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Enabling poor rural people
to overcome poverty

Comments of the IFAD Office of Evaluation on IFAD's Policy on Engagement with Middle-Income Countries

Note to Executive Board representatives

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For: Review

Comments of the IFAD Office of Evaluation on IFAD's Policy on Engagement with Middle-Income Countries

1. In line with the provisions of the Evaluation Committee's Terms of Reference and Rules of Procedure, the Committee decided in December 2009 that the IFAD Policy on Middle-Income Countries (MICs) would be discussed by the Committee together with the IFAD Office of Evaluation (IOE) comments thereon, prior to the Board's consideration of the policy at the December 2010 session. Moreover, as per established practice, the IOE comments would also be made available to Board representatives as an addendum to the policy document.
2. IOE provided orally its initial comments to the Programme Management Department (PMD) on a draft of the policy. The comments in this document therefore are based on the final policy proposal under consideration by the Evaluation Committee.
3. The Report of the Consultation on the Eighth Replenishment of IFAD Resources recognizes that to remain effective IFAD needs to improve the services offered to MICs, ensure relevance and enhance the partnership with these countries. The proposed policy includes a menu of differential products and services both to and from MICs, as well as financial and knowledge products and services. It also proposes three options for a graduation policy.
4. Given that the preparation of the IFAD MICs policy entailed a review of similar policies in other international financial institutions, a description of the process followed in this regard would have been useful as confirmation that the relevant stakeholders were consulted and key documents reviewed.
5. The document includes little discussion of the wide-ranging lessons from past IFAD-financed operations in MICs. Similarly, there is no mention of the comprehensive review of existing evaluative documents that was specifically undertaken as part of the policy's development. This would have served to confirm that the proposed policy is duly evidence-based and anchored in IFAD's own development experience. As a matter of principle, all corporate policies and strategies should be preceded by a comprehensive review of evaluative evidence, either based on IOE and/or on self-evaluation reports.¹
6. Corporate policies and strategies must be designed in a way that facilitates their evaluation in the future. One requirement in this regard is the definition of clear, measurable objectives and targets, and of indicators to track performance and reporting commitments. Unfortunately, the MICs policy proposal includes neither of these elements. This lacuna needs to be addressed before IFAD moves forward with the implementation of the policy.
7. If approved by the Board, the proposed policy will have implications for other corporate policies and strategies. For example, direct lending to the private sector without sovereign guarantee is likely to affect IFAD's Lending Policies and Criteria as well as the Agreement Establishing IFAD. To ensure policy coherence across the Fund, it would have been useful if the MICs policy proposal had verified whether its main elements were consistent with existing corporate policies and strategies, and underscore whether any amendments were required to these.

¹ As is the case of the country presence strategy – which will be presented to the Board in May 2011 - for which a dedicated self assessment has already been undertaken by the management as recommended by the evaluation of the Field Presence Pilot Programme (2007).

8. The policy recommends, inter alia, that IFAD should deepen its intra-institutional knowledge sharing and its internal knowledge creation and capture. IFAD should see knowledge transfer and capacity development (including South-South cooperation and participation in policy, convening and advocacy platforms) as an integral part of its mandate, together with reimbursable technical assistance. It is worth noting that IFAD's capacity in terms of knowledge management is still weak. Several recent corporate-level evaluations (on agriculture and rural development in Africa, innovation, gender and private-sector engagement [ongoing]) note that performance in knowledge management has been systematically inadequate. Some useful measures have been put in place in the past couple of years, which are expected to improve performance in the future. IFAD will need to step up its efforts and allocate resources towards the development of competencies and skills, and the analytical work required to satisfy the kind of knowledge requirements that MICs have with regard to agriculture and rural development.
9. The policy correctly addresses the issue of graduation as a way to ensure that replenishment resources are focused on highly concessional eligible poor countries. Three graduation options are presented for consideration (see paragraph 20). IFAD Management has expressed its preference for option three. There may be valid reasons for this choice, but the rationale, opportunities and challenges associated with this preference are not articulated in the document, nor is any explanation given as to why it would be better for IFAD to adopt option three, rather than options one or two.
10. Reimbursable technical assistance is explicitly mentioned in the Report of the Consultation on the Eighth Replenishment as an option for countries that decide to cease borrowing from IFAD but continue to access its services. While the policy refers to such a service, it only provides examples of interest from two countries, and does not discuss IFAD's capacity or explore ways in which IFAD could successfully provide this service.
11. Paragraph 8 of the proposed policy incorrectly notes that IOE evaluated the performance of IFAD operations in MICs as satisfactory. This is not the case in Argentina, where the recent evaluation shows that the performance of the project portfolio is moderately unsatisfactory overall. Moreover, contrary to the information provided in the document, IOE has not conducted a country programme evaluation in the Philippines.