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Enabling poor rural people
to overcome poverty

Comments of the Independent Office of Evaluation Of IFAD on the country strategic opportunities programme for Rwanda

Note to Executive Board representatives

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For: Review

Comments of the Independent Office of Evaluation of IFAD on the country strategic opportunities programme for Rwanda

General comments

1. The Independent Office of Evaluation (IOE) welcomes the new results-based country opportunities programme (RB-COSOP) for Rwanda, which is a well-prepared country strategy. The COSOP has been developed by IFAD and the Government of Rwanda, drawing on the findings and recommendations of the 2012 Rwanda country programme evaluation (CPE) by IFAD's IOE, including the corresponding agreement at completion point signed in January 2012. IOE supports the broad strategic directions contained in the Rwanda RB-COSOP.
2. Elaborated in a relatively short period, the COSOP is a well-written and clear document. It contains a concise, but well-structured background section that takes into account both the strengths of the past cooperation programme between the Government of Rwanda and IFAD and the challenges of the country and policy context. IOE agrees that the institutional environment in Rwanda has improved markedly in the past ten years and is now more conducive to IFAD's investments.
3. However, the COSOP might have elaborated further on the potential risks of selected national strategies, such as: (i) the drive to formalize the informal economy rapidly (e.g. forcing informal entities to register as cooperatives or companies), without allowing for a transition period; and (ii) the establishment of savings and credit cooperatives on administrative rather than economic principles (e.g. the principle of establishing a savings and credit cooperative in each of the country's 416 administrative sectors). The risks associated with these strategies are explained in the 2012 CPE. In IFAD-funded programmes, they have led to the demise of innovative pilot interventions in rural finance.
4. The COSOP proposes three strategic objectives, which resonate well with the three thematic priorities recommended by the 2012 CPE: (i) sustainable natural resource development in watersheds and carbon financing; (ii) support to the development of value chains for food crops in partnership with the private sector; and (iii) support to the development of value chains for cash crops through public-private partnerships. However, the description of actions to be pursued is somewhat succinct; clearer and more concrete options for the COSOP's follow-up on the CPE recommendations would have been useful.

Specific comments

5. **Greater harmonization and reliance on national systems in the management of the COSOP.** The COSOP rightly proposes stronger reliance on national systems for project and country programme management. For example, it proposes support to the Single Project Implementation Unit, in line with national policies. This unit has been established in the Ministry of Agriculture to oversee the implementation of all projects financed by the international development community. This development represents a significant change from the past practice of creating a separate management unit for each project. Considering the improved management capacity for programme implementation in Rwanda and the reduced fiduciary risks, this seems a correct choice, in line with the CPE 2012 recommendations and – more importantly – the spirit of the Paris Declaration on Aid Effectiveness and the Busan Partnership for Effective Development Cooperation.
6. The COSOP proposes to continue the practice of joint annual COSOP reviews by the Government, the country programme management team and IFAD, and to conduct a midterm review of the COSOP in 2015/2016. As highlighted by the 2012 CPE, this is an example of good practice that IFAD could consider extending to other countries. In consideration of the CPE findings, IOE recommends that these annual and midterm

reviews should not be confined to performance of the portfolio of projects, but be extended to cover non-lending activities as well (such as knowledge management, partnership-building and policy dialogue). In addition, in line with the guidelines for RB-COSOPs approved by the Executive Board in 2006, IOE recommends making provisions for a completion review at the end of the COSOP cycle, which would further harmonize IFAD's self-evaluation system with those of other international financial institutions. IOE believes that a COSOP completion review should be conducted at the end of each COSOP, in all countries.

7. Another aspect of COSOP implementation that deserves attention is the division of labour among IFAD headquarters, the IFAD country office in Rwanda and the IFAD regional office in Kenya. At the moment, the responsibility for country programme management rests with the country programme manager, based in Rome, while the country office has three staff members. IFAD may wish to clarify whether it intends to continue in this direction or envisages out-posting the country programme manager to Kigali in the medium term.
8. The COSOP results management framework is clearly formulated. Providing more information on baseline indicators would have helped clarify the goals. For example, an expected average increase of 20 per cent in rural per capita income can be verified more immediately if the baseline value is presented. Although this might not be possible for all the indicators, it would be for the main ones.
9. **Costing the COSOP.** As in most other RB-COSOPs, estimates of the COSOP management costs are not presented in the document. Estimates of the programme management costs – e.g. country office operating costs, supervision missions and periodic support missions from Rome, administrative resources for implementing non-lending activities, salaries of staff at headquarters, and imputed support costs from the regional office – could have helped anticipate more precisely the resource needs for ensuring achievement of the main COSOP objectives.
10. **The importance of policy dialogue.** The 2012 CPE identified policy dialogue as an area requiring more attention. The COSOP correctly identifies rural finance and cooperative development as two focus areas. In rural finance, the COSOP proposes linking the programme more tightly to other donor initiatives and adapting a programmatic rather than a "project-by-project" approach. In cooperative development, building on IFAD's support to coffee and tea cooperatives, the COSOP foresees further support to national debates and policies on cooperatives, including legislation.
11. This is an important step forward. In line with the previous comment on the costing of COSOP management, it will be important to define more clearly the instruments and resources (including financial and human resources) for such policy dialogue activities. These are politically sensitive areas: IFAD and its partners will have to ensure that policy dialogue activities are conducted at the appropriate institutional level. Exchanging experiences with other countries in the region, on both cooperative development and savings and credit cooperatives, would help IFAD to develop a crucial role in sharing good practices and to identify cases of low performance.
12. **Financing terms.** Appendix VI of the COSOP mentions IFAD's financing terms for a forthcoming project. It would have been useful also to have presented IFAD's financing terms in the main country strategy document. IFAD currently classifies Rwanda as a yellow-rated country in terms of debt sustainability, therefore half of IFAD's financing will be provided through loans and half through Debt Sustainability Framework grants.
13. **The role of regional grants.** The COSOP does not specifically discuss grant activities. This is a critical gap as grants play an important role (together with loans) in ensuring an integrated country programme. As a yellow-rated country, according to the Revised IFAD Policy for Grant Financing of 2009 Rwanda is not at present eligible for country-specific grants from IFAD's ordinary grant window. However, some of the

ongoing regional grants in IFAD's East and Southern Africa Division have earmarked activities for Rwanda. The COSOP could have mapped such activities with a view to building more coherence and synergies between its investment projects and other activities financed through regional grants, for example, market access, knowledge management and policy dialogue.

Final remarks

14. With the above qualifications, IOE wishes to reiterate its overall appreciation of the document and the efforts made to follow up on the 2012 CPE recommendations and agreement at completion point.