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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty Four Session

Rome, 18-20 April 2005

REPORT OF THE CHAIRPERSON ON THE THIRTY-NINTH SESSION OF THE EVALUATION COMMITTEE

1. This report covers the deliberations of the Evaluation Committee at its Thirty-Ninth Session, held on 11 April 2005. All Committee members attended the session with the exception of Ireland. The Chair welcomed Mr Vladimir Hernández Lara, who represented Mexico as the new member replacing Brazil. Representatives from Egypt and Sweden participated in the session as observers. Various IFAD staff members attended the deliberations, including the Assistant President of the Programme Management Department (PMD); the Director of the Office of Evaluation (OE); the Director of the Near East and North Africa Division and the Director of the Policy Division. The following items were on the agenda: (i) the Portfolio Performance Report together with the comments of OE on the report; (ii) the Egypt Country Programme Evaluation; and (iii) other business.

2. **Portfolio Performance Report and OE's comments.** The Committee discussed the 2005 Portfolio Performance Report (PPR) presented by PMD and the comments of OE on the same document. In introducing the document, PMD Management highlighted some of the key performance data that were being monitored to ensure effective portfolio management. The number of indicators included in the report had been expanded and information on institution-wide processes had been added to provide a comprehensive assessment of how the portfolio was being managed. The report also depicted areas in which improvements had been made and areas where further work was needed and planned. More specifically, during this year work would be undertaken to further align the self-evaluation system of PMD, such as project completion reporting and the RIMS, to allow a comparison of performance data produced by PMD with that generated through the independent evaluation of OE.

3. OE equally emphasized the importance of the report as a management tool, necessitating that it should provide aggregate data and a set of prioritized and sequenced recommendations for action, as well as a clear management response to the observations in the Annual Report on Results and Impacts (ARRI), as requested by the Executive Board (EB) in its Eighty-Second Session.

4. In discussing the PPR, the Evaluation Committee focused largely on questions of methodology.

5. The Evaluation Committee expressed its appreciation of the PPR as it significantly surpassed the quality of all past portfolio review reports. It provided a comprehensive and detailed overview of IFAD's ongoing programme of activities on a broad range of indicators. It was an impressive source of information, which could serve as institutional memory on portfolio performance in 2004. However, in its attempt at being exhaustive, the report was perceived as too detailed. It also reported on issues that could more appropriately have been left to other fora, most specifically the Fund's responses to issues raised in the Independent External Evaluation. To ensure consistent and high quality reporting, the Evaluation Committee considered that reporting standards, including an outline for the desired structure and content of the PPR should be revised by the IFAD Management taking into account of the comments made by the Evaluation Committee and the recommendations made by OE. In so doing, the PPR format should ensure it placed portfolio performance data in the context of IFAD's Strategic Framework to illustrate how the portfolio delivered against the Fund's strategic objectives.

6. While the PPR provided some response to issues raised in the ARRI, the Evaluation Committee found the report needed to be strengthened in this regard. The Committee recognized that given the timing of both reports – the ARRI was submitted in September in the previous year, while the PPR was prepared in January/February of the subsequent year – a full report on implementation at this stage would not have been possible. It was agreed that some of the issues raised in the ARRI, such as the important issue of targeting (i.e. clearly defining IFAD's target group) or IFAD's engagement in policy dialogue (i.e. adding IFAD's experience and existing information on the needs of the rural poor to the dialogue on policies that affect their lives) was a matter for another forum rather than a portfolio report. While Management (PMD and EAD) explained that these issues were being addressed through a policy development process, the Committee felt that it would have been desirable, nevertheless, that Management reported on these initiatives and processes put in place in response to issues observed in the ARRI. Such information would then inform the deliberations of the EB.

7. The Evaluation Committee commended OE for the preparation of its comments, which were fully supported. OE provided a succinct analysis of the PPR, made useful and constructive suggestions for further improvements to the PPR, and reflected concerns that the Committee shared. The Committee decided to share the comments of OE at the EB for full information of its members. OE's comments are therefore attached as an annex to this Chairman's report.

8. **Egypt Country Programme Evaluation.** OE provided a concise presentation on the country programme evaluation (CPE) of Egypt and highlighted the key findings and recommendations from the evaluation. The Committee commended OE for the quality of the CPE, and expressed its overall agreement with the broad analysis and recommendations contained in the report. The Committee noted that the CPE's Agreement at Completion is currently being finalised in close co-ordination with PMD, the government and other concerned partners.

9. The CPE confirmed that IFAD's development co-operation in Egypt has been relevant to the needs of the country and the poor. However, the Committee expressed concern on the limited impact achieved in improving the livelihood of the poorest in rural areas and the limited prospects for sustainability. On the latter, it was agreed that serious efforts needed to be made in finding ways and means to ensuring that the rural poor continue to receive benefits after project closure.

10. The issue of poverty targeting received much attention during the deliberations. In this regard, the Committee felt that IFAD management needed to urgently define its policy on targeting and in particular, develop an institution-wide understanding of the target group which should be the prime beneficiaries of IFAD assistance. On the issue of targeting, the Committee expressed concern that impact on the landless and women was found to be low and that most projects had been concentrated in Lower Egypt where rural poverty prevalence was low. The Committee welcomed PMD's agreement to also pay due consideration to defining the most appropriate geographic targeting while developing the new Egypt Country Strategic Opportunities Paper (COSOP).

11. The Committee highlighted the need for ongoing IFAD-funded projects in Egypt and elsewhere to be adjusted during implementation - as required - to ensure their conformity with IFAD policies (e.g. IFAD Policy on Rural Finance in the case of Egypt) that may be approved by the Executive Board after the concerned projects have become effective. This will ensure that all IFAD-assisted projects are in line with the latest development approaches promoted by the Fund and agreed with the Board. This is especially important for ongoing projects with several years of implementation yet to be completed.

12. The Committee's attention was drawn to the past heavy emphasis on "hardware" components (such as infrastructure development and agriculture production) and less on 'software' activities (such as the promotion of participatory approaches, gender mainstreaming, local level institutional capacity building). On this issue, PMD agreed that the future COSOP- under preparation - will ensure a more adequate balance in the Egypt portfolio between productive activities on the one hand and the development of social capital and empowerment on the other.

13. The role of IFAD in policy dialogue particularly in a large country like Egypt was another topic of interest to the Committee. Members underscored the need to determine what IFAD can contribute and how it can participate in the ongoing policy debate at the country level. On this issue, both OE and PMD conveyed that despite the limited financial resources IFAD brings - as compared to some other bi-lateral and multi-lateral organisations - the Fund has an important part to play in promoting pro-poor policies based on its experiences of working in marginal areas with marginalised and poor rural people. Moreover, IFAD's efforts are aimed at empowering the rural poor so that they can also themselves highlight policy concerns at the local level. Finally, PMD highlighted that Egypt was included in the field presence pilot programme, which would provide a further opportunity to bring some of the key concerns of poor households living in rural areas to the attention of policy and decision makers both within the government and other development partners.

14. **Other business.** There were three issues discussed under this agenda item. Firstly, based on the proposal made by OE, the Committee agreed to undertake its planned field visit to Mexico in relation to the CPE from 24-28 October 2005. The field visit will entail: (a) a visit to an IFAD-funded project in Mexico, which will provide Committee members the opportunity to see project activities on the ground and hold discussions with beneficiaries and other stakeholders; and (b) participation in the CPE national roundtable workshop.

15. Secondly, OE informed the Committee of the forthcoming annual meeting of the United Nations Evaluation Group (UNEG) in Rome. This meeting will be hosted jointly by FAO, IFAD and WFP from 27-29 April 2005. In consultation with the UNEG secretariat, OE is exploring the possibility to invite interested Evaluation Committee members to attend the event. In this regard, members will be informed by OE in the coming days and accordingly the relevant documentation will be dispatched to them for their review and information.

16. Finally, the Committee took note that, as anticipated in the 2005 OE Work Programme and Budget, OE has recently finalised phase two of the partnership agreement in evaluation with the Swiss Agency for Development and Co-operation. The three year partnership will conclude in 2007 and

entails a grant contribution to OE of CHF 1.5 million. These resources will be used to supplement OE's budget in funding additional and experimental activities, such as those that would foster additional learning and promotion of partnership through evaluation (e.g. enlarged evaluation workshops that allow for multi-stakeholder dialogue on evaluation issues; primary research in selected evaluations; and experiment with special communication approaches). All activities funded using these resources will be part of OE's annual priorities and included in the division's work programme, as approved by the Executive Board.

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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Evaluation Committee – Thirty-Ninth Session
Rome, 8 April 2005

IFAD'S OFFICE OF EVALUATION

COMMENTS ON THE PORTFOLIO PERFORMANCE REPORT

I. INTRODUCTION

1. The Eighty-Third Session of the Executive Board adopted the new Terms of Reference and Rules of Procedure of the Evaluation Committee of the Executive Board, which expanded the mandate of the Evaluation Committee to include, among other things, a review of the Portfolio Performance Report (PPR) (previously called Progress Report on the Project Portfolio) submitted annually by IFAD management to the Board and the comments of the Office of Evaluation (OE) thereon. The present document contains OE's comments on the PPR for 2005.

2. The PPR has been changed compared with previous years in that it now contains considerable information on the intended impact of the portfolio and highlights a number of critical issues that need to be addressed. The report provides an update on institution-wide processes that have been put into place to improve portfolio management and performance. At the same time, the PPR is – by its own admission – a work-in-progress and will be further refined alongside improvements in the Results and Impact Management System (RIMS). OE's comments aim at contributing to this process of continuous improvement and at enhancing the usefulness of the report as a management tool that supports decisions taken by senior management and the Board.

3. OE's comments focus on three areas of the PPR:

- (i) the structure and methodology of the PPR to verify whether information is accurate, presented clearly and in an easily understandable manner;

- (ii) the adequacy of recommendations contained in the PPR, i.e. whether appropriate measures in response to the issues raised in the report have been identified and implementable actions are suggested; and
- (iii) the extent to which the report constitutes an adequate management response to the findings in the Annual Report on the Results and Impact of IFAD Operations (ARRI).

II. STRUCTURE AND METHODOLOGY

4. The PPR has made an important step in the right direction inasmuch as it covers the same impact domains as the ARRI and, reportedly, aims to progress further in this direction. This move will lead both to a harmonization of the Programme Management Department (PMD) monitoring and evaluation systems and of OE's independent evaluation, and render the reported findings on the six impact domains comparable. This promotion of internal harmonization at IFAD is in line with similar efforts currently being undertaken by other international finance institutions (IFIs) in this field of work.

5. To build on this positive direction, OE recommends that the PPR for 2006 should provide additional information on its overall objective, data sources and the instruments and indicators used in the process, and that it substantiate its findings and recommendations. This may be achieved by providing:

- (i) a clearer statement of the report's objective, which should be twofold: (a) to provide senior management and the Board with data that will enable them to take informed decisions to improve portfolio performance; and (b) to give a management response to the findings of the ARRI;
- (ii) a diagram illustrating the sources used to generate the PPR, such as project status reports (PSRs), project-at-risk reports (PARs), project completion reports (PCRs), country programme information sheets, etc.;
- (iii) definitions of indicators used to assess the quality of the portfolio at entry, portfolio at risk and impact indicators, including rating scales;
- (iv) an explanation of any differences between OE's indicators and rating system and those of PMD; and
- (v) indicators used by comparators (for example, other IFIs) that produce annual reports on portfolio performance, and a comparison of such indicators with those used in the PPR.

6. The PPR contains a wealth of information and provides extensive details on the portfolio, both in traditional terms (such as approval and disbursement figures, closures and cancellations) and on impact. While the strong point of such detailed reporting is that it brings out key issues calling for the attention of both senior management and the Board, the amount of detail is overwhelming. In the future, the report should provide more synopsis and aggregation of performance data together with a comparison with benchmark information from independent evaluations and comparators if it is to become useful to decision-makers. OE recommends that, in future, the PPR should:

- (i) provide more aggregate data on portfolio performance (some of which is contained in the annexes to this year's report) and impact indicators. This should be presented in the form of tables and charts to illustrate trend data (over the past five years), including explanations of observed trends;
- (ii) make greater use of PCRs, after ensuring that they meet the desired standards, to compile information on impact indicators as reported at the time of project completion;

- (iii) provide a table illustrating the comparison between the performance reported in IFAD's self-evaluation system (current projects reported in PSRs and completed projects reported in PCRs) with that of OE's independent evaluations, in particular the ARRI, and develop an indicator and a metric to capture the 'net disconnect' between the ratings of the self-evaluation system and that of OE;
- (iv) benchmark IFAD's portfolio performance against that of comparator IFIs, using the data provided as suggested in paragraph 5(v);
- (v) highlight and explain the performance of outliers, whether good-practice examples or areas that require improvement and decisions on remedial actions; and
- (vi) reduce the number of examples that provide anecdotal evidence to a few that illustrate a point made in the presentation of aggregate data/synopsis.

III. RECOMMENDATIONS

7. Throughout the report the PPR provides a candid assessment of weaknesses and numerous suggestions for improvements to be made, which signal IFAD's readiness to engage in improving its operations. While some of the recommendations have been reflected in the concluding chapter, a number of them have not been captured in that section or presented in such a way that decisions and actions can be based upon them. Therefore, OE recommends that, in future, the PPR should:

- (i) clearly separate the summary of conclusions from the recommendations;
- (ii) draw together the recommendations made throughout the report, with relevant references to sections/paragraphs in the main text;
- (iii) prioritize the recommendations, for instance, with the use of an "urgent/important" matrix; and
- (iv) determine issues to be managed/resolved at different levels of IFAD management and others calling for the Executive Board consideration.

IV. MANAGEMENT RESPONSE TO THE 2004 ARRI

8. During the Eighty-Second Session of the Executive Board in September 2004, it was agreed that in the annual Progress Report on the Project Portfolio, IFAD management would provide a response to the issues raised in the ARRI. The PPR responds to this requirement to a certain extent inasmuch as it addresses a number of issues raised in the ARRI both in the introductory chapter and as an integral part of the main report. However, for purposes of accountability it would be useful to include a distinct section on management's response to the ARRI in the form of a table summarizing management's response to each issue and recommendation contained in the ARRI.

9. The ARRI for 2004 (covering evaluations undertaken in 2003) raised the following issues on which management's response was sought:

- (i) The ARRI recommended monitoring IFAD's attempts to address recurrent problems with microfinance, monitoring and evaluation. While acknowledging that policies and guidelines had been introduced, the report stressed that it was necessary to ascertain whether such policies and guidelines were adhered to. The PPR provides details on the impact of IFAD assistance on financial assets, but not on compliance with the microfinance policy. However, the latter will be subject to a corporate-level evaluation starting in 2005, on the understanding that the policy will be revised to reflect evaluation findings.

- (ii) The ARRI furthermore recommended that clearer and stricter tests be introduced to assess the likely sustainability and innovation/replication of projects during their appraisal through a quality-assurance mechanism at entry, and that greater attention be paid to such issues during implementation and supervision. The PPR reports that a new system will be introduced for knowledge management and that IFAD will adopt a new operating model; both innovations are expected to address concerns raised in the ARRI. However, at this stage, the required ex ante quality-assurance measures are not yet available for assessment.
- (iii) The first strategic issue raised by the ARRI was the need for a clearer definition of IFAD's target group in order to determine whether the Fund was to assist the poorest of the poor or the economically active poor, or both. The PPR provided considerable information on targeting to illustrate the various targeting mechanisms currently used by the Fund, as well as on areas where targeting was not possible. However, the PPR does not specifically respond to this particular question in the ARRI. That calls for a policy discussion aimed at sharpening IFAD's definition and understanding of its target group(s).
- (iv) The second strategic issue raised in the ARRI was the need to take a wider perspective on projects, integrating them into a broader institutional and economic context, and giving higher priority to policy dialogue, institutional linkages, innovation, and scaling up. The PPR reported on IFAD's involvement in harmonization processes within both the United Nations system and the multilateral development banks, and policies adopted in line with those efforts. However, it would be useful for the PPR to illustrate the link between project work and broader economic and institutional work.
- (v) The last strategic issue raised in the ARRI was that IFAD needed to move beyond projects and become a strategic partner at the country level. The PPR reported on progress with the pilot programme on field presence, which should strengthen IFAD's opportunities as a strategic partner, as well as on the new operating model that is expected to develop, among other things, a new country programme framework.