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Enabling poor rural people
to overcome poverty

**Management's response to the Joint
Evaluation of the Agriculture and Rural
Development Policies and Operations
in Africa of the African Development
Bank and the International Fund for
Agricultural Development**

Executive Board — Ninety-eighth Session
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For: **Review**

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

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Abbreviations and acronyms

AfDB	African Development Bank
ARD	agriculture and rural development
CAADP	Comprehensive Africa Agriculture Development Programme
IFPRI	International Food Policy Research Institute
MTS	Medium-Term Strategy (AfDB)
OSAN	Agriculture and Agro-Industry Department (AfDB)
OSUS	Gender, Climate and Sustainable Development Unit (AfDB)
RMC	regional member countries

Management's response to the Joint Evaluation of the Agriculture and Rural Development Policies and Operations in Africa of the African Development Bank and the International Fund for Agricultural Development

I. Background and introduction

1. The Managements of the African Development Bank (AfDB) and the International Fund for Agricultural Development (IFAD) (hereafter referred to as Management) welcome this report on the joint evaluation of agriculture and rural development (ARD) policies and operations implemented in Africa. The evaluation sets out to achieve four objectives: (i) determine the relevance of these policies and operations in the light of current and emerging issues; (ii) assess their performance and impact; (iii) evaluate the strategic partnership between IFAD and AfDB and partnerships with other sector stakeholders; and (iv) develop recommendations to enhance the development effectiveness of the two institutions.
2. The evaluation was conducted at the request of the executive boards of AfDB and IFAD and was undertaken jointly by the independent evaluation offices of the two institutions. The final report builds on the main analysis and key points contained in the interim report, the country synthesis report including the perception survey, and the quality-at-entry review. The interim report itself was informed by four working papers on: (i) the contextual issues for agriculture and rural development in Africa; (ii) a meta-evaluation of previous operations funded by the two institutions in Africa; (iii) a review of partnerships between AfDB and IFAD, but also with other major players; and (iv) an analysis of selected business processes and their impact on results.
3. Management wishes to commend AfDB's Operations Evaluation Department and IFAD's Office of Evaluation for undertaking the evaluation jointly and in a collegial manner, and for sharing with the Managements of the two institutions information about the progress made and the findings emerging from the evaluation. The evaluation is relevant in the context of a rapidly changing environment both on the African continent and globally.
4. Management takes note of the report's highlights, which not only confirm that AfDB and IFAD are important actors in ARD, but also identify them as trusted and respected partners in most countries of the region. It should be noted that until recently, the two institutions contributed about 50 per cent of the total multilateral official development assistance to the sector in Africa. Both are, therefore, well placed to work with regional development organizations and national governments to address the policy, investment and capacity gaps that currently exist. This is a position that should be exploited in promoting the sector.
5. This Management response highlights the main conclusions and recommendations of the Joint Evaluation, and presents Management's comments on these findings and an action plan for the way forward. In doing so, it calls attention both to ongoing efforts and to those planned for the future.
6. Overall, Management endorses, to a very large extent, the conclusions and recommendations contained in the evaluation report, while realizing that the recommendations made are generic in nature and may not apply to specific countries or contexts. Where Management believes that not all relevant factors have been fully analysed or statements lack appropriate nuancing, these have been identified. Management also states its commitment to taking the necessary action

to address the issues identified and the recommendations it has endorsed. To this end, the following annexes are attached:

- (a) The list of recommendations made and the proposed Management actions; and
 - (b) Key outputs, indicators and targets for 2010 for assessing partnership performance.
7. In addition, in the partnership meeting held on 20 November 2009 in Tunis, Tunisia, it was agreed that progress made with respect to the proposed Management actions and the outputs for 2010 will be reviewed and follow-up actions taken accordingly.¹ Furthermore, an action plan for joint activities will be prepared for 2011 and annually thereafter and will be regularly monitored and followed up. It was also agreed at the partnership meeting that focal points would be appointed for various activities in both institutions to strengthen coordination at the operating level and facilitate all collaborative efforts.
 8. This response is divided into three main parts consistent with the structure of the recommendations. Section II presents the joint response from the Management of the two institutions relating to those areas that are common to both and covers policies and institutions, lender performance, borrower performance and building partnerships. The response provided in this part is jointly endorsed by the Management of both institutions. Section III presents the response made separately by the Bank and Section IV the separate response of the Fund.

II. Joint response of the Managements of the Bank and the Fund

A. Context, policies and institutions

9. Management agrees with the conclusion of the Joint Evaluation that the pessimism that has characterized previous assessments of Africa's ARD prospects is no longer justified and Africa is now a continent on the move. Despite the adverse impact of the global economic crisis and the burdensome agricultural trade practices applied by member countries of the Organisation for Economic Co-operation and Development, the medium and long-term prospects for the sector look good.
10. The evaluation concludes that agriculture and rural development will remain core elements in most African economies, and that both institutions should continue to engage in the sector but with a clear selective focus aligned with their comparative and strategic goals. It notes that the Bank has already identified priorities for its future focusing on irrigation and water management, rural infrastructure and the reduction of post-harvest losses. Management endorses this conclusion.
11. Regarding fragile states, the Bank will continue to provide increased support to ARD while paying specific attention to the choice and sequencing of aid modalities, as outlined in its Strategy for Enhanced Engagement in Fragile States, which is built around three main pillars: (i) supplementary financing to support governance and capacity-building, and the rehabilitation and construction of basic infrastructure; (ii) arrears clearance; and (iii) targeted support for capacity-building and knowledge management.
12. IFAD's operations in fragile states are guided by its Policy on Crisis Prevention and Recovery, under which it is committed to taking a proactive approach aimed at removing the deep-rooted causes of crisis. This policy is complemented by IFAD's commitment during the Eighth Replenishment period (2010-2012) to improving its development effectiveness in fragile states by also adopting a flexible approach to

¹ The partnership meeting was attended by AfDB and IFAD Management and respective evaluation offices. The AfDB delegation was headed by President Donald Kabureka and the IFAD delegation was headed by Mr Kevin Cleaver, Assistant President, Programme Management Department.

its programme and project design, with a strong focus on building the capacity of community and government institutions. IFAD uses its projects also as platforms for testing and learning about appropriate policies and sector strategies, and shares the relevant knowledge with member governments so that they can scale it up for use in formulating national policies and sector strategies.

13. Management agrees with the evaluation finding that improving policies and strengthening local capacities for planning and implementation requires strong country ownership and political will. Both institutions are signatory to the Paris Declaration on Aid Effectiveness that was reaffirmed and reinforced under the Accra Agenda for Action. Accordingly, Management upholds the principle that regional member countries (RMCs) should exercise leadership over their development policies and plans and commit to making available resources to support such efforts.
14. Management affirms its support for the Comprehensive Africa Agriculture Development Programme (CAADP), its four policy pillars and the promotion of country-led CAADP processes; it will continue working in partnership with CAADP and aligning the policies of both institutions, wherever possible, with national priorities and strategies. Management is of the view that CAADP, given its current institutional structure, can certainly play an effective role in the area of policy dialogue and advocacy. It is important, however, to ensure that in doing so CAADP is not overstretched by fully engaging in programme and project development at the country level, beyond the preparation of the compacts.² Management is also of the opinion that achieving the targets set under the Maputo Declaration is critical to bringing about improvements in the agricultural and rural sector.
15. The evaluation finds that in many countries more can be achieved in terms of private-sector engagement. In particular, governments have a major role to play in establishing an enabling environment. As encapsulated in the Bank's 2007 strategy update for its private-sector operations, the vision for private-sector development is founded on a conceptual framework for development impact that links entrepreneurship, investment and economic growth with the Bank's ultimate goal of poverty alleviation. Embraced as a key driver of growth, private-sector development is, therefore, an institution-wide priority that is deeply embedded in the evolution of the Bank's core investment operations, with shared responsibility across all Bank complexes.
16. IFAD is required by its Private-Sector Development and Partnership Strategy to engage in policy dialogue with governments to promote an enabling policy and institutional environment for local private-sector development, support local private-sector development in rural areas through its investment operations, and establish partnerships with the private sector to leverage additional investment and knowledge. These commitments have been reaffirmed for the Eighth Replenishment period and IFAD has pledged to explore the need for an additional facility to promote private-sector investment.
17. Both institutions have been called upon to engage actively in analytical work. Given its mandate, capability and resource availability, IFAD's involvement in analytical work has been very limited; accordingly, IFAD will require additional resources to undertake such work. The Bank is strengthening its capacity in the area of knowledge management spearheaded by the Chief Economist Complex.
18. In line with the concept of the division of labour, Management believes that engaging institutions that are better placed in the agriculture policy arena, particularly the International Food Policy Research Institute (IFPRI), would be more

² CAADP compacts are high-level agreements among governments, regional representatives and development partners intended to focus the implementation of CAADP within a given country (or region if it is a regional compact). Compacts detail the programmes and projects addressing national priorities to which the various partners can commit resources.

appropriate. In fact, IFAD has already embarked on such an approach by providing a large grant to IFPRI. In the area of natural resource management, the Bank will seek to deepen relationships with leading agencies, such as the International Union for Conservation of Nature, the African Wildlife Foundation and the African Ministerial Conference on the Environment, in order to provide invaluable insights into the changing threats faced by our RMCs.

19. The evaluation findings indicate that, where appropriate, the Bank should make greater use of policy-based lending to influence and support ARD policy priorities. The Bank Management will ensure that in countries where the fiduciary environment is conducive, it will establish partnerships with others to support policy-based lending operations in the ARD sector. The Bank is already working with RMCs to build fiduciary capacity and improve country systems, for instance through institutional support for good governance projects. With regard to general budget support operations, the Agriculture and Agro-Industry Department (OSAN) will work closely with the Governance, Economic and Financial Reforms Department to include agriculture-related dimensions in project design, where and when necessary. Similarly, using its policy framework for sector-wide lending for agriculture, IFAD is fully engaged in sector-wide approaches, learning from the experience gained, and aligning its own systems and procedures, as appropriate.
20. The evaluation notes that the prevailing international trade regime undercuts agriculture in Africa and recommends that both institutions should, at the level of global policy, develop knowledge and capacity to engage in international advocacy on trade issues affecting African producers and support borrowing countries in strengthening their capacity to negotiate trade issues in international forums. Management welcomes this recommendation. In the spirit of the division of labour, this is an area in which both institutions foresee benefits in working closely with the African Union/CAADP and the regional economic commissions (with the African Union taking the lead role) to adopt common positions when negotiating in international forums. The Bank's New Partnership for Africa's Development (NEPAD) and Regional Integration and Trade Department, and IFAD's Policy Division and Programme Management Department will endeavour to provide input in this area. Meanwhile, at the national level both institutions will continue supporting local and regional markets in the national context, and providing rural infrastructure and other support for market development.
21. The Bank Management assures all stakeholders that the Bank will continue to remain directly engaged in ARD, but will develop a more selective strategy closely linked to the Bank's medium-term priorities and aligned with CAADP.
22. Similarly, IFAD remains committed to at least maintaining the share of the total resources devoted to Africa, which, in the context of substantially increased resources available to IFAD, will imply a larger absolute volume of resources made available for Africa.

B. Performance of projects and programmes

23. Management acknowledges the report's findings, which confirm that "change is underway in the two institutions with several ongoing initiatives aimed at improving performance and development effectiveness. Design processes are being adjusted in line with new policy directions and business process models. Country strategies are becoming better aligned with country policy priorities and improvements are evident in context analysis, lesson learning from previous experiences, focus on poverty outcomes, emphasis on policy dialogue and management for results." In addition, Management recognizes that "AfDB has improved its poverty focus and strategic selectivity of interventions", while both institutions have introduced new quality assurance and enhancement systems.

Performance of AfDB-supported projects

24. The meta-evaluation was based on project and programme evaluations carried out by the Bank's Operations Evaluation Department between 2003 and 2007. The operations assessed were designed in the 1990s. The evaluation found about 70 per cent of the Bank-funded projects to be moderately satisfactory or better, in terms of relevance. Comparative figures for other evaluation criteria were as follows: effectiveness, 60 per cent; efficiency, 50 per cent; poverty impact, 55 per cent; and sustainability, 40 per cent. It further reports the Bank's overall project performance at 60 per cent, which is on a par with the World Bank project performance score, also 60 per cent.
25. As stated above, there have been significant improvements in recent years. An independent review of the quality-at-entry of African Development Fund operations and strategies for the years 2005 and 2008 revealed an increase in the percentage of operations rated moderately satisfactory and above, from 76 per cent in 2005 to 81 per cent in 2008. The percentage of operations rated fully satisfactory and above also rose considerably over the same period, from 38 per cent to 53 per cent. The creation of the Quality Assurance and Results Department, the role of the Operations Committee and the oversight provided by the AfDB Board's Committee on Development Effectiveness have bolstered efforts to improve quality-at-entry. However, performance in terms of cross-cutting dimensions remains weak and targeted measures are being put in place as part of the work to strengthen the Bank's Gender, Climate and Sustainable Development Unit (OSUS).

Performance of IFAD-supported projects

26. The evaluation assessed about 90 per cent of IFAD-funded projects as moderately satisfactory or better. Comparative figures for other evaluation criteria were as follows: effectiveness, 61 per cent; efficiency, 66 per cent; poverty impact, 54 per cent; and sustainability, 40 per cent. The evaluation also rates IFAD's overall project performance at 72 per cent, compared with the World Bank's 60 per cent. These results need to be interpreted in the light of the following factors:
 - (a) The average approval date for 28 IFAD projects included in the sample was mid-1994, meaning that they would be designed around 1993. The average completion date of these projects was late 2004. The performance reported is therefore of projects that are of an earlier generation.
 - (b) IFAD's performance in Africa is lower than that of its overall portfolio of projects and programmes.
 - (c) IFAD has undertaken wide-ranging internal reforms since these performances were recorded and future performance is likely to be significantly different.
27. Some improvements in performance are already visible. The 2008 Annual Report on Results and Impact of IFAD Operations (ARRI) states that in spite of some fluctuations from year to year, "there is a steady upwards trend in results across all but a few evaluation criteria since 2002." While disaggregated trends for Africa are difficult to map out due to the smallness of the sample size of projects evaluated, the evaluations undertaken in 2008 report a 100 per cent moderately satisfactory or better result for relevance and innovations, 91 per cent for rural poverty impact and 73 per cent for sustainability, implying that the performance of IFAD-assisted projects in Africa is also improving. Recent individual evaluations also confirm this trend.

C. Institutional performance

African Development Bank

28. Improvements in the Bank's performance can be seen from a sample of the key performance indicators: (i) the project supervision ratio has improved from 1.1 in 2006 to 1.4 in 2008; (ii) the number of problem projects has reduced from 64 in 2006 to 41 in 2008; (iii) the proportion of projects directly managed by field offices

currently stands at 9.3 per cent, compared with the 2009 target of 7 per cent; (iv) regarding operations in fragile states, activities under pillar 2 of the Bank's Strategy for Enhanced Engagement in Fragile States – arrears clearance – have already surpassed the target for the year three times over, and activities in support of pillars 1 and 3 – technical assistance and capacity-building – are on track.

29. Management supports the call to strengthen the institution's country presence and equip its field offices with the necessary resources and delegated authorities. The Bank is working towards this objective. To date, 22 out of the proposed 25 field offices (20 country offices and 5 regional offices) have been opened and are fully operational. The remaining three field offices will be opened by end of the 2009. Seventeen out of the 22 operational field offices have locally recruited agricultural experts. The Bank is in the process of posting international staff to the field, initially to its regional offices.

IFAD

30. IFAD Management agrees with the evaluation finding that design weaknesses such as inadequate risk analyses exist in past projects, particularly for Africa, where state fragility and weaker institutional capabilities were not sufficiently factored into country strategies and project designs. Management is also in agreement with the evaluation finding that during the reference period of performance assessment, IFAD was at a disadvantage because of its lack of country presence and the outsourcing of project supervision.
31. In recent years IFAD Management has taken the following steps to improve its own performance and that of the projects and programmes it has supported:
- (a) In the last three years the quota of projects under IFAD's direct supervision has increased from less than 5 per cent to over 90 per cent at present. Subsequent to a recent decision of the Executive Board, all IFAD-funded projects that are not supervised by the cofinanciers and are not at the final years of implementation have been brought under IFAD's direct supervision.
 - (b) The number of IFAD country offices has increased from 2 in 2003 to 17 in 2008 and is expected to be about 27 by the end of 2009.
 - (c) New project design guidelines were issued in early 2008 that require projects to be more "implementation-ready", in other words, simpler and more clearly focused. In recent years there has been a significant rise in the share of value chain-type projects requiring in-depth sector and subsector analyses.
 - (d) The quality enhancement system has substantially improved the risk assessment and sustainability of projects and programmes.
32. In sum, IFAD's operating model has changed markedly in recent years and, to a large extent, these changes address the recommendations made by the evaluation, including those concerning enhanced knowledge management, an area that has benefited significantly from IFAD's direct supervision and country presence. Nonetheless, IFAD Management will further extend the reform process, particularly in terms of human resources management reform, by, inter alia, aligning people with corporate priorities, diversifying the workforce with different and enhanced skills and knowledge as part of its Eighth Replenishment commitment, in response to the findings of this evaluation.
33. The Managements of both institutions support the call to strengthen the country presence of the institutions and equip their field offices with the necessary resources and delegated authorities. However, the proposal that AfDB and IFAD should pilot the pooling of resources and sharing of office accommodation may be at variance with the One United Nations agenda pursued by United Nations agencies at the country levels.

34. The evaluation also identified gender equality as a significant area of weakness in borrower performance. In this regard, it calls on the two institutions to initiate efforts in selected countries to work closely with governments and other stakeholders in undertaking joint diagnostic analyses of the causes, characteristics and consequences of gender inequalities in ARD, and to assist in developing practical policies and measures to address the issues identified. Management is of the view that although the Bank and IFAD have worked extensively in this area over the years, there is still room for improvement.
35. Cognizant of the recommendations made by the AfDB Working Group on Gender in September 2008, calling for enhanced gender mainstreaming in Bank operations and support for countries in strengthening their institutional capacity, OSAN and OSUS will join forces to ensure gender inequalities are addressed. In line with the Bank's Updated Gender Plan of Action 2009–2011, which takes into account the institution's Medium-Term Strategy (MTS) 2008-2012, OSAN and OSUS will undertake analytical work in gender and ARD in Africa and provide support in the following three intervention areas: (i) investment activities that promote women's economic empowerment in the Bank's key strategic priority areas; (ii) institutional capacity-building and knowledge-building both at the Bank and for RMCs; and (iii) RMC governance and policy reform to improve gender mainstreaming in the national development process. The Bank will also intensify progress monitoring through the development and use of gender statistics in ARD.
36. After the successful implementation of its Gender Plan of Action, IFAD has mainstreamed gender in its programmes and issued administrative guidelines for this purpose. Overall, IFAD's self-assessment shows that performance in terms of gender had improved in completed projects. Nevertheless, IFAD Management is committed to prioritizing gender mainstreaming in its projects and programmes and awaits the results of the assessment currently being undertaken by IFAD's Office of Evaluation. Once the evaluation findings are made available, IFAD's Executive Board will consider the need to develop a corporate policy on gender.

D. Borrower performance

37. The evaluation identified shortfalls in the capacity of governments to implement projects and programmes effectively and to ensure that benefits are sustainable following project completion. Such problems affect the implementation of projects across all sectors. Management agrees with the evaluation finding that the capacity of borrowing member governments is a critical factor and has the greatest impact on project performance.
38. Management will therefore increase its support to governments to undertake capacity needs assessments and strengthen institutions in the ARD sector, while also promoting knowledge-sharing. In line with the Bank's MTS, OSAN will work closely with the Human Development Department to develop the provision of agricultural training in higher education and through technical and vocational training establishments.
39. In this context, the Management of both institutions underscores the call to re-establish the technical assistance fund at the Bank, inter alia, to finance high-quality sector studies to support policy and project development at the RMC level and generally to enhance the available knowledge base. This kind of fund would be relevant to the work of both institutions, as IFAD is also without such a facility.
40. The Bank's African Development Institute will also be charged with providing targeted support to RMCs (such as fragile states) to bolster the capacity of borrowers to implement investment operations in a timely manner.

E. Strategic partnership

41. The report describes the past partnership between AfDB and IFAD as opportunistic, rather than strategic and based on comparative advantages and proven specializations. Comparative advantages have been reflected in many country programmes. Management acknowledges that past attempts at this partnership have not been as successful as originally envisaged, but describing it as opportunistic is inaccurate. However, efforts will be made to address the shortcomings as outlined in the report by developing thematic areas of collaboration and regional collaboration pacts.
42. Management recognizes the need to continue dialogue with other partners at the country level (working through the donor agriculture working groups in countries where they exist), to support governments and other stakeholders in developing sound, national results-based ARD policies and programmes. Both institutions will continue to collaborate in line with the memorandum of understanding, and will work with other partners in a more strategic manner, bearing in mind the division of labour and the comparative advantage of each institution.
43. The report recommends that the two institutions should issue a joint statement of support for CAADP, and ensure that their policies and operations are clearly aligned with CAADP's policy pillars. The common position of the two institutions has already been stated (paragraph 14).
44. In the past, the two institutions have designed complex multicomponent projects incorporating multiple activities in an effort to combat poverty. Such projects become difficult to manage while resources are thinly distributed, which calls for strategic partnerships allowing different agencies to tackle different aspects of development programmes in a coordinated manner and with a well-defined division of labour among partners.
45. The report rightly notes that the Bank and the Fund have recently begun to address this issue through the design and preparation of simpler, more clearly focused projects. However, Management considers it crucial to the success of such projects that governments buy into the concept of the division of labour among development partners. Therefore this matter will be brought to the fore in future country dialogue missions.
46. Management accepts the recommendation regarding the need for both institutions to maintain and extend their current bilateral partnership, based on the memorandum of understanding signed by the two parties in 2008, setting a limited number of precise, strategic regional priorities, backed by a clear action plan and adequate resources. The Bank and the Fund will review the current memorandum of understanding and prepare the necessary addendum.

F. Conclusion and way forward

47. Management awaits the Executive Board's discussion of the Joint Evaluation report and Management's response, and subsequent guidance on the way forward.

III. Response of the Bank Management

48. In line with the Bank's MTS, the Africa Food Crisis Response approved in July 2008 identified the main areas of intervention in the agricultural sector for AfDB both in the short term and in the medium and long term. The Bank will continue to focus on supporting agriculture-related rural infrastructure, agriculture water development, reduction in post-harvest losses, capacity-building and climate change mitigation.

49. The report cites African economists³ who have long emphasized the need to promote widely shared agricultural growth based on the "Four Is": improving the investment climate, closing the infrastructure gap, promoting innovation and building institutional capacity. African states have not devoted adequate attention to these principles in their ARD activities, nor have these principles been the main drivers of cooperation in the sector. These are principles shared by the Bank as they are in line with its MTS, but they also constitute a realistic path towards invigorating African ARD. Accordingly, the Bank has begun tilting the design of its operations in this direction and will carry this orientation further in its future lending activities.
50. Official development assistance has a major role to play in nurturing ARD. To exploit the potential of the sector, the policy environment must be increasingly favourable. It is important to ensure that adequate incentives are provided and that sufficient public goods are delivered by governments. This will also entail filling the large policy, institutional and leadership gaps that currently exist in most countries of the region, and calls for strong and effective partnerships among the public, private and voluntary sectors if such shortcomings are to be addressed sustainably.
51. The Bank Management assures all stakeholders that the Bank will continue to remain directly engaged in ARD, but will develop a more selective strategy that is closely linked to the Bank's medium-term priorities and aligned with CAADP. The Bank's new generation of projects falls largely under pillars I and II of the CAADP initiative, where pillar I consists of extending the land area under sustainable management and reliable water control systems and pillar II consists of improving rural infrastructure and trade-related³ capacities to increase market access. These goals are in line with the Bank's MTS. The Bank is currently preparing its agricultural sector strategy, which is scheduled for presentation to the Board's Committee on Development Effectiveness by mid-December 2009. As recommended by the report, a major communication campaign will be mounted to inform key stakeholders, particularly African leaders and donors who support the Bank's strategic objectives in the sector, of the strategy. Increased resources are being assigned to the Bank's External Relations and Communication Unit so that it can conduct an institutional communications campaign that responds to the communication needs of the revised agriculture strategy.
52. The evaluation recommends that the Bank ensure that sufficient human and financial resources are allocated for effective implementation of the revised strategy while seeking to leverage further funding from the private sector, private donors, Arab States and emerging donors including Brazil, China, India and the Republic of Korea. Steps should also be taken to ensure provision of adequate resources to regional member countries and operational departments to pursue analytical work and sector studies. Management will work with other partners and ensure that financing needs expressed by RMCs consistent with the Bank's agriculture sector strategy and approved work programme are satisfied. Furthermore, Management recognizes the importance of economic sector work for quality-at-entry of operations and the knowledge agenda of the Bank. As such, Management will consider available financing options, including mobilization of substantial Trust Fund resources and other funding sources.

IV. Response of IFAD Management

53. IFAD Management recognizes the need to undertake more analytical work and policy dialogue in the context of Africa. It also believes, however, that institutions such as the World Bank and IFPRI are better suited to this kind of work. IFAD's current priority is to improve the development effectiveness of its projects and

³ Ndulu and Benno (2007). *Challenges of African Growth: Opportunities, Constraints and Strategic Directions*. Washington, D.C., World Bank.

programmes in Africa, and the immediate impact of this type of work in this region may not be very high. Shifting resource allocations towards policy and analytical work at the cost of project and programme operations could be detrimental to IFAD's overall performance. Where the policy and analytical work is closely related to IFAD projects and programme strategy, the Fund would engage itself either directly or in partnership with other institutions. In any event, IFAD would be very selective in choosing the nature and scope of policy and analytical work. Finally, IFAD Management agrees that such policy and analytical work will require the allocation of additional financial and human resources.

54. While IFAD's overall Africa programme is assigned to three administrative divisions, all three divisions are part of the same Programme Management Department and all three directors report to the Assistant President of this Department. In terms of programmatic coordination among these divisions, IFAD has not encountered any serious problems. In sharing knowledge and information and exchanging consultants, the context specificity and language differences sometimes create barriers. The Western and Central Africa, and Eastern and Southern Africa Divisions are already working on a joint knowledge management activity linking FIDAFRIQUE (West Africa) and IFADAFRICA (Eastern and Southern Africa), to improve the management of knowledge both within and among the regions. IFAD Management is aware of the need to rotate staff, not only among divisions that implement its programme for Africa but more generally; such needs are being considered as part of IFAD's human resource reform programme. IFAD Management considers any opportunity to share knowledge or to cross-fertilize lessons learned an important means of enhancing its development effectiveness and will continue to pursue this approach in the context of Africa as well.
55. Under its performance-based allocation system, IFAD Management allocates programmatic resources differentially in post-conflict countries. Along with other factors, income plays a role in allocation and low-income countries receive a larger proportion of resources. In allocating administrative resources, programme size is a major consideration and thus indirectly differentiates in favour of low-income countries. It is also worth noting, however, that differential allocation should not penalize performance. This may have the effect of lowering IFAD's overall performance by reducing performance in places where the development effectiveness of IFAD's resources is higher. If such an approach is implemented using additional resources, then it can certainly improve overall performance.

Action Plan

	<i>Description of recommendation</i>	<i>Proposed action</i>
Filling the sector policy gap (AfDB/IFAD)		
1	Step up support to CAADP in implementing its mandate, and provide a joint statement of support for CAADP.	AfDB and IFAD Managements affirm their support for CAADP's policy pillars and promote country-led CAADP processes (paragraph 14).
2	At the country level, support the development of sound national ARD policies focused on results that are aligned with the CAADP policy framework and the commitments of the Maputo Declaration. In line with a country-led approach, wherever possible the two institutions should align their ARD strategies and business plans with national sector policies and strategies.	AfDB and IFAD believe that RMCs should exercise leadership over their development policies and plans and commit to making available resources to support such efforts (paragraph 13). They also believe that achieving the targets set under the Maputo Declaration is critical for bringing about improvements in the agricultural and rural sector.
3	At the level of global policy, develop knowledge and capacity to engage in international advocacy on trade issues affecting African producers.	AfDB and IFAD propose working closely with the African Union/CAADP and the regional economic commissions (with the African Union taking the lead role) to adopt common positions when negotiating on trade issues in international forums (paragraph 20).
Improving performance		
(i) Lender performance (AfDB/IFAD)		
4	Increase and strengthen country presence.	Both institutions support the call for strengthening country presence and efforts are ongoing to this end (paragraphs 29, 31(b), 33)
5	Finance simpler, more sharply focused projects and programmes, to be undertaken within the framework of coordinated sector plans.	The report acknowledges that AfDB and IFAD are moving in this direction (paragraph 23). Significant improvements have been made in AfDB (paragraph 25) and IFAD's operating model has changed markedly (paragraph 27).
6	Provide increased support to ARD in fragile states, with specific attention being devoted to the choice and sequencing of aid modalities.	AfDB will continue to provide increased support to ARD in fragile states (paragraph 11) and IFAD is committed to improving its development effectiveness in fragile states (paragraph 12).
7	Build increased skills, knowledge and capacity in the areas of policy, analytical work, knowledge management and managing partnerships.	Engaging institutions that are better placed in the agriculture policy arena – IFPRI – would be more appropriate. IFAD has already provided a large grant to IFPRI (paragraph 18). In the area of natural resource management, the Bank will seek to deepen relationships with leading agencies, such as the International Union for Conservation of Nature.
(ii) Borrower performance		
8	AfDB and IFAD should, in collaboration with other institutions, support governments in undertaking capacity needs assessments in the ARD sector, and provide substantial support for capacity-building and institutional development, including gender mainstreaming. The two institutions should also support similar work for decentralized institutions.	AfDB and IFAD Managements will increase their support to governments in undertaking capacity needs assessments and in building institutions (paragraph 38). Both institutions support the call to re-establish/create technical assistance funds (paragraph 39). Realizing that despite progress there is a room for improvement in gender mainstreaming and women's empowerment, both institutions commit themselves to accord priority to this area (paragraphs 35 and 36).
Building purposeful partnerships		
9	Maintain and extend the current bilateral partnership, based on the memorandum of understanding of 2008, setting a limited number of precise, strategic regional priorities. It should focus on the respective comparative advantages and specializations, complementarity, and increasing the emphasis on results.	AfDB and IFAD Managements recognize the need for both institutions to maintain and extend their current bilateral partnership, based on the memorandum of understanding signed by both parties in 2008. The Bank and the Fund will review the current memorandum of understanding and prepare the necessary addendum.
10	At the regional level, take forward their partnership within the wider partnership around CAADP, and in support of CAADP.	Agreed. See point 1 above.

	<i>Description of recommendation</i>	<i>Proposed action</i>
Recommendations for AfDB		
11	Remain directly engaged in ARD, but develop a more selective strategy, closely linked to the Bank's medium-term priorities and aligned with CAADP.	Agreed (paragraph 51).
12	Following approval of a revised strategy, AfDB should mount a major communication campaign to inform African leaders and other sector donors of the Bank's strategic objectives in the sector.	AfDB's strategy will be presented to the Board in December 2009. A campaign will be launched with the support of the External Relations and Communication Unit (paragraph 51).
13	Ensure that sufficient human and financial resources are allocated for effective implementation of the revised strategy while seeking to leverage further funding from the private sector, private donors, Arab States and emerging donors including Brazil, China, India and the Republic of Korea. Steps should also be taken to ensure provision of adequate resources to regional members countries and operational departments to take forward important analytical work and sector studies.	Management will work with other partners and ensure that financing needs expressed by RMCs for investments, analytical work and sector studies are addressed (paragraphs 39 and 52).
Recommendations for IFAD		
15	Engage more strategically in analytical work and allocate additional resources both in financial terms and in building staff capabilities. This calls for additional financial and human resources.	In some countries where sector strategies are weak, IFAD, either directly or through partnerships, could undertake policy and analytical work on a very selective basis. Additional financial and human resources need to become available for this (paragraph 53).
16	Plan selected joint activities between the divisions such as a knowledge programme to cross-fertilize lessons learned, best practices and experiences, along a proactive policy for exchanging staff and consultants.	IFAD Management will continue pursuing cross-fertilization. It is working on an approach to make the workforce more mobile including through internal rotation and secondments both in and out of the organization, which will also benefit regional divisions serving Africa (paragraph 54).
17	Differentiated allocation levels of administrative resources for fragile states and low-income countries.	The current system allows some differentiation in the allocation of programme-related resources, and consequently in the allocation of administrative resources (paragraph 55).

Key output targets for 2010

<i>Key outputs and indicator</i>	<i>2008-2009 actions (baseline)</i>	<i>2010 target</i>
1. Cofinancing		
1.1. Joint project identification, design and approval (number of countries in total)	<ul style="list-style-type: none"> ○ 4 countries - Benin, Liberia, The Gambia and Ghana 	<ul style="list-style-type: none"> ○ 5 countries (to be identified in early 2010)
1.2. Amount cofinanced	<ul style="list-style-type: none"> ○ AfDB - US\$124.8 million ○ IFAD - US\$45.2 million ○ Total US\$170 million (UA 111 million) 	<ul style="list-style-type: none"> ○ Each institution to increase the amount cofinanced by a minimum of 15 per cent above baseline
2. Supervision		
2.1. Number of joint supervision missions undertaken	<ul style="list-style-type: none"> ○ 3 missions (Benin, Mozambique and Sierra Leone) 	<ul style="list-style-type: none"> ○ Jointly supervise all cofinanced operations starting in 2010 (there are six such operations currently)
3. Enhanced and shared analytical work		
3.1 Increase in relevant analytical work, either directly through partnership arrangements	<ul style="list-style-type: none"> ○ Targets not set for 2008-2009 	<ul style="list-style-type: none"> ○ IFAD/AfDB to collaborate in carrying out three economic sector work activities using IFAD grant resources
3.2. Share analytical work in a mutually beneficial manner	<ul style="list-style-type: none"> ○ Targets not set for 2008-2009 	<ul style="list-style-type: none"> ○ IFAD and AfDB working group to jointly identify issues for further analyses, when needed and share outputs on regular basis
4. Corporate knowledge sharing and innovation		
4.1. partnership coordinator	<ul style="list-style-type: none"> ○ None 	<ul style="list-style-type: none"> ○ A coordinator to be appointed in 2010 to manage the partnership
4.2 Share information broadly on a regular basis	<ul style="list-style-type: none"> ○ Collaborate in the advocacy and financing of major continental initiatives in favour of agriculture and food security: the Agriculture Development Fund, the Migration and Development Trust Fund, the Africa Fertilizer Financing Mechanism, and others 	<ul style="list-style-type: none"> ○ Both institutions have appointed focal points to regularly exchange information on project and country strategy pipelines and share results for ongoing and completed portfolios
4.3. Staff exchange programme	<ul style="list-style-type: none"> ○ None 	<ul style="list-style-type: none"> ○ Undertake a staff exchange programme starting in 2010 for 1-to-2-year deployment periods