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REPORT OF THE CHAIRPERSON OF THE EVALUATION COMMITTEE

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1. This report covers the deliberations of the Evaluation Committee held during its Thirty-Fourth Session on 5 September 2003. The following agenda items were covered in the meeting: (a) election of the committee chairperson; (b) the Annual Report on the Results and Impact of IFAD Operations (ARRI), together with the Methodological Framework for Evaluation (MFE); (c) the 2004 work programme and resource issues of the Office of Evaluation (OE); (d) the evaluation of The Philippines Rural Microenterprise Finance Project (RMEFP); and (e) other business.

2. This was the first session of the committee under the new composition defined during the Executive Board session in April 2003. Members of the committee comprise: Belgium, Brazil, Cameroon, Canada, Germany, India, Indonesia, Nigeria and Switzerland. The term of office of this committee will end with the Eighty-Seventh Session of the Executive Board in April 2006.

3. **Election of the committee chairperson.** The Rules of Procedure of the Evaluation Committee state that the chairperson should be elected from its List B or C members. Accordingly, a committee member nominated India, which was elected unanimously as chair of the Evaluation Committee for the current term of office. In his introductory remarks Mr Govindan Nair, representing the Government of India as chairperson, thanked the committee members for their confidence in requesting India to chair the Evaluation Committee. The committee expressed a deep sense of gratitude to Mr Victor Hugo Morales Melendez, the outgoing chairperson from Mexico, for his invaluable contribution to the committee's work from April 2001 until April 2003.

4. **ARRI and MFE.** During this session, the committee considered the first ARRI produced by OE, together with the MFE, which includes the methodological basis for the report. The ARRI will be discussed by the Board during its current Seventy-Ninth Session. In its introduction to the ARRI, OE explained its purpose, and stressed that it is the first consolidated, independent assessment of results and impact based on the evaluation work in a particular year. OE highlighted the difficulties encountered in initiating such a major endeavour and the limitations of a first-year report. In view of the experimental and exploratory nature of this first attempt, OE sought guidance from the committee for future improvement.

5. The committee members welcomed the report and expressed their appreciation for both the MFE and ARRI, commending OE's efforts.

6. During its deliberations, the committee offered several suggestions to be taken into consideration for the preparation of the ARRI of 2004. Given the wide audience for the ARRI, the committee proposed that an executive summary should be included in the future. The committee also stated that the ARRI is a useful document not only because of its assessment of operational performance, but also because it allows Member States to compare IFAD activities with those of other multilateral organizations. On this point, OE informed committee members that the ARRI is based on an evaluation methodology harmonized among multilateral development organizations, which builds on internationally established evaluation criteria such as the relevance of the operation being evaluated and its efficiency, effectiveness and impact. The use of internationally recognized evaluation criteria allow for the comparison of IFAD's results and impact with those of other development assistance organizations. On the related issue of the scope of rural poverty impact, while the committee agreed with OE's definition of this concept, some members stressed the importance of clarifying the rationale for using this definition in order to ensure ease of comparison.

7. The committee noted the insights and learning gleaned from the 2002 evaluations, and it highlighted the need for OE to undertake more analysis in the future on poverty targeting. This will serve a deeper understanding of the people and communities IFAD should serve and of the impact of the

Fund's work on their livelihoods. Members also emphasized the need for OE to devote resources towards training OE staff and consultants to apply the MFE consistently, collect the necessary data for evaluation analysis, and strike a balance between quantitative and qualitative analysis. The need to brief concerned project staff on the MFE was also stressed.

8. The question of the weighting of different evaluation criteria was considered important. In terms of assigning weights to the ARRI's three main evaluation criteria for the consolidation process, some members suggested that a larger weight should be given to the rural-poverty impact criterion, given that impact on rural poverty should be the overarching objective. In this regard, the issue of identifying successful, innovative approaches and scaling them up was stressed as an essential element in this criterion. Committee members asked OE to prepare a proposal highlighting possible options for their consideration, drawing upon the practices of other international financial institutions and development organizations.

9. The committee noted OE's concerns regarding some methodological issues in the production of the first-year ARRI and its intent to work on the resolution of these problems. In particular it noted OE's acknowledgment of the small sample size of the projects evaluated during 2002. In this regard, the committee appreciated that the ARRI is built on the evaluations of ten projects, which represent more than 40% of the closed IFAD projects in a given year. But the committee also appreciated that the size of this sample is small compared to the overall size of the ongoing portfolio. Consequently, members agreed with OE that the conclusions of the ARRI may not be representative of the results and impact of IFAD operations as a whole. Nevertheless, the committee noted that in the space of two to three years the number of evaluated projects will be large enough to allow OE to present a robust generalization of the performance of IFAD operations as a whole.

10. The committee recommended that the MFE and ARRI be taken into consideration in the ongoing process of developing the performance-based allocation system for IFAD.

11. While the committee appreciated that the ARRI produced by OE provides an independent perspective of the results and impact of IFAD operations evaluated in a given year, it was recommended that in future IFAD management should provide comments to the Board on the main conclusions of the ARRI, primarily on how they intend to address the key issues raised. In addition, the committee suggested that IFAD management should report to the Board on follow-up actions implemented in response to those conclusions.

12. The committee was pleased to note that the MFE and ARRI are designed to allow for analysis both of IFAD's efforts in achieving the objectives in its strategic framework and of its contribution to meeting the relevant United Nations Millennium Development Goals. Some members suggested that future ARRIs should document the evolution of IFAD's performance over time in these areas.

13. In noting the modest impact that the projects evaluated in 2002 had on policy dialogue and institutional context, the committee recognized that the impact, particularly on policy, may be greater in the future, since IFAD operations have been designed more recently with the objective of promoting better policies for rural poverty alleviation.

14. The need to enhance the sustainability of IFAD-supported operations and to design and implement operations with the purpose of scaling up innovative approaches were considered vital by committee members. In this regard, the committee recommended, among other things, that IFAD should step up efforts to enhance partnership with other development-assistance actors and to build ownership within

governments and at the grass-roots level through, inter alia, involvement of capable non-governmental organizations (NGOs) and community-based organizations in development activities.

15. Finally, the committee recommended that the Fund harmonize its internal work in assessing results and impact, building on the indicators contained in the MFE. In particular, the Evaluation Committee recommended that a closer harmonization be established between the MFE and the Programme Management Department's portfolio review exercise.

16. **OE work programme and resource issues for 2004.** The committee discussed OE's 2004 work programme and resource issues – contained in Part II of the document entitled Strategic Priorities and Programme of Work of IFAD and its Independent Office of Evaluation for 2004 – which will be considered by the Executive Board during its Seventy-Ninth Session. This is the first OE work programme prepared according to the provisions of the IFAD evaluation policy approved by the Board in April 2003.

17. The committee agreed with the proposed directions and priority areas suggested by OE for its 2004 work programme. These include: (a) evaluation work requested by the Executive Board and the Evaluation Committee and/or included in the IFAD VI objectives, actions and outputs (e.g. the Independent External Evaluation); (b) evaluation of a selected number of corporate policies and processes and country programmes and projects; and (c) further development of the evaluation methodology, particularly for country programme evaluations. The committee discussed and agreed with the resource issues brought up in the document. In this connection, a preliminary discussion took place on the human resources required by OE to implement the 2004 and future work programmes.

18. During the committee meeting of 5 September, members provided guidance to OE on the preparation of its detailed work programme and budget. For instance, with regard to priority area (c), members highlighted the need to devote time and resources next year to training OE consultants in using the MFE, so that the methodology is properly understood and applied in the field.

19. As the subject of the corporate-level evaluation to be undertaken by OE in 2004, the committee expressed an initial preference for the IFAD direct-supervision pilot programme, but decided to defer the decision pending a detailed proposal by OE.

20. The committee recommended that, in developing its budget, OE should rely as little as possible on extra-budgetary resources such as technical assistance grant funds for implementing its annual work programme. Such extra-budgetary resources will therefore be internalized in the OE administrative budget in the future, starting with the 2004 budget.

21. Following review of the work programme document, the committee endorsed OE's proposal to formulate a more comprehensive document on its 2004 work programme and budget. This will be based on a thorough review of OE's human resource requirements, and will include a modest overall increase in real terms in the 2004 budget, as outlined in the document prepared by OE. The document will be discussed with the committee in a special session on 27 October 2003. Following the October session, and based on the eventual recommendations of the committee, OE will formulate its final proposal on its 2004 work programme and budget for the Board's consideration during the latter's December 2003 session.

22. **Evaluation of The Philippines RMEFP.** The committee discussed the RMEFP evaluation undertaken by OE. The project was based on the extension of financial services to poor households (following the Grameen bank approach). It had an important sectoral-reform and policy-dialogue

component in its loan agreement, and contributed to a more favourable attitude towards microfinance on the part of regulating authorities. Important steps towards the sustainability of financial services were visible. These were due to: (a) the entry of private banks as major players in the project; and (b) the decision of some NGOs to establish formal financial institutions. The impact on poor clients was significant, particularly in their improved capacity to diversify household income sources to deal with risk and seasonality.

23. The committee noted some of the key evaluation recommendations, including the need to: (a) support the expansion of financially strong microfinance intermediaries into underserved poorer areas and to households with several instruments, including loans, technical assistance and equity investment; and (b) help microfinance intermediaries design better financial products (not only loans but also deposit and insurance schemes) that would cater to poorer clientele.

24. While the committee noted that the project had been successful in creating a favourable institutional framework for the provision of rural financial services, members also discussed the issue of targeting and expressed the need to extend the provision of financial services more widely to the poorest areas.

25. For its part, the committee recommended that, in the planned follow-up project, IFAD should examine the financial viability of rural finance intermediaries before they are involved in the delivery of microfinance. It also stressed that in order to ensure smooth implementation and coordination, project institutional arrangements and the flow of funds should be simplified to the extent possible. Finally, they noted the modest involvement of IFAD in the implementation follow-up and supervision of this project.

26. Based on the positive experience of this session, the Evaluation Committee agreed that they would like to receive the full evaluation report for discussion from now on, rather than simply an executive summary.

27. **Other business.** Under this agenda item, the participants granted their approval for disclosure to the public at large of all documents submitted to the committee's Thirty-Fourth Session.