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Enabling the rural poor
to overcome poverty

Report of the Chairperson on the forty-sixth session of the Evaluation Committee

Executive Board — Eighty-ninth Session
Rome, 12-14 December 2006

For: **Approval**

Recommendation for approval

The Board is invited to take note of the overall issues in this report and endorse the recommendations contained therein.

Report of the Chairperson on the forty-sixth session of the Evaluation Committee

1. The Forty-Sixth Session of the Evaluation Committee met on 8 December 2006 and considered five agenda items: (a) Corporate-level evaluation of IFAD's Rural Finance Policy; (b) Country programme evaluation of Mali; (c) Provisional agenda of the Evaluation Committee for 2007; (d) IFAD Policy on Supervision and Implementation Support, together with the comments of OE on the policy document; and (e) IFAD's Portfolio Performance Report together with the comments of OE on the document. All Committee members except for Nigeria participated in the session. Observers from Pakistan, Mali, Finland, and the United Kingdom were also present.

Corporate-level evaluation of IFAD's Rural Finance Policy

2. The Committee commended OE for the quality of the evaluation and broadly agreed with its overall findings and options presented for the future. In terms of process, the Committee highlighted that in the future, as and when possible, it would like to concurrently consider the corresponding evaluation's Agreement at Completion Point, as the latter would provide them with a wider understanding of the commitment of concerned partners in implementing evaluation recommendations. On this, OE noted that the management wanted to seek the views of the Committee before finalizing the Agreement at Completion Point, given that various findings and recommendations in the evaluation have resource implications for the Fund¹.
3. The Committee agreed that it would be beneficial for IFAD to update its rural finance policy. In this regard, the importance of ensuring a wider ownership during the preparation of the policy was considered crucial for a successful implementation of the same. The Committee also noted that in 2007 OE will be organizing a learning workshop on the evaluation, which will provide a further opportunity to debate key issues related to rural finance.
4. Participants noted that the Board has a central role to play not only in approving corporate policies, but also in ensuring their appropriate implementation. In this regard, the Committee underlined the importance for the Management to thoroughly brief Board members on new policy proposals, which would facilitate their consideration and review of such documents.
5. The Committee recognized that IFAD is a leader in rural finance globally in terms of investments, although it noted that the performance of its rural finance operations could be ameliorated. In this regard, the Committee encouraged IFAD to further clarify its overarching objective in the field of rural finance, and underlined that country and regional specificities should be carefully considered in designing rural finance activities supported by IFAD. On the same topic, the need for developing tailored instruments for reaching different social groups and communities was also considered important. Finally, given its prominent role in rural finance, the Committee invited IFAD to strengthen its objective of promoting innovative approaches in rural finance, which can be replicated and up scaled by others.
6. On another topic, the Committee considered important for IFAD to engage in advocacy and policy dialogue initiatives that would facilitate access to, and understanding of, knowledge and information related to prices, inflation and interest rates in rural areas. The Committee also asked IFAD to reflect upon the type of contribution it can effectively make through the provision of rural finance, especially in those rapidly-growing economies benefiting from wide-spread private investments.

¹ As for all other evaluations, the Agreement at Completion Point will be made available to all Committee members as soon as it is finalised.

7. The evaluation provided two main options for the future. While some members felt that IFAD should be prudent in expanding its rural finance operations (option one), most argued that IFAD should help a larger number of rural poor while devoting the appropriate resources to ensuring greater sustainability of rural finance operations (option two). Some participants noted that IFAD may also like to consider a combination of the two options, resulting in a phased approach for its rural finance activities in the future.
8. While agreeing with the comments made by the Committee, the Management underlined the limitations faced by the Fund in terms of overall availability of financial resources in general and human resources and skills in particular, which are a constraint in further expanding IFAD's rural finance approaches and operations.

Country programme evaluation (CPE) of Mali

9. The Committee found the CPE report of interest and broadly agreed with the main findings and recommendation contained in the document. The Committee also took note that, in addition to the internal peer review process within OE, the Mali CPE report has benefited from the comments of two external peer reviews².
10. The representative from Mali conveyed the Government's comments on the CPE report, which had been previously shared with OE. Among other matters, he underlined the need for ensuring more participation of stakeholders in the evaluation process, a more comprehensive understanding of the country's rural poverty alleviation strategies, as well as a thorough engagement of the Government in the process leading up to the formulation of the Agreement at Completion Point. OE noted that the comments of the Government had been previously provided to the division, which were appropriately considered by OE in the preparation of the final CPE report, in line with the provisions of the IFAD Evaluation Policy. As the comments were mostly of a judgemental nature, they were reflected in the report in the form of dissenting notes.
11. Among various issues, the Committee was concerned with the inadequate performance in the area of monitoring and evaluation (M&E) across the portfolio in Mali. In this regard, the management acknowledged the need for improvements in M&E, but at the same time highlighted the challenges and cost implications associated with such efforts.
12. As in some other CPEs, the Committee noted that there is need for a better balance (in terms of efforts and investments) in the Mali country programme in the area of social capital formation on the one hand, and production and income generation activities on the other.
13. Upon the request of the Committee, OE clarified that the recommendations in the CPE report are addressed both to the IFAD management and the Government of Mali. In this regard, OE further conveyed that the process leading up to the preparation of the CPE's Agreement at Completion Point in the coming months would provide an opportunity to clarify the roles and responsibilities of key partners in the implementation of the evaluation's recommendations.

Provisional agenda of the Evaluation Committee for 2007

14. As per past practice, based on a proposal made by OE, the Committee discussed and agreed on the dates and provisional agenda items for its four planned sessions in 2007. Therefore, the Committee will discuss the following items in 2007:

² (i) Mr Moise Mensah, former Assistant President of IFAD's Programme Management Department and former Minister of Finance and Minister of Rural Development of Benin. Mr Mensah's written report on the Mali CPE is available upon request in OE; and (ii) Mr Henry Philippe Cart, Former Chairman of IFAD's Governing Council and President of the Club du Sahel.

Forty-Seventh Session: Friday, 13 April 2007:

- (a) Interim Evaluation of the Rural Microenterprise Development Programme in Colombia
- (b) Completion Evaluation of the Cordillera Highland Agricultural Resources Management Project in the Philippines
- (c) Completion Evaluation of the Participatory Irrigation Development Programme in Tanzania

Forty-Eighth Session: Friday, 7 September 2007

- (a) Corporate level Evaluation on the Field Presence Pilot Programme
- (b) Preview of the Work Programme and Budget for 2008 of the Office of Evaluation
- (c) President's Report on the Implementation Status of Evaluation Recommendations and Management Action together with OE comments
- (d) IFAD Innovations Strategy with OE Comments

Forty-Ninth Session: Wednesday, 10 October 2007

- (a) Work Programme and Budget for 2008 of the Office of Evaluation
- (b) Annual Report on Results and Impact of IFAD's Operations

Fiftieth Session: Friday, 7 December 2007

- (a) Country Programme Evaluation of Morocco
- (b) IFAD Development Effectiveness Report with OE Comments³
- (c) Portfolio Performance Report with OE Comments³
- (d) The Provisional Agenda of the Evaluation Committee for 2008

15. In addition, the Committee welcomed the invitation by the Government of Mali to travel to Mali in March 2007 as part of its annual field visit, to participate in the national roundtable workshop on the country programme evaluation of Mali. The field visit will also provide Committee members an opportunity to visit selected IFAD-funded projects in the country.

IFAD Policy on Supervision and Implementation Support, together with the comments of OE on the policy document

16. The Committee discussed the policy proposal together with the comments of OE, before the document is considered by the Board at its eighty-ninth session. The Committee recognised that the development and implementation of the policy represents an important step forward by IFAD in coming closer to the field realities, as it will contribute to achieving better impact of IFAD-funded operations. In this regard, the Committee suggested the need for providing a broader account of the synergies between the proposed policy and IFAD's overall country presence initiatives.
17. The Committee also noted the importance of further clarifying the concept of and tasks related to implementation support activities. It requested the development of a detailed implementation plan for the policy, which the management reassured would be undertaken soon after the discussion of the policy by the Board. Participants felt that it would be useful if the policy provided more clarification for the continued involvement (in around 25% of IFAD operations in the future) of co-operating institutions in implementation support activities, especially as the OE evaluation of

³ As stated by the management during the session (see paragraph 19), a single document covering these topics will be issued from 2007 onwards.

the Direct Supervision Pilot Programme indicated that direct supervision and implementation support by IFAD leads to greater developmental results. Moreover, the Committee felt that more details in relation to the human and financial resource implications of the policy would be useful. Finally, in order to provide Board members with an overview of the comments of OE on the policy, it was decided that the OE comments on the policy only available in English and Spanish would be annexed to this Report of the Evaluation Committee Chairperson.

IFAD's Portfolio Performance Report (PPR) together with the comments of OE

18. The Committee discussed the PPR prepared by the IFAD management together with the comments of OE on the document. As in the past, the Committee appreciated the good interaction and dialogue between PMD and OE in the preparation of the PPR.
19. In this regard, the Committee expressed its appreciation for the improved overall quality of the report, including a good balance and its comprehensiveness. It also noted that in 2007 the PPR will be merged with the forthcoming IFAD Development Effectiveness Report.
20. Among other issues, the Committee agreed with the need for IFAD to develop a more robust pipeline of projects and programmes. It also emphasized the importance for ensuring that provisions are included in design for the undertaking of baseline surveys early on in the project/programme life cycle. The Committee also took note that PMD will undertake a self-evaluation of the Flexible Lending Mechanism instrument in 2007.
21. On another topic, the Committee appreciated the improvement in the area of sustainability, but underlined that additional efforts need to be devoted in this challenging area. While noting that the IFAD Gender Plan of Action will shortly be coming to an end, the Committee invited IFAD to ensure that issues related to gender mainstreaming and gender equity are further considered in IFAD operations globally. IFAD management responded to this by stating that building on the achievements made under this Plan a framework for mainstreaming gender in IFAD Operations is being developed for implementation beginning 2007.
22. Some members expressed concern with the slight downwards trend in the level of resources committed to Africa in the period 2004-6. On this important aspect, the management reassured the Committee that, in line with the commitment made during Seventh Replenishment, it is committed to ensuring that serious effort are being made that Africa receives the level of resources agreed upon by IFAD Governing Bodies.

Other business

23. Before closing, the Chairman expressed deep appreciation to Mr Lothar Caviezel, Executive Director of Switzerland, who attended his last Evaluation Committee session. In wishing him all the very best for his future endeavours, the Committee particularly noted the excellent contribution and constructive approach made by Mr Caviezel during his long tenure on the Evaluation Committee. In addition, the Committee also noted their appreciation for the work done by Ms Caroline Heider, OE Deputy Director, in the division during the past two years and conveyed its best wishes for her new assignment as Director of WFP's Evaluation Office.

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Comments of the Office of Evaluation on the IFAD Policy on Supervision and Implementation Support

Evaluation Committee — Forty-sixth Session
Rome, 8 December 2006

For: **Review**

Note to Evaluation Committee members

This document is submitted for review by the Evaluation Committee.

To make the best use of time available at Evaluation Committee sessions, members are invited to contact the following focal point with any technical questions about this document before the session:

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Comments of the Office of Evaluation on the IFAD Policy on Supervision and Implementation Support

Background

1. The Office of Evaluation (OE) undertook a corporate level evaluation of the Supervision Modalities in IFAD-supported projects in 2002/3, which was discussed by the Evaluation Committee during its thirty-fifth session¹ in December 2003. Thereafter, OE conducted a corporate level evaluation of the Direct Supervision Pilot Programme (DSPP), which was discussed by the Evaluation Committee at its fortieth session in September 2005 and the Executive Board during its eighty-fifth session². The Board took note of the overall findings and recommendations of the DSPP evaluation and, as the management, endorsed the DSPP evaluation's Agreement at Completion Point (ACP)³. A copy of the DSPP executive summary and ACP is attached to this document for ease of reference.
2. In light of the aforementioned and in line with the provisions contained in the terms of reference and rules of procedure of the Evaluation Committee⁴, the Committee decided during its 46th session⁵ to discuss the IFAD Policy on Supervision and Implementation Support⁶ together with OE's comments, before the policy is considered for approval by the Executive Board at the latter's eighty-ninth session in December 2006.

General Comments

3. At the outset, it is worthy to acknowledge that the proposed policy is an important step forward in defining IFAD's overall framework for supervision of fiduciary aspects and implementation support activities. It goes into the right direction by bringing IFAD closer to the field realities and will contribute in achieving better programme implementation and impact.
4. OE appreciates that paragraphs 9-14 of the proposed policy contain a succinct summary of the main findings from the OE evaluations on supervision. Moreover, a number of interactions with the originator of the policy and the Management have been particularly useful for OE to gain a deeper understanding of the specific provisions in the proposed policy document. However, in OE's opinion there are a limited number of areas that require further consideration, which would bring more clarity and ensure a wider impact of the policy.
5. As stated in paragraph 13, the proposed policy addresses two recommendations (namely, the 'Definition of Supervision' and 'Develop a comprehensive Supervision and Implementation Support Policy for IFAD') out of the five contained in the ACP. It states that the remaining three recommendations will be covered by the guidelines on supervision and implementation support or the new operating model. While the table on the next page provides an overview of use of evaluation recommendations contained in the ACP, generally speaking, a wider description of the 'new operating model' would have further facilitated in understanding how

¹ See document EC 2003/35/W.P.2.

² See document EB 2005/85/R.9.

³ See paragraph 15 in the minutes of the meeting of the Executive Board (document EB-2005-85-Minutes/Rev.1).

⁴ See paragraph 47 of document EB 2004/83/R.7/Rev. 1.

⁵ See Report of the Chairperson of the Evaluation Committee on the 46th session to the 89th session of the Executive Board.

⁶ Document EB 2006/89/R.4.

supervision and implementation support fit into and relate to other core aspects (such as field presence or knowledge management) of IFAD's overall development architecture.

The ACP and the Proposed Policy on Supervision and Implementation Support

Recommendation in the ACP	Response by the Policy	OE's comments (see paragraphs)
1. Develop a comprehensive supervision and implementation support policy for IFAD.	Accomplished: Policy document EB2006/89/R.4 presented to the Executive Board	7 to 11
2. Definition of Supervision including the: (i) supervision of fiduciary aspects; and (ii) implementation support	Accomplished: Adopted within the proposed policy	6
3. Include Supervision ⁷ and Implementation Support in the Framework of the COSOP ⁸	Accomplished: Addressed by the Results-Based COSOP, approved by the Board in September 2006 ⁹	-
4. Establish a Quality Assurance System for supervision and implementation support activities	To be addressed by the guidelines or under the new operating model ¹⁰	12
5. Enhance Learning & Knowledge Management around implementation support activities	- ditto -	-

Specific Comments

Definition of supervision

6. In its Section II, the policy makes a very good attempt to adopt a new definition of supervision, in which the concept of *supervision of fiduciary aspects* and *implementation support* are considered as two distinct yet operationally linked components. This is consistent with the ACP, which stated that the term 'supervision' would in the future be used only to mean 'supervision of fiduciary aspects', and that any required changes to the Agreement Establishing IFAD would be duly made. However, as one advances in reading the policy document, the term 'supervision' is used in various places as an overarching concept including both *supervision of fiduciary aspects* and *implementation support*, thus creating ambiguity for the reader¹¹. Therefore, in OE's views, it would be beneficial if the distinction is more clearly outlined in the pertinent parts of the policy, but especially in paragraphs 18 and 19, in the third bullet of paragraph 33, as well as in Annex 1 of the policy.

⁷ Supervision in this paper refers only to supervision of fiduciary aspects.

⁸ Country Strategic Opportunities Paper.

⁹ See first paragraph on page 15 of document EB 2006/88/R.4.

¹⁰ As stated in paragraph 13 of the proposed policy.

¹¹ See, for example, paragraphs 18-19 ('Supervision by IFAD' and 'Supervision by Co-operating Institutions').

Role of co-operating institutions

7. The policy foresees a continued role for co-operating institutions (in 25% of the current IFAD portfolio) in both supervision and implementation support, complemented, as in the past, with additional implementation support provided by IFAD. In light of the decisions enshrined in the ACP, which states that IFAD would be responsible for providing direct implementation support in all new projects and programmes following the approval by the Executive Board of the proposed policy, the rationale for the continued use of co-operating institutions, in particular for implementation support in future operations, is not entirely evident from the proposed policy. Therefore, it would be useful if the policy outlines the reasons for a continued role of co-operating institutions in ongoing projects that have not reached to mid-point in terms of implementation (see next paragraph), as well as for any new projects that IFAD intends to entrust to co-operating institutions.

Retrofitting

8. The ACP states that "*for projects that have not yet reached the mid-term review, IFAD would consider how the projects could take this policy into account*". At the beginning of 2007, there will be more than 100 ongoing IFAD-funded projects and programmes meeting the aforementioned criteria. Therefore, the policy document would benefit from more clarity on how retrofitting will be addressed and within what timeframes. For instance, it is not evident from the document whether concerned ongoing operations currently entrusted to co-operating institutions will be brought under IFAD supervision and implementation support, and what are the potential implications and risks of such a transfer of responsibilities.

IFAD's Direct Involvement

9. The DSPP evaluation found that better results were achieved in those projects where IFAD had a deeper involvement in direct supervision and implementation support. Therefore, in addition to the comments in paragraph 7 above, the policy appears to leave ample room for outsourcing - to co-operating institutions and consultants - of supervision and implementation support activities, potentially limiting the achievement of the ultimate objective of this policy. This being said, however, the DSPP evaluation also found that IFAD's direct involvement costs more than the traditional approach to supervision and implementation support by co-operating institutions. This has been agreed by the Executive Board during its 85th session, and therefore, it would now be useful to determine and agree on the human and financial resource as well as structural implications required to move towards a model which emphasizes IFAD's direct involvement in supervision and especially implementation support activities.

Resource issues

10. The proposed policy entails a broad and fundamental change in the right direction in the way IFAD conducts supervision and implementation support. Given this, the resource and structural implications to the Fund would be better appreciated if the policy provided a succinct overview of the 'as is' and the 'to be' models on supervision and implementation support, including how IFAD intends to move forward from one model to another. In this regard, it would be useful also to clarify what will be required in terms of capacity building, staff skills and competencies, roles and responsibilities of country programme managers and field staff, and so on. It needs be to noted that an attempt has been made in paragraphs 28 to 30 of the policy to provide some information on the human and financial resources, but

a more comprehensive picture would provide for greater understanding and comfort.

11. OE agrees that it is imperative to strengthen IFAD's human resources to successfully implement the policy. On costs, the policy could detail how the increase (4-12%), which might be underestimated given the far-reaching change planned, is determined. The policy could be further strengthened by a comparison between costs of the current and proposed models, and the introduction an expenditure plan including the distinction between one-time investments and recurrent costs to IFAD for implementing the policy.

Quality Assurance

12. The evaluation recommended to strengthen IFAD's overall quality assurance system for supervision and implementation support. As per the ACP¹², the management will provide a report to the Executive Board during its ninetieth session in April 2007 with regard to the implementation of this recommendation in general. However, the policy does not provide details on establishment of a management review committee or the undertaking of six-monthly reviews of supervision and implementation support activities that, as envisaged by the ACP were to be completed by December 2006.

¹² Which states, *inter-alia*, that IFAD should establish a management review committee at PMD level which would meet at least twice a year, and undertake six-monthly reviews at the regional divisional level.

