



Investing in rural people

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Report on IFAD's Development Effectiveness Comments by the Independent Office of Evaluation of IFAD

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Action: The Executive Board is invited to review the comments by the Independent Office of Evaluation of IFAD's on the Report on IFAD's Development Effectiveness for 2024 (RIDE).

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Report on IFAD's Development Effectiveness Comments by the Independent Office of Evaluation of IFAD

1. In line with the Terms of Reference and Rules of Procedure of the Evaluation Committee and the decision of the Executive Board at its December 2006 session, this document contains the comments of the Independent Office of Evaluation of IFAD (IOE) on the Report on IFAD's Development Effectiveness (RIDE). The report is the Fund's main corporate document for analysing institutional and development effectiveness.
2. This edition of the RIDE presents IFAD's performance in 2023 under the Twelfth Replenishment of IFAD's Resources (IFAD12). It reviews the results against the indicators and targets outlined in the corporate Results Management Framework (RMF) for IFAD12, as presented in annex I of the report. IOE acknowledges the continuing collaboration with Management, particularly in improving methodological alignment between the Annual Report on the Independent Evaluation of IFAD (ARIE) and the RIDE. The changes introduced in the 2024 RIDE to the methodology for assessing projects under fragile conditions are a testament to this.
3. IOE notes that the RIDE presents a comprehensive assessment of strengths, areas for improvement and measures taken to improve performance in the required areas (e.g. efficiency, sustainability, gender equality and women's empowerment, and scaling up).
4. The comments below aim to strengthen the RIDE's performance reporting to better guide IFAD's strategic and operational direction and resource planning. They focus on: (i) the respective mandates of the ARIE and RIDE and the need to strengthen alignment in overlapping areas, and (ii) the performance analysis of IFAD operations presented in this RIDE edition, in particular, the analysis of the consequences of decentralization. This aligns with the role of IOE to review and enhance self-evaluation, as prescribed by the 2021 Revised IFAD Evaluation Policy.¹
5. **Complementarities and differences between the ARIE and the RIDE.** The ARIE and the RIDE serve the organization's very different reporting needs. The ARIE reports on the performance of all IFAD operations and non-lending activities completed and evaluated during a specified period. The central mandate of the RIDE is to report on the annual progress on all RMF indicators of a replenishment cycle, which are linked to related development, organizational and financial targets. Just 9 of the 66 RMF indicators overlap with the results reported by the ARIE. The remaining 57 RMF indicators of the RIDE require other sources and cover different aspects essential to understanding and analysing progress towards replenishment targets.
6. **Addressing the persisting rating disconnect between the ARIE and the RIDE.** The following discussion presents some of the progress made in addressing the rating disconnect where the reports share common indicators, and the necessary actions to minimize systematic bias and better align the reporting on these nine overlapping indicators.
 - (a) **The RIDE uses the project completion report (PCR) ratings for all nine indicators overlapping with the ARIE,** and for overall project achievement (one indicator), it uses ratings from both PCRs and the ARIE. PCRs and the ARIE use the methodology outlined in the 2022 IFAD Evaluation Manual to rate the projects. Management continues to take the necessary steps to

¹ <https://webapps.ifad.org/members/eb/132/docs/EB-2021-132-R-5-Rev-1.pdf>.

improve the quality of PCRs and the ratings issued. Over time, effective measures help narrow the disconnect between the two sets of ratings, noting that two different assessments are likely to lead to slightly different ratings.

- (b) **However, the 2024 ARIE notes a persistent, statistically significant disconnect between the two sets of ratings.** First, these disconnects are not random and appear biased in one direction: the PCR ratings are systematically higher than the IOE ratings. Second, though the disconnect is narrowing on some criteria (e.g. relevance, scaling up), recently it has been increasing in others (e.g. rural poverty impact, effectiveness). The magnitude of the disconnect varies across regions, possibly indicating a quality assurance issue.
 - (c) The RIDE presents the corrective measures that IFAD is undertaking to improve PCR quality and expects that these will address the disconnect. Given that these disconnects have persisted and have become even more evident over the past five years, **the RIDE needs to present a clear timeframe to resolve the disconnect issue.**
 - (d) **Comparison of the ARIE and the RIDE portfolios – composition of projects most recently completed.** One of the reasons given by IFAD Management for pursuing a different methodology from that of the ARIE is that the RIDE presents information on more recent projects. For instance, the RIDE 2024 portfolio includes projects that closed financially during 2021–2023 and for which PCRs had been approved by March 2024 (this resulted in a portfolio of 66 projects for the current three-year period). The ARIE 2024 portfolio includes projects that completed during 2020–2022 with IOE evaluations available by December 2023 (this resulted in a portfolio of 67 projects for the current three-year period). IOE conducted further analysis to study the share of recent projects in these two portfolios. The average project completion date gives a measure of how recent the projects were. The difference in the average project completion date of the two portfolios was 26 days in 2020, 63 days in 2021, and 92 days in 2022. These small differences further diminish in significance when taking note of the average age of the ongoing IFAD portfolio, which is 12 years. The additional information to be gained by looking at projects completed 92 days later, that have a life span of 12 years is not a compelling reason to pursue a separate methodology. Moreover, in its comments last year, IOE also presented some methodological challenges with the RIDE approach.²
 - (e) **This disconnect can be readily addressed by following the practice of other major international financial institutions (IFIs):** use the indicator values provided by independent evaluations where available. There may be some difficulties in pursuing this approach as RMF indicators and their sources have already been approved by the Governing Council. While this is an obstacle, commitment to transparency in reporting should allow for course corrections after a midterm review of the RMF.
7. **Consolidating the benefits of decentralization.** IOE notes the steps reported in The RIDE to address the issues raised by the 2023 corporate-level evaluation (CLE) on IFAD’s decentralization experience. The RIDE cites the higher disbursement rates, increased cofinancing ratio, and the e-survey response of IFAD Country Office (ICO) staff (81 per cent agreeing that field offices are adequately empowered to deliver the expected outcomes) as evidence that the decentralization efforts are paying dividends.

² Analysing only some of the projects that will enter the portfolio in the final year (of the three years) may challenge the reliability of performance judgements for that period.

8. As noted by the CLE (2023), decentralization is a necessary step to improve IFAD's development effectiveness and strengthen the relevance of its contributions to client countries and their rural poor populations. However, establishing field offices does not automatically translate into improved development effectiveness. Decentralization has to be undertaken correctly for it to fulfil its potential. The CLE noted some of the key shortcomings of IFAD's decentralization approach and called for IFAD to understand and address the operational consequences. Specifically, the CLE called for an analysis of: the impact of reducing the administrative budget allocated for core service delivery (implementation and design support) from 57 to 49 per cent during this period; the disruptive effects of the reassignment process on the operational cycle in client countries; the high turnover and vacancy rates, and prolonged vacancies prevalent in field offices; and weakening of the skills and experience needed in ICOs to establish country-level partnerships and policy engagement.
9. The RIDE recognizes that the performance of ongoing and completed projects has become weaker but attributes this trend entirely to the lingering effects of COVID-19 and other external factors (e.g. implementation challenges). The ARIE noted that 16 per cent of the portfolio of completed projects had been exposed to the impact of the COVID-19 pandemic (the exposure was limited to 22 months or less). As such, the weakening of performance of completed projects cannot be attributed only to COVID-19. IFAD would benefit from gaining a deeper understanding of the consequences of the Fund's decentralization measures (2016–2023) for its portfolio.
10. In conclusion, IOE recognizes that the RIDE and the ARIE have complementary mandates but are two distinct, essential instruments for exercising oversight of IFAD's performance. Management's efforts to strengthen the RIDE methodology are well noted. IOE recommends that Management fully align IFAD with the practices of other IFIs and use performance ratings from independent evaluations to report to the Board and external partners. It is encouraged to fully consider evaluative evidence and pursue an in-depth analysis of the risks to its portfolio performance. IOE thanks Management for this opportunity to comment and looks forward to continuing this productive collaboration to enhance the evaluation function, as per the Revised IFAD Evaluation Policy.