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**EVALUATION OF IFAD'S REGIONAL STRATEGY IN  
ASIA AND THE PACIFIC**

**EXECUTIVE SUMMARY AND AGREEMENT AT COMPLETION POINT**

**For: Review**

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## **Note to Executive Board Directors**

This document is submitted for review by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session.

**Ashwani Muthoo**

Senior Evaluation Officer

tel.: +39-06-5459-2053

e-mail: [a.muthoo@ifad.org](mailto:a.muthoo@ifad.org)

Queries regarding the dispatch of documentation for this session should be addressed to:

**Deirdre McGrenra**

Governing Bodies Officer

tel.: +39-06-5459-2374

e-mail: [d.mcgrenra@ifad.org](mailto:d.mcgrenra@ifad.org)

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**ABBREVIATIONS AND ACRONYMS**

ADB	Asian Development Bank
ARRI	Annual Report on the Results and Impact of IFAD Operations
EVEREST	Evaluation of the Regional Strategy in Asia and the Pacific
FAO	Food and Agriculture Organization of the United Nations
OE	Office of Evaluation (IFAD)
PBAS	performance-based allocation system
PI	Asia and the Pacific Division (IFAD)

**PART A – EVALUATION OF THE IFAD REGIONAL STRATEGY  
IN ASIA AND THE PACIFIC**

**EXECUTIVE SUMMARY<sup>1</sup>**

**I. BACKGROUND**

1. IFAD adopted its regional strategy in Asia and the Pacific in March 2002, which was the first time that the Fund coherently developed and formally adopted a regional strategy. During its session in December 2004, IFAD's Executive Board decided that the Office of Evaluation (OE) should undertake, in 2005/06, the evaluation of IFAD's regional strategy in Asia and the Pacific (EVEREST), which would represent the first such type of evaluation conducted by the Fund.

2. EVEREST, which was conducted under the overall provisions of the IFAD evaluation policy, is expected to provide the key building blocks for the preparation of the new regional strategy in Asia and the Pacific that IFAD plans to present to the Board in 2007.

**II. EVALUATION OBJECTIVES AND METHODOLOGY**

3. The main objectives of the evaluation were to: (a) assess IFAD's performance and impact in the region during 1996-2005, with particular reference to the 2002 regional strategy in Asia and the Pacific; and (b) develop a series of findings and recommendations that would serve as building blocks for formulating the next IFAD regional strategy in Asia and the Pacific. In order to achieve its main objectives, EVEREST defined the following three key questions that the evaluation would address: (a) What has been the performance and impact of IFAD in the region? (b) Has IFAD made the appropriate strategic choices in the region, including its operational emphases and the choice of niche, instruments, target group, partners, interventions and implementation modalities? and (c) How have IFAD business and management processes influenced performance, impact and the strategic objectives of IFAD in the region?

4. For each of these questions, more detailed questions were formulated and information sources identified by the evaluation team at the outset of the process. In order to facilitate the work of the evaluation team and to ensure that various stakeholders were able to gain an overview of and comment on the main issues being covered by the evaluation, OE prepared a detailed evaluation framework that captured the main questions the evaluation would cover and linked them to each of the three overarching questions listed above.

**III. EVALUATION APPROACH AND PROCESS**

5. The evaluation approach paper was discussed in two subregional EVEREST launching workshops, one held in Islamabad, and the other in Bangkok, in July 2005. The evaluation benefited from the views and experience of staff in the Asia and the Pacific Division (PI) throughout the process. Discussions were also held with other IFAD staff, including the three Assistant Presidents, various directors in the Programme Management Department, the director and staff in the Office of Human Resources and staff in the Strategic Planning and Budget Division.

6. A two-person senior advisory panel was constituted at the outset of EVEREST, including Professor M. S. Swaminathan and Dr Robert Picciotto. Their role was to provide comments and guidance on the overall evaluation objectives, methodology and process, as well as to review key

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<sup>1</sup> Advance copies of the main report, which will be released to the public in the coming weeks, can already be obtained from the Office of Evaluation upon request.

deliverables generated throughout EVEREST. Their final report is attached in Appendix 1 of the document.

7. The evaluation noted that the 2002 regional strategy formalized a strategy that IFAD had already been following in the region for a number of years before 2002. Given this, it was decided that the evaluation period for the EVEREST analysis would run from 1996 to 2005.

8. It is important to note that, as a contribution to EVEREST, PI undertook a comprehensive “Self-Assessment of PI Performance in Implementing the Regional Strategy in Asia and the Pacific”. The objective of this self-assessment for IFAD was to take stock of the Fund’s overall experiences in implementing the regional strategy. The self-assessment served as a useful input in EVEREST, inter alia, in collecting and analysing data on the alignment of project design with the strategic directions of the regional strategy and on cofinancing and counterpart funding.

9. **The five evaluation phases.** The evaluation was organized in five phases. First, an inception phase served to fine-tune the methodology, finalize the selection of countries to be covered, define in detail the workplan and develop the instruments for data collection. Second, a desk review was undertaken in the 12 countries<sup>2</sup> included in EVEREST. More than 25 existing OE evaluation reports were reviewed, and extensive use was made also of the reports prepared during the External Review of the Results and Impact of IFAD Operations (2002) and the Independent External Evaluation of IFAD (2004/05). In addition to the aforementioned, all the IFAD country opportunities strategic papers produced during the evaluation period were reviewed, including the subregional strategies for Central Asia and the Pacific Islands, various country assistance strategies and evaluations of other international organizations, several government documents and so on.

10. Third, the evaluation team undertook country visits to China, India, Pakistan and the Philippines. In addition, the team visited the headquarters of the Asian Development Bank (ADB) twice and met with staff in the regional offices of the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Office for Project Services. In all countries visited, the evaluation team also met with senior government officials, representatives of other international financial institutions, selected United Nations organizations represented at the country level (FAO, the United Nations Development Programme and the World Food Programme) and bilateral aid organizations, as well as academic and research institutions, NGOs, IFAD consultants and project staff.

11. Fourth, a meeting was held on 10 May 2006 at the M. S. Swaminathan Foundation in Chennai to discuss the draft evaluation report with representatives of IFAD and selected countries in the region. Fifth, OE coorganized with ADB a regional EVEREST workshop in Manila on 28-29 June. This workshop focused on learning from EVEREST with a view to enhancing the effectiveness of IFAD’s future strategy in Asia and the Pacific and to pave the way for the production of the Agreement at Completion Point for the evaluation.

12. It is important to highlight that the Board approved 68 loan projects in the region during the evaluation period, and the analysis conducted for the country working papers<sup>3</sup> and cross-country analysis<sup>4</sup> extends mainly to 22 of these, plus eight approved before 1996 for which OE evaluations have been completed since 2000. Of the 68 loan projects, 17 are not yet signed or effective, only one of which is included in EVEREST. This means that the evaluation includes 41% of the effective

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<sup>2</sup> Bangladesh, China, India, Indonesia, Laos, Mongolia, Nepal, Pakistan, Papua New Guinea, the Philippines, Sri Lanka and Vietnam.

<sup>3</sup> Prepared on China, India, the Philippines and Pakistan.

<sup>4</sup> Including Indonesia, Laos, Mongolia, Nepal, Papua New Guinea, Sri Lanka and Vietnam.

projects approved during the evaluation period. The evaluation also reviewed more than 25 (mainly large) technical assistance grants.

#### IV. RURAL POVERTY AND AGRICULTURE IN THE REGION

13. **Poverty in Asia and the Pacific.** The Asia and the Pacific Region's track record in reducing income poverty in the 1990s was impressive. Poverty incidence, using a dollar-a-day standard, declined by about 30% over the decade. In 1990, about 32% of people in the region were living below the poverty line. By 2000, this proportion had come down to 22%. Rural poverty in the region declined from 39% to 28%. The absolute number of the poor also declined, by around 180 million, from 900 million in 1990 to 720 million by the end of the decade. This was achieved in spite of a major financial crisis in 1997 that depressed regional growth and increased poverty incidence.

14. Given continued growth, the Asia and the Pacific Region appears to be on track to meet the Millennium Development Goal for income poverty. However, several countries are likely to be left behind, and others that are likely to meet the target will still have to deal with pockets of poverty. In addition, worsening income distribution patterns are accompanying the economic growth, and the non-income dimensions of poverty have seen much less progress in the Asia and the Pacific Region. In particular, South Asia's progress in reducing the proportion of undernourished children, expanding immunization coverage, increasing the number of births attended by skilled health staff, and combating HIV/AIDS has also been slow. These problems reflect a parallel lag in the progress made towards the gender equality and empowerment goal within this subregion.

15. **Agriculture in Asia and the Pacific.** Although the agriculture and rural sectors in the region continue to grow, the sectors are declining in relative importance in Asia, both in terms of their contribution to GDP and their share of the labour force. Urbanization is increasing, and farm households are diversifying their sources of income beyond agriculture. This relative decline of agriculture is inevitable in countries that experience economic growth, which has been widespread in the region. Nevertheless, more than half the economically active population is still involved in agriculture in the region, and agricultural employment is especially important among the livelihoods of the rural poor. In addition, agriculture remains a major sector in nearly all Asian economies even before adding the value generated through downstream processing. Agriculture also serves as a buffer and a safety net by providing employment in the face of large economic shocks, such as the financial crisis in 1997–98.

16. The importance of agriculture to the macroeconomy, the labour force and the rural poor suggests that investment in agriculture should continue. Indeed, studies in China and India have shown that, dollar for dollar, agricultural research has historically been one of the most effective means of government spending to reduce poverty. Other research has shown that agricultural growth in Asia is typically more pro-poor than growth in other sectors. Unfortunately, public funding for agriculture is declining in many countries, although there are notable exceptions, such as China. Furthermore, much of the funding for agriculture often goes to subsidies that are not targeted on the rural poor, instead of being allocated for activities that increase productivity.

17. In sum, the Asia and the Pacific Region is home to many of the world's most dynamic economies, but it is also home to a majority of the world's poor. Domestic agriculture provides the bulk of food for the poor in both rural and urban areas, and it is a key provider of jobs in rural areas, where the majority of the poor live. In order to promote agricultural development and growth, deeper attention and more resources will need to be invested in the agriculture sector by governments and the international community so as to ensure that rural poverty does indeed become history.

18. **The role and experiences of other international financial institutions and United Nations organizations in the region.** Both ADB and the World Bank have increased their attention on and

their investments in agriculture and rural development in 2005 and 2006. ADB issued a new poverty reduction strategy at the end of 2004, while the World Bank developed a global rural development strategy in 2002, as well as two subregional strategies for South Asia and East Asia-Pacific shortly before that.

19. Numerous evaluations examined by the EVEREST team had been prepared by the respective independent evaluation offices of ADB and the World Bank. ADB notes that high performance and impact are difficult to achieve in the agriculture and rural sectors relative to other sectors for a variety of reasons, including complexity in project design, overoptimistic project objectives and inadequate beneficiary participation. The Annual Evaluation Review of ADB (2005) mentions that there is a low probability of success in agriculture and natural resource projects. In comparison, however, according to the 2004 Annual Review of Development Effectiveness of the World Bank, close to 85% of the World Bank's operations globally showed satisfactory outcomes in the agriculture and rural sectors from 2000 to 2004, up from around 75% between 1995 and 1999, with operations in all sectors in Asia and the Pacific performing better than operations in other regions. Interestingly, according to the World Bank, the general perception that rural projects are riskier is not supported by the Bank's quantitative data analysis.

20. FAO has a regional strategic framework for 2004-06 for Asia and the Pacific, which puts food security and small farmers at the centre of its regional priorities. FAO does not produce a report providing an overview of the organization's development effectiveness and has not undertaken any evaluation of its regional strategy in Asia and the Pacific. The United Nations Development Programme has a Regional Cooperation Framework (2002-06) for Asia and the Pacific, in which agriculture or rural development is not a thematic priority. However, the United Nations Development Programme does focus on promoting gender equality and tackling HIV/AIDS. Although it produces a development effectiveness report, given the nature of its mandate and operations, comparisons with the United Nations Development Programme may not prove to be of much significance to IFAD.

## V. IFAD'S STRATEGY IN ASIA AND THE PACIFIC

21. **Strategy preparation process, coverage and format.** The process leading up to the development of the strategy was not clearly defined, nor did the preparation include the active participation of persons from all subregions and countries across Asia and the Pacific. The strategy document did not clearly articulate its purpose and intended audience. Moreover, in spite of the dissemination efforts, important partners in the region at the country level and other key development organizations, such as ADB, conveyed to the EVEREST team that they were not familiar with the IFAD regional strategy.

22. However, feedback from IFAD staff, the Executive Directors and others highlighted the usefulness of the document as a reference point for the development of country strategies and operations, as well as for general communication purposes. That said, the evaluative content of the document is weak, as it does not refer adequately to operational experiences or the extensive range of lessons learned generated through OE evaluations. Moreover, it does not include a results framework or a timeline and lacks consideration of the issue of retrofitting ongoing country strategies and operations so as to bring them into conformity with the regional strategy. A full costing of the strategy, including human resources and organizational issues, was left out entirely.

23. Nor does the strategy articulate how it would engage donors and non-borrowing country partners in the region, and it does not sufficiently consider the diversity of the subregions in Asia and the Pacific. In sum, the regional strategy does not serve fully as an effective management tool.

24. **Relevance of the strategic directions of the regional strategy.** Three of the five strategic directions covered in the document are considered relevant both at the time of the strategy's

development and in the context of today's development challenges and opportunities for rural poverty reduction in the region. The development of indigenous peoples, enhancing the capabilities of women and building coalitions of the poor are appropriate as IFAD's strategic directions in Asia and the Pacific. However, in light of IFAD's overarching mandate to promote replicable innovations, its experience and knowledge, and the role of other development organizations, the EVEREST team believes that the development of less favoured areas and enhancing peace for poverty reduction should be reconsidered as strategic directions. The following sections underline some of the key reasons for the findings mentioned in this paragraph.

25. It is known that large numbers of indigenous peoples are living in the region. These peoples are among the most impoverished and disadvantaged parts of society, and they require special attention and assistance. IFAD has many achievements to highlight in supporting indigenous peoples in Asia and the Pacific. However, while focusing on indigenous peoples, IFAD must also find ways to support other rural poor people living in the same project and programme areas. According to the EVEREST team, this strategic direction, along with the above qualifications, was and remains pertinent for IFAD in the region. This is so because governments and donors alike expect IFAD, given its accumulated experiences, successes and comparative advantage, to take the lead in addressing rural poverty among indigenous peoples. This would also be consistent with and contribute to furthering IFAD's commitment in relation to the Paris Declaration on Aid Effectiveness, which states that "Donors commit to make full use of their respective comparative advantage at sector or country level by delegating, where appropriate, authority to lead donors for the execution of programme, activities and tasks".

26. EVEREST finds that the emphasis devoted in the regional strategy to enhancing the livelihoods of rural women was equally appropriate. For example, women in the region have suffered and, generally, continue to suffer from heavy workloads both at home and in support of family incomes, less nutritional intake than other family members, limited access to assets such as land and housing, domestic violence and lower levels of education. They continue also to have a limited role relative to men in key decision-making processes, especially, but not only in formal institutions and political bodies at all levels. That said, the EVEREST team notes that more attention should have been devoted to gender roles and relations, that is, the consequences produced by the attention on women's development in terms of the overall social and cultural fabric need greater analysis and consideration.

27. Building coalitions of the poor, including the mobilization and participation of poor people in projects and programmes, is at the centre of IFAD's strategy and operations in the region. It is an underlying condition for achieving results and sustainability. This is so within today's context as much as it was so in 2002 at the time when the regional strategy was adopted. The Fund has generally been quite successful in social mobilization, promoting participation and contributing to building grass-roots institutions throughout the region. Many good examples can be cited. At the same time, there are three specific points that need consideration. First, various evaluations have found that greater attention needs to be paid to understanding the types and capabilities of existing institutions at the local level. Second, while emphasis on social mobilization, people's participation and training and on grass-roots institution-building is important in empowering the rural poor, the EVEREST team found that, in many instances, this objective needs to be more well integrated with agricultural and non-agricultural productive activities that can contribute to raising incomes. Third, various evaluations call attention to the fact that governments are not always the most appropriate channel for promoting participation, especially in the remote geographical areas covered by IFAD operations. In addition to the above, EVEREST notes that building coalitions of the rural poor has been difficult in some cases, partly because processes to link groups or form associations are not sufficiently well defined in the project designs.

28. Focusing on the development of less favoured areas, another strategic direction, is a topic that requires careful reflection. Selecting less favoured areas as a precondition to IFAD's assistance could

compromise what EVEREST sees as IFAD's central mission: the promotion of innovative approaches to rural poverty reduction that can be replicated and scaled up by others. Less favoured and, especially, remote and marginalized areas are not always a priority for governments and donors, and finding partner institutions that have a track record in innovations and in working in such geographical locations is therefore challenging. Furthermore, less favoured areas are often characterized by poor soils, a harsh climate, weak institutions and limited marketing opportunities. As a result, they may have limited agricultural development potential. Thus, they may represent major risks and limited rewards for the IFAD operations focused on agricultural innovation. On the other hand, it is undeniable that some of the poorest people, including many indigenous people, are living in the less favoured areas, and one might argue that it is IFAD's mandate to contribute to livelihood development among such people not only as a solo agent, but also by demonstrating to other donors that there are ways to assist the poorest even if they are living in the harsh conditions of less favoured areas. Such a policy stance would help in the reduction of regional inequalities. In turn, more equitable distribution of the benefits of growth may yield a reduction in conflicts. On balance, according to EVEREST, investment in less favoured areas should have a place in IFAD's lending priorities, but an exclusive focus on such areas should not determine where IFAD should work within a given country. Rather, IFAD should channel its assistance to those parts of a country where the operating environment is conducive to promoting innovative approaches to agricultural development and rural poverty reduction with a view to their replication and scaling up by others.

29. The fifth strategic thrust, enhancing peace for poverty reduction, is innovative and bold, given that numerous countries were faced with serious problems of civil unrest and that these problems had not been factored into the strategies of other donors. However, it was not possible for the EVEREST team to assess IFAD's effectiveness in pursuing this policy direction since few projects funded by IFAD in the region focused on peace building. Thus, the self-assessment report prepared by PI notes that only 3% of lending following the adoption of the regional strategy was assigned to enhancing peace for poverty reduction. This limited involvement can be traced to a host of constraints on IFAD's capacity to operate in insecure environments. Recently, the development community has begun to give higher priority to peace building activities, including greater support for fragile states, so that IFAD may be called upon to play a pioneering role in peace building, e.g., in community-based projects geared to the reintegration of former combatants into the rural economy. Hence, the question arises whether IFAD should gear up with adequate capacity to work in conflict-ridden and conflict-prone areas, and whether, in this context, it should begin nurturing alliances with development and humanitarian organizations better equipped and specifically mandated to focus on this important theme. Until this policy shift takes place, a key message of the Chennai workshop ("IFAD cannot do everything and needs to be selective in addressing rural poverty") will remain relevant.

30. **Other issues related to strategic directions.** The importance attributed to microfinance as an overarching feature in the regional strategy is highly relevant, and the results have been positive even though there is room for improvement in targeting the poor and building the sustainability of grass-roots institutions involved in microfinance. However, the strategy did not consider adequately a number of other development issues. First, the centrality of promoting innovations and having demonstration effects for replication and for purposes of scaling up through IFAD-funded operations was not given due treatment. This issue is important throughout the region, but even more so in the larger economies, where IFAD financial resources are not the only attraction available to borrowing countries.

31. In addition, the strategy, surprisingly, paid limited attention to rural infrastructure and the livestock subsector, which are important subsectors in the region. The issue of how IFAD might complement the work of the main institutions combating HIV/AIDS was not covered. Likewise, in spite of the good experiences in various countries, the regional strategy paid limited attention to decentralization and failed to address corruption seriously both at the time of the development of the strategy and following the approval of IFAD's anticorruption policy. The role of the private sector,

migration and remittances, their effects on the rural economy and ways in which the Fund could cost-effectively engage in the Pacific Islands were also not covered.

32. **Alignment of the country strategic opportunities papers and operations with the regional strategy.** By and large, the country strategies and projects formulated by IFAD are in line with the main elements of the regional strategy. Depending on the country strategy or project objectives, there is a stronger focus on some strategic directions than others. However, as mentioned elsewhere above, only one country strategy and very few operations have focused on enhancing peace for poverty reduction. Loan resources have been, by and large, allocated in line with the main priorities of the strategy, which are separate from the area of enhancing peace for poverty reduction.

## VI. ASSESSMENT OF RESOURCE ALLOCATION AND RESULTS

33. **Resource allocation.** Since its establishment, IFAD has provided around US\$2.8 billion to 21 countries in the region in the form of loans. During the evaluation period, IFAD loans in the region stood at around US\$1.2 billion through 68 projects and programmes. This represents 41% of the commitments and 37% of the projects approved for the region since IFAD was established in 1978. Total project and programme costs during the evaluation period were nearly US\$3 billion, and all lending since 1998 has been on highly concessional terms.

34. According to the regional lending allocations established by IFAD in 1994, the share of Asia and the Pacific Region was set at about 31% of the total for IFAD. Before the introduction of the performance-based allocation system (PBAS), PI worked out country-level allocations largely on the basis of precedent. Seen in conjunction with the current regional shares, these outcomes suggest that, prior to the introduction of the PBAS, IFAD's actual lending in the Asia and the Pacific Region, as also in other regions, was driven by legacy rather than strategy, except that the addition of new borrowers diluted the share of old ones. These are some of the reasons for the introduction of the PBAS, which is expected to establish a more systematic and transparent resource allocation process.

35. The addition of new borrowers (e.g., Cambodia, Laos and Vietnam) tilted IFAD lending towards East and South-East Asia and away from South Asia. Perhaps the biggest loss was experienced by the Pacific Islands, however; these went from a 2.1% share of the PI portfolio to zero. The introduction of the PBAS is more likely to safeguard the interests of the smallest states if the minimum lending stipulated in the PBAS (US\$1 million per country) is followed. Moreover, because of the weight given to (rural) population in the PBAS, country allocations will shift in favour of South Asia.

36. EVEREST also notes that, within many of the countries in the region, IFAD support and resources are dispersed in various geographical areas, which, inter alia, militates against promoting synergies across the programme at large and limits the Fund's ability to build deep knowledge on specific rural poverty issues. With regard to grants, the division's current portfolio includes 47 grants, worth US\$17.3 million, that are divided into large and small grants and also regional and country-specific grants. The reported grant portfolio in the region is inexplicably only about 1.5% of the loan portfolio (excluding the programme development financing facility), which seriously limits the division's ability to, inter alia, promote innovation, undertake knowledge management and conduct research through grant-funded initiatives. Finally, it is noted that there have been increases in grant allocations recently for partnership building, policy dialogue, and impact assessment.

37. **Cofinancing and counterpart funding.** There has been a drastic reduction in cofinancing in the past four or five years. Cofinancing as a percentage of IFAD lending varied between 65% and 68% in 2001-02 and only 3%-4% in 2003-04. There are various reasons for this, including the organizational decentralization of donor agencies, the increase in the use of other instruments to channel aid (such as sector-wide approaches and budget support) and limited knowledge among

potential cofinanciers at the country level of IFAD's programmes and experiences. Furthermore, there is little management guidance, and the incentives for mobilizing cofinancing are few. The lack of continuity in cofinancing partnerships is also a concern: 35 different partners have cofinanced IFAD projects in Asia since 1978, but only 11 of these were actively cofinancing with IFAD in 2002-05. New cofinancing with ADB and the World Bank has been zero since 2002 (see Appendix II). The level of counterpart funding has also fallen markedly, from 45% of total cost between 1978 and 1995 to 19% between 2002 and 2005.

38. **Project portfolio performance** (see Appendix III, table 1). The ratings of the 14 projects examined in EVEREST show more or less consistently better results than those reported for IFAD as a whole in the Annual Report on the Results and Impact of IFAD Operations (ARRI) during 2002-04. In 100% of the sample, project objectives are highly or substantially relevant in Asia and the Pacific. In terms of effectiveness, projects in the Asia and the Pacific Region achieved far better results than the projects considered in the ARRI. Some reasons for this include the following: (a) IFAD operations in the region benefit from sounder institutions, well-trained human resources and a relatively favourable policy environment prevalent generally in the region. This is reflected in the high levels of economic growth and relatively good development performance of the region. In fact, the outcomes for projects funded by the World Bank are better in Asia and the Pacific than they are in other regions, and they are above Bank-wide averages; (b) the extensive involvement and quality of NGOs and community-based organizations, as well as the enhanced participation of women in development activities, help explain the higher effectiveness; (c) the project implementation indicators are better relative to those in other IFAD regions, for example, in terms of disbursements and time taken from loan approval to effectiveness. As far as efficiency is concerned, the ratings of projects in the Asia and the Pacific Region are a little better than the ARRI figures. The measurement of efficiency is not facilitated by the unsystematic data collection and infrequent estimates of cost-benefit indicators in IFAD-funded projects.

39. **Impact on rural poverty** (see Appendix III, table 2). In terms of the impact of projects on rural poverty, it is notable that the EVEREST sample yields higher ratings than the ARRI sample in all but one of the impact indicators (environment and natural resources). A possible reasons for this is that 34% of the ARRI sample consists of projects from middle-income countries, where the ARRI has found relatively poor impact in the past. The EVEREST sample does not include any representation of middle-income countries. As noted by the ARRI, policy and institutional environments have a bearing on the rural poverty impact of projects. In this regard, as also indicated above, the Asia and the Pacific Region provides a better-than-average operating environment. Nonetheless, in spite of the good project results and impact, important concerns remain about targeting, innovations, sustainability in general terms and impact on the environment and natural resources in particular. Few ratings are available for policy dialogue, donor coordination and partnership strengthening in the 14 projects covered by EVEREST. However, those available show a generally weak impact in these areas, for example, in Bangladesh and Indonesia, but also in other countries. This is a key constraint on IFAD's ability to promote innovative approaches to rural poverty alleviation that can be replicated and scaled up by others.

## VII. ASSESSMENT OF KEY BUSINESS PROCESSES

40. The EVEREST team assessed a number of business processes that are crucial to ensuring that the implementation of the regional strategy is smooth. These processes include overall PI organization, human resources, budgets, knowledge management, project and programme cycle management, policy dialogue, partnership building, and donor coordination and harmonization.

41. Following the adoption of the regional strategy, the evaluation found that no particular steps had been taken by the division to reposition its organizational structure and human and financial resources to facilitate the implementation of the strategy. In general, the evaluation notes the need for

more systematic management of human and financial resources. For example, a number of vacancy announcements issued for country programme managers have been left unfilled for close to two years, and there is inadequate representation of women and staff from developing countries of the region in the regular professional positions. Due to limited resources, staff had few opportunities for training. The allocation of country programmes has not always been made based on experience, competences and staff skills. Attention is required to the management of consultants. For example, only 20% of consultants are women, and the ratio of PI professional staff to consultants (1 to 3.5) is very high, compared to the rest of IFAD, which is around 1 to 1. Finally, field presence staff, as part of the field presence pilot programme, have not been sufficiently integrated in the overall activities of the division, and insufficient attention and budgets have been allocated to activities like policy dialogue and partnership building during the overall evaluation period.

42. The division has recently set up the Economics and Results Teams. Among other useful tasks, the economics team is responsible for undertaking thematic studies on emerging issues, for regional planning and for the production of the new regional strategy. The results team is responsible, inter alia, for budget management, the divisional portfolio review and knowledge management. As these teams became fully operational only at the beginning of 2006, it is premature for EVEREST to make meaningful comments on their operations.

43. Country programme managers have responsibility for two or more countries spread across the region. EVEREST believes that this model may not be the most appropriate organizational set-up for country programme management in Asia and the Pacific Region for a variety of reasons. For example, although each country situation is unique, countries within subregions are more likely to face similar issues and opportunities, and, given the vastness and diversity of the region, there are considerable subregional differences. Moreover, the sorts of issues of interest and the cooperation among countries predominantly revolve around subregions. If country programme managers were to focus their work on one subregion, they would contribute to building more specialized knowledge and networks of subregional consultants and partners, and they would reduce administrative costs. Finally, many country programme managers feel that, professionally, they are working alone in their “country-programme-manager silos” with little horizontal communication and support, and, despite the introduction of the country programme teams, there is no concept in PI of subregional teams or managers that could, among other issues, be responsible for a subregion and for supporting, coaching and supervising less experienced country programme managers and other staff assigned to the subregional teams.

44. There have been some useful initiatives to promote knowledge sharing, such as the organization of workshops and exchange visits across countries, as well as the recent introduction of peer reviews. During the evaluation period, knowledge networking for rural development in Asia and the Pacific Region (ENRAP) was one of the key vehicles for knowledge management, in fact, devoting much emphasis on the promotion of information and communication technologies, rather than on learning content related to rural poverty reduction. Also, the division has not made proactive efforts to contribute to and benefit from interdivisional learning, and, broadly speaking, the division has not fully utilized OE evaluation results. Generally, few resources and little time have been allocated to the task, and staff do not appear to have the necessary incentives to engage in knowledge sharing activities. Between the country level and headquarters, the knowledge flows are poor, partly due to weak monitoring and evaluation systems in the projects and the lack of a permanent presence in the field (notwithstanding the recent arrangements set up under the field presence pilot programme).

45. Limited ownership and responsibility at the country level among key stakeholders, especially in project and programme design, are an underlying reason for the problems associated with sustainability and are a constraint on even better project performance. The mid-term reviews have proved to be an effective instrument for improving project implementation, but this leads to deferred project effectiveness because important decisions related to potential project redesign are left until the

mid-term review exercise, which normally takes place several years after the start of project implementation. The divisional annual portfolio review process has been well implemented, and the attention to self-evaluation processes is increasing.

46. Notwithstanding recent efforts, limited consideration and resources have been devoted to building strategic partnerships and policy dialogue, as well as donor coordination and harmonization. Partnerships and coordination with key institutions, such as ADB, FAO and the World Bank, are weak even though efforts have been deployed recently to redress the situation. While there is evidence of successful policy dialogue in some countries, this was being pursued mainly through project-related processes, rather than the implementation of coherent policy agendas as a distinct non-lending activity. Limitations in staff time and competencies, as well as management guidance, have been constraints in achieving better results in these areas.

## VIII. CONCLUSIONS

47. **Overview.** The storyline emerging from the evaluation of IFAD's regional strategy in Asia and the Pacific illustrates that portfolio performance in the region has been good, especially as compared to the IFAD-wide ratings reported in the ARRI. But concerns remain about the systematic promotion of innovations, replication, scaling up, targeting and sustainability, which the evaluation recognizes as areas in need of improvement.

48. EVEREST concludes that portfolio performance and overall results and impact could have been even greater if better business process management had been in place. For example, changes in key aspects of project and programme cycle management would be beneficial, for instance, by giving more responsibility to the country for project formulation and introducing a thorough annual review of projects/programmes to improve effectiveness, rather than waiting for the mid-term review exercise. Moreover, a more effective approach to human resources and budget management (e.g., by ensuring that country programmes are allocated according to staff experience, skills and competencies or by earmarking sufficient budgets to implement key aspects of the regional strategy, such as policy dialogue and impact assessment) and the creation of incentives for knowledge management with stronger linkages to and from the field, including a more systematic use of evaluation results, are likely to contribute to enhanced results.

49. Performance and efforts to build strategic partnerships with key institutions, the mobilizing of cofinancing and counterpart funds, the promotion of innovations, policy dialogue, and IFAD's participation in donor coordination and harmonization have been weak overall. Low achievement in these critical areas reveals the go-it-alone attitude characteristic of IFAD's operational posture.

50. In sum, results have been good in terms of portfolio performance and impact, which is IFAD's traditional area of business. But there is no room for complacency given the size and complexity of rural poverty in the region, which IFAD wants to help reduce.

51. **The regional strategy.** The preparation process of the regional strategy was not well defined. It was not sufficiently inclusive of all key countries in the region, nor did the strategy document fully meet the requirements to allow it to be used as a management tool (see paragraphs 21 and 23). Even though the purpose and audience of the strategy were not articulated clearly, the document was considered by IFAD staff and others as a useful instrument and as an external communication vehicle.

52. According to EVEREST, the main directions covered in the strategy are mostly relevant. The focus on indigenous peoples is very important, given the poverty conditions faced by these people and the good results and experience accumulated by IFAD in supporting such communities. Likewise, the emphasis devoted to enhancing the capabilities of women and building coalitions of the poor is appropriate. The Fund has achieved positive results in empowering women, even though greater

attention could have been given to analysing gender roles and relations, especially in a context where the role and status of women are constantly evolving. EVEREST found, however, that IFAD has devoted disproportionate attention to social capital formation and capacity-building and much less to enhancing productivity and incomes. Good results were achieved in using microfinance as an instrument for rural poverty reduction, even though there is scope for improving targeting and the sustainability of microfinance activities.

53. IFAD's main objective in the region is to play a catalytic role in addressing rural poverty issues and assisting those rural poor people and their communities that are marginalized and voiceless. This means that, in terms of geographical focus, the regional strategy should identify areas where there is a high incidence of marginalized poor people and where there is a realistic potential for IFAD to promote innovative development approaches, with the ultimate objective of allowing others to replicate them and scale them up, whether in less favoured areas or not. This would, inter alia, require: (a) the actual or potential presence in the selected geographical area of organizations committed to developing innovative solutions in agriculture and rural development; (b) plausible indications that the selected geographical area will not be shunned by the government and key donors that have the capability to replicate and scale up successful innovations tested on the ground; and (c) the availability of technical packages or institutional innovations that have good prospects of enhancing agricultural productivity and sustainable livelihoods and that take development experience and knowledge into account in similar geographical areas and with relevant target groups. Such operational criteria in defining IFAD's geographical focus in Asia and the Pacific would facilitate risk management and allow the Fund to make a difference by investing in those areas where others would not otherwise venture, while giving a voice to the many voiceless rural poor. Finally, while recognizing the importance of enhancing peace for poverty reduction, EVEREST concludes that this is not an area in which IFAD currently has a particular comparative advantage.

54. At the time of preparation, the strategy did not consider adequately several important development aspects. For instance, it did not address the issue of corruption. Likewise, in spite of the successful experiences of IFAD in this area in the region, the strategy did not underline the role IFAD would play in promoting decentralized development. Other important areas not given due treatment included the way IFAD would engage the private sector in its operations and the specific contribution IFAD could make in combating HIV/AIDS in collaboration with others (e.g., the Joint United Nations Programme on HIV/AIDS), for which this would represent a core area of mandate.

55. The strategy surprisingly underemphasized the rural infrastructure, livestock and fisheries subsectors, to which IFAD has allocated a fair amount of resources (and continues to do so), given their importance for food security and poverty reduction. The issue of migration out of rural areas and the impact of remittances on rural economies, as well as the way in which the Fund could engage cost effectively in the Pacific Islands, were similarly left out of the strategy.

56. **Resource allocation.** There is broad consistency between resource allocation and the five main strategic directions in the regional strategy, even though resources have been spread thinly across geographical areas within many countries in the region, and, as mentioned elsewhere above, very few resources had been allocated to enhancing peace for poverty reduction. The division has not made sufficient use of grants, thereby limiting, for example, its ability to promote innovations and to engage in policy dialogue processes. Cofinancing declined dramatically during the evaluation period, and counterpart funding has also been falling over the last decade. Declining cofinancing and the reduction in counterpart funds have not yet been matched by a corresponding increase in IFAD's participation in sector-wide approaches or the mobilization of cofinancing through alternative sources, such as from the private sector.

57. **Performance and impact.** The ratings on project performance and rural poverty impact in the region are, in general, consistently better than the IFAD-wide ratings for the same criteria. Part of the

difference in results and impact may be explained by the operating environment and project implementation in the region, which are generally better than average. However, the ratings on impact on the environment and the communal resource base are less than half the ones in the ARRI: few projects in the region make environment a priority. Targeting and sustainability are causes for concern. IFAD has had some success in policy dialogue. However, the successes have largely been achieved by addressing policy issues in connection with project design and implementation processes, rather than by efforts at integrated policy dialogue at the country programme level. Partnerships with the international financial institutions and the United Nations have generally been weak. There are few examples illustrating that IFAD has engaged in donor coordination and harmonization activities, even though the field presence arrangements are contributing to a gradual improvement in these areas.

58. **Programme and project cycle management.** One main conclusion is that there is limited ownership and responsibility at the country level in various phases of the project life cycle. This is partly due to the way the project cycle is presently organized; IFAD takes the lead in most activities related to project design. The limited ownership exercised by borrowing countries constrains the achievement of even greater results and sustainability in the projects supported by IFAD. Moreover, while the mid-term reviews have proved to be an effective instrument for improving project implementation, this comes relatively late in implementation and leads to deferred project effectiveness because important decisions related to potential project redesign are often left until the mid-term review takes place.

59. **Knowledge management and learning.** Some interesting initiatives were undertaken in knowledge management, such as promoting South-South exchanges and, more recently, the introduction of divisional peer reviews. However, less attention was given to learning from the experiences of other international or bilateral organizations, and no comprehensive approach was defined until 2006 on how knowledge management would be addressed at headquarters, with the required linkages to the field and to others concerned. ENRAP did not focus sufficiently on building up and making relevant knowledge available to key partners. OE evaluation results have not been fully utilized, and there continue to be few incentives, limited time, and few funds to encourage staff to get involved in knowledge management.

60. **Organization, resources and capacity of the Asia and the Pacific Division.** Following the adoption of the regional strategy, no major steps were taken to reposition PI's organizational structure and human and financial resources in preparation for the implementation of the strategy. The timely filling of vacancies might have helped improve gender balance and enhance the representation of developing countries of the region among the staff. The recent creation of the Economics and Results Teams have the potential to add value to the divisional and individual country programmes. However, a number of older problems persist, such as limited opportunities for staff training, the largely stand-alone mode of operation of country programme managers, the lack of a broader integration and utilization of the IFAD field presence arrangements, and inadequate budgetary allocations to further non-lending activities, even though added funds have been earmarked for this over the past couple of years.

## IX. RECOMMENDATIONS

61. There is a clear need for IFAD to develop a new regional strategy in Asia and the Pacific for a specific period; it would guide the formulation of country strategies and overall operations in the region. The regional strategy would serve as a platform for cooperation and partnership between IFAD and the countries of the region, as well as between IFAD and key regional and subregional organizations. It would also be useful as an accountability framework for IFAD and PI. EVEREST makes five specific recommendations, each one of which is cross-referenced to corresponding sections in the conclusions.

**A. Development of a New Regional Strategy** (see paragraphs 51-55)

62. The strategy should be developed in close consultation with the countries of the region and become a platform for development cooperation and partnership between IFAD and these countries. It should also be used as the basis for defining partnerships with major institutions and development agencies that are active in agriculture and rural development in the region. And the Fund would benefit more broadly if the strategy would build upon the concerns of the variety of countries in the region, that is, both its borrowing and non-borrowing member states, the latter being an important part of the overall enabling environment. Some borrowing countries in the region are particularly interested in gaining access to IFAD's accumulated knowledge and experiences in rural poverty reduction, in addition to the financial investments of the Fund. The regional strategy should state how it would address this requirement as well.

63. A full costing exercise and a thorough analysis of the resource levels required to meet the objectives of the strategy should be a prerequisite up front. In order to gain from the views and knowledge of others, it would be advantageous for IFAD to establish a panel of external peer reviewers during the strategy formulation process.<sup>5</sup> The strategy should indicate how it would retrofit the ongoing country strategies and operations to ensure that IFAD resources are used most effectively and in compliance with the new regional strategy. The new regional strategy should serve as a management tool for IFAD. In this regard, it should include a results framework and provisions for a mid-term review, and its implementation should be monitored and evaluated.

64. The directions in the new strategy should be determined following robust analysis of rural poverty and key subsectors in the region. An analysis of emerging opportunities and threats, as well as IFAD's weak and strong points and a detailed study of the role and focus of other major players in agriculture and rural development, should lead to the development and assessment of alternative strategic options before the most promising directions are finally selected, a process that was squarely missing in the development of the 2002 regional strategy.

65. It is recommended that IFAD work in geographical areas where there is a serious opportunity to promote innovations that have the potential of being replicated and scaled up by other partners, in particular, by both the government and donors. This requires, inter alia, a comprehensive institutional analysis up front to ensure that IFAD is able to identify partners who are committed to similar objectives and have the ability to replicate and scale up innovations. Moreover, it is of paramount importance for the Fund to build on its experience, comparative advantage and reputation, as well as focus on supporting those most in need. Another crucial consideration is that the Fund should assess thoroughly the overall governance framework and policy environment of the geographical area within a country where IFAD plans to allocate its resources. In addition, to the extent possible and especially in large countries, it is advisable to concentrate IFAD's assistance geographically, rather than spreading IFAD resources thinly across different parts of the country. This will allow IFAD to develop deeper knowledge and specialization on selected issues and in selected areas, as well as promote greater development results and sustainability.

66. Continued emphasis on promoting people's participation and building up grass-roots institutions and coalitions of the rural poor should be maintained. In this regard, there is a need to ensure a better balance between empowerment and social capital formation on the one hand and income-generating opportunities (from both on-farm and off-farm sources) on the other. Moreover, women's development is considered important in achieving a deeper impact on rural poverty in the region and should be considered a priority in the process leading up to the selection of future strategic

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<sup>5</sup> It would be worthwhile to include on the peer review panel a representative of another IFAD regional operations division.

directions. In this regard, greater attention is required in the effort to promote better gender equity and address how gender relations are evolving as a result of women's advancement.

67. Moreover, given the sizeable involvement of IFAD in the sector, the positive results achieved on the ground, IFAD's thorough understanding of issues affecting development and the continued, widespread poverty among such communities, IFAD should maintain a very special focus on indigenous and tribal peoples in Asia and the Pacific. However, EVEREST underscores that, while focusing on such communities, a broader inclusive approach is necessary to targeting also to ensure that other rural poor living in the same project area play a constructive role in the development operation under consideration.

68. As in other areas that require priority attention, corruption needs to be tackled explicitly as an overarching theme at the project level, but also at the policy level and in close cooperation with other international development organizations and in consultation with governments, within the broad framework of IFAD's anticorruption policy. Likewise, attention to HIV/AIDS issues would seem to be required in a region in which the number of people affected is large and increasing. However, in this regard, it should be recognized that there are other development organizations at the forefront of HIV/AIDS issues. Hence, IFAD's contribution should naturally be complementary to the work of others, and, in particular, the Fund should only operate in those areas where a gap in assistance might otherwise exist.

69. Building on its experiences, IFAD can provide support for decentralization, as this would bring development planning and resource allocation closer to the rural poor. In this regard, for IFAD, decentralization should not be considered as an aim in itself, but it should serve as an instrument to enhance the effectiveness of rural poverty reduction programmes. Among other issues, in its future efforts to promote decentralization, IFAD should ensure that locally elected officials and bodies are examined carefully given their central role in development matters at the local level.

70. Greater attention needs to be devoted to the environment and to natural resource management, where performance is weak, as well as to engaging the private sector proactively in IFAD operations; an IFAD policy has recently been adopted by the Board in this area. Finally, the livestock and rural infrastructure subsectors deserve more attention, given that they constitute important components of IFAD operations that were not adequately included in the 2002 strategy.

71. The following four recommendations are also considered integral to the new IFAD regional strategy in Asia and the Pacific.

**B. Strengthen Strategic Partnerships and Policy Dialogue** (see paragraphs 49 and 56-57)

72. Building on recent initiatives implemented by the division, EVEREST recommends that a strategic compact with ADB and the World Bank be developed, given the increasing attention and investments of these international financial institutions to the agriculture and rural sectors. The evaluation recommends that both the PI and IFAD senior management should be closely involved in the development, implementation and review of such a strategic compact. The partnerships would, among other issues, pay attention to cooperation in the areas of policy dialogue and the replication and scaling up of successful innovations promoted by IFAD. Opportunities to develop joint agriculture and rural development strategies within the framework of Poverty Reduction Strategy Papers could be explored in selected countries on a pilot basis. Enhanced cooperation and harmonization with the other two Rome-based UN agencies (especially with FAO, per the Agreement Establishing the Fund) and selected bilateral aid agencies should also be considered, for example, in terms of project design and knowledge sharing.

73. Enhanced partnership with governments in the region is crucial as well. Greater country ownership in project design (see paragraph 76) would also lead to greater effectiveness and sustainability. For this, IFAD must ensure that its country strategies and operations are firmly anchored in key national strategies and plans for rural poverty reduction. It is, however, important that IFAD work towards engaging a broader range of government institutions in order to benefit from the variety of technical expertise, skills and experiences available at the country level. More effort needs to be invested in increasing government counterpart funding in IFAD operations, as this would be one way of generating added ownership and responsibility.

74. Private sector engagement needs to be improved in IFAD operations. This is particularly important in areas related to microfinance (such as through the establishment of linkages with commercial banks) and the processing and marketing of farm and non-farm produce, but also in the supply of technical assistance to project implementing agencies (for instance, in setting up and training project staff in monitoring and evaluation systems, in the provision of extension advice, or in undertaking project supervision and implementation support). Strengthened partnership is also needed with civil society and the NGO community be it for advocacy on policy issues, social mobilization, or capacity-building purposes. However, the evaluation experience in various countries has repeatedly highlighted the need to clarify, from the outset, their objectives, roles and responsibilities in order to ensure smooth relations with other project partners.

75. Finally, it is imperative that policy dialogue be approached in a more systematic manner, anchored in IFAD's operational experiences in the field. Policy dialogue objectives need to be set in a realistic manner, and specific human and financial resources should be allocated for the purpose. IFAD policy dialogue efforts should also be undertaken with similar initiatives by other partners, including international organizations. A clear policy dialogue agenda should be articulated, with indicators that will allow the progress in implementation to be monitored and the corresponding achievements to be evaluated. The role and responsibility of IFAD field presence staff in advancing IFAD's policy dialogue objectives must be clarified, and policy dialogue should be included as a criterion for the year-end performance assessment of staff.

### **C. Enhance Ownership, Accountability and Learning through Programme Cycle Management** (see paragraphs 48 and 58-59)

76. IFAD should identify appropriate partners through institutional assessments as early as possible in the project design process. The selected implementation partner must designate the project director and a core team to work on the project design process on a full-time basis. Project formulation should be the responsibility mainly of the selected implementing partner, whereas IFAD should continue to be responsible for project appraisal. However, transferring the highly important and time-sensitive formulation process mainly to the implementing partners would leave IFAD facing the risk of not getting projects approved on time. This would be inconsistent with the prevailing situation, wherein staff are rendered accountable for getting loans approved by the Board according to schedules. Therefore, a review of the overall accountability framework in place in the division and in IFAD is required.

77. Regardless of any changes that might be made in the project design process, problems and lessons that emerge during implementation should be addressed on a regular basis and not kept pending until the mid-term review, which is often a turning point in the development effectiveness of the project. One option for IFAD and its implementing partners would be to conduct joint annual reviews, agree on course corrections, and prepare the annual workplan and budget accordingly. Greater attention and resources should be devoted to project-level monitoring and evaluation systems not only for this reason, but also, more specifically, to improve impact assessment and reporting and contribute more broadly to the division's knowledge management objectives.

#### **D. Improve Impact through Better Targeting and Sustainability**

(see paragraphs 47 and 52)

78. Within the framework of the forthcoming IFAD targeting policy, EVEREST recommends that IFAD should develop a clear and comprehensive approach that would guide IFAD and its partners in: (a) the selection of project areas within a given country; (b) the selection of beneficiary communities within a project area; (c) the targeting of individuals within a community; (d) the matching of interventions to the targeting approach; and (e) regular monitoring and reporting on targeting issues.

79. Issues of sustainability need to be addressed, for which a range of measures, including the following, should be considered: (i) an exit strategy should be developed in every project at an early stage; (ii) technical standards that are employed in service delivery and infrastructure development should be reviewed, and whether the rural poor can operate and sustain project interventions with the financial, social and human capital available to them should be determined; (iii) in many countries, especially where implementation occurs through government line departments, it may be important to train technical experts to take a more realistic, less technically demanding and more pro-poor approach to sustainability; and (iv) a thorough analysis is required to determine whether agencies charged with operation and maintenance have the capacity to fulfil this aspect of their mandate.

#### **E. Organizational Considerations to Achieve the Objectives of the Regional Strategy**

(see paragraphs 48 and 60)

80. Given the multisectoral nature of IFAD's work and the strong focus on country programmes, the continued organization, on a geographical basis, of the core line functions and staff in PI seems appropriate. However, PI should explore the possibility of reorganizing its staff into an appropriate number of subregional teams. There are several examples of such an approach taken by others, including ADB and the World Bank for their operations in Asia and the Pacific. Within IFAD, the Latin America and Caribbean Division has recently adopted a subregional team organizational set-up, and IFAD's operations in Africa are managed by three regional divisions focusing on three subregions of the continent.

81. With regard to the Field Presence Pilot Programme, it is recommended that the role and relationships of field presence staff with the division be clarified and accordingly communicated to the main partners at the country level. This includes the countries where IFAD has proxy field presence arrangements. Moreover, as mentioned, a greater delegation of authority to the field presence staff would ensure their better integration in the overall IFAD country team<sup>6</sup> concept.

82. As the work of professional staff and others evolves, the need for training and staff development becomes pressing. In light of the limited resources available in the Human Resources Division for decentralized training purposes, PI training needs will need to be fully costed, and budgets will need to be allocated for the implementation of the training.

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<sup>6</sup> In fact, granting greater "delegation of authority to donors' field staff" is a key commitment included in the Paris Declaration on Aid Effectiveness.

## PART B – AGREEMENT AT COMPLETION POINT

### I. INTRODUCTION

1. The Office of Evaluation (OE) undertook the evaluation of IFAD's regional strategy for Asia and the Pacific (EVEREST) in 2005/2006. The full EVEREST report was finalized in July 2006.
2. A regional workshop was co-organized by OE and the Asian Development Bank (ADB) in Manila on 28-29 June 2006 to discuss the main findings and recommendations from the evaluation. The workshop, attended by senior government officials, representatives from international organizations, civil society and research institutions, IFAD management and staff and others, also provided inputs for the preparation of this Agreement at Completion Point (ACP).
3. The ACP illustrates an understanding of the key evaluation findings and recommendations, proposals to implement them and a commitment to act upon them. Section B of the ACP includes the main evaluation findings, and section C contains recommendations agreed by the IFAD management.

### II. MAIN EVALUATION FINDINGS

4. The evaluation of IFAD's regional strategy for Asia and the Pacific illustrates that portfolio performance in the region has been good, especially as compared to the IFAD-wide ratings reported in the Annual Report on the Results and Impact of IFAD Operations<sup>7</sup>. But concerns remain about targeting and sustainability, which the evaluation recognises as areas in need of improvement.
5. Moreover, the EVEREST concludes that portfolio performance and overall results and impact could have been even greater if better business processes were in place. For example, changes to key aspects in the project and programme cycle would be beneficial, for instance, by giving more responsibility to the countries for project design (in fact, the management would need to review the current project cycle to allow countries, in selected cases, to take the lead in project formulation) and introducing a thorough annual review of country programmes and projects/programmes to improve effectiveness, rather than waiting for the mid-term review. Moreover, a more effective approach to human resources and budget management (e.g., by ensuring that country programmes are allocated according to staff experience, skills and competencies or earmarking sufficient budgets for implementing key aspects of the regional strategy, such as policy dialogue and impact assessment) and creating incentives for knowledge management with stronger linkages to and from the field, including a more systematic use of evaluation results, are likely to contribute to enhanced results.
6. Performance and efforts in building strategic partnerships with key institutions, in mobilising co-financing and counterpart funds, the promotion of innovations, policy dialogue, and IFAD's participation in donor co-ordination and harmonisation have been overall weak. The evaluation observed that various initiatives have been taken in these areas since mid-2004.
7. In sum, results have been good in terms of portfolio performance and impact, which is IFAD's traditional area of business. But, there is no room for complacency, given the size and complexity of rural poverty in the region, which IFAD wants to help reduce.

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<sup>7</sup> This annual report is prepared by OE and discussed with the IFAD management, the Evaluation Committee and the Fund's Executive Board. It provides an overview of the Fund's performance and impact based on evaluations undertaken by OE, and includes lessons learned and recommendations that are of IFAD-wide importance.

### III. RECOMMENDATIONS AGREED UPON BY IFAD

8. There is a clear need for IFAD to develop a new regional strategy for Asia and the Pacific for a specific period, which would guide the formulation of country strategies and overall operations in the region. The regional strategy would both serve as a platform for co-operation and partnership between IFAD and the countries of the region as well as an accountability framework for IFAD and the Asia and Pacific division. The EVEREST makes five specific recommendations described in the following sections.

#### **Recommendation 1: Development of a New Regional Strategy**

9. The strategy should be developed in close consultation with the countries of the region, and become a platform for development co-operation and partnership between IFAD and these countries. It should also be used as the basis for defining partnerships with major institutions and development agencies that are active in agriculture and rural development in the region. And, the Fund would benefit more broadly if the strategy takes into consideration sub-regional perspectives, and builds upon the concerns of the variety of countries in the region, that is, both its borrowing and non-borrowing member states.

10. A full costing and a thorough analysis up front of the resource levels required to meet the objectives of the strategy should be a prerequisite. In order to gain from the views and knowledge of others, it would be advantageous for IFAD to establish external and internal peer review panels during the preparation of the strategy<sup>8</sup>. The strategy should indicate how it would retrofit the ongoing country strategies and operations to ensure that IFAD resources are used most effectively and in alignment with the new regional strategy. The new regional strategy should serve as a management tool for IFAD. In this regard, the strategy should include a results framework and provisions for a mid-term review. Its implementation should be monitored and evaluated.

11. The directions in the new strategy should be determined following robust analysis of rural poverty and key subsectors in the region. An analysis of emerging opportunities and threats as well as IFAD weak and strong points including a detailed study of the role and focus of other major players in agriculture and rural development, should lead to the development and assessment of alternative strategic options before the most promising directions are finally selected – a process that was squarely missing in the development of the 2002 regional strategy.

12. It is recommended for IFAD to extend its work in geographic areas where there is a serious opportunity to promote innovations that have the potential of being replicated and up scaled by other partners, in particular by both the government and donors. This requires, inter alia, a comprehensive institutional analysis upfront to ensure that IFAD is able to identify partners who are committed to similar objectives and have the ability to replicate and up-scale innovations. Moreover, what is of paramount importance is for the Fund to build on its experience and comparative advantage, as well as focus on supporting those most in need, who are being largely bypassed by the development efforts of others. Another crucial consideration is to assess thoroughly the overall governance framework and policy environment of the geographic areas within a country where IFAD plans to allocate its resources.

13. In addition, to the extent possible and especially in large countries, it is advisable to geographically concentrate IFAD's assistance, rather than spreading thinly IFAD resources across different parts of the country. This will allow IFAD to develop deeper knowledge and specialization on selected issues and areas, as well as promote greater sustainability.

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<sup>8</sup> For example, it would be worthwhile to include a representative from another IFAD regional operations division in the internal peer review panel.

14. Emphasis to promoting peoples participation and building of grassroots institutions of the rural poor, should be maintained. In this regard, there is need to ensure a better balance between empowerment and social capital formation on one hand and income generating opportunities (both from farm and off farm sources) on the other. Greater attention is required in promoting better gender equity and addressing evolving gender relations as a result of women's advancement.

15. IFAD should maintain a strategic focus on indigenous people, tribal people and ethnic minorities in Asia and the Pacific. However, the EVEREST underscores that, while focusing on such communities, a broader inclusive approach is necessary to targeting also to ensure that other rural poor living in the same project area play a constructive role in the development operation under consideration.

16. As other areas that require priority attention, fraud and corruption needs to be tackled explicitly as an overarching theme, throughout the country programmes and also at the policy level in close co-operation with other international development organizations and in consultation with governments, within the broad framework of IFAD's Anti-Corruption Policy.

17. Likewise, attention to addressing HIV/AIDS issues would seem a must for IFAD in a region where the number of people affected is large and increasing. IFAD's contribution should naturally be complementary to the work of others, and in particular, the Fund should only operate in those areas where a gap might exist.

18. Building on its experiences, decentralization needs support which IFAD can provide, as this would bring development planning and resource allocation closer to rural poor. In this regard, for IFAD, decentralization should not be considered an aim in itself, but serve as an instrument to enhance the effectiveness of rural poverty reduction programmes. Among other issues, in its future efforts in promoting decentralization, IFAD should ensure that local elected officials and bodies are duly considered given their central role in development matters at the local level.

19. Greater attention than in the past needs to be devoted to the environment and natural resources management where performance is weak, as well as to engaging proactively the private sector in IFAD operations, on which an IFAD policy has been recently adopted by the Board. Finally, the livestock and rural infrastructure subsectors deserve more attention, given that they constitute important components of IFAD operations not adequately included in the 2002 strategy.

20. Other integral aspects for the new regional strategy to consider are contained in recommendations 2 to 5.

21. **Implementation time frame:** The new regional strategy should be presented to the Executive Board by the end of 2007.

### **Recommendation 2: Strengthen Strategic Partnerships and Policy Dialogue**

22. Building on recent initiatives implemented by the division, the EVEREST recommends that the strategic compact with the Asian Development Bank and the World Bank be developed, given the increasing attention and investments of these IFIs to the agriculture and rural development sectors. The evaluation recommends that both the PI and IFAD senior management should be closely involved in the development, implementation and review of such a strategic compact. The partnerships would, among other issues, pay attention to co-operation in the areas of policy dialogue and the replication and upscaling of successful innovations promoted by IFAD. Enhanced co-operation and harmonization with the other two Rome-based UN agencies (especially with the FAO, as per the Agreement Establishing the Fund) and selected bi-lateral aid agencies should also be considered, for example, in terms of project design and knowledge sharing.

23. Enhanced partnership with governments in the region is crucial as well. For this, IFAD must ensure that its country strategies and operations are firmly anchored in key national strategies and plans for rural poverty reduction. It is, however, important that IFAD work towards engaging a broader range of government institutions, in order to benefit from the variety of technical expertise, skills and experiences available at the country level. Further efforts need to be invested in increasing government counterpart funding in IFAD operations, as this would be one way of generating added ownership, responsibility and sustainability.

24. Private sector engagement needs to be improved in IFAD operations. This is particularly important in areas related to microfinance (such as by establishing linkages with commercial banks), processing and marketing of farm and non-farm produce, but also in the supply of technical assistance to project implementing agencies (for instance, in setting up and training project staff in monitoring and evaluation systems, in provision of extension advice or undertaking project supervision and implementation support). Strengthened partnership is also needed with civil society and the NGO community to be it for advocacy on policy issues, social mobilization or capacity building purposes.

25. Finally, it is imperative that policy dialogue is approached in a more systematic manner, anchored in IFAD's operational experiences from the field. Policy dialogue objectives need to be set in a realistic manner, and specific human and financial resources allocated for the purpose. IFAD policy dialogue efforts should also be undertaken in partnership with similar initiatives by other partners, including international organizations. A clear policy dialogue agenda should be articulated, with indicators that will allow to monitor implementation progress and evaluate the corresponding achievements. The role and responsibility of IFAD field presence staff in advancing IFAD's policy dialogue objectives must be clarified, and policy dialogue should be included as a criterion for the year-end performance assessment of staff as well as the field presence.

26. **Implementation time frame:** The strategic compacts with the Asian Development Bank and the World Bank will be developed by mid-2008. Policy dialogue and partnership strengthening indicators would be developed and included in the performance evaluation system of staff.

### **Recommendation 3: Enhance Ownership, Accountability and Learning through Programme Cycle Management**

27. IFAD should identify appropriate partners through institutional assessments as early as possible in the project design process. The selected implementation partner must designate the project director and a core team to work on the project design process on an agreed time basis to the maximum extent. Partner countries should be granted greater responsibility for project design, and in this regard, IFAD should explore the opportunities for entrusting countries with responsibilities for project formulation, where appropriate., whereas IFAD should continue to be responsible for project appraisal.

28. Regardless of any changes that might be made in the project design process, problems and lessons that emerge during implementation should be addressed on a regular basis and not kept pending until the mid-term review, which is often a turning point in the development effectiveness of the project. One option for IFAD and its implementing partners would be to conduct joint annual reviews, agree on course corrections, and prepare the annual work plan and budget accordingly. Greater attention and resources should be devoted to project level monitoring and evaluation systems not only for this reason but also, more specifically, for improving impact assessment and reporting, and contributing more broadly to the division's knowledge management objectives.

29. **Implementation time frame:** Starting from 2007, IFAD would: (a) explore opportunities in selected countries entrusting governments the responsibility for project formulation; and (b) ensure the undertaking of comprehensive annual reviews in all ongoing operations not having reached implementation mid-point.

**Recommendation 4: Improve Impact through Better Targeting and Sustainability**

30. The EVEREST recommends that IFAD should develop a clear and comprehensive approach that would guide IFAD and its partners in: (a) the selection of project areas within a given country; (b) the selection of beneficiary communities within a project area; (c) targeting of individuals within a community; (d) matching the interventions to the targeting approach; and (e) regular monitoring and reporting on targeting issues.

31. Issues of sustainability need to be addressed, for which a range of measures including the following should be considered: (i) an exit strategy should be developed in every project at an early stage; (ii) technical standards that are employed in service delivery and infrastructure development should be reviewed, and determine whether the rural poor can operate and sustain project interventions with the financial, social and human capital that is available to them; (iii) that in many countries, especially where implementation is through government line departments, it may be important to train technical experts in taking a more realistic, less technically demanding and more pro-poor approach to sustainability and (iv) a thorough analysis is required to determine whether agencies charged with operation and maintenance have the capacity to fulfill this aspect of their mandate.

32. **Implementation time frame:** These recommendations would be implemented in full compliance with the IFAD Targeting Policy paper and with immediate effect in all new country strategies and operations financed by IFAD.

**Recommendation 5: Organizational Considerations to Achieve the Objectives of the Regional Strategy**

33. Given the multisectoral nature of IFAD's work with a strong focus on country programmes, the continued organization on a geographic basis of the core line functions and staff in the Asia and Pacific division seems appropriate. The division should deepen both its transversal structure and sub-regional organizational structure including exploring the possibility of establishing sub-regional teams.

34. With regard to the Field Presence Pilot Programme, it is recommended that the role, function and relationships of field presence staff with the division be further clarified, included in the divisional performance management and accountability framework, and accordingly communicated to the main partners at the country level. This includes the countries where IFAD has proxy field presence arrangements. Moreover, as mentioned, a greater delegation of authority to the field presence staff would ensure their better integration in the overall IFAD country team<sup>9</sup> concept.

34. As the work of professional staff and others will evolve, the need for training and staff development becomes pressing. The resources available in the Human Resources Division for programme-related training purposes are limited. PI training needs will need to be fully costed and budgets allocated for its implementation by IFAD, as possible, for its implementation.

35. Implementation time frame: These recommendations will be implemented in the course of 2007.

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<sup>9</sup> In fact, granting greater "delegation of authority to donors' field staff" is a key commitment included in the Paris Declaration on Aid Effectiveness.



**THE COMMENTS OF THE TWO EVEREST SENIOR ADVISORS<sup>10</sup>**

**International Fund for Agricultural Development  
Evaluation of the Regional Strategy for Asia and the Pacific**

This note assesses the quality of the EVEREST report and comments on its findings and recommendations. The evaluation is important and timely given the critical need to improve food security in the Asia and Pacific Region under the aegis of the Millennium Development Goals. Out of 815 million undernourished people in the developing world, 552 million live in the Region<sup>11</sup>. A soundly based IFAD regional strategy is of vital interest to most countries in the Region since they are fighting a battle against time in reaching a balance between human numbers and country capacities to meet basic human needs.

**Quality of the evaluation**

Both the accountability and learning dimensions of EVEREST are relevant to the design of a new IFAD strategy for the Asia and Pacific Region. Accordingly, OE's evaluation of the regional strategy for Asia and the Pacific was framed not only to assess IFAD's operational performance but also to identify key lessons of development experience.

EVEREST drew much of its evidence from prior self and independent evaluation products. Inevitably, this imposed constraints on the evaluative process. The involvement of ultimate beneficiaries in monitoring and evaluation is still very limited. Equally, the evaluation had to 'make do' with fragmentary real time information regarding projects under implementation as well as a scarcity of rigorous impact assessments downstream of IFAD interventions.

Nevertheless, the evaluation team managed to gather a mass of relevant evaluative evidence. It benefited from a parallel self assessment undertaken by the Asia and Pacific Region. The analysis was adequately informed by consultations with operational staff and management as well as country officials, partners and beneficiaries. These interactions were enriched by field visits in four countries (China, India, Pakistan and the Philippines). The overarching recommendations are aligned with the findings and they are properly buttressed by project level and country level evaluative data.

All in all, the final report is well documented and of good quality. It compares favourably with that of similar corporate evaluations produced by the United Nations and international financial institutions. Indeed, it breaks new ground by combining an assessment of IFAD's development record with an extensive review of relevant business processes and practices.

**Towards a new regional strategy**

While IFAD is widely perceived as a project based institution, the basic unit of account for IFAD operations is the country. At the country level, the capacity and responsiveness of institutions, the policy environment and the need for external assistance are highly diverse<sup>12</sup>. Thus, blueprint approaches to strategy based on regional considerations are inappropriate. Nevertheless, regional location matters given the rapid regional integration of neighbouring economies through trade, investment, migration and other exchanges.

It goes without saying that the Regional strategy should be conceived as a management tool. To this end, it should be "evaluable" and it should be generated through a participatory process involving

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<sup>10</sup> Prof M.S. Swaminathan and Dr Robert Picciotto

<sup>11</sup> Despite dramatic poverty reduction in East Asia, the Region contains 12 countries where over 30 percent of children under five are underweight (Nepal, Afghanistan, Bangladesh, Cambodia, Timor Leste, India, Laos, Myanmar, Pakistan, Vietnam, Philippines and Maldives). This is half of the countries on the list.

<sup>12</sup> The incidence of absolute income poverty varies considerably across sub-regions. Eastern Asia (16.6% in 2001); Southern Asia (29.9%); Southeast Asia and Oceania (10.2%)

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regional actors. This would make the accountability framework of the regional strategy explicit and transparent. The best approach would be to select sharp and generic regional goals focused on accountability for results at Division level. These would be combined with specific country strategies for achieving the goals.

The evaluation proposes a reconfiguration of the IFAD's country organization aimed at respecting sub-regional differences. This would facilitate interaction with partners. The need for convergence and synergy among bilateral and multilateral donors cannot be over-emphasised. It is only by mobilizing the power of partnership that the rural development challenge can be tackled. This has to be a major focus of the next phase.

**Thematic priorities**

The poor are poor because of lack of access to assets like land, livestock, fish pond or technical education. Therefore, asset building is the major challenge in the area of poverty eradication. IFAD has been a pioneer in promoting Self Help Groups (SHGs) for undertaking microenterprises. IFAD should keep up its flagship role in this field by helping to convert microfinance into livelihood-finance. This will imply the provision of credit linked to appropriate backward linkages such as technology and forward linkages such as market.

Credit is a key input for helping the poor to undertake income generating activities. IFAD should initiate projects designed to achieve "Financial Inclusion" in distress hotspots in order to ensure that the credit system reaches the "unreached". The Sustainable Self Help Group Movement coupled with steps for Financial Inclusion would make a substantial and measurable impact on reducing poverty and hunger.

**Policy dialogue and partnerships**

If IFAD's performance is to be judged by results at country and regional levels, its operations should be designed to promote innovation, enhance societal learning and facilitate up-scaling. In turn this implies that IFAD should design its country programs to improve the policy environment, strengthen institutions and favour mainstreaming of suitably tested development models by governments and other major development assistance agencies. Hence, excellence in conducting policy dialogues and the forging of partnerships is central to IFAD's development effectiveness.

Close liaison with ADB and the World Bank is critical but it would also be useful to consult with SAARC and ASEAN Secretariats, especially when addressing issues relevant to the delivery of regional public goods. The shift towards a results-based country strategy process proposed in the management Action Plan should go some way towards addressing many of the issues highlighted by EVEREST since the new operating model is intended to strengthen partnerships, revise the COSOP guidelines and upgrade quality at entry and supervision standards.

EVEREST concludes that operational structures and business processes will have to be changed if IFAD is to be turned into a partnership and policy oriented organization. To improve the policy impact, intellectual leadership, knowledge management and field presence will have to be enhanced. To improve outreach and implementation, creative partnerships with the private and voluntary sectors are imperative and these will require appropriate field presence and skills. Finally, to enhance coherence and facilitate up-scaling, strategic compacts with the World Bank and the Asian Development Bank are proposed as well as closer partnerships with Rome based UN agencies (especially FAO) and major bilateral donors.

Eventually, joint rural development assistance strategies should be crafted to facilitate implementation of the Paris declaration on aid harmonization, alignment and coordination. Joint strategies embedded in Poverty Reduction Strategy processes would ensure that partnership is defined in terms of shared

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objectives, distinct accountabilities and reciprocal obligations. They would be supportive of country ownership and aid coordination

**Program cycle management**

The evaluation stresses the critical importance of program cycle management. In this context, it endorses the portfolio review process, COSOP peer reviews and mid-term reviews but notes that the lending pressure associated with country allocation targets leads IFAD to seek control over project generation. The resulting supply driven approach conflicts with the imperative of country ownership and encourages the use of formulaic solutions to complex development problems.

A better approach would be to increase IFAD's reliance on domestic capacities for project identification and preparation processes generated in the context of the PRSP. In turn, this would require a different kind of field presence and the nurturing of outreach and facilitation skills among IFAD staff. It would also imply an imaginative approach to the use of grants towards the enhancement of project design capacities in borrowing member countries. Equally, evaluation capacity development should receive greater attention under OE leadership since EVEREST finds that the feedback loop connecting the design of new operations with the findings of evaluation is weak.

Prof M.S. Swaminathan

Dr Robert Picciotto

Rome, July 2006

## APPENDIX II

Table 1: Partnership with the ADB

Approval period	IFAD in Asia & the Pacific		ADB as co-financier & Co-operating Institution				
	Financing amount (USD mil)	No. of projects	Co-financed amount (mil USD)	% against IFAD financing	No. of projects co-financed	% against IFAD projects	No. of projects supervised
1978-1995	1468.7	111	344.1	23.4	19	17.1	30
1996-2001	724.1	42	200.3	27.7	4	9.5	4
2002-2005	526.1	26	0	0.0	0	0.0	0
<b>Total</b>	<b>2718.9</b>	<b>179</b>	<b>544.4</b>	<b>20.0</b>	<b>23</b>	<b>12.8</b>	<b>34</b>

Source: IFAD PPMS data, April 2006

Table 2: Partnership with the World Bank

Approval period	IFAD in Asia & the Pacific		WB as co-financier & CI				
	Financing amount (USD mil)	No. of projects	Co-financed amount (mil USD)	% against IFAD financing	No. of projects co-financed	% against IFAD projects	No. of projects supervised
1978-1995	1468.7	111	745.2	50.7	17	15.3	31
1996-2001	724.1	42	60.7	8.4	3	7.1	3
2002-2005	526.1	26	0.0	0.0	0	0.0	2
<b>Total</b>	<b>2718.9</b>	<b>179</b>	<b>805.9</b>	<b>29.6</b>	<b>20</b>	<b>11.2</b>	<b>36</b>

Source: IFAD PPMS data, April 2006

APPENDIX III

**Table 1: Project Performance Ratings**

	Percentage of Projects Rated:					
	High or Substantial		High	Substantial	Modest	Negligible
Performance Criteria <sup>13</sup>	ARRI 2002-2004	EVEREST	EVEREST Only			
Relevance	90%	100%	62%	38%	0%	0%
Effectiveness	66%	92%	8%	85%	8%	0%
Efficiency	52%	62%	8%	54%	38%	0%

**Table 2: Project Impact Ratings**

	Percentage of Projects Rated:					
	High or Substantial		High	Substantial	Modest	Negligible
Impact Domains	ARRI 2002-2004	EVEREST	EVEREST Only			
Targeting the rural poor <sup>14</sup>		57%	14%	43%	43%	0%
Physical and financial assets	55%	77%	15%	62%	15%	8%
Human assets, including HIV/AIDS	55%	77%	23%	54%	15%	8%
Social capital, empowerment of poor	55%	62%	15%	46%	23%	15%
Food security	62%	69%	8%	62%	23%	8%
Environment/communal resource base	43%	20%	10%	10%	60%	20%
Institutions	41%	50%	0%	50%	21%	29%
Gender equality and mainstreaming	52%	83%	33%	50%	8%	8%
Innovation, replication and scaling up	52%	79%	29%	50%	14%	7%
Sustainability	41%	57%	0%	57%	36%	7%

<sup>13</sup> A definition of these evaluation criteria can be found in Chapter III of the ARRI.

<sup>14</sup> It is to be noted that the ARRI did not have a rating on targeting issues.