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Investing in rural people

IOE Comments on Country and thematic selectivity: Issues and options

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For: Review

IOE Comments on Country and thematic selectivity: Issues and options

I. Background

1. In accordance with the IFAD Evaluation Policy and as per the request of the Evaluation Committee at its eighty-fourth session in July 2014, the Independent Office of Evaluation of IFAD (IOE) hereby provides its comments on the document Country and thematic selectivity: Issues and options.
2. IOE welcomes the document, which deals with the important issues of country and thematic selectivity. These issues were discussed in depth in the context of the corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations (CLEE),¹ completed in 2013. IOE is pleased that Management is making serious efforts to follow up on key CLEE recommendations.
3. The CLEE emphasized that IFAD is recognized as being highly responsive to the needs of the rural poor and recipient governments. This is a distinguishing characteristic of IFAD, and consistent with its mandate and overall development approach. On the issue of selectivity, the CLEE noted that IFAD is spreading itself too thin, inter alia, especially taking into account its evolving priorities towards partnership with the private sector, deeper engagement in policy dialogue at the country level, and scaling up impact. It pointed to country selectivity as a means to enhance institutional and operational efficiency. The CLEE also recommended greater thematic selectivity to achieve better efficiency and effectiveness at the project and country programme levels, and purposeful partnerships with a more explicit division of labour that would allow IFAD to build the required critical mass of expertise in the areas most important to its clients.

II. Country selectivity

4. The CLEE found that IFAD's institutional efficiency is constrained by a number of factors, including the overall approach to country selectivity in its lending programme, although the evaluation also recognized that IFAD's country strategy and project cycle entailed inevitable fixed costs.
5. Institutional efficiency would therefore call for both greater country selectivity and alternative delivery mechanisms in IFAD operations in order to assist countries with small allocations under the performance-based allocation system (PBAS) or with a comparatively small rural poor population, in a cost-effective manner. Significantly, in addition to the CLEE, other recent IOE evaluations have raised similar concerns in cases where a country has a very low number of rural poor people deriving their livelihoods from smallholder agriculture and related activities. Maintaining a meaningful lending relationship with such countries contributes to IFAD's institutional efficiency.
6. In recent years, IFAD Management has introduced a number of measures to improve institutional and operational efficiency. However, Management underlines both in its response to the CLEE and in the country and thematic selectivity paper, that country selectivity would run counter to its mandate to support the rural poor globally. It should be noted that with alternative delivery mechanisms, such as partnerships where other donors take the lead, IFAD could provide support to a large number of countries without incurring high project preparation and supervision costs.
7. The document for consideration by the Board seeks to address this issue by explaining how the Programme Management Department (PMD) decides which

¹ See <https://webapps.ifad.org/members/eb/108/docs/EB-2013-108-R-3-Rev-1.pdf>.

Member States are included in the programme of loans and grants (PoLG) at the beginning of each replenishment period. This decision is mainly based on the country strategic opportunities programmes (COSOPs) already agreed to or in the pipeline. It notes that: "Based on the initiatives already taken, and experience gained, IFAD Management considers that the current number of countries included in the PoLG (99) is fully manageable moving forward, including further reductions, as needed, for operational management. Consistent with the recommendation of the CLEE on greater country selectivity, IFAD Management would be ready to consider adjusting this number in future replenishment periods to a maximum of 90 countries."

8. IOE has taken note of the encouraging efforts by Management over the last 10 years or so to design fewer, larger programmes, including their proposal to adjust the number of countries in future replenishment periods from 99 countries to a maximum of 90 countries (and possibly less).
9. However, this does not fully address the concern raised by the CLEE. The CLEE recommendation on greater country selectivity (to enhance efficiency) is driven not only by the number of developing Member States in which IFAD operates but also by the small size of individual programmes or operations in specific countries receiving small financial allocations. Therefore, a ceiling on the number of countries, per se, is no assurance of the size of individual programmes or operations.
10. The document would benefit from greater clarity regarding the basis for the inclusion/exclusion of specific countries, beyond noting that the decision is linked to COSOPs already approved or to be approved. Ideally this could take the form of a defined framework for country selection. Clearer criteria – with institutional efficiency as a central parameter – would be helpful in determining the countries to be included in the PoLG at the beginning of each replenishment period, in addition to the considerations of proportion of rural poor people and existence of an approved or planned COSOP. This would facilitate definition of the number of countries to be covered overall, enhance transparency in the selection process, and allow for prioritization of countries within regions as well as across the globe.
11. The document makes the argument that "a reduction in the number of countries selected in the PoLG also effectively curtails demand from Member States and, depending on lending terms applied, also the level of loan reflows." In fact, depending on the lending terms applied, the level of loan reflows could also be increased.
12. Finally IOE would like to reiterate another message of the CLEE. That is, although IFAD's PBAS reflects adequate poverty focus, it could be aligned better with IFAD's scaling-up agenda. In particular, it should be reasonable to expect higher cost-sharing from the middle-income countries, thereby expanding the overall size of the PoLG and the resources available for the poorer countries. This consideration could be worked into the framework suggested above.

III. Thematic selectivity

13. The CLEE found that the diversity of IFAD's clientele and the demand-driven nature of its assistance have led IFAD operations to cover a wide range of subsectors/themes. IFAD works in many thematic areas, and tracks and reports on 64 results categories – with limited support in some of them. The CLEE found that such wide thematic coverage hampered the development of adequate in-house expertise and a critical mass of technical skills in the related areas, and in turn, was constraining operational excellence and efficiency.
14. There is much to be commended in IFAD's client-centric, bottom-up approach, and efforts have been made since last year to strengthen IFAD's technical expertise and

improve partnerships with organizations that have complementary expertise (e.g. with FAO in the area of capacity-building in fragile and low income countries).

15. However, given its size and capacity, IFAD cannot expect to address all the problems of all its clients. In practical terms, its client-responsiveness must be balanced against the imperatives of delivering high-quality support in an efficient and effective manner in line with its own mandate. A review of IFAD portfolio financing² over the period 2011-2013 shows that of the 14 thematic areas (or sectors),³ two (fisheries and human development) have very low allocations – US\$6.5 million and US\$13.7 million respectively of a total of close to US\$2 billion; and of the 64 results categories, 37 show allocations of under US\$10 million over two years, and there was no allocation in 17.⁴ The many sectors and results categories, as concluded by the CLEE, should be reduced to facilitate consolidation of results on rural poverty, including better efficiency.
16. The document notes that IFAD has assigned staff within the Policy and Technical Advisory Division (PTA) to the various themes. IOE's review of the staffing of PTA indicates that technical advisory capacity has been increased, as recommended by the CLEE. It is nevertheless spread thin across agronomy; rural finance; rural institutions; gender, empowerment and social inclusion; rural markets and enterprise development; nutrition; water management and infrastructure; food security and nutrition; and one adviser for each of the following areas: producers' organizations; land tenure; indigenous and tribal peoples; farming systems and livestock; youth; economics; and remittances.
17. Moreover, the issue of wide thematic coverage is evident within individual IFAD-funded operations as well as at the country programme level. A number of IOE evaluations have raised the issue of project complexity arising from the inclusion of multiple themes/components, and how this can adversely affect project outcomes and efficiency. Greater thematic selectivity could also support a shift to simpler, more focused projects.
18. In suggesting greater thematic selectivity, IOE does not mean to deny the importance of any particular results category in a specific country context; rather it sees enhanced division of responsibility with other partners as a way of allowing IFAD to build a critical mass of expertise in areas most important to IFAD clientele as a whole. As noted in the CLEE, a possible framework for making such choices would consider factors such as past evaluation results, likely future role, demand among IFAD clientele, current skills-mix in IFAD, and existence of other partners specializing in various areas.

IV. Conclusion

19. In conclusion, IOE recommends that IFAD articulate a clear framework for country selectivity along the lines discussed above (paragraph 10). IFAD should also aim for greater thematic selectivity at both project and country programme levels and, at the same time, continue to build a critical mass of expertise in the selected thematic areas.

² See annex III of the 2012-2013 Annual Review of Portfolio Performance (ARPP) by PMD, November 2013.

³ The IFAD portfolio is classified into 14 sectors: agriculture production; community-driven development; fisheries; human development; irrigation; livestock and rangelands; market and related infrastructure; natural resources management; policy and institutional support; research, extension and training; rural financial services; small and micro enterprise; management; and other (disaster mitigation, post-crisis management, culture/heritage, etc.). These 14 sectors are broken down into 64 results categories.

⁴ To clarify, the IFAD Strategic Framework contains eight areas of thematic focus, as shown in paragraph 11 of the document on selectivity. These eight areas provide the overall framework for the 14 sectors in which IFAD finances operations.