
Response of IFAD Management to the 2023 Annual Report on the Independent Evaluation of IFAD

Document: EB 2023/139/R.13/Add.1

Agenda: 6(a)

Date: 22 August 2023

Distribution: Public

Original: English

FOR: REVIEW

Useful references: IFAD Revised Evaluation Manual ([EC 2022/116/W.P.5](#)), Development Effectiveness in the Decade of Action: An update to IFAD's Development Effectiveness Framework ([EB 2021/134/R.24](#)).

Action: The Executive Board is invited to review the Response of IFAD Management to the 2023 Annual Report on the Independent Evaluation of IFAD.

Technical questions:

Chitra Deshpande
Lead Adviser, Results and Resources
Operational Policy and Results Division
e-mail: c.deshpande@ifad.org

Dimitra Stamatopoulos
Policy and Results Specialist
Operational Policy and Results Division
e-mail: d.stamatopoulos@ifad.org

Contents

I.	Introduction	1
II.	ARIE-RIDE complementarity	1
III.	Performance of lending and non-lending activities	2
IV.	Suggestions for future ARIEs	4

Response of IFAD Management to the 2023 Annual Report on the Independent Evaluation of IFAD

I. Introduction

1. Management welcomes the 2023 Annual Report on the Independent Evaluation of IFAD (ARIE). This year's edition follows the approach adopted since 2021, when the Revised IFAD Evaluation Policy was released, emphasizing the effective use of evaluation products and learning from them. The IFAD Revised Evaluation Manual published in 2022 serves as the basis for the generation and use of evidence and learning as a continuous process. The 2023 ARIE remains consistent with this approach and combines the analysis of rating trends with useful knowledge extracted from evaluations, helping to inform IFAD project and country strategy design and implementation.
2. Learning is a key priority for Management, as emphasized in the 2021 Development Effectiveness Framework (DEF). Therefore, Management greatly appreciates the learning perspective advanced in the 2023 ARIE. The rural enterprise development theme is especially relevant to both the IFAD13 business model, which promotes greater private sector engagement, and the ongoing portfolio, with the majority of projects classified as value chains at design. In addition, findings on institutional efficiency are relevant in the context of Decentralization 2.0. Consistent with the ARIE findings, IFAD's 2023 budget has already prioritized country programmes. The ARIE also succinctly presents findings on rural extension and advisory services in a practical fashion, backed by concrete examples. This distilled knowledge will be helpful in improving learning.
3. Management agrees with the key conclusions presented in the 2023 ARIE, which, with a few exceptions, are largely in line with the Report on IFAD's Development Effectiveness (RIDE). Section II of this document provides an explanation of complementarities between the ARIE and the RIDE and their strategic relevance. Section III complements the ARIE findings with Management's consideration of the issues raised and corrective actions in progress, while Section IV provides insight for the preparation of future ARIEs.

II. ARIE-RIDE complementarity

4. **The ARIE and RIDE are key instruments for informing Management's actions, and their different focus is a strength, rather than a weakness.** The ARIE and RIDE serve two common and closely intertwined objectives: accountability and learning. The RIDE, however, captures recent performance and its drivers, informing Management and the Member States about areas requiring swift course corrections, in line with IFAD's adaptive management approach. The RIDE reports self-evaluation ratings against Results Management Framework (RMF) indicators and targets agreed upon with the Member States. These indicators refer to the year under review or to a 3-year period and thus capture areas for improvement in the short term. The ARIE, in contrast, is an independent evaluation by the Independent Office of Evaluation of IFAD (IOE) of the long-term performance of IFAD operations, extracting evidence and lessons that serve to improve project design and implementation. The ARIE analyses long-term trends in operational performance, based on the past 10 years of independent evaluations; it also touches on recent operational performance by looking at the past three years.
5. **While the ARIE is a key input for improving design and implementation support, the RIDE offers early warning about potential problem areas requiring immediate action.** While these areas are tackled in IFAD through other instruments (e.g. the quarterly stocktakes), the RIDE seeks to keep the Member States updated on such issues in an accountable and transparent manner. One

example is the effect of the COVID-19 pandemic on project performance, which was flagged earlier in the RIDE, as it relies on a slightly more recent set of data from completed projects, in addition to data from implementation not covered in the ARIE. Similarly, based on portfolio stocktake findings, and as reflected in the RIDE, Management is focusing special attention on the Asia and the Pacific (APR) portfolio, whose performance recently declined in some areas; this trend is less evident in the ARIE, which looks at a longer timespan. At the same time, Management has leveraged recommendations from the ARIE and other independent evaluations to improve portfolio quality. For example, independent evaluations have been instrumental Management's fostering of a programmatic country approach grounded in a long-term holistic view that prioritizes policy outcomes and boosts efficiency. Management's view is that the RIDE and ARIE should continue to play their respective roles in fueling Management's action and reporting to the Member States with differentiated but complementary information.

6. **Differences in ratings between self- and independent evaluation are to be expected and, in fact, stimulate constructive discussion and subsequent learning.** Both Management and IOE monitor the disconnect between self-evaluation ratings (used in the RIDE) and independent evaluation ratings (used in the ARIE). The disconnect is statistically significant and should not be ignored; yet IOE and project completion report (PCR) ratings are directly correlated, meaning that they follow a similar pattern and overall are consistent. Management will continue to closely monitor areas where the disconnect is growing or where trends begin to diverge. In this regard, Management is pleased to note an improvement in PCR quality. Regional divisions continue to apply rigorous peer-review to their PCRs.
7. **Progressive implementation of the 2023 PCR guidelines will help reduce the disconnect in the coming years.** The 2023 PCR guidelines reflect the common evaluation criteria and definitions established in IFAD's Revised Evaluation Manual. They also provide more rigorous, evidence-based guidance for rating evaluation criteria, based on the project logical framework and the additional quantitative evidence available. This will be particularly important with regard to effectiveness, where the disconnect has widened slightly since 2016.

III. Performance of lending and non-lending activities

8. **As observed in past years, strong and weak project performance areas identified in the ARIE are broadly consistent with those identified in the RIDE, with a few exceptions.** IFAD projects are strong on environment and natural resource management and climate change adaptation; in addition, government performance deserves special mention, as both the RIDE and the ARIE show improving trends since IFAD10. In contrast, projects are weaker in sustainability, scaling and efficiency.
9. **IFAD is implementing dedicated action plans to improve performance in weaker areas,** as mentioned in the 2023 RIDE. More specifically:
 - (i) In sustainability, recent portfolio stocktakes confirmed that projects that perform better on the financial and economic side (as assessed through the efficiency rating), as well as the institutional level (as assessed through the rating on government performance) are also sustainable. Projects with shorter disbursement lags perform better, as do those with sufficient duration; exit strategies are a prerequisite for preparing projects to be sustainable. The sustainability action plan is prioritizing stakeholder engagement in sustainability aspects both at design and during implementation, together with more detailed guidance on exit strategies and better assessment tools.
 - (ii) The efficiency action plan is focusing on the key aspects of procurement, with the new IFAD OPEN system and updated procurement manual, and financial

management, with enhanced financial discipline at the project level and interim financial reports. In addition, greater proactivity will reduce the need for extensions and improve efficiency.

- (iii) In addition, IFAD is updating its operational framework on scaling. To be released in 2023, the framework will be a practical tool for integrating the scaling lens across the project cycle. Actual scaling will materialize only if government or development partners decide to invest in a specific initiative; nevertheless, IFAD will focus on creating the conditions for scaling by fostering partnerships, government ownership and better knowledge management, including the dissemination of results and impact.

10. **One area where ARIE and RIDE findings diverge is performance in countries with fragile situations.** Self-evaluation ratings by countries with fragile situations are more positive than independent ratings. In part, this could be the result of greater efforts and investment in these countries and the contextualization of results. Fragility is a key area in the Twelfth Replenishment of IFAD's Resources (IFAD12) and is further emphasized in IFAD13. The Fund has developed an updated operational framework on fragility that foresees enhanced fragility diagnostics, risk management, programming and the inclusion of vulnerable groups. In addition, IFAD has invested in robust risk assessments at design and encouraged greater government involvement, ensuring flexibility at design and during implementation; it has closely supported project management units and forged partnerships with other development agencies. However, given the contextual challenges in these countries, expectations may be more conservative than in other environments less affected by political instability, natural disasters or conflict; self-evaluation ratings may be higher, as they balance efforts made with the implementing context. Management will continue to invest in rigorous peer review of ratings; however, harmonization of score descriptors with IOE could also improve alignment.
11. **In countries with fragile situations, findings from rigorous impact assessments can help balance divergent assessments based on subjective ratings.** For example, in IFAD11, the impact assessment revealed a positive impact on income, productivity, market access and resilience in three out of six countries classified as fragile in 2023 (Ethiopia, Papua New Guinea and Solomon Islands) and a positive impact on income, productivity and market access in Mozambique. Impact on market access was also positive in Nigeria.¹
12. **Management notes the improvement in non-lending activities (NLAs) highlighted in the ARIE and will continue to take the necessary action to further improve performance in these areas.** IFAD has been integrating NLAs into the design and implementation of country strategies and projects; however, lack of a dedicated budget poses challenges, as mentioned in the 2023 President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and RIDE. More specifically:
 - (i) **Partnership-building is a strongly performing area**, consistently receiving positive ratings in IFAD's stakeholder feedback survey. Since IFAD12, country strategic opportunities programmes (COSOPs) have identified opportunities for strategic partnerships and South-South and Triangular Cooperation at the design stage.
 - (ii) **Management is committed to devoting further efforts to improve knowledge management (KM)**, despite the favourable ratings received from the 2023 stakeholder feedback survey. In 2022, IFAD approved a "knowledge strategy refresh," which brings enhanced focus to the use of evidence and datasets for design and implementation. The 2023–2025 KM action plan will operationalize the strategy refresh. IFAD is working to develop

¹ IFAD11 Impact Assessment Report, EC 2022/118/W.P.8.

an integrated knowledge platform, leveraging IFAD data, policy briefs and resource notes on topics relevant to the design and implementation of projects and country strategies.

- (iii) **Decentralization has become an increasingly important tool for country-level policy engagement (CLPE).** In a context of limited budget for NLAs, IFAD will continue to leverage decentralization for better policy dialogue with client countries. As part of its IFAD12 commitments, the Fund has worked on improving guidance and training courses on CLPE.

IV. Suggestions for future ARIEs

13. **Management encourages IOE to analyse the effects of COVID-19 on IFAD's portfolio and its development effectiveness.** The 2023 ARIE acknowledges that a group of projects in the sample analysed has been exposed to the pandemic, but the effects of that exposure on project performance are not yet evaluable. For future editions of the ARIE, Management suggests combining ratings analysis with qualitative evidence (including a dedicated survey and/or analysis of PCR text) to offer further insight into COVID-19 effects. Management also encourages IOE to clarify whether a difference was detected between remote ratings vs. in-person ratings for independent evaluation, as was the case for self-evaluation.
14. **In addition, and as stated in the past, the ARIE would benefit from triangulating IOE's rural poverty impact ratings with data from past impact assessments.** Management acknowledges that if IOE were to use impact assessments, it would first be required to validate them, which is beyond the scope of the ARIE and takes time. Nevertheless, Management is open to sharing primary data, reports and results with IOE when projects and thematic areas of interest are evaluated in countries. That way, IOE would have access to a broader data pool to use, as appropriate, to complement the established methodology.
15. Finally, Management appreciates IOE's collaborative approach in sharing the ARIE database and suggests coordinating prior to the next report to ensure that historical series analysed by the RIDE and ARIE are fully aligned.
16. Management looks forward to strengthening the ongoing collaboration with IOE to ensure that evaluation products, and especially new products being piloted under the IOE multi-year strategy, are useful in shaping IFAD's programme and enhancing its contribution to meeting the 2030 Agenda.