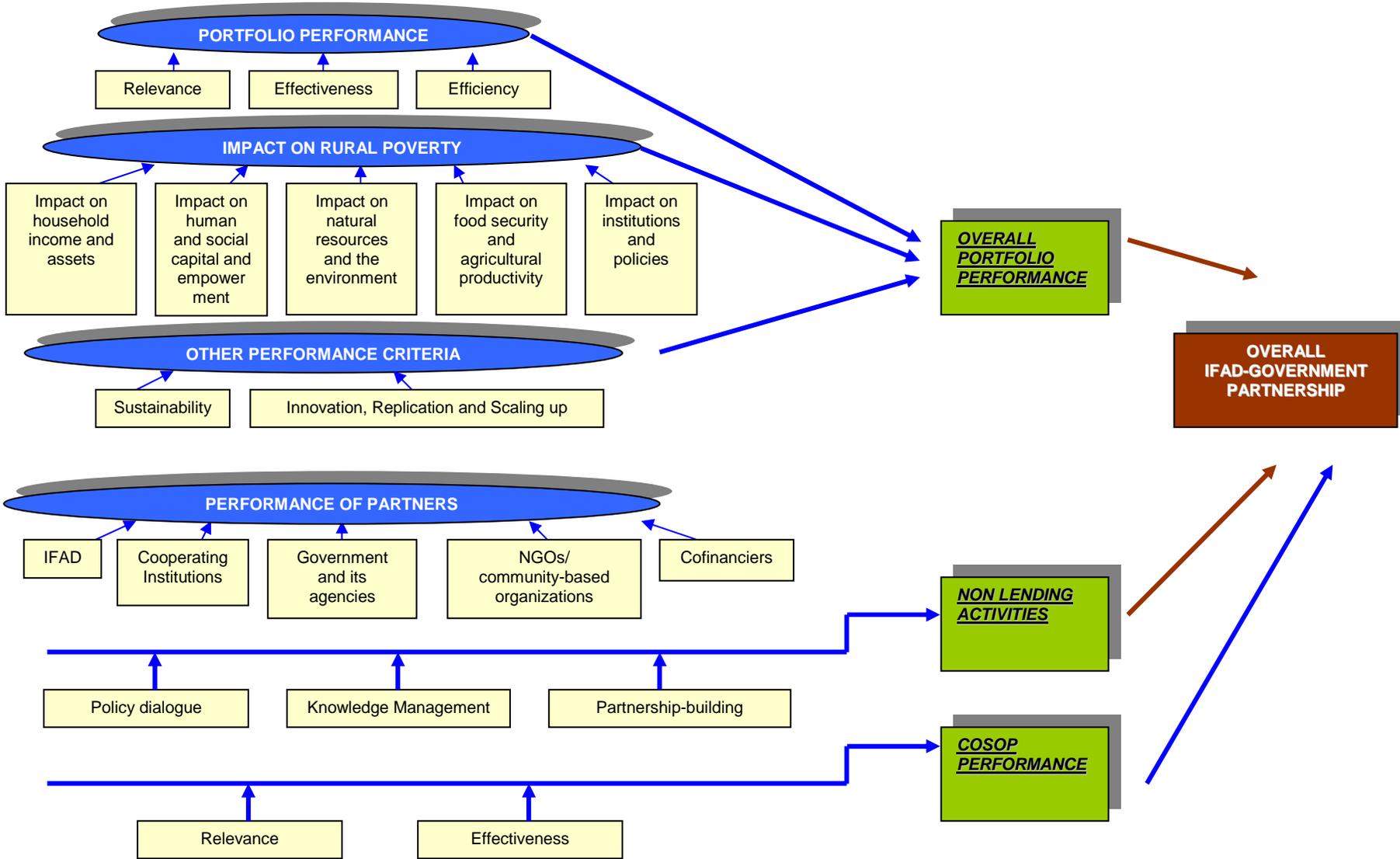
226. The Executive Board is invited to adopt the following recommendations:

- (i) Given the centrality and generally weak performance of governments as a partner in agriculture and rural development, IFAD Management should organise a dedicated consultation (e.g. in the form of a learning workshop with relevant stakeholders) that would help develop the Fund's capacity building strategy and priorities for supporting governments and their agencies in ensuring a wider and more effective contribution in the design and implementation of IFAD-supported operations. This consultation should take place in 2011, and the Fund would provide a summary of the main findings and proposals for strengthening government ownership and performance in the context of next year's Report on IFAD's Development Effectiveness.
- (ii) IFAD should renew its efforts to achieve all the targets included in the results measurement framework of the eighth replenishment period, especially those related to effectiveness, efficiency, rural poverty impact and sustainability – which are lagging behind at the moment.
- (iii) The ARRI recommends that consideration be given to including the following recommendations in the new results measurement frameworks to be eventually developed for the forthcoming corporate strategic framework 2011-2015 and the ninth replenishment period: (a) develop a dedicated composite indicator and target to track and report on the performance of government; (b) disaggregate the rural poverty impact indicator in the results measurement framework according to the domains covered in the ARRI and establish corresponding targets, in order to facilitate comparisons in the achievements reported by the ARRI; (c) develop indicators and targets to track and report on corporate performance in the RIDE on the three non-lending activities, namely policy dialogue, partnership-building and knowledge management; and (d) adjust the concerned indicators and analyse the results related to project and country programme performance, using, as appropriate moderately satisfactory, satisfactory and highly satisfactory performance as distinct categories. These recommendations will also have implication for some of the other components of IFAD's self-evaluation system (e.g. the results-framework of the COSOPs, project completion reports, etc.).
- (iv) In light of the relatively weaker performance in sub-Saharan Africa, it is recommended that the next edition of the PRISMA on evaluation recommendations contain a chapter specifically dedicated on the follow-up to the recommendations contained in IFAD-AfDB joint evaluation on agriculture and rural development in Africa as well as in last year's ARRI, which also particularly emphasized the need for improving performance in sub-Saharan Africa.
- (v) The ARRI has highlighted the importance of direct supervision and implementation support in IFAD's rural poverty reduction efforts. However, it has also illustrated that there are opportunities for further improvements in this area. Therefore, in light of the importance for IFAD's development effectiveness, supervision and implementation support should be the learning theme to be treated in the context of the 2011 ARRI. The proposed timing of this learning theme would also allow IOE to identify hypothesis and key questions for the planned CLE on the same topic, which will be undertaken in 2012.

Project evaluation methodology



Country programme evaluation methodology



Definition of evaluation criteria used by IOE

<i>Criteria</i>	<i>Definition^a</i>
Project performance	
<ul style="list-style-type: none"> • 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.
<ul style="list-style-type: none"> • Effectiveness 	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
<ul style="list-style-type: none"> • Efficiency 	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
Rural poverty impact	
	Impact is defined as the changes that have occurred or are expected to occur in the lives of the poor rural people (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.
<ul style="list-style-type: none"> • Household income and assets 	Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value.
<ul style="list-style-type: none"> • Human and social capital and empowerment 	Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grassroots organizations and institutions, and the individual and collective capacity of poor people.
<ul style="list-style-type: none"> • Food security and agricultural productivity 	Changes in food security relate to availability, access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields.
<ul style="list-style-type: none"> • Natural resources and the environment 	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.
<ul style="list-style-type: none"> • Institutions and policies 	The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.
Other performance criteria	
<ul style="list-style-type: none"> • Sustainability 	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.
<ul style="list-style-type: none"> • Promotion of pro-poor innovation, replication and scaling up 	The extent to which IFAD development interventions have: (i) introduced innovative approaches to rural poverty reduction; and (ii) the extent to which these interventions have been (or are likely to be) replicated and scaled up by government authorities, donor organizations, the private sector and others agencies.
Overall project achievement	
	This provides an overarching assessment of the project, drawing on the analysis made under the various evaluation criteria cited above.
Performance of partners	
<ul style="list-style-type: none"> • IFAD • Government • Cooperating institution • NGO/CBO 	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.

^a These definitions have been taken from the OECD/DAC *Glossary of Key Terms in Evaluation and Results-Based Management* (Paris 2002) and from the IOE Evaluation Manual discussed with the Evaluation Committee in December 2008.

Objectives of country programmes and individual projects evaluated

Objectives of country strategies

The main objectives of the four country strategies are summarized below:

- (i) Argentina. The 2004 COSOP identifies four strategic thrusts, as follows:
 - a. Income generation
 - b. Human and social capital development
 - c. Capacity-building
 - d. Interaction with provincial governments

A set of thematic areas of opportunity where IFAD's experience is of particular interest to Argentina have been identified as follows:

- a. Support to indigenous communities
 - b. Development of specialized non-financial service markets
 - c. Sustainable management of natural resources and preserving the value of the biological and cultural patrimony
 - d. Development of 'regional clusters' or economic corridors
 - e. Development of markets for rural financial services
- (ii) India. According to the 2005 COSOP, the development of IFAD's programme in India would be driven by three strategic thrusts:
 - a. Grass-roots institution-building and the institutional strengthening of support agencies
 - b. Promoting and securing the access of marginalized groups to resources
 - c. Promoting the diversification of livelihood opportunities within the on-farm and off-farm sectors

To reflect these strategic thrusts, the country programme would focus on two main areas:

- a. Microfinance and women's empowerment, mainly through support for a grass-roots institution-building process
 - b. Expansion of livelihood opportunities among tribal populations in the poorest agroecological zones
- (iii) Mozambique. The 2004 COSOP notes that IFAD's present programme basically covers four broad strategic areas:
 - a. Agricultural production support services
 - b. Artisanal fisheries (resource management and income generation)
 - c. Rural market linkages
 - d. Rural financial service development

IFAD's future strategy will principally involve deepening and broadening critical capacity and activities in these areas with regard to key smallholder issues. The emphasis would be on promoting effective private-sector partnerships rather than seeking to expand the responsibilities of the public sector beyond its capabilities and mandate. The proposed thrusts are:

- a. Increase marketable production
- b. Develop linkages with private-sector operators for input supply and marketing
- c. Enhance sustainable access to financial services
- d. Facilitate empowerment of poor rural people and strengthening of their organizations

- (iv) The Niger. The COSOP envisages a three-pronged thrust:
- Reduce vulnerability and help rural households achieve food security
 - Help them restore and develop their production capacity
 - Address the structural constraints on poverty reduction, including lack of basic social and technical services

These elements will be pursued in parallel through two complementary operational modalities:

- An approach specific to the post-crisis situation and complying with IFAD policy
- A complementary approach targeting the same population and based on the same self-diagnostic will seek to establish the necessary local structural and institutional conditions to reduce food insecurity and poverty in rural areas

Objectives of projects and programmes

Country and project/programme name	Objectives
Benin Roots and Tubers Development Programme	The programme's overall development goal is to help alleviate poverty through sustainable increase in the cash incomes of poor and/or vulnerable rural households by enhancing productivities at all stages of roots and tubers production, from farming to marketing. This objective is in line with the highest priority of the Government and has high operational priority for IFAD and the donor community with which the programme would establish close collaboration. The programme's specific objectives are to: (i) raise the productivity of roots and tubers cultivation by smallholder farmers, using environmentally sound and sustainable practices, including improved and resistant root and tuber varieties, integrated pest management, and improved soil fertility methods; (ii) remove a major bottleneck to production increases by boosting the output of local women's processing groups and encouraging them to form marketing associations with other village-based groups; and (iii) strengthen local capability to analyse and resolve constraints related to roots and tubers development.
China West Guangxi Poverty Alleviation Project	The goal of the project is to achieve sustainable and equitable poverty eradication for 240 000 vulnerable rural households living in an environment with degraded natural resources. The objective is to achieve a sustainable increase in productive capacity, both on- and off-farm, and to offer increased access to economic and social resources, including financial services, education, health and social networks
Ethiopia Rural Financial Intermediation Programme	The programme aims to alleviate rural poverty through a sustainable increase in agricultural production, productivity and family incomes. Its primary objectives are to: enhance outreach and financial deepening by MFIs through institutional development and through provision of equity and credit funds; develop a community banking framework by promoting the establishment of grass-roots, people-owned and managed rural financial cooperatives; promote linkages between the rural financial network and the Ethiopian banking system; and improve the regulation and supervision of MFIs rural savings and credit cooperatives, and unions, including their self-regulatory processes.
Mauritania Poverty Reduction Project in Aftout South and Karakoro	The project aims to contribute, within its intervention area, to the broad policy goals of the PRSP of reducing rural poverty, ensuring generalized access to basic social services, and fostering institutional development at the local level. More specifically, its development objectives will be to sustainably improve: (i) the capacities of beneficiary organizations, decentralized institutions and local service providers; (ii) access of the rural population to basic infrastructure and services, and (iii) the incomes of poor rural people, particularly of the most vulnerable groups, small farmers, women and youth.
Uganda Vegetable Oil Development Project	The main thrust of the project is to increase cash incomes among smallholders by revitalizing and increasing domestic vegetable oil production. More specifically, the project will: (i) develop an oil palm industry chiefly by promoting partnership between smallholder growers and private-sector processors, with Government and IFAD playing a catalytic role; (ii) introduce industrial-size mills that are energy-efficient and of a high environmental standard for the efficient and cost-effective processing of fresh fruit; (iii) develop, with NGO support, the potential for smallholder vegetable oil and other arable oilseed production and processing; (iv) catalyse and support development of the smallholder-produced raw material base and know-how for subsequent commercial extraction of vegetable oils; and (v) support Government efforts to establish a consultative body to facilitate interaction among farmers, trade associations, processors, financial institutions, NGOs and other principal actors involved in shaping the development of the vegetable oil subsector.
Yemen Raymah Area Development Project	Project objectives are two-fold: (i) to improve living conditions in Raymah through the provision of sustainable rural infrastructure and services and the formation of strong community organizations able to express community demands and aspirations; and (ii) to increase rural incomes on a sustainable basis by improving the productivity of smallholdings

Explanation of aggregated ratings

1. A progressive approach is used to derive the aggregate ratings at each level. For example, individual ratings for relevance, effectiveness and efficiency are first applied by the evaluators for each project. An aggregate rating for project performance – which is a combination of relevance, effectiveness and efficiency – is then applied for each project. Likewise, the overall achievement of each project represents a combination of project performance, rural poverty impact, innovation, and sustainability.
2. It is important to emphasize that the aggregate ratings are not the mathematical average of the percentage of projects in each subcategory. In table 1 below, the percentage of projects rated highly satisfactory for the summary criteria is not the average of the percentages for criteria A, B and C. Although 10 per cent of projects rated highly satisfactory (rating 6) for criterion A, no projects warranted an overall rating of highly satisfactory for the summary criteria. This also explains why, for example, 10 per cent of projects rated highly unsatisfactory (rating 1), no projects were rated as highly unsatisfactory overall for the summary criteria. The highly unsatisfactory ratings for criterion B in the 10 per cent of projects were outweighed by the more positive ratings for criteria A and C. This led the evaluators to rate these projects as unsatisfactory or better for the summary criteria.

Table 1
Data table showing percentage of projects in each category

Criteria	SATISFACTORY			UNSATISFACTORY			Total
	6	5	4	3	2	1	
	Highly satisfactory	Satisfactory	Moderately satisfactory	Moderately unsatisfactory	Unsatisfactory	Highly unsatisfactory	
A	10	40	10	20	20	0	100
B	0	40	20	20	10	10	100
C	0	30	20	50	0	0	100
Summary Criteria	0	40	20	20	20	0	100

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

Table 2
Percentage of projects rated satisfactory and unsatisfactory by criteria

Evaluation Criteria	Per cent	
	Satisfactory (4-6)	Unsatisfactory (1-3)
A	60	40
B	60	40
C	50	50
Summary	60	40

2009 evaluation data

Table 1
Relevance, effectiveness and efficiency (per cent by rating) of projects evaluated in 2009

<i>Rating</i>	<i>Relevance</i>	<i>Effectiveness</i>	<i>Efficiency</i>	<i>Project performance</i>
6 Highly satisfactory	29	6	0	0
5 Satisfactory	41	29	18	29
4 Moderately satisfactory	29	29	41	41
Total satisfactory	100	65	59	71
3 Moderately unsatisfactory	0	29	29	24
2 Unsatisfactory	0	6	12	6
1 Highly unsatisfactory	0	0	0	0
Total unsatisfactory	0	35	41	29

Note: In order to avoid the use of decimal points, some percentages in the above table (and other tables in the document) have been rounded off using a consistent approach. Each of the figures is an accurate, but rounded representation of the underlying data, not a simple addition of the figures as presented. This explains any apparent discrepancy of up to 1 percentage point.

Table 2
Rural poverty impact by domain (percentage by rating) – projects evaluated in 2009

<i>Rating</i>	<i>Household income and assets</i>	<i>Human and social capital and empowerment</i>	<i>Food security and agricultural productivity</i>	<i>Natural resources and the environment</i>	<i>Institutions and policies</i>	<i>Rural poverty impact</i>
6 Highly satisfactory	6	6	0	0	7	0
5 Satisfactory	50	44	25	29	7	38
4 Moderately satisfactory	13	13	38	43	73	38
Total satisfactory	69	63	63	71	87	75
3 Moderately Unsatisfactory	31	38	25	14	13	25
2 Unsatisfactory	0	0	13	14	0	0
1 Highly unsatisfactory	0	0	0	0	0	0
Total unsatisfactory	31	38	38	29	13	25

Table 3
Sustainability and innovation, replication and scaling up of projects evaluated in 2009

<i>Rating</i>	<i>Percentage</i>	
	<i>Sustainability</i>	<i>Innovation</i>
Highly satisfactory	0	0
Satisfactory	31	44
Moderately satisfactory	25	50
Total satisfactory	56	94
Moderately unsatisfactory	31	6
Unsatisfactory	13	0
Highly unsatisfactory	0	0
Total unsatisfactory	44	6

Table 4
Performance of partners – projects evaluated in 2009

<i>Rating</i>	<i>Percentage</i>		
	<i>IFAD</i>	<i>Cooperating institutions</i>	<i>Government</i>
Highly satisfactory	0	6	0
Satisfactory	41	35	12
Moderately satisfactory	41	29	47
Total satisfactory	82	71	59
Moderately unsatisfactory	6	12	29
Unsatisfactory	12	18	12
Highly unsatisfactory	0	0	0
Total unsatisfactory	18	29	41

Table 5
Overall project achievement – projects evaluated in 2009

<i>Rating</i>	<i>percentage</i>
Highly satisfactory	0
Satisfactory	41
Moderately satisfactory	35
Total satisfactory	76
Moderately unsatisfactory	24
Unsatisfactory	0
Highly unsatisfactory	0
Total unsatisfactory	24

Key questions for assessing the various evaluation criteria⁴⁹

Project relevance

- Are project objectives realistic and consistent with national agriculture and rural development strategies and policies, the COSOP and relevant IFAD sector and subsector policies,⁵⁰ as well as with the needs of the rural poor?
- Was the project design (including synergies among activities and services, financial allocations, project management and execution, supervision and implementation support, and M&E arrangements) appropriate for achieving the project's core objectives?
- How coherent was the project in terms of how it fit in with the policies, programmes and projects undertaken by the Government and other development partners?
- Was the project design participatory in the sense that it took into consideration the inputs and needs of key stakeholders, including the Government, executing agencies, cofinanciers and the expected beneficiaries and their grassroots organizations?
- Did the project benefit from available knowledge (for example, the experience of other similar projects in the area or in the country) during its design and implementation?
- Did project objectives remain relevant over the period of time required for implementation? In the event of significant changes in the project context or in IFAD policies, has design been retrofitted?
- What are the main factors that contributed to a positive or less positive assessment of relevance?

Project effectiveness

- To what extent have the objectives of the project and its components been attained, both in quantitative and in qualitative terms?
- If the project is not yet complete, is it likely that so far unattained objectives may be accomplished in full/in part before its closure?
- What factors in project design and implementation account for the estimated results in terms of effectiveness?
- In particular, what changes in the overall context (e.g. policy framework, political situation, institutional set-up, economic shocks, civil unrest, etc.) have affected or are likely to affect project implementation and overall results?

Project efficiency

- What are the costs of investments to develop specific project outputs (e.g. what is the cost of constructing one kilometre of rural road)? The quality of works/supplies needs to be fully (and explicitly) recognized for such input/output comparisons.
- Is the cost ratio of inputs to outputs comparable to local, national or regional benchmarks?
- What are the loan costs per beneficiary (both at the time of appraisal and at the time of evaluation) and how do they compare to other IFAD-funded operations (or those of other donors) in the same country and/or other countries?
- How does the economic rate of return at evaluation compare with project design?
- What are the administrative costs⁵¹ per beneficiary and how do they compare with other IFAD-funded operations (or those of other donors) in the same country or other countries?
- How much time did it take for the loan to be effective, and how does it compare with other loans in the same country and region?
- By how much was the original closing date extended, and what were the additional administrative costs that were incurred during the extension period?
- What factors help account for project efficiency performance?

⁴⁹ IOE, Evaluation Manual (2009).

⁵⁰ See annex 8 of the IOE Evaluation Manual for a list of all pertinent IFAD subsector policies and strategies.

⁵¹ Including costs for supervision and implementation support, project management and monitoring and evaluation (which are included as part of the loan), MTR, project redesign (if applicable), and so on.

Project sustainability

- Was a specific *exit strategy* or approach prepared and agreed upon by key partners to ensure post-project sustainability?
- What are the chances that benefits generated by the project will continue after project closure, and what factors militate in favour of or against maintaining benefits? What is the likely resilience of economic activities to shocks or progressive exposure to competition and reduction of subsidies?
- Is there a clear indication of government commitment after the loan closing date, for example, in terms of provision of funds for selected activities, human resources availability, continuity of pro-poor policies and participatory development approaches, and institutional support? Did the IFAD project design anticipate that such support would be needed after loan closure?
- Do project activities benefit from the engagement, participation and ownership of local communities, grass-roots organizations, and the rural poor?
- Are adopted approaches technically viable? Do project users have access to adequate training for maintenance and to spare parts and repairs?
- Are the ecosystem and environmental resources (e.g. fresh water availability, soil fertility, vegetative cover) likely to contribute to project benefits or is there a depletion process taking place?

Innovations, replication and scaling up

- What are the characteristics of innovation(s) promoted by the project or programme? Are the innovations consistent with the IFAD definition of this concept?
- How did the innovation originate (e.g. through the beneficiaries, Government, IFAD, NGOs, research institution, etc) and was it adapted in any particular way during project/programme design?
- Are the actions in question truly innovative or are they well-established elsewhere but new to the country or project area?
- Were successfully promoted innovations documented and shared? Were other specific activities (e.g. workshops, exchange visits, etc.) undertaken to disseminate the innovative experiences?
- Have these innovations been replicated and scaled up and, if so, by whom? If not, what are the realistic prospects that they can and will be replicated and scaled up by the Government, other donors and/or the private sector?

Performance of partners

IFAD

- Did IFAD mobilize adequate technical expertise in the project design?
- Was the design process participatory (with national and local agencies, grassroots organizations) and did it promote ownership by the borrower?
- Were specific efforts made to incorporate the lessons and recommendations from previous independent evaluations in project design and implementation?
- Did IFAD adequately integrate comments made by its quality enhancement and quality assurance processes?
- Did IFAD (and the Government) take the initiative to suitably modify project design (if required) during implementation in response to any major changes in the context, especially during the MTR?
- What was the performance of IFAD in projects that are under direct supervision and implementation support? In the case of supervision by a cooperating institution, how effective was IFAD in working with the institution to carry out the mandated task? In both cases, has IFAD exercised its developmental and fiduciary responsibilities, including compliance with loan and grant agreements?
- Was prompt action taken to ensure the timely implementation of recommendations stemming from the supervision and implementation support missions, including the MTR?
- Did IFAD undertake the necessary follow-up to resolve any implementation bottlenecks?
- Where applicable, what is the role and performance of IFAD's country presence team (including proxy country presence arrangements)? Did IFAD headquarters provide the necessary support to its country presence team, for example, in terms of resources, follow-up and guidance, adequate delegation of authority, and so on?
- Has IFAD made proactive efforts to be engaged in policy dialogue activities at different levels in order to ensure, inter alia, the replication and scaling up of pro-poor innovations?
- Has IFAD been active in creating an effective partnership and maintaining coordination among key partners to ensure the achievement of project objectives, including the replication and scaling up of pro-poor innovations?
- Has IFAD, together with the Government, contributed to planning an exit strategy?

Government

- Has the Government assumed ownership and responsibility for the project? Judging by its actions and policies, has the Government been fully supportive of project goals?
- Has adequate staffing and project management been assured? Have appropriate levels of counterpart funding been provided on time?
- Has project management discharged its functions adequately, and has the Government provided policy guidance to project management staff when required?
- Did the Government ensure suitable coordination of the various departments involved in execution?
- Has auditing been undertaken in a timely manner and have reports been submitted as required?
- Did the Government (and IFAD) take the initiative to suitably modify the project design (if required) during implementation in response to any major changes in the context?
- Was prompt action taken to ensure the timely implementation of recommendations from supervision and implementation support missions, including the MTR?
- Has an effective M&E system been put in place and does it generate information on performance and impact which is useful for project managers when they are called upon to take critical decisions?
- Has the Government (and IFAD) contributed to planning an exit strategy and/or making arrangements for continued funding of certain activities?
- Have loan covenants and the spirit of the loan agreement been observed?
- Has the Government facilitated the participation of NGOs and civil society where appropriate?
- Have the flow of funds and procurement procedures been suitable for ensuring timely implementation?
- Has the Government engaged in a policy dialogue with IFAD concerning the promotion of pro-poor innovations?

Cooperating institution

- Has the supervision and implementation support programme been properly managed (frequency, composition, continuity)? Has the cooperating institution complied with loan covenants?
- Has the cooperating institution been effective in financial management?
- Has the cooperating institution sought to monitor project impacts and IFAD concerns (e.g. targeting, participation, empowerment of the poor and gender aspects)?
- Have implementation problems been highlighted and appropriate remedies suggested?
- Has the cooperating institution promoted or encouraged self-assessment and learning processes?
- Has the supervision process enhanced implementation and poverty impacts?
- Has the cooperating institution been responsive to requests and advice from IFAD when carrying out its supervision and project implementation responsibilities?

CBOs and NGOs

- How effectively have NGOs fulfilled their contractual service agreements?
- Have NGOs/CBOs acted to strengthen the capacities of rural poor organizations?
- Can NGOs/CBOs contribute to the sustainability of project activities?

Non-lending activities**A. Relevance**

- Are policy dialogue, partnership-building, and knowledge management objectives clearly outlined in the COSOP? Are they in line with the needs of the poor and are they consistent with the strategic objectives of the COSOP and lending operations, as well as with the Government's priorities?
- Do the selected non-lending activities provide sufficient support for country programme objectives as per COSOP, as well as the loan portfolio in the same country?
- Were resources earmarked for non-lending activities and explicitly outlined in the COSOP (e.g. in the form of grants and/or the IFAD administrative budget)?
- Was the selected mix of policy dialogue, partnership-building and knowledge management appropriate and relevant?
- Were the advisory services delivered by other partners taken into account in selecting the focus of non-lending work?

B. Effectiveness

- Describe the extent to which non-lending activities achieved their objectives if they were explicitly articulated.
- How did non-lending activities contribute to the replication and scaling up of innovation promoted by IFAD?
- Has IFAD systematically engaged in and contributed to the deliberations of donor working groups related to agriculture, food issues and rural development?
- How much progress has been made as a result of non-lending activities in furthering the application of the provisions contained in the Paris Declaration on Aid Effectiveness in terms of ownership, alignment, donor coordination and harmonization, managing for results and mutual accountability?
- With regard to knowledge management, was the COSOP's strategic objectives and project design and implementation properly informed by IFAD experiences in the country and elsewhere?
- Were the most appropriate approaches deployed to achieve the desired results?
- What have been the roles of the IFAD country representative, where applicable, and of the main government institutions in making non-lending activities effective?

C. Efficiency

- Could alternative instruments and activities be implemented to reduce costs in non-lending activities?
- What were the costs of the different types of non-lending activities and how do they compare to IFAD benchmarks (where available)?
- Was the administrative burden on country officials minimized?

Relevance of the COSOP

A. Assessment of the alignment of strategic objectives

- Were the objectives set out in the COSOP consistent with the overarching objectives of the prevailing IFAD strategic framework and relevant corporate policies?
- Were the strategic objectives identified in the COSOP aligned with the Government's strategies and policies, such as the PRSP and sector framework, for agriculture and rural development as well as economic and social development?
- Were the strategic objectives clearly defined and suitable for achieving sustainable rural poverty reduction?
- Did the poverty analysis (economic and sector work) provide an adequate basis for the development of overall strategy, including the selection of the main elements of the COSOP as listed in table 13?
- Are the strategic objectives harmonized with the priorities of other bilateral and multilateral donors working in agriculture and rural development in the same country? If other donors pursued other priorities, should they have been convinced to harmonize with IFAD?

B. Evaluating the coherence of the main elements of the COSOP

- Did the strategy succinctly articulate IFAD's comparative advantage and competencies in the country (i.e. country positioning)⁵²?
- Were the target groups clearly identified in terms of the nature of the assistance that IFAD would provide?
- Did IFAD select the most appropriate subsectors for investments?
- Were the geographic priorities defined in the strategy consistent with the definition of the target groups?
- Were the main partner institutions (e.g. for project execution, supervision and implementation support, community mobilization, cofinancing) the correct ones for meeting the country strategy objectives?
- Were specific objectives defined and resources allocated for non-lending activities, including policy dialogue, partnership-building and knowledge management?
- Were appropriate synergies foreseen within and among investment activities and between lending and non-lending activities? That is, did IFAD's overall assistance constitute a coherent country programme?
- Did IFAD assess the extent to which the global policy environment (trade, migration, etc.) and exogenous factors (e.g. climate change, exposure to natural disasters) should guide the choice of lending and non-lending instruments and the priorities for IFAD engagement through lending and non-lending activities?

C. Country programme management and COSOP management

- Did the Fund and Government select appropriate supervision and implementation support arrangements?
- How did country presence, if any, support the COSOP strategic objectives? Was the most suitable country presence arrangement established in the country?
- Were lessons learned and recommendations set forth in independent evaluations properly reflected in the country strategy?
- Were sufficient administrative and human resources made available for the implementation of the country strategy by both IFAD and the Government?
- Did the CPM (and country presence officer, if any) have appropriate skills and competencies to promote the policy dialogue and partnership-building objectives identified in the COSOP?
- Was the COSOP MTR undertaken in a timely manner (for COSOPs approved after September 2006) as a measure to achieve effectiveness?
- What is the quality of the COSOP results management framework, project status reports, and aggregated RIMS reports and country programme sheets, and were Management actions in connection with this information system appropriate?
- Was the COSOP M&E performed properly? Were annual country programme reviews undertaken in a timely manner and were the corresponding recommendations implemented within the required time frames?
- As the COSOP is dynamic, was it modified to reflect changes at the country level?
- Did the CPMT concept function appropriately and make the required contribution to country programme management?

⁵² Country positioning is a measure of how well the organization responded to (or even anticipated) the evolving development challenges and priorities of the Government, built on the organization's comparative advantages, and designed its country strategies and programmes in a manner that took into consideration the support available from other development partners.

Effectiveness of the COSOP

- To what extent were the main strategic objectives included in the COSOP achieved?
- If a new COSOP is not yet foreseen, is it likely that so far unattained objectives may be achieved in full or in part?
- What changes in the context have influenced or are likely to influence the fulfilment of the strategic objectives? Was the COSOP properly adapted mid-course to reflect changes in the context?
- Did the Fund devote sufficient attention and resources to promoting effectiveness by, for example, systematically assessing the progress made in COSOP implementation on an annual basis⁵³ (for COSOPs approved after September 2006)?

⁵³ This should include a re-examination of the relevance of the strategic objectives as viewed against the changing country background, an assessment of the effectiveness of the COSOP in achieving the stated strategic objectives, and a re-examination of the cost-effectiveness of the selected approaches for reaching the strategic objectives.