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Investing in rural people

Response of IFAD Management to the 2021 Annual Report on Results and Impact of IFAD Operations

Note to Evaluation Committee members

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Note to Executive Board representatives

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Abbreviations and acronyms

ARRI	Annual Report on Results and Impact of IFAD Operations
DEF	Development Effectiveness Framework
KM	knowledge management
IOE	Independent Office of Evaluation of IFAD
RIDE	Report on IFAD's Development Effectiveness
VfM	value for money

I. Introduction

1. Management welcomes the 2021 Annual Report on Results and Impact of IFAD Operations (ARRI), which provides valuable insights into the performance of the IFAD portfolio. Management finds that this year's ARRI is overall more balanced than in previous years: the report highlights strengths and weaknesses in the performance trends of the portfolio in a constructive fashion, citing both quantitative and qualitative analysis. The focus on learning is clear. Additionally, the two themes presented this year (fragility and efficiency) are of strong relevance for IFAD.
2. Management agrees with the key conclusions presented in the report. The analysis confirms that there are consistent trends in performance, with IFAD maintaining good results on innovation, environment and natural resource management, relevance, adaptation to climate change and IFAD performance. Nonetheless, areas of weakness identified by the Independent Office of Evaluation of IFAD (IOE) in past reports remain the same, as also confirmed by Management and reflected in the Report on IFAD's Development Effectiveness (RIDE), the corporate and regional portfolio stocktaking exercises, and the Report of the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12). These include efficiency, government performance and sustainability; and to a lesser extent, they also touch some dimensions of the non-lending activities, such as policy engagement/knowledge management (KM).
3. Looking ahead to the start of IFAD12, IFAD will produce guidance as well as concrete and actionable plans to address the above-mentioned issues in line with IFAD12 commitments. This will include dedicated action plans on efficiency and sustainability, together with a set of monitorable key performance indicators. On non-lending activities, KM remains a top priority for IFAD12 and, in line with the IFAD12 commitment, the approach to achieving policy engagement results will also be reviewed. The updated Development Effectiveness Framework (DEF) and the monitoring, evaluation, adaptation and learning (MEAL) action plan will reinforce incentives, tools, mechanisms and approaches for learning, and the scaling up strategy will also be updated. Management looks forward to further engaging with IOE to receive further evidence and guidance to enrich the above-mentioned products.
4. Based on the conclusions drawn in the 2021 ARRI, Management commits to collaborating with IOE to find tools and solutions on the following themes: (i) project efficiency and implementation support in fragile contexts; (ii) improved performance in non-lending activities; and (iii) harmonization of performance evaluation criteria between IFAD and IOE. Additionally, Management's response provides a few key insights for the development of future ARRIs.

II. Improving project efficiency

5. As highlighted in both past and recent ARRI and RIDE reports, efficiency has been the weakest performing criterion overall. According to the latest RIDE figures, in the period 2018-2020 efficiency was rated as moderately satisfactory or above in only 68 per cent of completed projects. Management has been looking for options to identify early signals of low efficiency during implementation and has noted that some of the associated dimensions are: (i) quality of financial management; (ii) quality of project management; and (iii) value for money (VfM). According to IFAD's project implementation guidelines, VfM is defined as "the capacity of a project to find the optimal use of resources. It assesses how economically project resources (inputs) are converted into the best results (outputs or outcomes) possible".
6. VfM was one of the three focus areas of the 2021 portfolio stocktaking exercise undertaken at regional and corporate levels. The exercise highlighted how the

assessment of VfM varies during the different project phases. It also brought to light recurrent issues regarding the first two dimensions of efficiency, i.e. quality of financial management and project management. Findings are in line with those of the ARRI, which recognizes the central role played by the governments in addressing issues related to staffing, procurement, financial management and monitoring and evaluation, and lack of incentives and accountabilities for expeditious decision-making. Management looks forward to the results of the ongoing evaluation synthesis on government performance and, in particular, to its recommendations on actions to strengthen the government accountability.

7. The efficiency action plan to be developed by the end of 2021 will build on these insights, provide clearer definitions of VfM, and a road map to harmonize guidance, streamline processes and build capacity for managing towards cost-effective results. One option under discussion is to identify methodologies, tools and incentives to achieve the prescribed shift from output measuring to outcome measuring when estimating VfM.

III. Supporting implementation in fragile contexts

8. The ARRI highlights IFAD's valuable operational experience in working in contexts affected by fragility; recent performance of projects in countries with fragile situations has improved. Notwithstanding such improvements, the ARRI calls for solid strategies informed by dedicated conflict and fragility analysis to address both the drivers and the consequences of fragility.
9. Management agrees on the importance of adopting an integrated framework to strengthen the quality of fragility and risk analysis, and incorporate flexibility and risk mitigation measures into project design and implementation. With specific regard to the conflict-affected states, Management is in the process of rethinking IFAD's engagement from a policy, operational and financial standpoint, in collaboration with updated strategies in other international financial institutions.
10. The strategic focus on fragility, conflict and building resilience is also a key commitment under IFAD12. IFAD will review its engagement in fragile situations, including the special programme on fragility, to improve performance in building resilience, reducing humanitarian needs and engaging effectively in conflict-affected situations. Furthermore, it will develop specific initiatives for enhanced engagement in the Sahel and Horn of Africa, leveraging the Rural Resilience Programme, the Sustainability, Stability and Security Initiative in Africa and the Great Green Wall initiative to increase resources and strengthen collaboration with partners. Preparation of a dedicated strategy on Small Island Developing States (SIDS), a further commitment under IFAD12, is already under way.
11. The ARRI also mentions that social inclusion is critical to mitigating the potential factors of fragility and/or to addressing the needs of those affected by fragility. In this regard, Management would like to highlight its commitment to reviewing IFAD's targeting policy by 2022. Specific attention will be given to targeting issues in countries with fragile situations, building on good practices.
12. Finally, the ARRI highlights simplified project design as an important feature to increase the likelihood of effective implementation in fragile situations. This forms a key consideration when projects are discussed, as Management is well aware that simpler designs are required in these contexts. In this regard, Management would welcome the results of a broader analysis, putting together elements of design, relevance and adaptive management, and crossing them with different country contexts and types of interventions.

IV. Improve performance in non-lending activities

13. Management concurs with IOE on the importance of strengthening policy engagement and dialogue to broaden and deepen the impact of IFAD's programme

of work, and enhance sustainability. As highlighted in the ARRI, good KM is instrumental to the process, yet needs to be shifted to the country level to harness the experience, knowledge and lessons emerging from the country programme. However, Management notes that while ARRI suggests bringing policy engagement “to a higher level”, grants and South-South and Triangular Cooperation remain the only tools suggested to do so. The coming paragraphs provide an overview of IFAD’s ongoing and future plans to strengthen policy engagement, in line with IFAD12 commitments, which include updating the way policy engagement is prioritized and tracked/assessed for impact.

14. One of the objectives of the updated DEF, to be presented to the Board in December 2021, is precisely to move beyond a project-centred results logic, to a country programme results focus. The DEF will provide incentives and tools to make data and lessons about countries – economic analysis, sector analysis, vulnerability analysis, lessons learned, population and agricultural censuses, living standard measurement surveys and impact assessment data – more readily available for country teams undertaking country strategic opportunities programme (COSOP) designs or reviews. The DEF also places renewed focus on ensuring that governments are empowered with data that they can use to practice results-based and adaptive policymaking and programming.
15. The relevance of KM will thus become even more significant under IFAD12, as institutional change and transformational country programmes cannot be achieved without a sound approach to knowledge generation, dissemination and use. Under the annually developed KM action plan, IFAD has already started incorporating some of the key elements that will be necessary to achieve the above-mentioned objectives. One of the priorities is to generate operational knowledge and lessons learned from IFAD operations to strengthen their contribution to COSOPs. KM will also be instrumental in the transition from IFAD’s monitoring and evaluation system to a new, more comprehensive model focused on MEAL.
16. Finally, Management will continue to leverage its increasing proximity to governments and other development partners through its ongoing decentralization process to ensure closer dialogue and policy engagement, more tailored KM and enhanced partnerships. Meeting the 45 per cent target for decentralization of staff by the end of IFAD12 should facilitate this process.
17. Within the above context, Management would welcome the opportunity to engage in a constructive dialogue with IOE on possible complementary tools to improve policy engagement through its programme of work.

V. Harmonizing performance evaluation criteria between IFAD and IOE

18. Management is pleased to note that the disconnect between IOE and Management ratings is declining – on average, IOE’s scores are 0.28 lower than Management’s (on a 6-point scale). However, it would be useful if IOE could present, in the forthcoming editions of the ARRI, a sample of projects for which the disconnect is higher, and analyse the reasons for disconnect. Management believes the analysis would represent a good learning opportunity on both sides.
19. Management welcomes IOE’s availability to engage on those criteria that have seen a larger or widening disconnect between IOE and Management ratings: relevance, gender equality and women’s empowerment, and scaling up. Management would like to reiterate the importance of agreeing on a common definition to be reflected in the upcoming revised Evaluation Manual. Management underlines that the definition, while keeping consistency with international standards and criteria, also needs to reflect IFAD’s unique positioning in the development agenda and incorporate the aspects that are most relevant to its implementation context.

VI. Options for future ARRIIs

20. For future editions, Management encourages the integration of quantitative data and trend analysis with two additional elements: (i) further qualitative insights, to accompany, enrich and contextualize findings from numeric figures; and (ii) analysis of causal relationships, where relevant. Management agrees that insights on specific themes (such as relevance and sustainability) from previous years' editions are helpful. At the same time, they rely on an older set of projects; in a fast-evolving context, conclusions from a younger portfolio would better help shape the design of future operations. As highlighted in previous exchanges with IOE, timeliness is an important factor in delivering performance analysis that can yield true learning and inform adaptive management.
21. Additionally, Management would like to encourage IOE to make use of impact data made available by the Research and Impact Assessment Division to complement the analysis in the ARRI. As discussed in the context of the Multi-Year Evaluation Strategy, IOE could make good use of data collected in the field through rigorous methodologies, while still keeping its independence in the methodology applied to analyse data and draw conclusions. The revised Evaluation Manual, to be presented to the Executive Board in 2022, provides a unique opportunity to set the path for this type of collaboration, without compromising mutual independence.

VII. Looking ahead

22. Management appreciates the constructive tone of this year's ARRI and IOE's efforts to provide a detailed audit trail on Management comments. For future editions, Management encourages IOE to follow up on the suggestion to undertake further analysis on the driver of trends, as mentioned in section VI, to support learning within the institution. Management also values the interactions held with IOE prior to the finalization of the document, and remains fully available for enhanced interaction in the future.
23. Management looks forward to continuing to work constructively with IOE under the overall guidance and oversight of the Evaluation Committee and Executive Board on the revision of the Evaluation Manual, the alignment of the DEF and IOE's Multi-Year Evaluation Strategy, the evaluation synthesis on government performance and the finalization of the product mix, to ensure enhanced learning opportunities for the institution.