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Investing in rural people

## Response of IFAD Management to the 2018 Annual Report on Results and Impact of IFAD Operations

### Note to Evaluation Committee members

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Evaluation Committee — 102<sup>nd</sup> Session  
Rome, 4 September 2018

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## Response of IFAD Management to the 2018 Annual Report on Results and Impact of IFAD Operations

### Note to Executive Board representatives

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Executive Board — 124<sup>th</sup> Session  
Rome, 11-13 September 2018

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For: Review

## Response of IFAD Management to the 2018 Annual Report on Results and Impact of IFAD Operations

### A. Introduction

1. Management welcomes the 2018 Annual Report on Results and Impact of IFAD Operations (ARRI) and finds it clear and comprehensive. The ARRI, along with the Report on IFAD's Development Effectiveness (RIDE) and the President's Report on the Implementation Status of Managements Actions (PRISMA), are important complementary tools to increase the effectiveness, credibility and relevance of IFAD's operations.
2. Management appreciates the role of independent evaluation in helping IFAD achieve better development effectiveness and institutional efficiency. In this regard, the ARRI is highly valued by Management as it presents synthesized findings and a way forward on the corporate recommendations addressed to Management. Management looks forward to continued engagement with IOE through the peer review of the evaluation function and phase II of the Harmonization Agreement to further maximize the ARRI's potential to assist Management in learning and improving performance in persistently weaker performing areas.

### B. Performance trends in the 2018 ARRI

3. Management takes note of the performance trends highlighted in the 2018 ARRI and is pleased to see that they are similar to Management's own analysis on the same cohort of projects included in the 2017 RIDE. Management appreciates IOE's acknowledgement in the report of the newly introduced reforms and commitments made by Management for the Eleventh Replenishment of IFAD's Resources (IFAD11).
4. Given that evaluation is undertaken after project closure, the ARRI synthesizes performance trends of projects that completed on average up to three years ago and were designed well over a decade ago.<sup>1</sup> Therefore, as noted by IOE in the report, the analysis of performance does not take into account recently completed projects where performance improvements may already be evident. On the other hand, self-evaluation is able to provide an analysis that is closer to real-time; therefore projects completing in 2017 have been included in the 2018 RIDE. Management is pleased to note an average improvement of 7 per cent in performance in 2017 over the previous year.<sup>2</sup>
5. The ARRI reports an improving trend in the quality of project completion reports (PCRs), with 90 per cent rated moderately satisfactory or better and, within that, a jump from 18 to 27 per cent rated satisfactory or better. This is a signal of the substantial improvements in the self-evaluation architecture. Furthermore, with a healthy and narrowing gap in the disconnect between Management and IOE ratings, Management believes that similar performance trends will be seen in future editions of the ARRI where the analysis will include the cohort of projects completing in 2017 and beyond.
6. Management values the external benchmarking analysis done by IOE to assess IFAD's performance against that of comparators. While acknowledging the different operational structures and evaluation criteria across the organizations, Management is pleased to note that IFAD projects are globally performing better on average in the agriculture and rural development sector. This is even more apparent when disaggregated at the regional level.

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<sup>1</sup> The 36 new evaluations included in the 2018 ARRI were completed mainly in May 2015.

<sup>2</sup> From the 2018 RIDE.

7. Notwithstanding this positive assessment, at the project level, Management aims to move beyond moderately satisfactory performance and is pleased to see that the areas highlighted in the ARRI as the weakest performing are well aligned with Management's own analysis in the RIDE. In particular, the self- and independent analysis of criteria for the RIDE and the ARRI both point to the need to strengthen project performance in efficiency (with 53 per cent per cent projects moderately satisfactory or better), sustainability (61 per cent moderately satisfactory or better) and government performance (72 per cent moderately satisfactory or better).<sup>3</sup> Furthermore, as recognized by the ARRI, the performance of projects in countries with fragile situations is relatively weaker than in other countries. This reaffirms the need for differentiated approaches in fragile contexts, which is the premise for developing a special programme for countries with fragile situations, a commitment under IFAD11.
8. In the analysis of performance at the country programme level in the ARRI, Management notes the relatively weaker performance in non-lending activities, particularly in partnership-building and policy dialogue. On the other hand, at the project level, IFAD's performance as a partner is the highest performing criterion, with 95 per cent moderately satisfactory or better for projects completed between 2014 and 2016. Additionally, while institutions and policies as a performance area are no longer separately rated by IOE, the report mentions a positive trend in this regard. Management believes that given the interlinked nature of these two project-level criteria, performance at the country programme level could be better reflected in the narrative and include a deeper analysis of the underlying causes for the divergence between these two seemingly interlinked sets of ratings.

### C. Methodology and analysis

9. Management welcomes and appreciates IOE's efforts in using new tools and methods for data analysis and believes that this could further strengthen the robustness of the conclusions in the ARRI.
10. At the project level, Management would, with the purpose of undertaking remedial actions, find it useful if the ARRI could provide an analysis that is unbundled, particularly by region, and correlate interlinked project-level criteria to better understand the reasons for fluctuations in performance. As noted in the ARRI, project efficiency is declining across all regions with the exception of the Asia and the Pacific region. Government performance has not declined as significantly and a decline is noted in East and Southern Africa, Near East, North Africa and Europe and Latin America and the Caribbean regions. Given the inherently interlinked nature of the two, the facilitating and constraining factors identified in the report for these criteria have a strong overlap. Management's own analysis in the 2018 RIDE shows government performance and project efficiency being the weakest performing criterion in the West and Central Africa region, and would have expected to see similar trends in IOE's analysis.
11. At the country programme level, the country strategy and programme evaluation (CSPE) dataset of completed projects since 2007 used to assess performance of non-lending activities would be more useful if complemented with a qualitative description of the evolving context for agriculture. While recognizing that the aggregated historical analysis is presented by IOE due to the small sample of CSPEs available each year,<sup>4</sup> Management believes that the nature, policies and environment in which IFAD's operations were implemented have changed significantly in the last decade. Therefore aggregating past performance with more recent performance under the same criteria is likely to have some methodological limitations and may not provide accurate measures of more recent performance. This merits a more nuanced analysis to help Management get a better

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<sup>3</sup> From the ARRI 2018.

<sup>4</sup> IOE typically conducts four to five new CSPEs each year.

understanding of the underlying reasons behind weaker or declining performance trends.

#### D. Improving performance

12. Management is committed to improving development effectiveness and efficiency and has taken on significant commitments and set ambitious targets for IFAD11. Concrete actions being taken by Management at the corporate level have been elaborated in the 2018 PRISMA and RIDE.
13. An important step in improving project-level development outcomes is increasing the proximity to borrowing countries and in turn beneficiaries. This is expected to be improved through IFAD's decentralization, under the Operational Excellence for Results (OpEx) reform agenda, of not only Programme Management Department staff but also technical and financial management staff, to subregional hubs. Given that efficiency at the project level remains a challenge, Management believes that closer oversight and implementation support from financial management and country programme staff are likely to improve performance in this crucial domain that is complementary to other weaker performing areas such as government performance.
14. In addition to the aforementioned, Management has strengthened the business model of IFAD for IFAD11, undertaken specific actionable commitments for IFAD11 and made significant progress in the implementation of the Development Effectiveness Framework (DEF). Specifically, under the DEF umbrella, Management is committed to: promoting a stronger evaluation culture and its mainstreaming throughout the organization; and enhancing the results focus of self-evaluation through a series of mutually reinforcing initiatives. Management believes that these interlinked initiatives will improve IFAD's overall effectiveness and efficiency leading to better performance and development results. Today, all activities of the DEF are ongoing, and significant progress is being made.

#### E. Recommendations to Management

15. Management welcomes and appreciates the streamlined recommendations in the 2018 ARRI. However, Management believes that in framing the recommendations IOE could have given more consideration to the ongoing reforms and initiatives under which substantial actions have either been completed or are ongoing.
16. Management's detailed responses to the recommendations are provided below.

IOE Recommendation	Management Response
1. Conduct a systemic review of IFAD project-cycle processes and examine the resources committed to each.	
In light of the overall declining trend in ratings and major business model changes introduced by OpEx in 2017, a holistic review of IFAD project-cycle processes (from project design, start-up, supervision, implementation support, midterm review, to completion) and their relation to one another is required. The review would identify critical requirements (e.g. baseline studies) and where resources (both human and financial) are most effectively committed for improved performance and development effectiveness.	Agreed. The OpEx reforms and other interlinked initiatives including the Operational Results Management System (ORMS), the review of the design process and organizational realignment have already reviewed the processes mentioned. However, Management is internally reviewing the project-cycle processes to identify areas requiring further support, both human and financial. Furthermore, the self-assessment of the self-evaluation function as part of the peer review will also look at the project-cycle processes and be a means to identify gaps that require support.
2. Revise IFAD's targeting policy and related guidelines.	
Targeting still represents a challenge in IFAD's projects due in part to the lack of agreement in the Fund on the target group and strategies needed. Therefore, IFAD needs to clarify in its targeting policy and related operational guidelines who IFAD interventions target and how to cater to the needs of the "extremely rural poor and most vulnerable,"	Agreed. Management has committed to increase focus on the poorest and most vulnerable people within each country (commitment 2.2). In this context, in 2019, the targeting operational guidelines will be revised (monitorable action 9) to ensure appropriate differentiated approaches for the target groups included in IFAD's investments. These include, women

<p>as stated in the IFAD11 Consultation Report, as well as the "economically active poor." The revised targeting policy should serve as a chapeau that gives coherence and integrates the different policies and strategies that have and will emerge relating to specific groups such as gender, indigenous peoples, the youth and the disabled. The already planned revision of the operational guidelines on targeting needs to include appropriate differentiated approaches for these specific groups, including young women and men and how best to ensure the inclusion and needs of people with disabilities, in line with the Agenda 2030 commitment of "leaving no one behind."</p>	<p>headed households, young women and men, people with disabilities and indigenous people. Country teams are also being provided support through capacity-building, toolkits and webinars on developing better targeting strategies at the project level. With regards to disability, Management is working on analysis on linking people with disabilities to IFAD's operations and has joined international groups on the matter. On the basis on this IFAD will pilot five projects in which such approaches will be used and report back to the Executive Board.</p>
<p>3. Develop appropriate targeting strategies based on robust and differentiated poverty and context analysis that are flexibly implemented.</p>	
<p>3.1 During project design, interventions need to develop tailored strategies in light of the profiles of the target group and specific contexts. Context analysis is especially important in fragile contexts where targeting strategies especially need to be clear, realistic and practical. By conducting robust poverty and gender analysis, IFAD can provide the basis for identifying and reaching out to those groups that are at risk of poverty and social exclusion, with a specific focus on women and youth.</p>	<p>Agreed. Following the revision of the targeting operational guidelines, IFAD's How To Do Note on "Poverty targeting, gender equality and empowerment during project design" will be updated. An inclusive livelihood analysis of poor rural people that is gender and youth sensitive should ideally be conducted prior to the design mission to guide the project approach and activities from the outset. In addition to gender and youth, this analysis will integrate the other two mainstreaming themes: nutrition and environment. The analysis will feed into the development of more robust theories of change that will capture in a more explicit manner the assumption about the distributional effects of the interventions in terms of anticipated project benefits to different groups, based on gender, age, ethnicity, geographical location, etc., and the transformational impact the project will have on the lives of the target groups.</p>
<p>3.2 During implementation, targeting strategies need to be monitored and adjusted to ensure they continue to effectively reach and meet the different needs of the specific target groups.</p>	<p>Agreed. More emphasis will be put on monitoring the projects' performance on targeting. In this regard, the ORMS enables country teams to monitor progress in a more timely manner. The training on monitoring and evaluation being delivered to project staff through IFAD's programme in rural monitoring and evaluation (M&amp;E) (PRIME) is an important initiative to build capacity on project teams to keep track of targets. In addition, IFAD will promote the use of the Women's Empowerment in Agriculture Index (WEAI), which will allow projects to monitor empowerment at household level (disaggregated for men and women).</p>
<p>4. Establish strong M&amp;E systems and tap into local knowledge through country-level partnerships to capture differentiated poverty data to create knowledge and for policy engagement and advocacy in favour of IFAD's target groups.</p>	
<p>Logical frameworks should include indicators, targets and means of measurement relating to the participation of and expected outcomes relating to specific target groups, including women and youth. During supervision, monitoring of these logframes will allow for data collection on these specific groups which should be aggregated and used for poverty analysis of future projects as well as for country-level policy engagement and to advocate for these groups. Local institutions such as NGOs and universities have a deep and longstanding knowledge of rural areas in which IFAD operates. By strengthening partnerships with such institutions, possibly through grants, they may contribute to project data collection as well as advocacy efforts for policy change.</p>	<p>Agreed. ORMS has been instrumental in better recording, capturing and using data in logframes. The backbone of the ORMS system is the logframe which is a requirement for each country team. The logframes that are reviewed during the design stage are stored in the ORMS and are updated systematically not only after every supervision and implementation support mission but at any other moment when new data may become available. This has changed the utility and culture of data management. Tracking and updating the logframe throughout the project cycle using the ORMS will also facilitate completion reporting and evaluation and will assist with the availability of credible data. Management uses its grant window to engage with local institutions and to strengthen such partnerships at the country level.</p>

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5. Ensure sustainability of rural poverty impacts with exit strategies that are inclusive of targeted beneficiaries and sufficient project duration.

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Programme sustainability is strongly linked to the planning of sound exit strategies with corresponding resources and institutional arrangements for effective implementation. However, the lack of an exit strategy is still a common feature in several projects included in the 2018 ARRI. To ensure that an exit strategy is inclusive of target groups, especially the extremely poor and most vulnerable, the project duration should be sufficient (in many cases about seven years) to implement participatory processes, ensure that targeted populations were reached, and institutions for the poor were established long enough to be included in the exit strategy.

Agreed. In order to ensure sound exit strategies, long term sustainability, as well as effective implementation arrangements, IFAD-supported interventions are increasingly being developed as part of programmatic approaches at the country level whereby proposed interventions are complementary and implemented concurrently or in phases. A phased approach to project implementation enables to reconcile long-term commitment to some strategic orientations and sustainability with the agility and flexibility of shorter implementation period. The phasing of projects is usually considered during the development of the country strategy. Additionally, in order to improve the efficiency of operations, Management is committed to ensuring that the duration of the project is sufficient but not excessive. Notwithstanding this, more emphasis is being put on ensuring that inclusive exit strategies are developed at the design stage. These are systematically assessed during the quality reviews of project design.

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F. Learning theme

17. IOE has proposed quality at entry of project designs as the learning theme for the 2019 ARRI. While Management believes this is important, it should be contextualized within the recently issued President's Bulletin on the design process, the roll-out of a development effectiveness matrix and other interlinked activities being undertaken to improve the quality and efficiency of the design process.