Investing in rural people

Executive Board
142nd Session
Rome, 18–19 September 2024

IFAD Management's Response to the 2024 Annual Report on the Independent Evaluation of IFAD

Document: EB 2024/142/R.20/Add.1

Agenda: 6(a)

Date: 23 August 2024

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 IFAD Management's Response to the 2024 Annual Report on the Independent Evaluation of IFAD.

Technical questions:

Chitra Deshpande
Lead Advisor, 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

IFAD Management's Response to the 2024 Annual Report on the Independent Evaluation of IFAD

I. Introduction

1. Management welcomes the 2024 Annual Report on the Independent Evaluation of IFAD (ARIE) and especially appreciates the lessons drawn from historical data trends and evidence. Since the revision of the IFAD Evaluation Policy in 2021 to emphasize the effective use of evaluation products and learning from them, the ARIE has combined the analysis of rating trends with useful knowledge about selected topics derived from past evaluations or new analysis. Management fully supports this approach, which helps strengthen IFAD project and country strategy design and implementation.

2. **Management agrees with the key findings presented in the 2024 ARIE, many of which coincide with those derived from self-evaluation.** Section II of this document complements the ARIE findings with Management's views on key thematic topics. Section III covers Management's perspective on the performance of lending and non-lending activities across the portfolio and outlines the corrective action in progress. Section IV presents Management's suggestions for the production of future editions of the ARIE.

II. Key thematic topics

3. This section presents Management's perspective on three important thematic topics covered in the ARIE: IFAD's approach to working in fragile situations, cofinancing and rural finance.

4. **First, the conclusions of the 2024 ARIE and the Report on IFAD's Development Effectiveness (RIDE) are consistent in their assessment of project performance in countries with fragile situations.** In line with the feedback received from Member States, Management and the Independent Office of Evaluation of IFAD (IOE) have worked together to ensure that the two evaluations adopt the same classification methodology. In countries with fragile situations, performance in most criteria is lower than in countries with non-fragile situations due to exogenous factors and limited capacity. One important clarification stemming from self-evaluation is that project performance is not correlated with fragility status per se, but rather, driven by the dimensions of fragility. For example, Burkina Faso's portfolio is among the top performers in the West and Central Africa region, thanks to the efforts to strengthen project management unit capacities. In contrast, limited institutional capacity hinders project performance in some upper-middle-income countries. An analysis conducted in 2023 revealed that, in fact, over 80 per cent of IFAD's portfolio is affected by fragile conditions, based on a composite definition of fragility conditions as described in project design reports.

5. **To address the different dimensions of fragility, Management's approach is structured around four main pillars:**[1] build long-term resilience, focus on prevention, ensure that programmes are monitored and adapted as needed and stay engaged during crises and emergencies. The fragility unit to be established during the Thirteenth Replenishment of IFAD's Resources (IFAD13) will focus on improving IFAD's understanding of the specific challenges associated with delivering impact in fragile contexts. The unit will provide support for operational delivery, policy and coordination, developing tools and approaches to upgrade the fragility-sensitive skills of relevant staff. It also will foster strategic partnerships that can boost the effectiveness and efficiency of IFAD's work in resilience building in fragile contexts.

[1] Updated approach to IFAD engagement in fragile situations, 2024.

6. **Second, the ARIE analysis of cofinancing is especially relevant, as IFAD seeks to strategically leverage and differentiate cofinancing sources** from international and domestic partners (including the private sector). Management agrees that large amounts of cofinancing do not necessarily translate into better performance. In the project sample analysed in the ARIE, operations with large amounts of cofinancing but suboptimal performance ratings may include projects led and implemented by cooperating institutions, where reporting agreements are different. In these cases, IFAD's detailed qualification requirements for satisfactory performance may not be fully aligned with those of partner institutions, which could cause ratings to fall. Other underperforming operations with large amounts of cofinancing may be implemented in fragile contexts where performance is generally lower, as highlighted in the ARIE and the RIDE.

7. **Notably, the ARIE analysis does not assess IFAD's performance in mobilizing resources.** It examines historical trends[2] to establish robust and meaningful correlations between cofinancing and project performance. Conversely, the RIDE assesses IFAD's performance in mobilizing resources by looking at recent data for the 2021–2023 period – in line with the definition of the corresponding Results Management Framework indicators – and provides trends across IFAD11 and IFAD12.

8. **Third, Management found the ARIE analysis of rural finance instruments insightful** and is working on a market analysis tool as a knowledge product for country teams. Market analysis and landscape mapping will support identification of the most appropriate products, including guarantees, insurance and risk-sharing instruments to better understand demand and develop incentives for partner financial institutions.

III. Performance of lending and non-lending activities

9. **Efficiency is the lowest-performing criterion among those assessed at completion. This is expected under the IFAD12 and IFAD13 business model,** under which the Fund increasingly works with the poorest and most vulnerable groups in fragile and conflict-affected situations. Efficiency issues often stem from the limited capacity of project management units (PMUs). Despite high-quality designs, delays in kicking off project activities affect efficiency, while weak monitoring and evaluation (M&E) hinders early problem identification. Procurement and financial management issues, together with PMU staff turnover also affect efficiency.

10. **In line with its business model, Management is adopting a coordinated approach to improve project-level efficiency.** New designs will include a more realistic project duration, factoring in the preparatory activities and studies required under IFAD's Social, Environmental and Climate Assessment Procedures (SECAP), and balance simplicity with the need to include mainstreaming commitments. A newly released start-up toolbox will help reduce the time needed to kick off project activities. During implementation, country teams will continue to support PMUs with disbursement planning and forecasts; Management will also update its disbursement benchmarks for a more accurate assessment of projects' financial performance. The Online Project Procurement End-To-End System (OPEN) rolled out to the entire portfolio is also increasing automation and reducing time and costs. Since 2023, IFAD has been implementing financial management reforms by digitalizing withdrawal applications and requiring quarterly financial reports, while closely monitoring recurrent costs during reallocations.

11. **Management has been building PMU capacity through dedicated grants to improve both sustainability and efficiency.** Advancing Knowledge for

[2] More specifically, the ARIE analysis looks at projects completed between 2013 and 2022. As indicated in annex V in the ARIE appendix, these projects were approved between 1998 and 2017.

Agricultural Impact 2018–2022 (AVANTI)[3] piloted a methodology for self-assessment of government management capacity for development results in agriculture. DELIVER[4] (2019–2022) worked with delivery units in ministries to ensure prioritization, planning and delivery. RESOLVE[5] (2021–2024) trained heads of PMUs in results-based management. PRiME[6] (2016–2019 and 2019–2022) trained PMU staff in M&E and impact assessment. APEX[7] (2020–2023) strengthened the financial management skills of PMU staff. BUILDPROC[8] (2021–2024) undertook capacity-building in procurement. SUSTAIN[9] (2021–2024) bolstered environmental, social and climate change frameworks and systems in low-income and lower-middle-income countries. Sustained demand for additional training confirmed the relevance of these initiatives. IFAD will continue to pursue this approach with the third phase of PRiME and the second phase of BUILDPROC and SUSTAIN. However, these efforts will yield results only if matched by governments. To reduce turnover, PMU staff should receive competitive salaries to retain skilled personnel. PMU staff performance should be closely monitored. Additional specialized trainings sponsored by governments would complement IFAD's capacity-building efforts.

12. **Rural poverty impact and effectiveness have been trending downward, due not only to the effects of COVID-19 and the food, fuel and fertilizer crisis but to IFAD's greater rigour in assessing these criteria.** IFAD updated its evaluation manual in 2015 and 2022. It also released its Development Effectiveness Framework in 2016, spurring the rollout of core indicators in 2017 and core outcome indicators in 2020. This new set of requirements raised the minimum threshold for obtaining favourable ratings while highlighting weaknesses in M&E and reporting. Other factors contributing to the decline in effectiveness ratings include: the increased focus on countries with fragile situations (where results are harder to obtain); the reduced budget allocations to programme delivery (which was reversed in 2024); and the temporary loss of knowledge linked to decentralization and reassignment.

13. **To mitigate these challenges, Management has increased budget allocations to country programme delivery in 2024 and will continue to do so in 2025**. In line with the IOE recommendation to reverse the trend of reduced budget to core operational deliverables seen throughout the IFAD11 period, Management increased budget allocations for designs and supervision to make resources available to adequately staff mission teams to perform technical, managerial and fiduciary oversight. The increase is justified by the significantly higher volume of resources being deployed in contexts with weak institutions and therefore requiring more rigorous supervision. Management is also fine-tuning decentralization and reassignment based on lessons learned from independent and self-evaluation, to reduce the vacancy rate and secure knowledge transfer.

14. Meanwhile, there are two important initiatives whose impact on rural poverty among IFAD beneficiaries is not yet evident in the sample analysed in the ARIE: the Rural Poor Stimulus Facility (RPSF) and the Crisis Response Initiative (CRI). The results of the rapid impact assessments of RPSF projects show an impact on income, production, market access and resilience.[10] The collection of CRI data is ongoing, but the update to be presented to the Executive Board will display evidence at the output level.

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[3] Self-assessment of in-country M&E systems and capacities in the agriculture sector through the SDG lens.
[4] Driving Delivery of Results in the Agriculture Sector.
[5] Results-based Management for Rural Transformation.
[6] Program in Rural Monitoring and Evaluation.
[7] Achieving Project Excellence in Financial Management.
[8] Certification programmes in project procurement for agricultural and rural development.
[9] Strengthening borrowers' capacity on environmental, social and climate best practices.
[10] EB 2023/OR/7 https://webapps.ifad.org/members/executive-board-online-review/docs/english/EB-2023-OR-7.pdf?attach=1.

15. Regarding the **performance of non-lending activities, Management notes the decline in partnership ratings. However, the 2024 RIDE and self-evaluation results based on partners' perceptions are more positive in this regard**. The 2023 Multilateral Organisation Performance Assessment Network (MOPAN) assessment suggested that IFAD strategically prioritize partnerships based on its comparative advantage. The IFAD13 business model incorporates this aspect, as it focuses on high-priority engagements. **In addition, IFAD will continue to use decentralization to build partnerships that leverage financial and technical assistance.** On the ground, country teams in the East and Southern Africa region are closely monitoring partners to ensure the timely release of agreed funds, while those in Latin America and the Caribbean are jointly working on a regional partnership strategy. The West and Central Africa division is establishing new agreements with local knowledge partners and Rome-based agencies. At the corporate level, IFAD is investing in a virtual Operations Academy training course on partnership and organizing live training sessions in 2024.

16. **Management and IOE concur on a conservative assessment of knowledge management (KM).** The KM function at IFAD has evolved, focusing on providing concrete support to country teams in the design and implementation of operations, with country advisory services, knowledge packs and clinics. Results for country programme performance will take time to materialize. Based on the findings of the 2024 corporate-level evaluation on IFAD's knowledge management practices, Management will leverage knowledge partnerships and existing and new communities of practice. IFAD's new Office of Development Effectiveness to be established in late 2024 will strengthen the linkage between KM and innovation, results and impact assessment and help ensure that IFAD has a robust knowledge management function in place.

IV. Suggestions for future ARIEs

17. Management appreciates IOE's collaborative approach in sharing the draft ARIE for comments and encourages IOE to share in advance the thematic topics to be addressed in the next report. To better understand the disconnect between IOE's and Management's ratings, future ARIE reports could include more granular analyses on the number of projects downgraded or upgraded and the recurrent factors contributing to rating divergences.

18. Given the scope and size of the ARIE, IOE may wish to address the need for a more in-depth analysis of cofinancing in the corporate-level evaluation of IFAD11 and IFAD12. This analysis could look at drivers such as different types of domestic cofinancing (government, beneficiary, private sector, central or provincial government, public financial institutions or ministry), project type and thematic focus. Such an analysis would offer valuable insight to further enhance IFAD's role as an assembler of development finance.

19. Management looks forward to continuing its collaboration with IOE to ensure that all evaluation products are relevant, timely and include substantial findings and actionable recommendations. This way, evaluation products will continue to play a pivotal role in shaping IFAD's programme and enhance its contribution to the 2030 Agenda.