Minutes of the 123rd session of the Evaluation Committee

Document: EB 2023/140/R.22
Agenda: 8(a)
Date: 13 November 2023
Distribution: Public
Original: English

FOR: INFORMATION

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Minutes of the 123rd session of the Evaluation Committee

1. The deliberations of the Evaluation Committee at its 123rd session – held both in presence and virtually on 6 October 2023 – are reflected in the present minutes.

2. The minutes, as approved by the Evaluation Committee, will be shared with the Executive Board for information.

**Agenda item 1: Opening of the session**

3. The Secretary of IFAD opened the session by informing members that Ambassador Miguel García Winder of Mexico would not be able to attend and chair the session due to unforeseen circumstances. In line with rule 1.3 of the Terms of Reference and Rules of Procedure of the Evaluation Committee, members welcomed Ms Sandra Paola Ramírez Valenzuela of Mexico as Chair for the session.

4. The session was attended by Committee members from France, India, Indonesia, Ireland, Mexico (Chair), the Kingdom of the Netherlands, Nigeria and Switzerland. Observers were present from China, Denmark, Dominican Republic, Germany and the United States. Moreover, the session was attended by the Director, Independent Office of Evaluation of IFAD (IOE); the Deputy Director, IOE; the Associate Vice-President, Programme Management Department; the Associate Vice-President, Strategy and Knowledge Department; the Director, Operational Policy and Results Division; the Secretary of IFAD; and other IFAD staff.

5. The Committee welcomed Dr Jujjavarapu Balaji, Minister (Agriculture) and Alternate Permanent Representative of the Republic of India to IFAD, and Mr Jan Bade, Counsellor and Deputy Permanent Representative of the Kingdom of the Netherlands to the United Nations Organizations for Food and Agriculture in Rome, to their first Evaluation Committee session.

6. Her Excellency Demitu Hambisa Bonsa, Ambassador of Federal Democratic Republic of Ethiopia to Italy and Permanent Representative to the United Nations Food and Agriculture Agencies in Rome, and Dr Kaba Urgessa Dinssa Deputy Permanent Representative of Ethiopia to the United Nations Agencies in Rome, participated in the Committee’s deliberations on the country strategy and programme evaluation (CSPE) for Ethiopia. The representatives’ presence ensured that the deliberations benefited from the Government’s perspective on the evaluation.

7. Mr Gian Paolo Ruggiero, Executive Board representative for the Italian Republic and Chair of the Audit Committee, participated in the deliberations for item 6.

**Agenda item 2: Adoption of the agenda (EC 2023/123/W.P.1/Rev.1)**


**Agenda item 3: Country strategy and programme evaluation for the Federal Democratic Republic of Ethiopia (EC 2023/123/W.P.2 + Add.1)**

<table>
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<tr>
<th>Key messages:</th>
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<td>- Members highlighted the importance of the inclusion of gender analyses at the project design stage, and of strengthened microfinance institutions.</td>
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<td>- The Committee underscored the importance of comprehensive impact evaluation, emphasizing the interplay between domestic and international financial agencies, and urged proactive measures in conflict prevention.</td>
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<td>- Management shared lessons on resilience, financial inclusion and gender-transformative mechanisms to strengthen IFAD’s pivotal role in Ethiopia.</td>
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9. The Evaluation Committee welcomed the CSPE for Ethiopia, covering the period from 2015 to 2022, as contained in document EC 2023/123/W.P.2, as well as the agreement at completion point signed with the Government, as contained in the addendum.

10. Members expressed appreciation for the successful implementation of the country strategic opportunities programme (COSOP), and endorsed the recommendations made in the evaluation. The report was comprehensive, and members particularly welcomed its future-oriented nature. Special appreciation was expressed for IFAD's sustained work over four decades supporting rural populations in Ethiopia and for the country's continued efforts despite various challenges.

11. Members took note of the statement delivered on behalf of the Government by Her Excellency Demitu Hambisa Bonsa, Ambassador of Ethiopia to Italy and Permanent Representative to the United Nations Food and Agriculture Agencies in Rome.

12. With regard to microfinance and credit access, the Committee commended the doubling of beneficiaries and the substantial increase in the gross loan portfolio. However, members raised concerns about the need for further strengthening of microfinance institutions and the protection of depositors' interests to ensure long-term sustainability and resilience. The Committee took note of the increase in the scale of finance and supported the recommendation to continue working on this aspect for sustained resilience.

13. The Committee recognized the achievements in small-scale irrigation and women's empowerment, with questions posed about the seamless transfer of lessons between completed and ongoing projects and the comprehensive evaluation of impacts. Members raised concerns about the lack of full consideration of gender equality and weak impact on the evolution of social and cultural norms, and concurred on the importance of continuing to include gender analyses at the project design stage and fostering gender-transformative approaches.

14. The Committee emphasized the need for a comprehensive evaluation of impacts, particularly in understanding the interplay between domestic and international financial agencies to enhance sustainability. There was a query as to whether the report evaluated good examples of improved systems and whether pilots could transition into scalable models, underlining the importance of building back better systems.

15. Members raised concerns about fragility and conflict, emphasizing the importance of resilience-building measures, conflict sensitivity in project design and disaggregated analysis in the next evaluation to highlight the impact of completing projects in critical contexts. They also highlighted the need for improved knowledge management and collaboration, data quality enhancement and addressing challenges in the rural finance programme.

16. IOE highlighted challenges in external financing for rural finance in 2022, which were affecting ongoing projects and hindering the rural finance programmes implemented. They made reference to IOE's West Africa study on IFAD's support in fragile situations, underlining the importance of proactive measures and community-based organization strengthening to anticipate and prevent conflicts, with ongoing efforts in various areas. On private sector engagement, IOE noted government restrictions to enabling IFAD-supported projects to facilitate collaboration. With regard to gender inequality efforts in Ethiopia, IOE recognized the great progress made, indicating Management follow-up.

17. Management confirmed that it is strengthening its approach to tackle fragility in view of the Thirteenth Replenishment of IFAD’s Resources (IFAD13), with better analysis to feed COSOPs and projects. It also highlighted the importance of fostering partnerships with other development organizations, and agreed with the
suggestion to emphasize community-driven development interventions, particularly in fragile situations. They discussed landscape management and resilience programming, aiming to bring together resilience and humanitarian efforts, and also addressed the linkage between resilience activities and the reduction in conflict.

18. Management shared lessons learned, particularly on fragility, resilience, financial inclusion, small-scale irrigation, pro-poor value chain development and gender-transformative mechanisms. They stressed the importance of increasing production and productivity, improving rain-fed agriculture and incorporating gender-transformative mechanisms, and emphasized IFAD’s pivotal role in financial inclusion, the transition from establishment to consolidation in Rural Savings and Credit Cooperatives and the promotion of microfinance institutions, as well as efforts to strengthen small-scale irrigation, promote green investments and develop pro-poor value chains, with a focus on collaboration with other financiers.

19. Finally, Management expressed the commitment to making the portfolio in Ethiopia stronger and emphasized the ongoing efforts to pivot the knowledge function to better serve country needs. They mentioned a pilot project in Ethiopia, focusing on the private sector and community-based initiatives to support funding for small-scale irrigation, and also the challenge of retaining capacity in the face of better-paying job opportunities for personnel in Ethiopia.

Agenda item 4: Review of IFAD12 Results Management Framework (EC 2023/123/W.P.3 + Add.1)

Key messages:

- Members supported Management’s action in reducing indicators and emphasized the need for simple and measurable indicators to obtain reliable data, as well as the need to set targets only when they are relevant or pertinent.
- The Committee endorsed internal initiatives such as the community of practice and emphasized the need for a credible mix of data sources.

20. The Evaluation Committee welcomed the IFAD12 Results Management Framework (RMF) review, as contained in document EC 2023/123/W.P.3, together with Management’s response, as contained in its addendum. The Committee expressed gratitude to IOE and Management for the initiative, seeing it as a sign of progress and a commitment to enhance effectiveness. Members considered the report a successful pilot and encouraged future iterations, highlighting its usefulness for Member States during replenishment cycles.

21. Members raised concerns about the high number of indicators included in past RMFs, expecting less important indicators to be dropped in future RMFs. They emphasized the need to streamline indicators in alignment with cost considerations, and for simple and measurable indicators, especially in fragile environments where challenges in data collection exist, given the burden on implementing partners’ staff and the need for proper training. Members supported the approach of moving away from establishing targets for nearly all indicators, with an emphasis on feasibility, relevance and sensitivity to measured changes.

22. The Committee supported internal initiatives such as the establishment of a community of practice, and endorsed the use of a mix of data sources for credibility and reliability. The Committee supported the consideration of cost factors for assessing the scope for rationalizing indicators. Members raised concerns about external quality assurance of the Report on IFAD’s Development Effectiveness (RIDE), questioning potential complexities and costs, and sought clarification on whether IOE would provide such external quality assurance. Additionally, there was
23. Members questioned the impact of the review on partners and governments, particularly in terms of making IFAD more efficient and impactful in collaboration with various stakeholders. Members stressed the importance of considering recipient governments’ views on indicators, with a suggestion for a case-by-case approach to target setting. They also emphasized the significance of data quality in reducing the number of indicators, with a call for discipline among Executive Board representatives and donors. Finally, the Committee also expressed support for Management’s suggestion to have a specific evaluation on the monitoring and evaluation capacity of project management units and found value in comparisons with other financial institutions.

24. IOE highlighted the involvement of members and the Replenishment Coordination Committee in the review, demonstrating efforts to understand Member States' perspectives, and acknowledged the importance of discussing targets, aligning with the review’s position to assess them case by case. IOE emphasized that targets may be inadequate for capturing high-quality interventions and transformative results, and, while not dismissing targets outright, they suggested to use them judiciously, particularly when relevant, and explore alternative methods, aligning with practices observed in other international financial institutions.

25. Management expressed gratitude for the insightful and concise comments, highlighting the product's usefulness and timely nature. Acknowledging a general consensus on shifting focus from targets to tracking results, Management affirmed its commitment to reducing the number of indicators and encouraged Member States to reiterate this perspective during the IFAD13 Consultation. Responding to concerns regarding the external quality assurance of the RIDE, Management recalled the role of the Annual Report on the Independent Evaluation of IFAD in this regard and noted that an external audit would result in delays and hinder provision of real-time project insights. Regarding internal data capacity, Management noted their aim for increased engagement at global and country levels, recognizing decentralization as beneficial, and acknowledged constraints on financial resources.

Agenda item 5: Provisional agenda of the Evaluation Committee for 2024 (EC 2023/123/W.P.4)

26. The Evaluation Committee approved the proposed provisional agenda for the Committee sessions to be held in 2024, as contained in document EC 2023/123/W.P.4.

Agenda item 6: Review of the implementation of Management’s response to the 2018 corporate-level evaluation of IFAD’s financial architecture (EC 2023/123/W.P.5 + Corr.1 + Add.1)

Key messages:
- Members discussed the issue of IFAD leverage and encouraged Management to cautiously explore ways to unlock additional resources for smallholder farmers while maintaining financial stability.
- The Committee supported IFAD's evolution as an international financial institution, recognizing the need for an updated financial architecture, and acknowledged concerns about potential burdens on recipient countries, emphasizing caution in reviewing pricing policies and lending rates to safeguard IFAD's AA+ credit rating.

27. The Evaluation Committee welcomed the review of the implementation of Management’s response to the 2018 corporate-level evaluation of IFAD’s financial architecture, as contained in document EC 2023/123/W.P.5, and its corrigendum.
Members also welcomed Management’s response, as contained in its addendum. The Committee commended IOE for its timely evaluation, coinciding with the IFAD13 Consultation and the ongoing financial architecture review until 2030. Committee members acknowledged IFAD’s substantial progress since 2018, and the AA+ rating, and supported IFAD's efforts to remain financially sustainable.

28. The Committee expressed satisfaction with IFAD's commitment to include some of the insights provided by IOE in forthcoming reviews of the financial strategy and lending terms. Members further welcomed IFAD’s continued exploration of how to best reconcile trade-offs between sustainability and concessional rates, including through the assessment of an optimal leverage ratio in the context of an agreeable impact on IFAD capital and continued Member States’ support, in order to ensure overall financial sustainability and the AA+ credit rating. Members agreed on the importance of unlocking additional resources for smallholder farmers without compromising IFAD’s reputation and financial health. Acknowledging IFAD's mandate and business model, the Committee welcomed IOE's suggestions for a wider range of loan options, emphasizing the importance of engaging with the private sector.

29. Members expressed support for IFAD’s evolution as an international financial institution, emphasizing the need to update financial architecture in line with sound principles and financial sustainability. At the same time, the Committee agreed with Management's stance that comparing financial indicators to those of multilateral development banks is impractical given IFAD's unique mandate. Members acknowledged the proposals for expanding the Borrowed Resource Access Mechanism (BRAM) to meet expressed demand but highlighted the need to take into account the lending capacity under the BRAM. They raised concerns about covering operational losses, which could potentially burden recipient countries with higher interest rates in the BRAM and put pressure on contributors.

30. Anticipating Management's assessment of the financial strategy, including the optimal leverage ratio for 2030, the Committee acknowledged the relevance of the International Development Association comparative analysis related to the window of multilateral banks. Members recommended caution in reviewing pricing policies and lending rates, particularly considering IFAD's AA+ rating. The Committee welcomed the recommendation made by IOE on exploring the possibility of fixed-rate loans. Regarding the delegation of bond issuing, the Committee enquired about Management’s views regarding the delegation of this responsibility to the Treasurer, taking into account the current delegation to the President.

31. IOE emphasized that their suggestion on contributing to cover operational losses did not necessarily entail a target of 100 per cent coverage, but rather a target to be established by the Executive Board in consultation with Member States. IOE also highlighted the evaluation’s consideration of IFAD’s mandate as a United Nations agency focused on achieving the Sustainable Development Goals and leaving no one behind, with a view to maximizing resources for smallholder farmers. Finally, IOE called for the exploration of feasible options to arrive at an optimal leverage ratio, recognizing diverging opinions among stakeholders.

32. In addressing the financial sustainability of IFAD, Management underscored the importance of stability and growth in the capital base over operating levels, highlighting the AA+ rating from market participants and private investors. They stressed that the forward-looking challenge lay in optimizing the capital base through successful replenishment execution, equity consolidation and the design of new instruments, aligning with G20 recommendations.

33. From a risk management perspective, the discussion revolved around ensuring IFAD’s sustainability while navigating technical and political complexities, considering factors such as the ceiling for upper-middle-income countries and possibilities for leverage. Management emphasized the need for collective
problem-solving in the face of increasingly intricate challenges and the stated commitment to explore a higher risk appetite within the same rating, contingent on strong Member State support. Finally, Management noted that the current BRAM envelope of US$1 billion was adequate to meet existing demand and acknowledged the existence of significant additional demand.

**Agenda item 7: Results-based work programme and budget for 2024 and indicative plan for 2025-2026 of the Independent Office of Evaluation of IFAD (EC 2023/123/W.P.6)**

**Key messages:**
- The Evaluation Committee commended IOE for the execution of the 2023 budget and endorsed the proposed results-based work programme and budget for 2024 and indicative plan for 2025-2026 of IOE.

34. The Evaluation Committee welcomed IOE's proposed results-based work programme and budget for 2024 and indicative plan for 2025-2026, as contained in document EC 2023/123/W.P.6, which built on discussions with the Evaluation Committee at its 122nd session, with the Audit Committee at its 170th meeting, and with the Executive Board at its 139th session held in September 2023. Members commended the work done by IOE, noting the increased workload despite a lower budget, and congratulated the team while expressing anticipation for future endeavours.

35. Committee members expressed strong support for IOE's work, commending its rigorous approach, workplan and budget, and highlighting the quality of the tasks undertaken. They emphasized their continued endorsement of the programme of work, allocated resources and the initiative to elevate personnel grade levels to enhance IOE's capabilities. Members asserted that IOE's budget should not decrease and advocated for its alignment with any potential budget increases under IFAD13. In response to a request that the performance-based allocation system be reviewed, IOE suggested including this topic as a part of the corporate-level evaluation on IFAD11 and IFAD12, already planned for 2024-2025.

**Agenda item 8: Other business**

36. Management presented the digital edition of the RIDE 2023 to the Committee members, who welcomed the initiative.

**Closure of the session**

37. The Committee was reminded that the Office of the Secretary would share the draft minutes of the session, inclusive of the key messages shared by Committee members, for approval. Once finalized, the minutes would be submitted to the Executive Board for information at its 140th session.