

Document:	EC 2006/46/W.P.6
Agenda:	7
Date:	30 November 2006
Distribution:	Restricted
Original:	English

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Portfolio performance report 2005/06

Volume I

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.

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Appendix I: Portfolio size, composition and characteristics

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Abbreviations and acronyms

AP	Asia and Pacific
ARRI	Annual Report on Results and Impact
BOAD	West African Development Bank
CAF	Andean Development Corporation
CBO	community-based organization
CDD	community-driven development
CGIAR	Consultative Group on International Agricultural Research
CI	cooperating institution
COSOP	country strategic opportunities paper/programme
CPE	country programme evaluation
CPM	country portfolio manager
DSPP	Direct Supervision Pilot Programme
ESA	Eastern and Southern Africa
FLM	Flexible Lending Mechanism
FPPP	Field Presence Pilot Programme
GEF	Global Environment Facility
GPoA	Gender Plan of Action
IEE	Independent External Evaluation
IFI	international financial institution
IITA	International Institute of Tropical Agriculture
IMI	Initiative for Mainstreaming Innovation
LAC	Latin America and the Caribbean
LAM	lead adviser's memorandum
LGS	Loans and Grants System
M&E	monitoring and evaluation
MFI	microfinance institution
MIX	Microfinance Information Exchange
MTR	mid-term review
NENACEN	Near East and North Africa, Central European States and Newly Independent States
OE	Office of Evaluation
PAR	project at risk
PBAS	Performance-Based Allocation System
PPMS	Project and Portfolio Management System
PPR	Project Performance Report
PRS	Poverty Reduction Strategy
PSR	project status report
RIMS	Results and Impact Management System
UNCCD	United Nations Convention to Combat Desertification
UNDAF	United Nations Development Assistance Framework
UNIFEM	United Nations Development Fund for Women
WARDA	West African Rice Development Association
WCA	Western and Central Africa

Portfolio Performance Report 2005/06

Introduction

1. This portfolio performance report (PPR) has two purposes: (i) to provide the Executive Board with an overview of the performance of the loans and grant portfolio in delivering results to its target group; and (ii) to complement and, where necessary, amplify the management response to the annual report on results and impact of IFAD operations evaluated in 2005 (the ARRI 2005 report – document EB 2006/89/R.10). In doing so, this report analyses the status and trends of IFAD's portfolio of loans and grants, identifies key strengths and weaknesses associated with the management of the portfolio, and provides a strategic overview of the operational effectiveness and impact against a range of development indicators.
2. IFAD's Action Plan for Improving its Development Effectiveness (EB 2005/86/R.2) constitutes the principal vehicle for change over the period 2007-2009 and therefore has established a set of targets for improving IFAD's performance in terms of relevance, efficiency, effectiveness and sustainability and it has identified three action areas: (a) strategic planning and guidance to establish the priority areas for the organization's operation, (b) strengthened country programmes rooted in a new operating model, and (c) knowledge management and innovation. In this light, this report compares the results achieved with the major Action Plan targets (paragraphs 46-62) and refers to the changes already under way to address issues identified in the Independent External Evaluation (IEE) and past ARRI reports.
3. This report also presents the progress made in terms of improving organizational processes and instruments, such as the Results and Impact Management System (RIMS) for projects, the Direct Supervision Pilot Programme (DSPP), the Field Presence Pilot Programme (FPPP), the Flexible Lending Mechanism (FLM), and private-sector development.
4. This report builds mainly on the divisional portfolio reviews undertaken by the Programme Management Department and on this year's ARRI report prepared by the Office of Evaluation (OE). A summary of each of the regional divisional reports is annexed hereto. The information source for the divisional reviews consisted of supervision reports, mid-term review reports, project completion reports, the Results and Impact Management System (RIMS), and the reports of OE.
5. Each regional division in IFAD prepares project status reports, which include performance ratings. In past years, these ratings have been relatively satisfactory, but have not always been confirmed subsequently by the project completion reviews and independent evaluations. IFAD has learned from this and is setting standards for more accurate rating of the performance of its projects. IFAD has designed a system that accurately reflects project status and generates early warning sufficiently in advance. Other international financial institutions (IFIs) use different systems to identify and classify "at risk" projects. Many have not yet raised their standards, and therefore continue to experience performance rating inflation. We believe that IFAD's reporting is an accurate reflection of the at-risk status of the portfolio.
6. This year's report also utilizes, first, a review of the 25 project completion reports (PCRs) issued this year and, second, a review of 21 lead adviser's memorandums (LAMs) dealing with the projects in the advanced pipeline. These instruments are being used for the first time and are expected to enhance the robustness of the results generated by the self-evaluation system while also making the assessments more contemporary and forward-looking.
7. The PCRs that were reviewed were prepared following the guidelines issued in 1999 and do not, therefore, specifically report performance against the impact domains

defined under the Methodological Framework for Evaluation approved in September 2003. The reviews were based on a careful reading of the PCR to distil evidence with which to make judgements. Although the result is a reasonably comprehensive picture, the veracity of these assessments can only be regarded as tentative. In this light, the disconnect in project performance ratings with the ARRI 2005 report has been calculated in terms of rank differences. Some of the discrepancy between the ARRI report and the PCR review also results from the fact that, while the samples in the PCR review consist only of completed projects, the ARRI 2005 report is based on the evaluation of some ongoing projects as well.

A. The investment portfolio

Portfolio size

8. IFAD's current portfolio of investment projects¹ consists of 222 projects, with a commitment of US\$3.6 billion.² It is distributed over 86 countries and one territory. About 23 per cent of the projects are in 9 countries with 5 or more current projects and an additional 20 per cent are in 11 countries with 4 projects.

Table 1
Current portfolio by region

Region	1 July 2004				1 July 2005				1 July 2006 ^a			
	Number of projects	Percentage of total	IFAD fin. (US\$ million)	Percentage of total	Number of projects	Percentage of total	IFAD fin. (US\$ million)	Percentage of total	Number of projects	Percentage of total	IFAD fin. (US\$ million)	Percentage of total
WCA	51	23	608	19	47	20	588	17	46	21	584	16
ESA	44	20	658	20	47	20	728	21	44	20	685	19
AP	44	20	777	24	50	22	907	26	50	23	1 065	30
LAC	42	19	608	19	43	19	652	19	38	17	641	18
NENACEN	43	19	586	18	44	19	621	18	44	20	623	17
Total	224	100	3 237	100	231	100	3 496	100	222	100	3 599	100

^a Supplementary loans for tsunami-related projects were approved in April 2006. The value of these loans is shown in 2006.

Note: Current portfolio is made up of projects approved but not completed. It includes grant and loan financing. Fully cancelled projects are not included.

Note: AP = Asia and the Pacific

ESA = Eastern and Southern Africa

LAC = Latin America and the Caribbean

NENACEN = Near East, North Africa, Central and Eastern Europe, and the Newly Independent States

WCA = West and Central Africa

9. At 1 July 2006, Asia and the Pacific (AP) accounted for about 30 per cent of the net commitment (see table 1), followed by Eastern and Southern Africa (ESA, 19 per cent), Latin America and the Caribbean (LAC, 18 per cent), the Near East, North Africa, Central and Eastern Europe, and the Newly Independent States (NENACEN, 17 per cent) and West and Central Africa (WCA, 16 per cent). Since the average size of investments and IFAD commitments vary significantly, the average number of projects per division is far more equally distributed than the loan value (Appendix 1, Volume II).
10. Of the US\$4.7 billion in IFAD financing approved since 1994/95, rural financial services and credit has taken the largest chunk (19 per cent), followed by technology transfer (11 per cent), local capacity-building and institutional development (10 per cent), and community-driven development (10 per cent). Investment in agriculture and natural resource management accounts for almost one third of the total over the past 12 years. In recent years, there has been some decrease in financing for activities related to agriculture and natural resource

¹ As some projects are financed by loans as well as grants, the term "investment projects" has been used.

² The current portfolio consists of all projects approved but not completed and thus includes also those which are not yet effective. The ongoing portfolio excludes the projects yet to become effective.

management and to rural finance. This has been offset mainly by the increase in human development, local capacity-building, marketing, small and microenterprises, and community-driven development.

Approvals and disbursement

11. In the review period beginning on 1 July 2005 and ending on 30 June 2006, 23 projects – with a commitment of US\$419 million – were approved.³ An additional US\$35 million was allocated for four post-tsunami projects. This brought IFAD's total approvals over the past five years to 127 projects, with a commitment level of US\$2.1 billion, and the total approvals since its establishment to 711 projects, with US\$9.1 billion committed. Financing of projects in sub-Saharan Africa (SSA) countries during the period totalled US\$152 million, equivalent to 36 per cent of funds committed as compared with a historical average of 38 per cent. In value terms, financing of projects on highly concessional terms was about US\$332 million, or 79 per cent of lending during the period, somewhat below the five-year average (82 per cent).
12. The average financing size of projects approved in the review period is US\$18.2 million. IFAD's average loan size is much lower than that of other IFIs.⁴ This allows IFAD to respond to opportunities that can absorb only limited investments, and also assists IFAD in experimenting with innovative ideas with limited risk exposure. This, however, also tends to increase IFAD's cost relative to its portfolio size, as most costs associated with designing and implementing projects tend to be fixed in nature and are related to the number of projects rather than the amount invested.
13. The upward trend in disbursement continued during the review period and reached a new high of US\$347 million. Of this, about US\$161 million (46 per cent) was for countries in sub-Saharan Africa, an increase over previous years. Disbursement lags of over 40 per cent are reported for 43 projects; this is a slight improvement over last year. Improved disbursements have resulted mostly from increased implementation support and follow-up and, when that does not produce results, clean-up of the non-performing part of the portfolio.

Cofinancing

14. Of the total amount approved for financing in the period under review, about US\$405 million was mobilized from host-country partners and about US\$105 million from non-domestic cofinanciers (other donors). Historically, non-domestic cofinancing has been erratic, making it difficult to identify a pattern. The drop of US\$88 million over the past year could therefore be a short-term aberration. The relative lack of commitment of other donors to agriculture and rural development is making it difficult for IFAD to raise cofinanced funds.
15. In the current portfolio, the number of projects exclusively financed by IFAD has increased to 40 per cent, while another 55 per cent are IFAD-initiated and cofinanced and 5 per cent are initiated by other donors and cofinanced by IFAD. This indicates a movement away from cofinancing and stands in contradiction with the emphasis that IFAD placed in recent years on building partnership and working closely with other donors.
16. To resolve the problem of declining cofinancing will require that IFAD become more present at the country level, where cofinancing is arranged. IFAD's donor partners have decentralized in recent years creating a need to engage more at the country level. Enhanced emphasis on alignment and harmonization following the Rome and Paris declarations is likely to intensify this process and put further pressure on IFAD to enhance its in-country engagements.

³ The review period thus has been changed from earlier PPRs which were based on the calendar year.

⁴ For example, the Inter-American Development Bank's average loan size in the current portfolio stood at almost US\$70 million at 31 December 2003. For the International Development Association (IDA), the World Bank window comparable to IFAD, it stood at US\$51 million in fiscal year 2005.

Cancellations

17. The emphasis laid in recent years on portfolio “clean-up” is bearing fruit, reflecting cancellations worth SDR 65 million, an increase of SDR 32 million over the previous period. This was mainly due to the full cancellation of two loans (Dominican Republic and Indonesia) and the cancellation of the undisbursed balance of three loans to Zimbabwe. Enhanced disbursement rates have led to a lower proportion of cancellations at loan closing – about 13 per cent in 2005/06, which is in line with recent years but significantly better than the long-term average of 18 per cent. While this signifies improvement in the timely utilization of resources, there is still scope for bringing about further improvements, especially by resorting to partial cancellations, whenever opportunities arise.

Loan signing and effectiveness

18. Twenty-five projects with IFAD financing worth about US\$354 million became effective during the review period. As at the end of June 2006, 40 approved projects had yet to become effective, however. Loans for 34 projects were signed during the review period, with an average of 6.4 months elapsing between Board approval and signing, somewhat higher than the long-term average of just over four months. The average time elapsed between Board approval and effectiveness was reduced. Overall, there is an urgent need to significantly improve efficiency from Board approval to signing and effectiveness.
19. The factors affecting the time taken for effectiveness tend to be varied and are not always amenable to generalization. The institutional arrangements proposed for project implementation often require a longer preparatory phase, particularly for projects designed with participatory processes. Demand for more transparency in conducting the business of government is on the increase and has led to involvement of more stakeholders in the approval and ratification process and, consequently, to delays. The Field Presence Initiatives have been a useful instrument in helping to facilitate effectiveness. There is also a need to improve the implementation readiness of projects before approval. IFAD is undertaking measures to reduce those problems. This would also help to reduce implementation delays.

Extensions, completions and the ongoing portfolio

20. Loan extension as a management tool was used more sparingly during the review period, with only 22 projects being extended. Some extensions were to provide for the restated implementation period and thus were automatic.⁵ Thirty-two projects were completed. This led to a further reduction of the ongoing portfolio to 182 projects.

Project supervision

21. As at 1 July 2006, 181 projects required supervision. Of these, only 6 per cent were directly supervised by IFAD. The remainder fell under the cooperation arrangements for supervision. The United Nations Office for Project Services (UNOPS) was assigned 125 projects, or 69 per cent of the total; the World Bank stood at a distant second with 17, or 11 per cent of the projects; and of the remaining projects, the Andean Development Corporation (CAF) and West African Development Bank (BOAD) had the largest number, with 10 projects each.

⁵ IFAD calculates the implementation period as from the date of effectiveness, hence the need for restatement if any delay occurs in declaring a project effective.

B. The grants portfolio

Grants approved and disbursed in 2006

22. The grant policy approved in 2003 was fully in effect during the period under review⁶ and all 75 grants – amounting to US\$31.60 million – were approved under the new policy.⁷ The distribution of grants approved in 2005/06 is shown in table 2.

Table 2
Distribution of grants approved,
1 July 2005 to 30 June 2006

Window	Large grants		Small grants		Total	
	Number	US\$ million	Number	US\$ million	Number	US\$ million
Regional/global	17	21.30	35	4.94	52	26.24
Country-specific	6	3.00	17	2.36	23	5.36
Total	23	24.23	52	7.31	75	31.60

Source: PMD.

23. During the review period, under the global/regional window, 8 grants benefiting seven institutions supported by the Consultative Group on International Agricultural Research (CGIAR) – amounting to US\$7.07 million – and 12 grants to other institutions – amounting to an additional US\$14.77 million – were approved. Similarly, 32 small grants to non-CGIAR institutions and 3 for CGIAR institutions were approved. Of the 23 grants under the country-specific grant financing, 4 amounting to US\$1.71 million were for development projects, mainly for local capacity-building and to enhance policy dialogue; an additional 4 were for country-specific activities.
24. During the review years 2002 to 2004, IFAD's annual disbursements under grants ranged from US\$18 million to US\$23 million. In the review year 2006, disbursements improved to US\$25.5 million.

Current and ongoing grants

25. At 244, the number of grants in IFAD's portfolio is large (see table 3). This is indicative of the preponderance of many small grants. Forty-three grants await effectiveness, indicating the need to improve pre-implementation activities, including design. Of the amount approved for grants under the ongoing portfolio, a little less than half has been disbursed on a cumulative basis.

⁶ For ease of reference and reporting, the new grants policy is assumed to have taken effect on 1 January 2004; all text and tables reflect that date.

⁷ Figures exclude financing for the Programme Development Financing Facility (PDFF), considered part of the country-specific window.

Table 3
Grants portfolio as at 1 July 2006

	<i>Current portfolio^a</i>		<i>Effective portfolio</i>			
	<i>Approved</i>		<i>Approved</i>		<i>Cumulative disbursed</i>	
	<i>Number</i>	<i>(US\$ million)</i>	<i>Number</i>	<i>(US\$ million)</i>	<i>Amount (US\$ million)</i>	<i>Percentage</i>
Under previous grant policy						
CGIAR	18	17.49	18	17.49	11.56	66
Research non-CGIAR	34	27.68	33	26.68	16.44	62
Component	5	2.35	5	2.35	1.35	57
NGO	21	1.69	21	1.69	1.42	84
Special Operations Facility (SOF)	3	0.27	3	0.27	0.22	83
Subtotal	81	49.47	80	48.47	30.98	64
Under new grant policy						
Regional/global window	89	53.95	66	42.06	14.69	35
Country-specific window	74	20.66	55	13.89	3.88	28
Subtotal	163	74.61	121	55.95	18.57	33
Total	244	124.08	201	104.41	49.55	47

^a Current portfolio includes grants approved but not closed. Effective portfolio includes grants for which financing agreements have been signed but not closed.

Source: Loans and Grants System (LGS).

Overall implementation performance and the portfolio at risk

A. Implementation performance

26. In monitoring the performance of individual projects in the ongoing portfolio, IFAD uses the project status report (PSR). The PSR applies qualitative and contextual measures and ranks performance against a range of indicators such as implementation progress, women's empowerment, etc. In interpreting these ratings, it is worth noting that the assessment standards have been raised significantly during the current review period and the data are not strictly comparable over time. Internal consistency in ratings, however, has been generally maintained. This allows for a robust comparison of ranking of different variables within a given year.
27. Overall, PSR ratings in 2006 show better performance in terms of project compliance with procurement procedures, availability of counterpart funds, compliance with loan covenants, timelines of reporting, quality of accounts and timeliness of audit. The PSR ratings for "overall" project implementation continued to hover around a score of 2 throughout the period under review,⁸ signifying room for further improvement. Among the constituent indicators, ratings against acceptable disbursement rates and performance on monitoring and evaluation (M&E) are relatively low. Other indicators needing improvement include achievement of physical targets and the performance of service providers. Since these are self-assessment scores, they tend to reflect the commitment of the country teams and the divisions to improve performance against these indicators.
28. Given the importance of project implementation in better effectiveness and outcome, an analysis of project completion reports (PCRs) was undertaken regarding this indicator. The result shows that implementation was satisfactory or

⁸ Currently the PSRs rate projects on a 4-point scale: 1=above or on target, 2=mostly on target, 3=substantially below target and 4=little or no progress. In future, the PSRs will also use a 6-point scale.

highly satisfactory in 54 per cent of projects.⁹ Overall, the distribution is bimodal: implementation tended to be either fully satisfactory or more sharply unsatisfactory. This is roughly comparable to the findings of the ARRI 2005 report undertaken by the Office of Evaluation.

29. The types of problems identified by the PCR review were varied, including problems at design and appraisal of institutional capacities, fuzzy lines of command among implementing agencies, weak accountability, poor financial management, shortcomings in counterpart funding, weak M&E, high staff turnover, delays and disruption occasioned by external factors such as devaluation, civil strife, and changed borrower priorities.
30. Some PCRs found shortcomings in management by project authorities, by governments, by IFAD's cooperating institutions, by cofinanciers and by IFAD itself. Institutions serving the rural poor are typically very weak. This said, leaving aside the most difficult external factors such as civil war, many implementation difficulties seem to have their roots in weak project design, especially with respect to overall implementation arrangements and risk assessments. Improving on this performance is an important challenge for IFAD.

B. Partner and IFAD performance

31. Implementation is also heavily affected by the performance of project partners: funders, borrower agencies and cooperating institutions.¹⁰ Accordingly, the PCR review assessed the ratings for partner performance and the performance of IFAD.

IFAD's performance

32. IFAD's performance was rated as partly satisfactory or better in 78 per cent of the cases. In general IFAD displayed commendable flexibility in supporting adjustments to project design at the time of the mid-term review (MTR). This is an area where the PCRs ranked IFAD's performance much better than did the ARRI 2005 report. On balance, partner performance – when taken together – was a little better than overall implementation, and IFAD's individual performance was slightly better than that of its partners.
33. The review of PCRs also points to areas where IFAD should have performed better. Among these, lack of timely redressal of project management issues (Burkina Faso: 512-BF and Paraguay: 496-PY)¹¹ and infrequent participation in project supervision (502-MN) stand out. Over-flexibility has also been reported in one case (Nepal: 250-NP). It also reports how a project with a weak design was supported satisfactorily during implementation by IFAD directly supervising (Bangladesh: 1029-BD). Most of the comments point towards the need for a higher level of IFAD engagement during implementation (which is an objective of the Action Plan).

Performance of cooperating institutions

34. Similarly, UNOPS – the cooperating institution (CI) in 15 (60 per cent) of the sampled projects – turned in generally satisfactory performances but was also criticized for a lack of staff continuity in supervision missions and sometimes for not fielding enough missions to a given project. Weak implementation support, lack of field time and poor follow-up (Dominica: 503-DO) and fielding of the first mission when 60 per cent of the project was already completed (Paraguay: 496-PY) are illustrative of the problem associated with supervision. In some cases, project implementation has suffered due to differences between IFAD procedures (e.g. for the disbursement of funds under community-driven development) with that of the CI or of the government. This warrants more flexibility on the part of CIs and of IFAD.

⁹ The review of the PCR has been undertaken using a 6-point scoring system, where: 6=highly satisfactory, 5=satisfactory, 4=partly satisfactory, 3=partly unsatisfactory, 2=unsatisfactory and 1=highly unsatisfactory.

¹⁰ Implementation may also be affected by the performance of NGO and CBO partners as well as the target group, but the performance of these agents was not separately rated.

¹¹ The numbers in parentheses are the project ID number.

35. The ratings assigned for CI performance in the PSRs for the ongoing portfolio of projects in 2005/06 show a little less than 60 per cent having “minor or no problem”, 35 per cent with “moderate problems being dealt with”, and 6 per cent with “major problems that require interventions”. While there is no clear trend, overall performance appears to have worsened slightly, especially in terms of frequency of supervision and impact of supervision on project implementation.

Performance of cofinanciers

36. Overall, 15 of 25 projects (60 per cent) had one or more cofinanciers. Performance of cofinanciers was reported to be weak, influenced by the frequent failure of promised funds to materialize. In some other cases, however, cofinancier performance was exemplary (e.g. United Nations International Drug Control Programme [UNDCP] in the Lao People’s Democratic Republic and IDA in Azerbaijan). The lesson here is to ensure that firm agreements are in place before declaring an operation effective so as to avoid launching projects with insecure financing. A potential trade-off between the mobilization of cofinance and good design, both of which require more time, and the resulting delay in project start-up also need resolution. IFAD is working on resolving this issue.

C. Portfolio at risk

Risk assessment using the absolute scale

37. The project at risk (PAR) classification in IFAD is based on the criteria defined under its performance-based allocation system (PBAS), which classifies projects in three categories: actual problem, potential problem, and not-at-risk. The “actual problem projects” are those that received a rating of 3 or 4 in one of the two main indicators of implementation performance and progress towards development objectives. The identification of “potential problem project” is based on the rating of 3 or 4 against 5 of the 11 risk flags. The remaining projects are regarded as not-at-risk.
38. The results of the analyses done by the regional divisions for mid-2006 are presented in table 4.

Table 4
Classification of the project by risk category using absolute scale

Region	Actual problem		Potential problem		Not at risk		Total	
Western and Central Africa	5	13%	-	-	33	87%	38	100%
Eastern and Southern Africa	8	20%	1	2%	32	78%	41	100%
Asia and the Pacific	9	23%	-	-	31	77%	40	100%
Latin America and the Caribbean	9	26%	-	-	26	74%	35	100%
Near East and North Africa	8	22%	-	-	29	78%	37	100%
Total	39	20%	1	2%	151	78%	191	100%

39. At 20 per cent, the number of projects in the portfolio at risk compares favourably with the performance of the previous review period.
40. The portfolio was then analysed in regard to the movement of projects in and out of various risk categories: (a) projects chronically at risk are those that have been classified as “actual problem” for three or more consecutive years from 2002 to 2006; a total of 14 projects are in this category – more than half of these were at risk throughout the period; (b) projects transitorily at risk are those that have been classified as “problem project” in 2006 but were classified as “not at risk” for at least one year in the past; a total of 17 projects are included in this category – 8 of these became problem projects only in 2006; and (c) projects with early implementation problems are those new projects that have been identified as being an actual problem in the start-up year itself; this category includes 8 projects.

41. Of the 42 projects identified as “actual problem” projects in 2005, only 11 could be reclassified as “not at risk” in 2006. Of the remaining ones, 6 were closed and 25 continued to remain in the category of “actual problem” projects. Overall, problem projects tend to remain persistently so.
42. While the analysis of projects at risk using the PBAS criteria helps to assess portfolio performance, some shortcomings have also been noted: (i) it assigns unusually high weight to two indicators (assessment of implementation performance and the development objective), neglecting a number of other performance variables; and (ii) the current design generates only a very short list of potential problem projects and thus fails to provide warning sufficiently in advance, an element essential for a tool that underpins portfolio management.

Risk assessment using the relative scale

43. In view of the limitations of the PAR methodology, a supplementary tool for assessing projects at risk based on a relative score was introduced on an experimental basis in 2005. This tool uses the average rating assigned to each project for all of the progress and impact indicators, without assigning “veto” weight to any one criterion. The simple average scores are then used to divide the distribution in three categories: green projects (having a score of up to half a standard deviation above average), amber projects (having a score between 0.5 and 1.25 standard deviation above average), and red projects (with performance of 1.25 standard deviation above average) – a high PSR score implies lower performance. The application of a relative scoring system to the entire portfolio of IFAD projects produces a classification of projects across three colour categories and two performance areas (see table 5).

Table 5

Classification of the project by risk category using relative scale

<i>Progress towards development objective</i>	<i>Implementation performance</i>			<i>Total</i>
	<i>Green</i>	<i>Amber</i>	<i>Red</i>	
Green	125	14	3	142
Amber	9	16	2	27
Red	1	7	10	18
No rating	-	2	2	4
Total	135	39	17	191

44. The following conclusions are in order:
- Problem-free. These are projects that are classified as green in both implementation progress and impact. This group consists of 125 projects, about two thirds of the ongoing portfolio in 2006.
 - Potential problem. This group includes 23 projects that have been rated amber in only one of the implementation performance or impact categories, and green in all others.
 - Project at risk. This group include those projects classified as amber in terms of implementation progress and impact and as red in one category but green in the other. A total of 20 projects, corresponding to 11 per cent of the total portfolio fall into this category.
 - Problem projects. This includes those projects classified as amber and red or vice versa in the rating of implementation performance and impact. A total of 19 projects, or about 10 per cent of the total projects, fall into this category. Within this group, ten projects (or 5 per cent of the total number of projects) are rated red against both indicators and are clearly the most problematic ones.

45. Agricultural and irrigation projects tend to be more problematic, as are the multisectoral rural development projects (see table 6). In contrast, relatively satisfactory performance is shown for rural finance projects. Also, marketing projects show better performance. Both irrigation and marketing projects are small in number, however. The satisfactory PSR ratings of the ongoing rural finance portfolio performance stands in apparent contradiction with the relatively weak performance seen among the completed projects (paragraph 77). This could be due to either the inconsistency between ratings at the implementation and completion stages (paragraph 5) or improvements of performance of the projects in the ongoing portfolio when compared with the completed projects. It could also be due to both factors. Evidence generated by the ARRI 2005 report and the evaluation of the rural finance policy indicate improved performance among younger projects.

Table 6
Problematic projects by type, using relative scale

<i>Project type</i>	<i>Problem projects</i>		<i>Project at risk</i>		<i>Potential problem</i>		<i>Problem free</i>		<i>Total</i>
Agriculture	10	16%	6	10%	11	18%	34	56%	61
Rural finance	1	5%	-	-	-	-	20	95%	21
Fisheries development	-	-	-	-	-	-	1	100%	1
Irrigation	3	33%	-	-	-	-	6	67%	9
Livestock development	-	-	2	67%	-	-	1	33%	3
Marketing	-	-	-	-	-	-	4	100%	4
Research	1	7%	1	7%	3	20%	10	67%	15
Rural development	4	6%	11	15%	9	14%	48	67%	72
Rural settlement	-	-	-	-	-	-	1	100%	1
Not rated	-	-	-	-	-	-	-	-	4
Total	19	10%	20	10%	23	12%	125	65%	191

Project performance, sustainability and targeting

A. Relevance

46. The review of the PCRs shows that about 72 per cent of the projects were found to be relevant or highly relevant and another 24 per cent partly relevant to the country's poverty reduction strategy, the economic, social and policy environment, and IFAD's strategic objectives. On average, therefore, relevance was rated as fully satisfactory. This year's ARRI report also has ranked IFAD's performance as highest against this performance criterion: there is no disconnect between the self- and independent evaluation.
47. The findings of the PCR review also show significant improvements over the Action Plan benchmark¹² and are close to the target set for 2009. Clustering of about a quarter of the projects with partly satisfactory results (a rating of 4) shows that, with some incremental effort, almost all IFAD projects could be made highly relevant or relevant.
48. A fully satisfactory performance rating, however, has not made IFAD complacent in terms of improving its relevance. Its new strategic framework (2007-2010) has a much more operational focus and, in particular, it adds a number of new elements, including clearer linkages between IFAD's goals, objectives and outputs, which are in turn linked to its internal performance management systems. These will make the IFAD "strategic filters" used to identify its projects and programmes "less

¹² The IEE rated 60 per cent of all IFAD projects highly relevant and 40 per cent as substantially so.

permissive" and thus reduce the possibility of engaging in efforts that are less relevant to the rural poor. IFAD will also build on its comparative advantages and focus its efforts in those areas where it has the most to contribute. This will help to improve IFAD's relevance during implementation.

49. As a signatory to the Paris declaration, IFAD is fully committed to aligning and harmonizing its policies and processes with respective national policies and processes. This will help IFAD to improve its relevance. As a United Nations agency, IFAD is also fully committed to the ongoing UN reform processes that will ensure better performance not only of individual agencies, but also of the UN system as a whole.

B. Effectiveness

50. Effectiveness is broadly defined as the extent to which project objectives were achieved. A total of 72 per cent of projects were rated partly satisfactory or better during the PCR review. Of the 25 projects, four (Azerbaijan, Korea, Peru and Viet Nam) fully met or exceeded the development objectives and were rated as highly effective. There were nine projects in which overall physical targets were met but performance was not fully satisfactory and thus rated lower. For example, in Burkina Faso, while practically all physical targets and most development objectives were met, the autonomy of farmers' organizations was rated as low.
51. The findings of the PCR review generally concur with the ratings assigned by the ARRI 2005 report.
52. Overall, the results achieved so far show improvements over the Action Plan benchmark of 67 per cent and good progress towards the target of 80 per cent by 2009.

C. Efficiency

53. Efficiency relates to the use of resources. It is most easily understood as the economic relationship between overall costs and overall benefits. A ratio in favour of the latter induces a positive rating. In total, about 60 per cent of the projects reviewed reported partly satisfactory or better performance. This shows an achievement level equal to the Action Plan target for 2009 and significant improvement over its benchmark of 45 per cent. Of the total, about 44 per cent of the projects were found to be efficient or highly efficient, 16 per cent partly efficient and 12 per cent partly inefficient. This shows once again that, with some incremental effort, over 70 per cent of the projects could be made to perform at a satisfactory level.
54. The PCR review ranks the performance in efficiency significantly higher than the ARRI report does, and thus there is a significant disconnect between the two.
55. The majority of PCRs have not undertaken a meaningful economic analysis and the assessments of efficiency were based on a rough weighing of the evidence scattered throughout the PCRs. The ARRI 2005 report also had only two projects that had calculated an economic rate of return. The conclusions with respect to efficiency therefore need to be interpreted very cautiously given the poor evidence base.

D. Overall project performance

56. In reaching a composite score for the outcome rating, the IEE averaged performance ratings against relevance, effectiveness and efficiency, and reported a performance level of 70.7 per cent for the entire sample (comprising both completed and ongoing projects) and 61 per cent for the completed projects only. IFAD's performance on this count was comparable to the World Bank's 72.9 per cent for the total portfolio and 69.6 per cent for the rural sector during the period 1995-2004. This year's composite rating of 76 per cent for the completed projects therefore represents a 15 percentage point improvement over the IEE benchmark

for completed projects.¹³ For the total portfolio (including ongoing projects) a calculation based on the ARRI report findings gives a composite score of 82 per cent, implying an 11.5 percentage point improvement over the IEE benchmark.

E. Sustainability

57. While the 2005 ARRI reports some improvement in sustainability, this continues to be one of the least successful domains. The PCR review ranks performance only slightly better than the ARRI report does. Of the 25 completed projects rated in the portfolio review, one was found to be highly satisfactory, six satisfactory, twelve partly satisfactory or partly unsatisfactory, and six unsatisfactory. This gives 48 per cent of the projects as being partly satisfactory or better. When compared with the IEE rating of "substantial sustainability" for 40 per cent of the completed projects, there is an eight percentage point improvement. The low base, however, requires that vigorous actions be taken to achieve the Action Plan target of 80 per cent of projects being substantially sustainable by 2009. Rigorous analyses of the underlying causes affecting sustainability, along with broad-based discussion, involving also the Office of Evaluation, will be pursued in line with the recommendations of the ARRI 2005 report.
58. The distribution of the performance ratings also shows that, with marginal additional efforts, performance of five partly successful projects could have been made satisfactory. An additional seven projects, rated partly unsatisfactory (a rating of 3), would have required more effort but could also have been made satisfactory, or at least partly satisfactory (a rating of 4). These could have improved the overall rating for this indicator to largely satisfactory.
59. Among the successful cases noted in the PCRs, the findings on Viet Nam (1025-VN) are illustrative:
- ".. the deeper understanding of gender, participation, poverty reduction, donor coordination, etc., is likely to prove of lasting value ... project infrastructure is of adequate quality and is likely to be maintained by communities providing the relevant technical resources continue to be provided by the government ... Gains for women especially through credit groups appear sustainable ... Formal aspects of institutional change may not long survive as these were in many ways ad hoc ..."*
60. Low impact on sustainability is explained by a lack of local capacity development (Mexico: 494-MX), persistence of high vulnerability (Ecuador: 1043-EC), disposal of a significant part of the physical assets by the target group (Nicaragua: 495-NI), shortage of maintenance funds (Ghana: 1002-GH, United Republic of Tanzania: 1006-TZ).
61. In the unstable political, economic and environmental areas where IFAD works, it would be unreasonable to expect all projects to be rated as fully sustainable. However, the performance of the projects included in the PCR sample falls short of expectations.
62. As the review of the PCRs concludes, the key to improving sustainability lies in across-the-board improvements in quality at entry and implementation, including supervision, as well as the level and quality of attention given to institutional development. At the project level, most of the initial gains in sustainability could come from longer development periods for grass-roots institutions, adoption of a more organic process for building social capital, and ensuring more conducive operating environments, including the legal framework, for grass-roots institutions.

¹³ In reaching this conclusion the IEE combined frequencies falling in two rating categories: high (4) and substantial (3). On a 6-point scale, which the PCR review undertaken for this report applied, the IEE ratings of substantial (3) and high (4) correspond to the ratings under the PCR of 4, 5 and 6, namely, partly satisfactory, satisfactory and highly satisfactory.

F. Targeting

63. Historically, IFAD's approach to targeting was guided by the Agreement Establishing IFAD, which directs it to allocate its resources to increase food production and to improve the nutritional levels of the poorest populations in food-deficit countries.¹⁴ Operationally, it targeted mainly areas with a very high proportion of rural poor. This was complemented by targeting people who are particularly disadvantaged and vulnerable, such as women, indigenous people and ethnic minorities. This approach, in general, enabled the Fund to be of high relevance to the needs of the rural poor. Successive ARRI reports, however, have raised the issue of IFAD projects not being able to identify the target group explicitly or to reach the poorest and most vulnerable, even when these were targeted.
64. A review of the PCRs shows that in most cases IFAD's targeting approach has contributed to identifying appropriate target groups. There are some areas that need improvement, however. Firstly, in cases where geographic, ethnic and gender criteria have been used in identifying the target group, it is not always clear whether these are the poorest groups (Mexico: 494-MX). Similarly, the targeting design was weak in the United Republic of Tanzania (1006-TZ). In Peru (Peru: 475-PE), however, the project's approach to targeting the seven poorest provinces, especially in post-conflict areas, was found to be highly satisfactory. The Burkina Faso project (369-BF) targeted the poorest region (with a population of 400,000), and the targeting performance was rated as highly satisfactory. Similar success was achieved in Tunisia by targeting one of the poorest districts with high out-migration. Sometimes, the inclusion of relatively better-off participants is deliberate. In Rwanda (500-RW), the design permitted the participation of relatively well-off households who would take advantage of market dynamics and could thereby serve the project's main target group by employing them. Employment creation can be an important poverty reduction weapon for the landless.
65. This year's self-evaluation system reports some disconnect between design objective and implementation. In the Dominica project (503-DO), targeting was precise in the design but it was loosely applied during implementation. In Viet Nam (1025-VN), more men benefited than women despite a very strong gender component in the design. Lessons learned from the PCRs also show the need to identify instruments that are relevant to the target group. For example, in Ghana (1002-GH) the drinking water and post-harvest technology components helped in significantly reducing the workload of women.
66. IFAD's review of the ongoing portfolio also places strong emphasis on analysing targeting performance. Divisional reviews are rich in terms of critical self-reflection and lessons learned. As an example, analyses of LAC's targeting performance in the ongoing portfolio includes a successful effort to allocate resources on a competitive basis, which limited benefit capture by those outside the target group. In the Asian region, geographic targeting worked in 80 per cent of the projects. This was done mainly by using vulnerability mapping complemented by participatory processes. Among the criteria, income level was applied most (44 per cent of the cases), followed by landholding size (25 per cent), food insecurity (19 per cent) and herd size (6 per cent).
67. Overall, ratings of targeting success in the ongoing portfolio show about 30 per cent of projects as being above or on target and another 64 per cent being mostly on target. There is a need to improve targeting performance but this is not currently a severe problem for IFAD. Improvements are possible by reducing the gap between design and implementation and by improving the monitoring of performance against targeting.

¹⁴ Article 7.1 (d).

68. Targeting issues are flagged in all 21 lead adviser's memorandums (LAMs), which are prepared for all new projects that have completed formulation during the review period. Among the issues identified were insufficient poverty and livelihood analyses, insufficient identification of appropriate activities and services (also allowing self-targeting), the need to include criteria beyond demographic categories (e.g. women, youth) and the need for better monitoring of targeting performance.
69. The recent adoption of IFAD's policy on targeting will help to fill the gap observed in clearly defining project target groups and thus should contribute towards better design and implementation.¹⁵ The policy reiterates IFAD's commitment to proactively strive to reach the extremely poor, who have the potential to take advantage of improved access to assets and opportunities. It also allows for a country-based definition through a stakeholder process. It recognizes and builds on the lessons learned by IFAD and others, and requires IFAD to (i) undertake more rigorous diagnostic studies, and (ii) better monitor targeting performance.¹⁶ It also requires investments in capacity-building of IFAD staff and partners.
70. Despite the many efforts to improve targeting, including detailed diagnostics, the poorest are proving hard to reach. The reasons for this include the generally weak institutions that serve them. Further, many CIs are not as sensitive to targeting issues as IFAD is. Both these factors underscore the need to undertake direct supervision and allow for longer duration projects, as sensitizing communities is a time-consuming process.

Portfolio impact: Challenges and response

71. The impact domains of IFAD are defined under the Methodological Framework for Evaluation (EC 2003/34/WP.3). Not all projects explicitly target all domains, but all projects are expected to positively influence all of them. Performance against the impact domains are described below.

A. Physical and financial assets

72. This impact domain subsumes a number of variables, including production, productivity, income, access to markets, financial services, and physical and financial assets of households. Overall impact on this domain is rated as impressive by the ARRI 2005 report and this is generally supported by the findings of the PCRs. A separate analysis carried out by IFAD staff looked at three variables – agricultural productivity, physical assets and financial assets – and confirmed good performance, but identified areas that need further improvement in this domain.
73. With 11 of the 22 completed projects reporting strong performance,¹⁷ IFAD's contribution to enhancing **agricultural productivity** can be considered substantial. Changes have been effected mainly by ensuring timely delivery of inputs and technical advice (Burkina Faso: 369-BF, Rwanda: 314-RW), introduction of new crops (Tunisia: 483-TN), and land improvement and irrigation (Venezuela: 279-VE). Changing the institutional arrangements, mainly by developing a market for land and ensuring permanent title, is yet another intervention that improved overall factor productivity by enhancing allocation efficiency in Azerbaijan (1033-AZ).
74. In contrast, productivity gains were modest or unsatisfactory in Sierra Leone (308-SL) largely due to project implementation problems. In Mongolia, while productivity gains in vegetables were reported to be satisfactory, lower animal holdings were reported after two severe winters. Productivity gains were only partially satisfactory in Nicaragua (495-NI), as the agricultural activities undertaken had little or no market outlet.

¹⁵ IFAD, Reaching the Rural Poor: IFAD's Policy on Targeting (EB 2006/88/R.2/Rev.1).

¹⁶ ARRI 2005 report, paragraph 71.

¹⁷ As stated in paragraph 6, altogether 25 PCRs were analysed but not all PCRs reported results against all domains.

75. The self-evaluation system also reports generally satisfactory impact on **physical assets**. Of the cohort of 22 PCRs that reported on this domain, two rated highly satisfactory and seven as satisfactory impact. In some projects, the value of land increased due to the restoration of irrigation systems (Azerbaijan: 1033-AZ) or through soil and water conservation works (Rwanda: 314-RW). Improvements in road and other rural infrastructure were also reported, notably in Viet Nam (1025-VN) and Bangladesh (1029-BD). Impact was negligible in Dominica (503-DO) and limited to the creation of temporary employment in Nicaragua (495-NI).
76. The review of the ongoing portfolio shows strong performance in the creation of infrastructure where it was included in the design. NENACEN, for example, has reported 198 community infrastructures against a target of 25 and coverage of 500,000 people benefiting instead of 60,000 under the Southern Governorate Project in Yemen.
77. Of the 24 PCRs that rated performance against the **financial assets**, one reported highly satisfactory, four as satisfactory, and six as partly satisfactory. In Ecuador (1043-EC), the *cajas solidarias* exceeded the target and created additional demand for revolving funds, and had a strong impact on women. A similar impact on women was reported for the Lao People's Democratic Republic (1099-LA). In Rwanda and Tunisia, the access to financial services helped initiate new income-generating activities and, in the case of Tunisia, to increase agricultural productivity as well. Impact, however, was unsatisfactory in the United Republic of Tanzania (1006-TZ), Burkina Faso (369-BF) and the Democratic People's Republic of Korea (1064-KP). While the failure to enhance local capacity explains the non-performance in the first two countries, it is the high price inflation rate that eroded the value of the credit fund and created sustainability problems in the third. In Mexico (494-MX), incomes increased as well as diversified, but local capacity to manage regional funds remains underdeveloped, which rendered the impact unsustainable.
78. Technical reviews of the projects in the pipeline tend to have a large number of comments regarding technical and institutional issues. This appears to be linked to the presumption of a situation of power asymmetry in rural areas and thus the need to safeguard the interests of IFAD's target group. IFAD technical staff recommendations therefore focus on participatory planning and monitoring, pro-poor legislation and enforcement, and the provision of capacity-building inputs, including business development services. Using credit lines very selectively by avoiding the supply-driven approach to credit of the past, avoiding subsidized loans, broadening financial services beyond credit (to savings, insurance and remittances), and innovation in delivery mechanisms constitute the most frequently occurring recommendations from the technical divisions.
79. Overall, independent assessments of the rural finance portfolio of major development agencies, including the World Bank and UNDP, show the need to improve performance. IFAD's performance appears to be as weak as that of other agencies. At over 19 per cent, the relative share of the rural finance portfolio is high in IFAD. Even more importantly, IFAD's target group needs sustained access to financial services in order to engage in productive activities to smooth consumption and to cope with crises. In this light, it is important that IFAD increases the rate of improvement achieved in recent years as reported by the evaluation of the Rural Finance Policy. The continuing movement of the rural finance portfolio from a narrowly focused credit supply to the provisioning of broader rural finance services will therefore be pursued vigorously.
80. IFAD's rural finance portfolio is geared towards expanding microfinance services by reorienting conventional credit programmes. Secondly, it is working on innovative financing instruments, such as remittances. It is also encouraging systematic

performance reporting from the rural finance institutions it supports, through a global Web-enabled database called the Microfinance Information Exchange (MIX). In line with the Rural Finance Policy, IFAD projects are attempting to achieve sustainability.

B. Human assets

81. In building human assets, IFAD's assistance tends to be highly selective and limited mainly to increasing the access of the target group, particularly women, to literacy and basic education, primary healthcare, and drinking water and sanitation. Recent independent evaluations (included in the ARRI report) demonstrate satisfactory impact, and this has been generally confirmed by the self-evaluations. With 15 of the 22 completed projects (68 per cent) reporting marginally satisfactory or better performance, the cohort of projects reviewed generally concurs with the ARRI report findings. In terms of ranking, the PCRs rate performance in this domain somewhat lower than the ARRI report, however.
82. Of the project completion reports reviewed, the most substantial impact was created by drinking water components. This is reported for example in Burkina Faso (369-BF and 512-BF), Tunisia (483-TN), the United Republic of Tanzania (1006-TZ), and Viet Nam (1025-VN). The Peru project (475-PE) reported a more comprehensive improvement in the standard of living as the result mainly of the dissemination of improved stoves, sanitary latrines and separate kitchen facilities, and the reduced workload among women, as well as increased school enrolments. Satisfactory impact on literacy and basic health was also noted in Burkina Faso (512-BF), Rwanda (500-RW), Viet Nam (1025-VN), the United Republic of Tanzania (1006-TZ) and Tunisia (483-TN). An increase in self-esteem was reported in Viet Nam (279-VN), and increases in skills, particularly in farming technology and women's knowledge of health-related issues, were reported in China (1048-CN).
83. The Mali project (367-ML) had satisfactory impact on adult literacy, but people were not prepared to manage common resources such as water. Similarly, overall impact was produced more among men than women in Nepal (250-NP). The relevancy and/or the quality of training and/or their impact were identified as issues in Ghana (1002-GH) and Mongolia (502-MN). Similarly, Mexico (494-ME) reported unmet capacity-building targets. In India, (1040-IN), the principal contributor to change in human assets was the institutional support component, which has not only transformed the understanding and capability of individuals, particularly women, but was also instrumental in engineering more effective social relationships across and among communities.
84. Among the issues noted in the new designs, HIV/AIDS is becoming more prominent. While poverty analyses increasingly deal with this issue, projects contain few remedies. IFAD's approach on this is not to design a component to address the issue directly, since as an institution it is less suited to do so, but to design projects that can assist affected communities and households to cope with the impact of the pandemic.
85. Overall, IFAD realizes the financial and technical resource constraints it faces and thus will continue to be highly selective in identifying investment opportunities that contribute directly towards building human assets. It will remain vigilant with regard to the potential contribution that increases in income and household food security can make in building human assets. It will also continue helping rural poor people to empower themselves and be able to negotiate the supply of basic services in rural areas and thus secure better access to basic services related to health, education and other social services.

C. Social capital and empowerment

86. IFAD's investment in social capital is not high but it is often a critical component of IFAD-supported projects, as it underpins the methodology for identifying the target

group and implementing the project at the grass-roots level, such as through the community-driven development process. In line with earlier ARRI reports, the ARRI 2005 report has raised concern regarding IFAD project impact on social capital and empowerment. The review of the PCRs generally concurs with the ARRI report's findings.

87. A closer look at the self-evaluation results shows a cluster of eight projects that have performed unsatisfactorily in this impact domain, with other projects performing satisfactorily. This has dragged down overall performance. The most frequently cited reasons include non-implementation of capacity-building and participatory processes (Nicaragua: 495-NI, Burkina Faso: 512-BF, Mali: 367-ML) and unsustainable grass-roots institutions (367-ML). Other projects that reported little or no impact were Mongolia (502-MN), Paraguay (496-PY), Dominica (503-DM) and the United Republic of Tanzania (1006-TZ).
88. The ratings of partly satisfactory or partly unsatisfactory impact have been assigned to projects in which: (i) grass-roots organizations had limited impact despite having significant potential (Nepal: 250-NP), (ii) it was not possible to ensure adequate autonomy to these organizations (Burkina Faso: 369-BF), (iii) there was weak application of participatory techniques or democratic procedures (Azerbaijan: 1033-AZ), and (iv) the ability to fund new local projects or maintain old ones was not adequately developed.
89. The impact was substantial in Viet Nam (1025-VN), where a participatory and decentralized development model not only built local capacity but also helped empower people. In the post-conflict situation in Rwanda (314-RW), the PCR reported a strong increase in the capabilities of associations and enhanced reciprocal trust among people.
90. Successful projects in this impact domain demonstrated an often high multiplier effect. In Peru and some other Andean countries, community groups have acquired the capacity for collective action by assessing problems and opportunities, preparing proposals for future actions and, more importantly, taking responsibility for using resources. A number of them are engaged in collective marketing activities, while others have set up small agribusinesses. The project strengthened the capacity of beneficiaries to engage with local governments. The status of women has been raised within both the family and the community. The evaluation established that more than 45,000 men and women who had participated in the implementation of business plans had increased their self-esteem. This also has led to an increase in income among participating households.
91. In operational terms, the challenges facing IFAD are twofold:
 - (a) about one third of its projects have been unable to implement the activities and components related to social capital that were designed in the project; and
 - (b) specific project problems include partial or inadequate achievements, leading to continued dependence of beneficiaries on project-created institutions, poor use of participatory techniques (Azerbaijan) and failure to differentiate need according to gender.
92. Overall, and at the risk of oversimplification, projects seemed to somewhat ignore the organic way in which social capital is created, tending to make top-down decisions about how it should be fostered. In some cases, the time-bound nature of IFAD projects appears to have inadvertently encouraged an expedient but unsustainable process for creating and nurturing social capital. Quite clearly, there is a need to take a longer-term view in projects that aim at enhancing and utilizing social capital.

D. Household food security

93. Promoting food security among the rural poor is key to IFAD's mandate. IFAD contributes to this goal directly by enabling households to meet their needs through increased self-production of food, and indirectly through increased incomes, improved nutrition, enlarged physical and financial asset base, and better access to financial services.
94. Technological change, particularly in agriculture, is an important element in enhancing agricultural productivity. Accordingly, a significant part of IFAD's investments is geared to strengthening technical advice, improving the supply of farm inputs, conserving water, and linking production with markets. IFAD's grant policy aims at promoting pro-poor research on agriculture technology.
95. The PCRs reviewed this year show that about 38 per cent of the projects achieved satisfactory or highly satisfactory results in this domain. Another one third showed partly satisfactory results. The overall impact can be termed as generally satisfactory. The PCR review ranks the performance almost equivalent to the ARRI 2005 report's ranking.
96. Lessons learned from successful projects show complex relationships among various factors that affect household food security. In Azerbaijan (1033-AZ), increased crop production, especially of food grains, achieved mainly by enhancing productivity, contributed to a highly satisfactory impact. The development of a market in land contributed through the increased asset base of farmers, and indirectly by enhancing the allocation efficiency and thus raising output.
97. Similarly, in Burkina Faso (369-BF) both increased soil fertility and enhanced income through livestock improvements and introduction of other income-generating activities contributed to achieve a satisfactory impact on food security. Rwanda (314-RW) benefited from better water management, crop diversification and improved access to fuel wood. In Tunisia (483-TU), the impact was satisfactory but could have been better had more attention been given to the marketing of new products and commodity chains. In China (1048-CN) food grains per capita doubled and child nutrition improved. In Peru (475-PE), all direct beneficiary households achieved food security.
98. In Bangladesh (1029-BD), farmers increased income by moving to high-value crops. This, however, led to a decline in food crops and, thus, the net impact on food security (with incomes increasing but food crop production declining) is less clear. In the Lao People's Democratic Republic (1099-LA), crop output increased significantly but mostly among the group that was not food-insecure at the start. Cropping intensity doubled in Viet Nam (1025-VN) benefiting mostly the less poor. All these projects were rated as only partly satisfactory (or even unsatisfactory) in view of the ambiguous results for the most poor, even though there was good overall production impact.
99. Review of the ongoing portfolio helped to identify some good practices. In the United Republic of Tanzania, market facilitation – such as through the introduction of a warehouses receipt scheme – has helped farmers to obtain better prices. In Burundi (1105-BI), livestock restocking has enabled diversification of not only income sources, but also family diets, to include milk and meat.
100. IFAD also uses the grant instrument to promote food security among the rural poor. For example, enhancing food security is the primary focus of the three large grants approved for research and development on yams (R 740/IITA), cowpeas (R 661/IITA) and rice (R 662/WARDA) in Western and Central Africa.
101. A review of the projects currently being designed shows that projects are becoming more sectoral (e.g. rural finance, marketing, etc.), making ex ante assessment of the probable impact on food security more difficult. As food security does not constitute an explicit objective for many new projects and therefore is not a part of

the monitoring system, impact is measured only indirectly, usually through proxy indicators. This issue is likely to affect the quality of the findings with respect to food security in future. In addition, some projects have been developed for countries where food security is no longer a priority concern (Moldova, Albania, and Bosnia and Herzegovina). IFAD pursues multiple objectives so it will not be the case that improving food security will, or should be, an objective in all future projects.

E. The environment and the common resource base

102. Many IFAD projects operate in a fragile environment and thus include activities designed to protect or enhance the environment and the natural resource base. Even when environmental improvement is not an explicit objective, IFAD applies a principle of “no harm”. Performance in this impact domain has been reported to be rather weak by the IEE and by successive ARRI reports. This is in part explained by the lack of an explicit environmental objective in some IFAD projects.¹⁸ Overall, this impact domain ranks lowest in performance in the PCRs and shows no disconnect with the ARRI report ratings.
103. Among the successful cases reviewed this year, China (1048-CN) stands out, where forest cover and fertility increased and soil erosion declined. Increased forest cover and improved environmental stability were reported in Nepal (250-NP) and Viet Nam (1025-VN) as well. The project in Peru (475-PE) was designed on the premise of a close link between poverty and the degradation of natural resources. Positive impact was achieved both in enhancing environmental sustainability and reducing poverty by introducing participatory natural resource management and organic agriculture. In most other projects, performance was reported as partly satisfactory (Venezuela: 279-VE, Burkina Faso: 369-BF, the Democratic People’s Republic of Korea: 1064-KP) to unsatisfactory (Nicaragua: 495-NI, Paraguay: 496-PY, the United Republic of Tanzania: 1006-TZ, Burkina Faso: 512-BF, Mali: 367-ML, and Niger: 434-NE).
104. The low impact is in part related to inadequate progress in implementation, which in turn is explained by poor linkage to productivity (Nicaragua: 495-NI), lack of incentives for tenant farmers to undertake conservation measures (El Salvador: 1215-SV), or underestimation of potential level of erosion (Mali: 367-ML). Neglect of common property resources on which the poor depend for a variety of livelihood needs is yet another cause for low impact. This is also an impact area where the gap between design and implementation is the highest. A case in point is Mongolia (502-MN) where the project implementing unit failed to appreciate the need to establish a range monitoring system capable of measuring productivity and grazing pressure. It was not implemented.
105. The lack of ownership by IFAD’s target group of natural resource conservation objectives is often a problem. A donor cannot substitute for local commitment. In some borrowing countries, the availability of human resources to help in designing and implementing a pro-poor regulatory framework is yet another issue. As measures for resource conservation usually produce results only in the longer term, future projects will need to provide an adequate implementation period.
106. IFAD has been actively seeking additional ways of contributing to environmental protection. The establishment of the GEF Unit in August 2004 was one such initiative. While assisting IFAD in fulfilling its role as a Specialized Executing Agency of the Global Environment Facility (GEF) and mainstreaming global environment benefits, the GEF unit has also helped to bring additional cofinancing to IFAD’s investments in this domain and to improve the design of environmental components. Since the unit’s establishment, the number of projects in the IFAD/GEF portfolio has doubled, with the current portfolio at US\$22 million and an

¹⁸ To illustrate, 8 out of 25 projects reviewed this year did not report on the impact in this domain.

additional US\$57 million earmarked during the fourth replenishment of the GEF Trust Fund. The unit, in partnership with the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (UNCCD), has also implemented a US\$1 million project grant. The GEF Unit continues to foster strong partnerships with other United Nations agencies, such as the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization (UNIDO) and the World Bank, through the joint implementation of five project grants. Similarly, IFAD will continue to work closely with the Global Mechanism of the UNCCD in reducing poverty through the sustainable use of natural resources. During the review period, the Technical Advisory Division – in close collaboration with the Global Mechanism – undertook a review of IFAD's portfolio using Rio markers developed by the Organisation for Economic Co-operation and Development (OECD) aiming at reporting IFAD's activities related to the UNCCD.

F. Institutions, policies and regulatory frameworks

107. IFAD's performance in this domain has been rated as relatively weak both by the IEE and by successive ARRI reports. The review of PCRs undertaken this year concurs with OE's relative ratings of this impact domain. In absolute terms, only about 20 per cent of the projects for which PCRs were completed showed satisfactory or highly satisfactory performance, and 21 per cent showed unsatisfactory performance.
108. The impact was profound when a project's efforts to influence policies succeeded. Azerbaijan (1033-AZ) offers one such example, where agrarian reforms were institutionalized and both public and private institutions were strengthened, both of which had positive distributional consequences. The leasehold forestry project in Nepal (250-NP) made leasehold forestry a central plank of the country's strategy for poverty reduction. In most other cases, success has been limited mainly to enabling project-related institutions to improve their performance (China: 1048-CN, Lao People's Democratic Republic: 1099-LA, Mongolia: 502-MN). Success has been more pronounced when the focus was on building grass-roots institutions, as in the case of Nicaragua (495-NI), where 14 microfinance institutions were strengthened and access was given to a rural development fund. Another positive case was in Burkina Faso (512-BF), where the outreach of public services was extended into remoter areas and the management capacity of partner institutions was strengthened.
109. Overall, the proportion of projects seeking to strengthen and transform national institutional frameworks is on the rise. The current portfolio, compared with the completed portfolio, has achieved some notable successes. In Burundi, an IFAD project has helped establish 900 democratically elected community development committees. IFAD has entered into policy dialogue with the Burundian Government in order to grant legal status to these committees, and to use them as the foundation of a pluralistic and grass-roots-led governance system. Similarly, a regional grant programme – Growing a Pro-Poor Competitive Cashew Industry in East Africa – is under way in Eastern and Southern Africa (ESA) and has provided support for development of a processing industry code of conduct and labour policy memorandum of understanding in Mozambique, a memorandum of understanding amending the fiscal framework for sales of raw and processed cashew in the United Republic of Tanzania, and lobbying for the establishment of a cashew sector policy in Kenya.
110. IFAD policy influence relies heavily on scaling up successful practices developed in the context of its projects. Reliance on projects and project-related institutions tends to be high. In this light and in line with the Action Plan, IFAD will selectively

pursue opportunities for policy dialogue, derived from IFAD's field experience or required for project success.¹⁹

111. Opportunities for using platforms beyond projects are on the rise, however. The most important among these are IFAD's efforts to influence the PRSPs and the United Nations Development Assistance Framework (UNDAF). While the poverty reduction strategy (PRS) process provides an effective entry point for influencing policies, using it for the benefit of the rural poor requires significant additional effort. Realizing this and using grant resources, IFAD provided crucial inputs in initiating a hub for rural development and food security in West Africa, which facilitates coordinated and sustainable policy dialogue among actors committed to rural development. Its members include 24 countries of the WCA region, together with intergovernmental development institutions, regional NGOs, farmers' rural organizations, the private sector and external partners, such as the European Union, French Cooperation, IFAD and the United Nations Development Fund for Women (UNIFEM).
112. In general, IFAD's participation in the UNDAF and PRSP processes is growing. The intensity of participation and value added differs significantly, however, from one country to another. The lack of a country presence is a major impediment to IFAD in engaging in policy discussions and institution-building on a continuous basis in-country. There is a need to build IFAD staff capacity both in terms of leveraging partnership-building skills to influence policies and in identifying critical policy and institutional issues that are relevant to the needs and aspirations of the rural poor.

G. Gender equality and the empowerment of poor rural women

113. Mainstreaming gender is important for achieving a more egalitarian society. It is even more important for achieving better development effectiveness, as women can play an important role as agents of change. The ARRI report's indication of improved performance in addressing gender issues in 2005 has significant implications for the overall performance of IFAD.
114. The PCRs have assessed IFAD's performance in gender mainstreaming as generally favourable, but this was ranked lower than in the ARRI report. There is therefore some disconnect between the independent and self-evaluation. Easy access to financial services appears to be the most empowering factor in both of the projects rated highly satisfactory (Lao People's Democratic Republic: 1099-LA and the Democratic People's Republic of Korea: 1064-KP). In Ghana (1002-GH), satisfactory impact was achieved mainly in terms of reduced workload for women, an effect created by supplying water and introducing appropriate post-harvest technology. The lack of specific proposals for gender mainstreaming (United Republic of Tanzania: 1006-TZ), delayed execution of the gender mainstreaming component (Paraguay: 496-PY) and low implementation rates (Burkina Faso: 512-BF) are illustrative of the reasons behind low impact in this area.
115. Given the importance of gender impact, PSRs measure project performance in this domain using seven indicators. These include satisfactory monitoring of gender-differentiated participation, meeting of project targets related to women, women's participation in the project, and women benefiting equitably from the project. Overall performance of women's empowerment was rated as mostly on target in 68 per cent of the projects and above or on target in 16 per cent of the projects.

¹⁹ IFAD's Contribution to Reaching the Millennium Development Goals: Report of the Consultation of the Seventh Replenishment of IFAD's Resources (2007-2009) (REPL. VII/5/R.2/Rev.1).

Progress made under the Gender Plan of Action

116. Realizing that poverty is not gender-neutral, gender equality has been a key concern in IFAD project design. In this light, IFAD's commitment was strengthened by the approval of the Gender Plan of Action (GPoA) 2003-2006 in April 2003. A brief description of the progress made during the review period follows.

The country programme

117. According to the GPoA mid-term review, about two thirds of the country strategic opportunities papers scored well in terms of incorporating gender concerns. The requirement has been incorporated in the new results-based country strategic opportunities programmes (COSOPs) and detailed in the related guidelines.

The checklist based on the GPoA

118. **Prerequisites of gender-sensitive design** are now used regularly not only in quality assurance but also as guidance for design teams. However, the GPoA mid-term review highlighted the continuing need for improvement in design: compliance with the prerequisites was rated 60 per cent satisfactory at appraisal. It is interesting to note that 42 per cent of responding project directors considered that project design was not sufficiently gender-sensitive.

Implementation

119. Continuity between design and implementation remains an issue that regional gender programmes have sought to address by providing capacity-building and backstopping through grant-funded regional gender programmes. The majority of projects responding to the survey questionnaire have organized gender training for their staff. In 70 per cent of the cases, this has been done using loan funds, indicating that external funding functions primarily as a catalyst. Attention to gender in supervision was a GPoA requirement: project directors report that 64 per cent of CIs always request sex-disaggregated information.
120. Only 33 per cent of responding projects have a gender specialist on the management team, although in 58 per cent of cases directors' state that there is someone in the project coordination unit with gender issue responsibilities. A significant proportion (57 per cent) of project directors and CI supervisors indicate a desire for further training on gender. Project supervision reports give high ratings for women's participation. However, survey respondents assess participation in project activities as being gender-balanced in only 24 per cent of the cases, and predominantly male in 52 per cent of the cases. The majority of projects have less than 30 per cent of female field staff, which had proved to be a major bottleneck in terms of outreach to women. Areas in which respondents considered projects to have the greatest impact are women's economic empowerment, improved decision-making roles and, above all, knowledge and skills development. The net picture is therefore somewhat murky, though clearly more needs to be done to enhance the status and well-being of women in IFAD's projects.

H. Innovation, replication and scaling up

121. Given the depth as well as the extent of rural poverty, IFAD can play only a catalytic role. It therefore needs to focus on introducing innovations and scaling them up when they are found to be successful. Against this backdrop, improvements have been noted by the ARRI report in 2005. The PCR review ranks performance as satisfactory in about two thirds of cases. Poor performance was attributed mainly to the low likelihood of replication of innovations. Innovations were also limited in some cases, for example, by a design that discouraged innovation (Dominica: 503-DO).
122. In Azerbaijan, replication and scaling up nationally is well under way within the life of an IFAD project and the PCR noted the project as a model with powerful lessons for other Eastern European countries. Similarly, in Peru, transferring funds directly to communities proved to be very effective and efficient. Plans were made with

“talking maps” and generated a participatory process that helped in M&E as well. In the Lao People’s Democratic Republic, the project institutional set-up was replicable and scalable, albeit with adjustments. In Mexico, while performance was rated as modest, financial management and investment support systems have been institutionalized and incorporated into other regions and programmes. The regional fund established by the project was also described as being replicable to all ethnic communities. Innovation was noted in terms of the introduction of radio programmes in the Mayan language.

123. As a catalyser, IFAD needs to manage its knowledge better, mainly by making the knowledge-sharing process more systematic and encouraging intensive interaction among staff and various units within IFAD. This was identified as an area of weakness by the IEE and thus forms part of IFAD’s Action Plan. A knowledge management strategy has been developed by IFAD and a strategy on innovation is under development.
124. While IFAD has a number of platforms to share knowledge (for example, 16 learning notes were issued during the review period), effectiveness of knowledge-sharing is limited. IFAD’s heavy reliance on the outsourcing of services for both project design and implementation contributes to the problem of inadequate knowledge-sharing and scaling up. The new policy on supervision is expected to contribute to knowledge-sharing by allowing IFAD staff to obtain first-hand experience in project design and implementation.

Improvements in processes and instruments

A. Results and Impact Management System

125. Following the approval by the Executive Board of the Framework for a Results Management System for IFAD-Supported Country Programmes (RIMS) in December 2003, IFAD has undertaken a comprehensive set of activities in implementing it. It has also learned valuable lessons in this process. The activities undertaken during the review period (July 2005 to 30 June 2006) are presented in appendix II to volume II and summarized below.

RIMS implementation

126. During the review period, IFAD devoted special attention to finalization of the impact survey methodology.²⁰ A manual outlining the steps necessary to undertake the survey was issued and a software program for entering and analysing the survey data was also developed. These tools have been posted on a dedicated page within the IFAD website.²¹
127. Training and dissemination events were organized for strengthening knowledge about the RIMS. Orientation sessions were also organized in combination with various regional and subregional workshop initiatives. Significant improvements have been achieved in terms of reinforced knowledge on survey methodologies, improved quality of M&E data, and reporting of results indicators. Significant progress was also made in establishing benchmarks for the third-level indicators. In addition to the pilot surveys carried out in 2004, a total of 23 surveys were conducted using the methodology adopted in the RIMS framework.

²⁰ Based on the findings of the five pilot impact assessment surveys undertaken in 2004/05.

²¹ <http://www.ifad.org/operations/rims/index.htm>

Reporting and analysis

128. For new projects, integration of the RIMS is proceeding quite satisfactorily: RIMS indicators are included in the logical framework of newly designed projects as well as in the M&E system. At the same time, the ongoing review process on the original set of first- and second-level indicators and the dissemination of the handbook should help to simplify and clarify the information demand associated with the RIMS framework.
129. Based on the data submitted by projects, it appears that projects that were designed or became effective after the RIMS requirement was introduced have a relatively easy time with reporting, as M&E and reporting systems can be developed to be "RIMS-friendly". For projects that were ongoing when the RIMS was introduced, reporting has been more difficult. It was also realized that the formulation of some indicators needs to be improved in order to avoid ambiguity. In addition, the indicators need to have a more "people-centred" focus. The overall performance of the second-level indicators was somewhat below expectations because M&E systems were not geared for reporting this type of data. Some revision of the approach to the second-level results is a priority for RIMS mainstreaming in the future. Overall, the inadequacy of M&E at the country or project level constitutes the main impediment to the operationalization of the RIMS framework.
130. Data collected under the framework of first- and the second-level indicators were already presented in the 2005 portfolio performance report. In total, 86 projects reported data on first- or second-level indicators. This corresponds to a 30 per cent increase with respect to the number of projects reporting RIMS data in 2004. Most of the data reported were on first-level indicators.

Further development

131. On the basis of the lessons learned during two years of implementation of the RIMS, IFAD has undertaken a process of review of the RIMS framework, as envisaged at the time at which the original framework was presented to the Executive Board. As a result, IFAD is currently involved in the preparation of a RIMS handbook that will incorporate the lessons learned and provide further guidance on sources of information, timing and computation aspects.
132. On the basis of the lessons learned, IFAD will also place further emphasis on:
- (i) continued support for strengthening M&E capacity at the country level and further development of links with country-led processes and with other donors;
 - (ii) encouragement for building overall capacity for adopting management-for-results, encompassing not only the monitoring system but also the planning and budgeting systems; and
 - (iii) extension of RIMS mainstreaming by mobilizing resources during supervision.
133. Finally, conformity of the RIMS framework to the Paris Declaration on Aid Effectiveness needs to be assessed, in particular, the extent to which the RIMS framework is harmonized with countries' statistical, monitoring and evaluation systems.

B. Direct supervision

134. IFAD initiated direct supervision of 15 projects following the adoption of a resolution by the Governing Council in 1997. An evaluation of the Direct Supervision Pilot Programme (DSPP), undertaken by the Office of Evaluation in 2004/05, found that, compared with supervision by a cooperating institution, direct supervision has greater potential to contribute to better development effectiveness at the project level and, at the same time, allows greater attention to IFAD's broader objectives at the country programme level. It provides broader

opportunities for policy dialogue and partnership development. It also contributes to developing IFAD's knowledge base and allows CPMs to strengthen country-level coordination. A Governing Council resolution in 2006 approved the continuation of the DSPP. A list of projects selected for direct supervision is presented in annex IV.

135. At the end of the review period, five of the 15 DSPP pilots had been completed (annex IV). The loan for a sixth was cancelled. For the five projects that have been completed, direct supervision seems to have had a positive effect on the efficient use of IFAD resources. For four of these, disbursements is expected to reach 100 per cent of the original loan amount, as against an IFAD average for closed loans of 83 per cent.
136. Overall, direct supervision was found to be useful in improving project implementation and in allowing IFAD to play a key role in problem-solving and innovation. It also has enabled IFAD to pay special attention to issues of prime concern to the Fund (e.g. gender mainstreaming, targeting and the building of grass-roots institutions). A more direct relationship with IFAD was seen as more relevant in building dialogue and understanding with the government. Moreover, capacity-building has been an important benefit of the DSPP, whereby partners are more involved in the supervision process and there is an opportunity for knowledge transfer based on project experience. In terms of frequency of supervision, directly supervised projects fielded an average of two missions per year, in contrast with an average of one per year for projects supervised by cooperating institutions. In addition, direct supervision missions have usually been longer and with larger teams.
137. Yet, alongside these very real benefits are concerns about the amount of time that a country programme manager has to dedicate to direct supervision, and the possible reduced engagement that may result for the other projects under his/her management. The need to deploy comprehensive missions, involving specialized consultants so as to achieve adequate coverage and insights, can cost more than the cooperating institution arrangement. In other words, there are resource implications – both in human and financial terms – and this needs to be reckoned. In addition, the enhanced level of cofinancing being sought and increasing application of newer instruments such as sector-wide approaches (SWAps) also require IFAD to resort more to inter-agency partnerships for joint supervision.

C. Flexible Lending Mechanism

138. The Flexible Lending Mechanism (FLM) as a financing instrument was approved by the Executive Board in 1998 in view of the decentralization of public administration that began in the mid-1990s and the consequent need for capacity-building investments requiring longer-term commitments. In general, FLM projects include a continuing and evolving design process; a longer, phased loan period; and specification of clearly defined preconditions or "triggers" for proceeding to the subsequent implementation phase.
139. As at the end of the review period, IFAD had 17 ongoing programmes and projects financed under the FLM.²² Of these, inter-phase review missions have been carried out for 12, four of them during the period 1 July 2005 to 30 June 2006. Of the 17 programmes, ten have been triggered for the second phase and an additional four are expected to move into the second phase by the end of 2006 (information notes have been submitted to the Executive Board for the programmes that have begun second phases, annex V). The programmes have been implemented for an average of about 4.5 years, against an expected average programme life of just under 10 years. The average disbursement rate for the 17 programmes is 32 per cent, which rises up to 42 per cent for second-phase projects. These are acceptable

²² Twenty FLM operations were approved by the Executive Board. In 2003 the Board agreed, however, to change the status of the loan for Bhutan from FLM to a "regular" loan; in 2004, the FLM-financed programme in Lebanon was cancelled; and in 2006, the one in Indonesia was cancelled.

disbursement rates, given that the first phase of the FLM is dedicated largely to capacity-building and piloting approaches.

140. In general, IFAD's experience with the FLM has been positive. The iterative approach to design and implementation has been particularly appreciated. Trigger indicators provide the loci on which project management, government and IFAD focus, fostering greater management for impact and results from the outset. This instrument also allows closer alignment with shifting government priorities, can have a better fit with country-led processes, and allows for a longer implementation period that may contribute to greater sustainability. Regional portfolio reviews identified a number of administrative issues that should be addressed in order to better support implementation of FLM programmes: (i) inter-cycle review processing is procedurally complex and interdepartmental review missions difficult to organize; (ii) first-phase reviews are extremely labour-intensive, and therefore need to take place well before the cycle ends; (iii) FLM reviews should be specifically budgeted so that resources are not diverted from other sources; and (iv) FLM projects require additional resources for implementation support.

D. Field Presence Pilot Programme

141. The Field Presence Pilot Programme (FPPP) was approved by the Executive Board in December 2003 with the aim of helping IFAD to realize its vision and strategic framework objectives by strengthening and integrating four interrelated dimensions: project implementation, policy dialogue, partnership-building and knowledge management. It is to be implemented over three years, with 15 initiatives and an approved budget of US\$3 million. As most initiatives are chosen on the basis of the size of the portfolio, the total project coverage is large – 67 investment projects, or about 30 per cent of the current portfolio of projects.

Table 7
Field Presence Pilot Initiatives

<i>Countries</i>	<i>Housed by</i>	<i>Number of projects</i>	<i>Countries</i>	<i>Housed by</i>	<i>Number of projects</i>
Western and Central Africa			Latin America and the Caribbean		
Congo and Democratic Republic of the Congo (Kinshasa)	UNDP	4	Bolivia (La Paz)	Pro-Agro/GTZ	2
Gambia and Senegal (Dakar)	UNDP	8	Haiti (Port au Prince)	FAES/FAO	2
Nigeria (Abuja)	UNDP	3	Honduras & Nicaragua (Tegucigalpa)	UNDP/RUTA	3
Eastern and Southern Africa			Near East and North Africa		
Ethiopia (Addis Ababa)	UNDP	5	Egypt (Cairo)	UNDP	3
United Republic of Tanzania (Dar-es-Salam)	FAO	5	Sudan (Khartoum)	Govt/UNDP	4
Uganda (Kampala)	UNDP	5	Yemen (Sana'a)	UNDP	5
Asia and the Pacific					
China and Mongolia (Beijing)	WFP	7	15 offices		67
India (New Delhi)	WFP	9			
Viet Nam (Hanoi)	UN	2			

142. An ad hoc working group of the Executive Board was established, and provision was made for an evaluation of the FPPP to be undertaken in 2006/07. In order to inform the working group and to support the independent evaluation, in the first half of 2006, PMD undertook a self-assessment of the results of the FPPP. The self-assessment looked at the four potential impact dimensions as well as local

capacity-building. Detailed assessments of each field presence pilot initiative (FPPI) were made against the defined evaluation criteria. The key findings of the self-assessment are described below:

- (i) **Implementation support.** Depending on the terms of reference, FPPI staff participated in supervision and design missions, followed up on supervision recommendations and generally facilitated project implementation. In line with expectations, the group of countries characterized by a longer period of implementation of the FPPI demonstrated better performance in terms of implementation support. The FPPIs have met or exceeded most process indicators.
 - (ii) **Policy dialogue.** Impact on policy is a lengthy process calling for regular interaction and follow-up with governments and other stakeholders. In all countries, the FPPIs have begun this process by participating in policy forums and establishing linkages with governmental authorities on specific thematic issues, particularly those related to poverty reduction strategies. Overall, a positive trend in progress indicators is found in all the FPPIs, but few changes can yet be detected at the outcome level.
 - (iii) **Partnerships.** All FPPIs have been active in donor forums (donor partnership groups) and thematic groups (e.g. in agriculture, rural development, rural finance). FPPI staff regularly participate in UNDAF meetings and in United Nations country teams. While process indicators have been largely met, as in the case of policy dialogue, the changes envisaged in the outcome indicators listed above require a continued and long-term involvement of the FPPIs.
 - (iv) **Knowledge management.** To some extent, the knowledge management dimension overlaps with the other three dimensions, aiming to reinforce the flow of knowledge between IFAD and local stakeholders. Almost every FPPI has implemented activities to facilitate learning and knowledge management. In addition, staff from 11 FPPIs have visited IFAD headquarters. To facilitate communication, FPPI staff have been given access to IFAD's intranet and IFAD e-mail addresses.
 - (v) **Local capacity-building.** The impact of the FPPIs on local capabilities has been generated through formal organization of workshops, technical and administrative support, mentoring of project staff, and the creation of country teams.
143. The self-assessment also identified several constraints applicable to one or more FPPIs. The first relates to clarity in the strategic and institutional orientation of FPPI staff with respect to projects, national authorities, donors, CIs and IFAD headquarters. A clarification of the FPPI's role in each country is therefore required in order to avoid duplication of efforts, avoid misunderstandings and better focus the FPPI activities. Furthermore, additional effort to improve FPPI visibility in-country needs to be made. Opportunities should be scouted out to formally present FPPI staff to government authorities, donors and other stakeholders. IFAD needs to ensure the regular involvement of FPPI staff in workshops and retreats in order to increase knowledge of IFAD practices and strategies. Similarly, IFAD should ensure a regular supply of communication materials and other pertinent documents.
144. Finally, an effort should be undertaken to improve the operational efficiency of the FPPIs. Currently, the FPPIs' efficiency is hampered in varying degrees by constraints related to lengthy administrative and funding procedures, limited availability of financial and human resources, complicated relationship with the hosting institution, mobility difficulties, etc. Better operational efficiency can be achieved through prioritization of the FPPI objectives on the basis of the opportunities and capabilities available in compliance with the country strategy and

approach. Prioritization may also require narrowing of the geographical focus of some FPPIs if additional financial and human resources cannot be mobilized.

145. The evaluation of the FPPP has begun and the final report is expected to be available by mid-2007.

E. Private-sector development

146. IFAD's Private-Sector Development and Partnership Strategy, approved in April 2005, sets out a results framework for the period 2005-2008. This framework is divided between process indicators and outcome indicators. Results related to the latter will largely be measured through RIMS indicators and were reported in the last portfolio performance report.
147. In terms of the process indicators related to IFAD country programmes and projects, the key performance indicators are divided between those that will be responded to through COSOPs and those related to specific project designs. A review of the COSOPs and of the projects presented to the Executive Board during the period under review shows that significant progress has already been made in engaging with the private sector. It should be noted that in most cases development work had been undertaken before the approval of the private-sector strategy.
148. The extent to which an IFAD country programme can engage the private sector is very context-specific. Of the 14 COSOPs reviewed by the Executive Board during the period under review, five complied with all four of the indicators:
- 10 include strategies to engage in policy dialogue for local private-sector development;
 - 9 COSOP consultations included private-sector representatives;
 - 12 include policy dialogue to support the local private sector; and
 - 12 provide for partnership possibilities with the private sector.
149. Progress related to the key performance indicators for projects was quite substantial. All targets were met and exceeded for four of the five indicators. Of the 23 projects submitted to the Executive Board during the period under review:
- 15 (or 66 per cent) included activities to strengthen the business capacity and skills of targeted rural poor people or their organizations (compared with a target of 20-25 per cent);
 - 8 (or 47 per cent) with a component for agricultural production and related advisory services provide for delivery of such services through the private sector (compared with a target of 25-50 per cent);
 - 14 (87 per cent) with a rural financial services component, support, strengthen or scale up private-sector institutions (compared with a target of 50-75 per cent);
 - 16 project (or 70 per cent) link small farmers with private markets or intermediaries or support the development of SMEs (16 projects, 87 per cent) (compared with a target of 20-25 per cent); and
 - 8 (or 35 per cent) provide for cofinancing from the private sector (compared with a target of 15 per cent).
150. Recent efforts to involve the private sector more directly in project implementation have included interventions that link poor producers with markets in a continuum of production, processing and marketing. A number of projects have been designed based on value or supply chain analyses, and assistance is being provided to help smallholder producers understand how markets work, how to gear their production

to the demand of potential buyers and how to negotiate more effectively with market intermediaries.

Findings and conclusions

151. IFAD made significant gains in enhancing the efficiency of its portfolio during the review period of 1 July 2005 to 30 June 2006. Loan disbursements attained another high after a record level of disbursement in the previous two years. Disbursements under grants have increased significantly. The number of projects awaiting effectiveness has decreased slightly. More projects have been completed than approved; and loan extension and cancellations as a portfolio management tool have been used more effectively and have helped to reduce the number of projects in the current portfolio while effecting some increase in the total amount committed.
152. IFAD needs to build on these significant achievements to meet several challenges it still faces in achieving improvements in internal efficiency. The main **challenges** are as follows:
- (i) To reduce the number of loans yet to be declared effective and consequently the average length of time between approval and effectiveness (currently about 15 months).
 - (ii) To build on the consistent increase in the amount disbursed over the past three years by increasing disbursements in projects that have significant disbursement lags.
 - (iii) After a significant increase last year and the consistent increase in domestic cofinancing over the past two years, the level of non-domestic cofinancing dropped during the period under review. This could be a short-term aberration, as non-domestic cofinancing has shown an erratic trend historically. It may also be due to declining interest in agricultural and rural development by some other donors. IFAD's enhanced engagement at the country level and its emphasis on alignment and harmonization following the Rome and Paris declarations is likely to be helpful in increasing the level of cofinancing.
 - (iv) The review of the completed projects shows fully satisfactory performance of cooperating institutions in 60 per cent of the cases. An additional 27 per cent reported partly satisfactory performance. These findings are confirmed by the review of the ongoing portfolio. There is therefore a continuing need to make the supervision and implementation support process more effective.
153. In view of the findings based on the PAR classification under the PBAS that approximately 20 per cent of IFAD projects were "actual problem" projects, further analyses were undertaken using a relative scale and found that about 10 per cent of the projects were actual problem projects and another 10 per cent were at risk. This proportion of actual problem projects compares favourably with IFAD's past performance. As stated earlier, methodological differences make comparison with other international financial institutions difficult (paragraph 5). IFAD will work on resolving this issue and will also attend to the actual problem projects as well as to the portfolio at risk on a sustained basis.
154. Enhanced efforts are also required in designing new projects. This is both for quantitative and qualitative reasons. Quantitatively, there is a need to identify and prepare more projects so that IFAD can build a robust pipeline and thus ensure that a sufficient number of high-quality projects is approved (with lower quality projects either rejected or redefined). Qualitatively, new designs should undertake more diagnostic and baseline studies.
155. In terms of impact, significant achievements were made during the review period in delivering results to the rural poor. Of the projects completed recently, about 96

per cent were found to be partly satisfactory or better in terms of their relevance to the country's poverty reduction strategy, the economic, social and policy environment, and IFAD's strategic objectives. The current achievement level is therefore close to the Action Plan target. Similarly, about 72 per cent of the projects were found to be effective in achieving their development objectives and IFAD is thus on track with the Action Plan target of 80 per cent by 2009. In terms of efficiency, available evidence shows 60 per cent of the projects to have partly satisfactory or better performance. The current achievement level, which needs further confirmation (paragraph 55), is equal to the Action Plan target for 2009.

156. With the improvements in the three factors mentioned above, overall project performance has improved considerably (to 76 per cent) for the completed projects. Calculations based on the findings of the ARRI 2005 report, which also includes ongoing projects, show this at a higher level, of 82 per cent. These achievements compare favourably with the targets set under the Action Plan (paragraphs 46-62).
157. The impact areas that need the most attention are as follows:
- (i) Sustainability for completed projects has improved from 40 per cent to 48 per cent. At the same time, this is also an area that needs multiple actions on a number of fronts, touching upon institutional development, resource conservation and utilization, appropriate incentive structure including pricing mechanisms, etc. While performance varies significantly, the low percentage of grass-roots institutions expected to be sustainable at the completion point of many projects indicates the need for longer project durations. This can be achieved mainly through successive phases of the projects.
 - (ii) The IEE and successive ARRI reports have noted IFAD's performance in assessing the capacity of in-country institutions as relatively weak, as is the case with policy influence. The lack of a country presence is yet another factor in the limited success in the institutions and policy domains.
 - (iii) There is a need for continued improvement in efficiency. At the same time, there is also a need for measuring efficiency across a larger number of projects in order to improve the quality of the information. The new PCR guidelines should facilitate the process but closer follow-up in ensuring compliance with the guidelines will be required. This will improve the quality of the self- and the independent evaluation reports.
 - (iv) IFAD's project performance has been noted to be weak in rehabilitating degraded environments and in preventing negative environmental effects. This is partly explained by the fact that many projects have not had explicit environmental objectives and thus score low in this domain. In some other cases, the issue of incentives for IFAD's target group – many of them not owning natural resources – has been noted. But there are also cases of environmental components of projects not being implemented.
158. As stated earlier (paragraph 2), the Action Plan is being implemented as the principal vehicle for introducing change in order to attain higher development effectiveness. In terms of business processes, its effects are already becoming visible and more will follow. Some notable "drivers of change" that have already been introduced or are in the process of being introduced appear below:
- (i) A new strategic framework (2007-2010) with a much more operational focus and less permissiveness in selecting projects is expected to bring further improvements in the relevance, effectiveness, efficiency and sustainability of IFAD projects;
 - (ii) The results-based country strategic opportunities programmes – with their focus on accountability for results, joint ownership and emphasis on IFAD's

- comparative advantage and use of multiple instruments – would not only improve relevance and effectiveness but also contribute towards improving IFAD's performance in influencing policies and institutions and eventually improve the efficiency and sustainability of the projects it has financed;
- (iii) The recently adopted policy on targeting will help to clearly define the project target groups for the new designs, prioritize retrofitting within the ongoing portfolio, and reduce the gap between design and implementation;
 - (iv) The knowledge management strategy will further sharpen IFAD's learning and innovation focus (paragraph 123); and
 - (v) As proposed under the supervision and implementation review policy, there is clearly a need to enhance the quality of supervision and implementation support. IFAD will therefore pursue enhanced and more flexible supervision and implementation support both directly and through the CIs. This will be complemented by a strengthened Field Presence Pilot Programme. In addition, increased participation by IFAD staff in CI-led review missions will be ensured.
159. In this review cycle, IFAD management undertook a thorough analysis of the portfolio at risk and added a new section in the PPR (paragraphs 37-45). Some significant portfolio clean-up actions were also undertaken (paragraph 17). In future, in addition to further deepening the analytical work, emphasis will be placed on strengthening the portfolio management system, in particular attending to the problem projects and the portfolio at risk, taking into account as well the recommendation of the ARRI 2005 report.
160. Realizing some information gaps experienced both by the portfolio performance report and the ARRI report, IFAD management has already developed and issued new guidelines for project completion which require all PCRs to assess efficiency.²³ IFAD management has also realized the rather fragmented nature of the various subsystems used in monitoring performance and the need to limit the ad hoc demand for information. It will also strengthen the project design process so that projects are of better quality at entry. Emphasis will also be placed on enhancing partnerships, in particular at the country level, for sharing knowledge on innovative practices. Agreements are in place already with the World Bank, the African Development Bank, and the Food and Agriculture Organization of the United Nations.
161. IFAD management also plans to manage risks better: first, by improving the assessments of risks and, secondly, by more closely aligning supervision and implementation support resources with risk profiles of the projects and country programmes. In addition, it will pay special attention to the risks related to the weaknesses and failures of project-related institutions, and respond to their capacity-building needs. Use of mainstream institutions in project implementation will also be encouraged, keeping in view the contribution this can make in enhancing sustainability.
162. In sum, the review of the performance of the portfolio during 2005/06 confirms the findings of the ARRI 2005 report that IFAD's performance is improving across all Action Plan targets such as relevance, effectiveness, efficiency and impact. These improvements have led to enhanced project performance for the completed projects (rising from 61 per cent to 76 per cent) and for the entire portfolio (from 70.7 per cent to 82 per cent). The only area where improvements have been slow is sustainability. In this regard, the Programme Management Department is

²³ Two sets of guidelines – one setting out the process to be followed for IFAD-initiated projects during the completion phase and one outlining the responsibilities of IFAD during the completion process, including a process for knowledge-sharing at IFAD headquarters – were issued in June 2006.

working intensively to define a concrete line of action for improving the performance on sustainability in future. PMD is also involving OE in this process.

Comments on the Portfolio Performance Report by OE

Comments on the Portfolio Performance Report

1. In line with the new Terms of Reference and Rules of Procedure of the Evaluation Committee of the Executive Board²⁴, the following document presents the comments of the Office of Evaluation (OE) on the Portfolio Performance Report (PPR) of IFAD. The Evaluation Committee reviews the PPR in order to inform the Executive Board of the quality of the report submitted by IFAD management and of the responsiveness of IFAD to evaluation findings and recommendations.

Continued Improvement of Reporting Quality

2. The PPR, while already improving over the last two reporting periods, has further improved. It is a comprehensive report that covers portfolio performance data, results and impacts, and progress reporting on special IFAD initiatives. In spite of its complexity, the report is concise and informative and provides a good balance of between aggregate and detailed information and analysis.

Greater Use of Self-Evaluation Data

3. This PPR is, in particular, commendable for its responsiveness to OE's comments on the last PPR, submitted to the Executive Board in April 2006. OE had suggested that the PPR should make greater use of self-evaluation data, including project completion reports (PCR). This has been accomplished: data from PCRs are presented in a fashion comparable to the Annual Report on Results and Impacts (ARRI).

Limited Disconnect in Ratings: an Indication of Credibility of Self-Evaluation

4. The PPR demonstrates that the ratings of the self-evaluation and independent evaluation systems are similar. In other international finance institutions the disconnect between these two rating systems is a measure of the quality and credibility of the self-evaluation system. A small disconnect indicates that self-evaluators are as critical as independent evaluators. The PPR presents a comparison of aggregate ratings of self-evaluation and independent evaluations. Next year's PPR can be further improved by presenting, whenever available, a comparison of self-evaluation and independent evaluation ratings for specific projects (i.e. when a project has a completion and evaluation report). This will illustrate specific areas of disconnect, if any, and should provide an entry point for greater in-depth analysis.

Showing a Disconnect between Design and Implementation

5. The PPR shows in a number of places where the performance disconnect occurs between design and implementation. This observation is useful: it allows determining more clearly when and where problems arise.

From Risk Monitoring to Risk Management

6. The PPR demonstrates that a number of risk factors are being monitored. The data presented in the PPR is useful, but could be further improved by differentiating between those risk factors that are essential to project success or failure (key success factors) and those which affect project performance, but not in the same fundamental way as key success factors. In addition, the risk monitoring system needs now to be integrated into a risk management system that ensures necessary and timely corrective measures are taken. In the Management Response to the ARRI, IFAD Management committed to developing such system.

²⁴ Terms of Reference and Rules of Procedure of the Evaluation, Committee of the Executive Board, Executive Board - Eighty-Third Session, Rome, 1-2 December 2004, (EB 2004/83/R.7).

Targeting

7. The information provided on targeting is useful, but further in-depth analysis is needed to determine reasons for targeting problems. Starting from 2006, OE has developed a more detailed approach to assessing targeting, which differentiates between the targeting strategy and criteria, its implementation, and its results. The evaluative data generated through these analyses should help generate a better understanding of where and when problems occur and how they can be corrected.

Defining Success

8. The examples given in paragraph 98 demonstrate that what would count as success stories for other development agencies, are considered more critically by IFAD. Increasing incomes or agricultural productivity, which under normal circumstance would be considered an achievement, was critiqued in the PPR, because these achievements had ambiguous results on rural poverty. In one case the switch to higher value cash crops affected the availability of food crops, thus possibly reducing food security from immediate sources. These examples demonstrate that IFAD sets itself a more stringent benchmark for success, namely that benefits have to reach the rural poor rather than occur in the economy at large.

A "New" Operating Model

9. Problems raised regarding the project cycle (paragraph 19) and social capital (paragraph 92) imply that a different operating model is required that would provide more flexibility and an integration of preparatory and main implementation phases. The Flexible Lending Mechanism (FLM) addresses these problems and is reported to be overall successful. The problems with the FLM, raised in paragraph 140, should be addressed to ensure projects under this implementation modality are properly resourced and implemented efficiently.

Sustainability – A Key Concern in ARRI and PPR

10. The PPR recognizes sustainability as a key concern for IFAD, which is in line with the findings of the ARRI. The ARRI recommended that IFAD should discuss underlying reasons for poor performance. In addition, in the preparation of PCRs and project evaluations various factors that influence sustainability should be considered (these are listed in OE's forthcoming evaluation manual and include ownership and political, social, institutional, economic, financial, technical, and environmental factors) and a differentiation should be made between the sustainability of benefits, services provided, and institutions established. Such differentiated analysis will expand the analytical base and insights into problems and thus facilitate identifying specific solutions.

Western and Central Africa Division

Executive Summary

Context and Objective of the Portfolio Performance Review

1. This Portfolio Performance Report has been prepared in the context of a changing management environment at IFAD with a special emphasis on adapting to the development effectiveness agenda and managing for development results. This requires improving the overall performance of IFAD's portfolio in the region **and increasing effectiveness, quality and impact**. In this context, this report should be seen as providing a useful basis and benchmark to assess the performance of IFAD's portfolio in West and Central Africa (WCA) in the future. More thorough analyses were combined with consistent application of assessment criteria across the region to ensure a consistent basis to manage portfolio performance by addressing implementation issues more effectively. The Annual Portfolio Performance Report will continue to be improved as lessons emerge through the process of increasing the effectiveness of IFAD's work over the coming months and years.

Characteristics and Internal Efficiency of the Portfolio in WCA

2. By way of background, the WCA Region comprises 24 countries, all of which are members of IFAD. As at 30 June 2006, the **investment portfolio** comprised 46 projects of which 41 were ongoing in 18 countries and five, although approved, have not yet become effective. The 46 projects represent a total value of US\$1.24 billion, of which 47 per cent is IFAD financing, 32 per cent domestic financing and 21 per cent external cofinancing. The imbalance between the two sub regions persisted, due in part to political instability, with there being only eleven projects in five countries in Central Africa as compared to 36 projects in 13 countries in Western Africa. All loans in the current portfolio are on highly concessional lending terms as there are as yet no projects in Gabon (which is on ordinary lending terms). About 80 per cent of the projects in the current portfolio seek to promote agricultural and rural development by boosting on-farm production and productivities, promoting income generation and improving market linkages. Projects financed through IFAD's Flexible Lending Mechanism (FLM) account for 11 per cent of the projects. Although only 6 per cent of the projects focus mainly on access to financial services, almost all the projects have provisions for improving the rural financial services sector.
3. The Division's **grant portfolio**, as at 30 June 2006, comprised 24 ongoing grants for a total of US\$12.5 million. The 13 regional grants are important instruments for addressing strategic issues that go beyond the country level, and that are often relevant to the entire regional portfolio. Grant resources are increasingly being used for strategic cross-cutting areas, e.g. to support research and innovation, capacity-building, knowledge-management, and policy dialogue. Reflecting the Division's move away from stand-alone projects towards a broader country programme approach, most of the eleven country grants are designed to support country programmes, fostering linkages between ongoing operations in order to foster complementarity and synergies.

	2005-06	2004-05
• Number of loans approved	4	4
• Number of loans reaching effectiveness	8	7
• Number of loans completed	5	8
• Total number of loans as at 30 June	46	47
• Current portfolio size as at 30 June (IFAD financing, US\$ million)	584	588
• External cofinancing (US\$ million)	257	316
• Disbursement lag (%)	8	7
• Number of ongoing large grants	11	9
• Number of ongoing small grants	13	25
• Actual problem projects	5	3

4. Four projects for a total cost of US\$89.4 million were approved during the review period and pre-implementation activities were completed for the eight projects that became effective during the period. As of 30 June 2006, no projects had delayed effectiveness.
5. Of the 28 projects that had been effective for a year or more on 30 June 2006, 18 had disbursed at rates that deviated less than 40 per cent from past averages, seven had disbursed at significantly higher rates and nine at significantly lower rates. Disbursement performance apparently weakened slightly during the current review period, with the share of projects with a disbursement lag of over 40 per cent rising from 18 per cent to 22 per cent. This is, however, in part due to the adoption of new, more rigorous assessment criteria although disbursement remains a significant indicator for monitoring progress in implementation; the explanation for deviations from the average vary largely and may not necessarily be indicators of substantive underlying problems. This is particularly true for countries in situations emerging from conflict. The overall status of the regional portfolio for WCA is summarised below:

Quality and Impact of the Portfolio

6. In compliance with IFAD's growing emphasis on measuring the results and impact of the operations it finances, the Division continued to **improve the M&E systems** of its ongoing projects and ensured that all the new ones were designed to include **reporting on RIMS indicators**. In addition to data available for an overall assessment of the quality and impact of the portfolio, the sources used for the present review include project status reports (PSRs), interim evaluations (IEs), country programme evaluations (CPEs), mid-term reviews (MTRs), and reports by supervision and follow-up missions. Overall, these sources confirm a satisfactory-to-good performance of the portfolio, albeit with some variability. More particularly, they are fairly consistent in reporting satisfactory-to-good performances with regard to **targeting of the poor**.
7. Improving access by the poor to **physical and financial assets** is an over-arching goal of IFAD's strategy for rural poverty reduction. WCA Division has continued to pursue this goal mainly by supporting the development of agriculture, rural financial services and natural resources management (NRM). The findings of recent IEs and other evaluations confirm the reports of satisfactory-to-good impact in these respects. A successful approach has been the Financial Services Associations (FSA) model for the delivery of microfinance services in rural areas that has generated promising results with regard to short-term financing needs, particularly in Benin. A key challenge remains the identification of viable approaches to finance medium-term agricultural investment needs. A relatively new approach to promoting improvements to household-level physical and financial assets concerns the development of commodity marketing and value chains. This new approach has already demonstrated its potential for promoting broad-based income generation in a number of projects.
8. **Food security** remains at the core of the WCA portfolio's focus on agricultural development, NRM and community and rural development. Agricultural projects in the loan portfolio are supported by several grant-funded applied research programmes aimed at boosting agricultural production. It is, however, increasingly realised that higher production may not be sufficient for securing farmers' livelihoods, not least improving them. Income generation through enhanced market access and non-farm activities are highly important for enhancing household food security within the region. The Division's range of private sector development initiatives is designed to support this aspect of enhancing food security.
9. The Division's efforts to build **social capital and promote people's empowerment** operate along four main fronts: (i) application of the Community-Driven Development (CDD) approach, (ii) mainstreaming of gender in all

interventions, (iii) application of communication for development in an increasing number of interventions, and (iv) direct support to farmers' organizations (FOs). The Division began supporting **CDD projects** in the late 1990s and the experiences thus far suggest that partnerships that join together community based organizations (CBOs), local government administrators, civil society organizations (CSOs) working for local development, and the private sector are more effective as mechanisms for unleashing the development potential of rural communities than mechanisms that operate exclusively through the government administration. This conclusion is confirmed by the many evaluations, reviews and studies that contain reports of how the WCA portfolio has had substantial and positive impacts on social capital and people's empowerment.

10. The Division's three-pronged approach to **mainstreaming gender** operates on three fronts: design, implementation and policy dialogue. Evidence that performances with regard to gender mainstreaming are improving is provided by comparisons with the situation recorded by the baseline survey of the Gender Action Plan that was conducted in 2003-2004. In cooperation with EC, the Division worked on a regional framework for **communication for development** based on the principle that rural poor people need to be better informed and that they must be able to have a say in the decisions and policies that affect their lives, in order to interact on a more equitable and informed basis with the stakeholders in power. The framework, which builds on experiences in a number of projects in the region, aims at applying a more systematic approach for using communication for development as a tool for enhancing participation in project design and implementation by introducing it as a cross-cutting issue (as already done for participation and gender).
11. IFAD's entry point for influencing **institutions, policies and regulatory frameworks** has traditionally been its projects. A prime example of this approach concerns the strengthening and expansion of rural financial services and capabilities brought about by the many rural finance and micro-enterprise interventions supported throughout the region. Increasingly, however, the Fund has been using the Poverty Reduction Strategy (PRS) process as an entry point for influencing pro-poor policies. In this respect, the grant-funded WCA Hub for Rural Development and Food Security initiative (HUB) is proving increasingly to be an important tool for knowledge management and capacity-building through partnership in policy development processes. Strengthening the organizations of the rural poor is pursued at the grassroots level through the CDD approach and at the national and regional levels through support to national and regional networks of FOs.
12. **Knowledge management, innovation and replication** continued to increase in importance as fully integrated elements both of individual country programmes and of the Division's own operations. Recognising this focus to be at the heart of its mandate, the Division undertook a number of internal knowledge-management initiatives during the review period. An important instrument for knowledge management at the regional level is the grant-funded FIDAFrique network designed both to connect all IFAD-supported programmes and projects in the region and to link them with key partners in rural development. With a membership that now comprises 30 programmes and grassroots organizations, FIDAFrique is playing an increasingly important role in ensuring that knowledge management and the sharing of experiences are an integral part of all IFAD-supported programmes and projects in the region. Finally, several thematic working groups backed by knowledge-sharing forums and electronic conferences increasingly serve as platforms for knowledge-sharing: CDD, cassava, micro-finance and institutional analysis.

Portfolio Performance

13. To enable effective management of portfolio implementation performance, the Division has applied more rigorous rating standards than in the past. Indeed, the improvements and positive effects of remedial actions since the last review are

hidden behind more strict and firm assessments making portfolio performance appear to have worsened during the review period. Accordingly, the continuous trend towards improved overall portfolio performance was somewhat affected by the poor performance in three countries (Niger, Nigeria and Cameroon) during the review period. The deterioration in the performance of the portfolio in Niger is obviously linked to the severe food crisis and, associated with this, a decreased attention to sustainable development in favour of the more urgent emergency relief by the political decision makers. In Nigeria, common implementation constraints are related to weak governance, unavailability of counterpart funds affecting the disbursement rates and weak M&E systems. In terms of impact, gender targeting remains a cross-cutting concern in the country portfolio. The performance of the loan portfolio in Cameroon continued to be weakened by the inadequate performance of the National Microfinance Programme Support Project (Loan No.522). An MTR will assess the prospects for achieving impact and define the way forward.

14. The trend towards improved performance that had been noted in previous years is continuing for the rest of the portfolio.

Other Institutional Priorities

15. During the review period, the Division made progress against institutional priorities, particularly with regard to the development and implementation of the country programme approach. Examples include the progress made in Benin with the national Rural Development Support Programme or the development of national M&E systems in Burkina Faso and Senegal. However, the lack of instruments and more systematic approaches is a particular challenge and requires imagination and creativity to seize the opportunities that arise in the country specific contexts. The transition to a results-based COSOP is helping transform country portfolios of loans and grants into more coherent programmes. These are increasingly aligned with PRSPs and other national strategies wherever opportunities exist. Particular efforts have been made to ensure active participation of key national and local stakeholders.
16. The review period also saw two important initiatives regarding private sector development gain momentum, namely the Inclusive Private Sector Partnership Programme and the Regional Cassava Processing and Marketing Initiative.
17. The Division continued to develop its extensive network of partnerships with inter-governmental and government institutions, donors and cofinanciers, research centres, civil society, and professional organizations, at regional, country and project levels. Although partnerships at all levels are found to be effective vehicles for impact achievement and promotion of IFAD's mandate in the region, it is increasingly felt that their effectiveness could be enhanced by a clearer strategy, especially where knowledge management is concerned. Here also, the various instruments to maintain the resource implications of partnerships require a certain degree of imagination: so far the major instruments are grant financing, cofinancing arrangements as well as the facilitation of thematic communities of practice which require a high degree of staff involvement.

Emerging Trends and Issues

18. The number of projects in the portfolio had decreased steadily over the years, in response to the Division's aim to contain the demand on its human and financial resources to provide the required implementation support crucial for the maintenance of portfolio performance standards. The fact that this declining trend was discontinued during the current review period enhances the concern - already expressed last year - regarding the impact of the PBAS, particularly the heavy weight attached to population in the formula. This is resulting in the need for a larger number of smaller projects to maintain a constant proportion of IFAD's financing resources allocated to the region.

19. The impact of initiatives taken by the Division towards building stronger partnerships with its cooperating institutions and to strengthening the mutual learning process is manifesting itself through a continued improvement in the ratings of cooperating institution performances. However, considerable weaknesses persist in terms of implementation support and follow-up. The Bamako Action Plan and increased attention to managing and monitoring remedial actions are essential steps to address these weaknesses. However, they also reflect a need for a systematic revision of supervision arrangements in order to develop a more reliable and needs-oriented support system in the region.

Conclusions and recommendations

20. The conclusions and recommendations concerning the West and Central Africa Division's priorities related to the work programme for 2007 can be summarized as follows:
- In-country implementation reviews are needed in countries with problem projects in order to develop effective action plans to address implementation issues and decide on the closure of non-performing projects
 - The Bamako Action Plan should be fully implemented to address cross-cutting implementation issues
 - The implementation of the gender action plans at the Division and project levels and the level of their effectiveness should be analysed as a basis to identifying a set of actions to strengthen gender focus in implementation
 - More systematic internal and external knowledge management processes and capacity strengthening in the region is needed
 - The quality and impact of country programmes should be enhanced through more systematic involvement of in-country capacities in programme and project design and implementation
 - Support to PRS processes should be enhanced in line with the results-based COSOP design
 - Strategic partnerships need to be developed, based on clear synergies and complementarities.

Eastern and Southern Africa Division

Executive Summary

1. Sub-Saharan Africa contains the majority of the world's poorest countries, and many countries are extremely aid dependent. Eastern and Southern Africa is the region which probably receives the most attention from the development community and where the Aid Effectiveness and harmonisation agenda has been most actively pursued. Poverty reduction strategies – in a number of cases of second generation, are found in all countries of the Region, and sector-wide approaches (SWAps) and Joint Assistance Strategies (JAS) are being adopted in a number. At the same time, IFAD has also been going through changes, partly in response to the evolving aid environment, and its Action Plan for improving its development effectiveness, aims specifically at enhancing the relevance, effectiveness and efficiency of its support for rural poverty reduction. The organisation has been busy implementing the Action Plan in the past year, including the development of New Operating Model. With changes in the aid environment, as well as institutional changes, the Africa II Division, has been increasingly pursuing regional and country programmes combining various instruments - positioned vis-à-vis the government policy and programmes involving development partners.
2. The Mid-Year 2006 Portfolio Performance Report provides an overview of the IFAD's operation and programmes in Eastern and Southern Africa (ESA) between July 2005 and June 2006.

Characteristics of the Portfolio

3. As of mid-2006 the division's current portfolio consisted of 44 IFAD loan-funded programmes and projects. Of these, 37 were ongoing, six were signed but not yet effective, and one was not yet signed. During the period July 2005–June 2006, seven new projects and programmes were approved for a total amount of US\$99 million, bringing the total value of IFAD loan commitments for the 44 projects to US\$685 million. That commitment is accompanied by a further US\$564 million in external cofinancing.
4. There are loan-financed programmes in 15 member countries in the PF region. Six countries currently do not have any loan programmes: Botswana, Comoros, Namibia, Seychelles, South Africa and Zimbabwe. Four major strategic themes are pursued in the portfolio of the region: all are concerned with improving the access of poor rural people to: (a) agricultural markets; (b) financial services; (c) land and water, and their management; and (d) agricultural technology and information. Cross-cutting issues include HIV/AIDS, access to land/land tenure, gender, and post-conflict issues.
5. The Division also has a growing grant portfolio. As at 30 June 2006, the grant portfolio comprised 35 ongoing grants financed by IFAD, for a total value of US\$14.6 million. In terms of financing, there is a strong concentration on large regional grants that make up more than two thirds of the grant portfolio, followed by the small country-specific grants. In addition to the IFAD-financed grants, the division is also managing 31 grants provided by the Belgian Survival Fund (BSF), donor supplementary funds and the Global Environmental Facility (GEF) for a total US\$58.5 million.

Portfolio Internal Efficiency

6. Divisional overall disbursement has significantly improved over the last twelve months, going from a lag of 5 per cent to a -7 per cent, meaning that overall the division is disbursing more than expected. However, there is still considerable variation in the performance of individual countries and programmes. Countries like Lesotho, Zambia, Swaziland, and Tanzania enjoy disbursement rates significantly higher than expected, whereas Uganda is experiencing the highest disbursement lag

of 28 per cent relative to expectation. Disbursement in countries like Kenya, Mauritius, and Swaziland has improved dramatically from the previous year.

7. The analysis of the portfolio shows that the average age (from loan effectiveness to 30 June 2006) of the active programmes is 4.7 years. The portfolio is gradually undergoing renewal and a shift in focus responding to the regional strategic thrusts. This trend is confirmed considering that 12 programmes are completing in the next two years.

Assessment of Operational Effectiveness

8. The impact of the ongoing portfolio was assessed using mainly Project Supervision and Completion Reports, Mid-term Reviews, and OE evaluations. These have demonstrated several examples of impact in different domains, most notably the following:
 - The Division has undertaken a regional Poverty and Targeting Study aiming to enable IFAD to better reach its target group. Overall, the study found that the quality of *ex ante* analysis of the target group and targeting mechanisms varies significantly between projects, and that geographic and gender targeting are relatively well-mainstreamed in the region. The study also noted that IFAD is effective at targeting the active poor.
 - Good impact in increasing access of beneficiary households to physical assets (including land, agricultural water, infrastructure, productive assets) throughout the region – particular examples cited included programmes in Burundi, Eritrea, Ethiopia, Malawi, Tanzania, and Uganda. The Division substantially upgraded its efforts to address land tenure and land access issues.
 - Some programmes (including the relatively new, dedicated rural finance sub-sectoral programmes) have made positive broad-based achievements to improve the rural poor's access to financial services, especially in terms of strengthening of MFIs and SACCOs, capacity building of the rural poor in terms of developing "the saving culture" and mobilising savings, and facilitating linkages between commercial banks and MFIs (e.g., Tanzania, Ethiopia).
 - Positive achievements recorded in enhancing access to markets, which is reflected in a combination of increased prices of produce, increased volume of produce sold, more frequent dealing with market intermediaries/buyers, and improved physical access to markets, with good examples in Rwanda, Tanzania, Uganda, and under the regional grant support to PhytoTrade.
 - Reasonable success in increasing access to human assets like health, water sanitation, typically funded by BSF (e.g., Angola, Ethiopia, Uganda), and also training and functional literacy (e.g., Burundi, Uganda). The Division continues to increasingly mainstream HIV/AIDS care, prevention and mitigation activities in its investment programmes and through grant support.
 - Positive outcomes in areas such as access to physical and financial assets, human assets and social capital are expected to result in improving food security and incomes. Increased agricultural yield levels and production, as a result of access to improved inputs, improved farming systems and improved access to land/water, have been reported under many projects.
 - Success in promoting rural people's empowerment and building their social capital, in a range of different circumstances and intervention types. Examples from across the region focused on the creation or strengthening of grassroots organisations, including farmer groups, marketing organisations, community-owned savings and credit organisations, and water users associations.
 - The overall assessment on gender equality and women's empowerment in project implementation made by CPMs has improved, and a number of programmes particularly benefiting women are reported (Burundi, Uganda).

- A broad-based approach to environment and management of common property resources, which looks not only at environmental measures *per se* but also at land tenure. Examples include forest and natural resource management in Kenya and Zambia, marine resource management in Angola and Mozambique, and rangeland in Ethiopia and Tanzania.
- Achievements and ongoing efforts to influence institutions and policies includes legislation governing people's organisations (Angola, Burundi); policy framework in specific sectors (fisheries in Mozambique, dairy sector in Kenya); the aid effectiveness agenda through participation in SWAps and harmonisation effort, e.g., in Mozambique, Rwanda, Tanzania and Uganda; on regional-level policy/institutional development (land tenure issues, rural finance).
- Substantial progress has been made in the 2-3 years to promote regional experience sharing, knowledge management and networking – not only with programme staff but also other partners – through regional implementation workshops, as well as regional thematic workshops and grant-funded regional thematic programmes. The Division currently manages 4 regional thematic programmes in the area of rural finance, water management, land tenure, managing for impact, three of which are funded by the IFAD grants (large) and all of them were approved during 2005.

Portfolio Performance

9. The assessment of the performance and health of the portfolio using the Project-at-Risk and the Relative Scale methodologies give the following results. Of the 41 projects and programmes assessed, 32 (or 78 per cent) are classified as projects not at risk, 8 (or 20 per cent) are classified as actual problem projects, and one as potential problem project. The Relative Scale methodology reveals that 5 programmes are classified as amber and/or red on both progress and/or impact. This means that these programmes require immediate attention. The results represent an improvement over the previous reporting period, the result of consistent follow-up action over the year.
10. Programmes flagged under both methodologies are typically old. Common issues challenging effective and timely project implementation include the lack of capacity of project staff, as well as weak institutional and human resources capacity of executing agencies, combined in many cases with a slow public service system and high turnover of key government staff. Project implementation will demand substantial external support, both through technical assistance and effective supervision, in order to strengthen implementation capacity and grassroots focus.

Progress against other Institutional Priorities

11. PF is currently responsible for the direct supervision of two programmes in Uganda and Zambia, which has generally been more intensive than that provided by Cooperating Institutions (CIs). Given the more constant interaction between IFAD and directly supervised projects, CPMs have been able to stay on top of implementation issues and make key decisions within the framework of supervision missions themselves. There is generally a faster response to project queries and follow-up on supervision recommendations under direct supervision than under CI supervision. The DDSF completion evaluation concludes that that Programme derived very special benefits from this proactive and intense supervision arrangement.
12. Two (Malawi and Tanzania) out of the three programmes in the region financed through the Flexible Lending Mechanism have successfully concluded Phase I review and commenced the implementation of Phase II. The Rural Livelihoods Support Programme in Malawi, which became effective in August 2004 after a long delay, is still in the Phase I and an inter-phase review is expected in mid-2007.

13. The Field Presence Pilot Programme (FPPP) includes Tanzania, Uganda and Ethiopia. Beyond the FPPP, a number of "proxies" have also been made to strengthen in-country presence, with local staff recruited in Angola, Madagascar, Mozambique and Rwanda. Considerable efforts have been made to bring these staff into the Divisional team, and the participation of most of the field staff in PF's annual Regional Retreat in Rome in March 2006 in particular has contributed both to a greater understanding of IFAD's mandate, project cycle and procedures, and to a greater sense of being part of the Division. So far, field presence has been an invaluable initiative both for support to project implementation and for enabling IFAD to engage more actively in multi-stakeholder policy dialogue and partnership building with governments and other donors, including UN working groups/country teams.
14. A number of new important players are appearing on the development scene in the Region, and IFAD is positioning itself to establish partnerships including the World Bank and the private sector. At the regional level, work started on developing partnerships with the African Development Bank, the African Union, the Bill and Melinda Gates Foundation and Development Cooperation Ireland. The existing partnership with the NEPAD Agricultural Secretariat was further enhanced, particularly through support to the Africa Fertilizer Summit, held in Abuja in June 2006. An important new area of partnership during the year, triggered by the Governing Council Round Table, was with national and regional farmers' organizations with a number of important activities carried out, both at national and regional level, and funding proposals developed to provide support to the Kenyan Federation of Agricultural Producers and the Southern African Confederation of Agricultural Unions.
15. With regard to PBAS, preliminary analysis suggests that, as a result of a change in the system of allocation across the IFAD-wide loans and grant programme introduced during the past year, the divisional share of IFAD's loan and grant resources may undergo a small increase. IFAD also introduced an operational system based on annual re-calculation of allocations to active borrowers within a fixed three-year allocation cycle. It is noted that the new system continues to restrict the possibilities to engage with an intervention of medium size in countries with small allocations.
16. Engaging the private sector in development activities has become an increasingly important feature of PF's programmes. During 2005-2006, the Division conducted a review of its market linkage development programmes, with a view to drawing out lessons from its experience to date and making recommendations for future engagement. Many programmes provide support for capacity building of market intermediaries and service providers, with the ultimate aim of improving access by the rural poor to markets and services. New projects are being developed in Angola, Kenya and Uganda.
17. Eastern and Southern Africa is the Region in which agricultural SWAPs are most widespread, with SWAPs operational or under development in Mozambique, Rwanda, Tanzania, and Uganda. In these countries, IFAD has made arrangements for some form of field presence, which has had a critical impact on IFAD's ability to engage in sector-level coordination and policy dialogue processes.
18. IFAD Policy on Crisis Prevention and Recovery was approved in April 2006. In PF, countries in post-conflict phase include Angola, Burundi, Eritrea and Rwanda. Based on its experience in Burundi, IFAD, with the WB, undertook a conflict assessment study, which was used in the design of the Transitional Programme of Post Conflict Reconstruction. The Angola COSOP was approved in September 2005 promoting a strategy which encourages the use of several post-conflict recovery instruments to ensure that short-term needs are met while preparing for longer term development.

Monitoring and evaluation

19. With respect to the capacity/performance of project monitoring and evaluation, a review of the Programme Status Report ratings over the past years shows that there seem to have been some improvements. Indeed, through interaction with project staff at annual Regional Implementation Workshop, the impression is that there has been improvement in the mind-set and orientation of project managers/coordinators – shifting away from viewing M&E as policing and number-crunching exercise. CPMs and the Division have been upgrading the support to enhance the capacity and performance of project M&E, with a particular emphasis on “managing for impact”. The Division organised a “managing for impact” regional training workshop in Arusha in July 2005.
20. For reporting on the 1st and 2nd level results indicators under the IFAD’s **RIMS**, 13 projects in Eastern and Southern Africa provided information at the beginning of 2006. These were incorporated into the Portfolio Performance Report submitted to the April 2006 session of the Executive Board.
21. Finally, regarding **supervision and implementation support**, UNOPS continues to be PF’s major Cooperating Institution (CI), responsible for about 85 per cent of the portfolio. The CI performance is rated A for as much as 82 per cent of the portfolio; this thanks to an improvement in UNOPS’ performance. IFAD follow-up grows ever-more important, as it moves towards a country programme approach and enters new areas of engagement: this has been conducted principally by the CPMs, supported by thematic specialists from within the division, consultants, and regional capacity building initiatives.

Emerging Trends, Conclusions and Recommendations

22. PF’s portfolio has grown by over 15 per cent in the last two years and is also performing better. On the ground, much has been done to strengthen the quality of implementation progress and impact achieved, with field presence arrangements in seven countries (66 per cent of the total value of the regional portfolio is now supported by field presence staff). In terms of substantive engagement, there were new areas developed and new emphasis given to existing areas. The Division engaged actively with farmers’ organizations, and a number of proposals for the provision of support to such organizations are under development. The Division promoted a more explicitly value chain-focused approach to market linkage development and strengthened its engagement in land tenure security issues. Perhaps most important of all, increased attention was given to the issue of targeting and the need for both an improved analysis of the livelihoods of different groups of poor rural people and better targeted interventions to reach the poorer groups.
23. Another important trend in the portfolio can be noted. The projects and programmes flagged as being problematic under one or both of the two assessment methodologies are typically the oldest. Over the past year six projects were closed and during the next two years a further 12 will be completed. This is providing an opportunity for a substantial renewal of the portfolio, and for its reconfiguration, through new projects and programmes that fit better: (a) within the new Aid Effectiveness agenda, (b) against the areas of thematic focus under the corporate strategic framework and regional strategy; and (c) with the new operating model and country programme approach. All of the seven new projects and programmes approved during 2005-06 conform to these agendas. This Portfolio Review suggests that the newer projects are likely to be better designed than the older ones and, with more effective in-country support, improved knowledge management and an increased commitment to early and proactive modification of project design, a further increase in the quality of the portfolio may be expected in 2007.
24. All of the projects and programmes approved in 2005-06 provide IFAD with opportunities to step up and play an increasingly active role, particularly in the area

of in-country policy dialogue: support for SWAp implementation or development in Mozambique, Tanzania and Rwanda will enable IFAD to engage in policy and institutional dialogue at the sector level; while sub-sector level engagements in Kenya, Malawi, Zambia and Madagascar will provide similar opportunities in the specific areas of dairy, irrigation, livestock and land tenure respectively.

25. All these changes at corporate and divisional levels, as well as the evolving Aid Effectiveness agenda in many countries would offer both opportunities and challenges. The portfolio regeneration with the closure of old projects and increasing political stability are expected to lead to improved performance of the regional portfolio in the future. The Division will continue to upgrade the progress made in the area of knowledge management, networking and partnerships, as well as field presence.
26. Main thrusts of the Division's operations for the next year would be: (a) positioning within the New Development Architecture and the emerging New Operating Model; (b) providing focused support to ongoing projects to improve performance and support innovation; (c) smooth closing down of loans/projects and preparation of quality project completion reports for learning; (d) deepening knowledge management, networking and functional partnerships, in particular in the context of thematic regional programmes; (e) upgrading targeting in design and implementation support; and (f) effective support and guidance to field presence staff.

Asia and the Pacific Division

Executive Summary

1. This report provides a review and assessment of the loan and grant portfolio of the Asia and the Pacific Division (PI). The report looks at characteristics of the present portfolio, its internal efficiencies, overall assessment of quality and impact, assessment of performance and risks, progress against other institutional parameters as well as emerging trends, conclusions and recommendations.
2. Some portfolio highlights of the 2006 review period are:
 - Five projects were approved for a total of US\$146.5 million.
 - Eight projects became effective with a total loan amount of US\$114.4 million.
 - Five projects were completed for a total value of US\$58 million.
 - Fifty projects made up the current portfolio as at 30 June 2006 with IFAD financing just over US\$1 billion.
 - Total amount of cofinancing has fallen 22 per cent this year.
 - Nine grants were approved, inflating the ongoing grant portfolio to US\$22 million.
 - Total loan disbursement was US\$91 million.
 - Relevance, efficiency and effectiveness of the portfolio rated favourably.
 - No improvement in the number or profile of 'projects at risk' with eight projects nominated as problem projects.
 - Three countries improved their Project-At-Risk (PAR) scores.

Characteristics of the Current Loan and Grant Portfolio

3. Since 1978 IFAD has funded 179 loan initiatives in the Asia and the Pacific Region in 21 countries. Agriculture and rural development projects account for three quarters of ongoing portfolio. 95 per cent of the current portfolio is IFAD initiated projects which is reflected by decreasing levels of cofinancing. A contributing factor is the lack of in-country presence preventing country teams from systematically engaging with potential partners. As in the previous review, in financial terms, the Asian Development Bank (ADB) continues to be PI's main cofinancier, followed by the World Food Programme (WFP).
4. As at 30 June 2006, the grant portfolio comprised 55 ongoing grants for a total financing amount of US\$22 million. Nine grants were approved during the review period. The geographic focus of the grants programme is centred on south Asia and half of the grants approved during this review period were allocated to non-borrowing countries such as **Afghanistan** and the **Pacific Island Countries**. PI has allocated increased resources towards the management of the grant programme during the review period.

Assessment of the Internal Efficiency of the Portfolio

5. Of the eight projects that became effective during the review period, the average approval to effectiveness lag was 12.2 months, which is a slight increase over the regional average. Delay in achieving project effectiveness is country-specific throughout the region with declarations of effectiveness tending to take longer in countries with more formalised administrative procedures. Increased dialogue and partnership between the IFAD country teams and the counterpart line agencies and simplifying project design and conditions of effectiveness (moving more towards conditions for disbursement) are the most immediate approaches available to IFAD for facilitating effectiveness.
6. In terms of sub-regional distribution of the ongoing portfolio, almost 60 per cent is allocated to the South Asia sub-region. As at 30 June 2006, seven projects were signed but not effective for a total loan amount of US\$188.5 million. The total disbursement for the review period was US\$91 million, representing a significant

increase over the previous review period. Although the volume of aggregate disbursement performance for PI is high, there has been an increase in overall disbursement lag over the review period which is concentrated in a few countries. Finally, PI enacted its first project cancellation since 1994 during the review period with the cancellation of **Indonesia's** East Kalimantan Local Communities Empowerment Programme.

Assessment of Operational Effectiveness^{25/}

7. In terms of impact PI's performance is summarized below:

Success in targeting

- 57 per cent of project impact rated as high or substantial, although it is acknowledged that much improvement is needed in this area. The majority of projects in the region apply a narrow targeting approach with income levels being the principal selection/exclusion criteria.

Impact on physical and financial assets

- This accounts for the largest proportion of project costs (64 per cent) and also the area where impact has been most pronounced (88 per cent of reports indicate high or substantial impact). Access to financial assets, largely through microfinance, has played a key role in employment generation for the poor – women in particular.

Impact on human assets

- This was rated as high or substantial in 44 per cent of the reports reviewed (compared with a figure of 55 per cent at the organization level overall). Development of human assets is pursued through capacity-building activities, including education and vocational training. Access to health and education services improved as a result of investments in rural roads and transport.

Impact on social capital and empowerment

- Satisfactory results have been achieved in directing efforts toward empowerment and capacity building of the targeted communities. 66 per cent of the projects rated as having a high or substantial impact.

Impact on food security

- Impact on food security is the highest in this area with 66 per cent of projects rated high or substantial reports against an overall Annual Report on the Results and Impact of IFAD Operations (ARRI) figure of 62 per cent. Diversification of farmers' income sources helped improve household food security and resulted in a more balanced food intake.

Impact on environment and a common resource base

- Natural resource management (NRM) accounted for around 20 per cent of project costs, but only 33 per cent of reports indicate high or substantial impact in this area. This is the **only** impact area in which PI projects perform worse than the IFAD average.

Impact on institutions and policies

- Impact in this area is rated as modest or negligible in 55 per cent of the cases and as substantial or high in 33 per cent of the cases. Success stories throughout the portfolio have been largely achieved by addressing policy issues in connection with project design and implementation processes rather than the result of integrated policy dialogue efforts at the country programme level.

²⁵ Findings derived *inter alia* from the evaluation of the Asia and Pacific Strategy (EVEREST) carried out by OE.

Sustainability

- Further improvement is needed to ensure the sustainability of IFAD operations in the region. 56 per cent of the projects rated as having a modest or negligible prospect for sustainability.

Gender

- In terms of impact on gender relations, in particular the status of women, the portfolio has made an impressive contribution resulting in shifts in the source of livelihood. Enhanced access to credit and technical support generated significant impact on women.

Knowledge Management (KM)

- Increased resources were allocated toward KM with various tools and processes introduced, contributing to improved effectiveness in this area.

Innovation and replication

- Increased attention was afforded to innovation and replication as a result of regional strategy review work and discussion on IFAD's strategic niche. Performance in this area is difficult to assess although there are some success stories within the portfolio.

Assessment of Portfolio Performance and Risks

8. Assessments conducted during the review period have confirmed that the regional portfolio is outperforming the ARRI assessments in terms of relevance, effectiveness and efficiency.
9. Applying PAR methodology, nine projects have been assessed as being 'actual problem'. Disappointingly, the majority of these projects were rated as 'actual problem' during the previous review period. This is predominantly due to external factors such as conflict within countries. Consequently, performance for these projects is not likely to improve. Remedial actions undertaken included extensive follow-up missions, supervision missions, mid-term reviews (MTRs), provisions of support coordinated through country field presence offices and bringing forward MTRs to address some of the problems. The number of flags raised suggests that disbursement performance was the portfolio's worst performing indicator in 2006, with 31 per cent of the portfolio recording poor performance.
10. Improving the quality of operations has been a major focus for PI during the review period, with a number of initiatives instigated aimed at improving portfolio relevance, efficiency and effectiveness. These needs to be further expanded and built upon during the next review period in conjunction with the ongoing work on the Action Plan.

Progress against Other Institutional Priorities

11. There are two ongoing directly-supervised projects in the region which are performing satisfactorily. There are five ongoing flexible lending mechanism (FLM) projects. The majority of these projects have either poor progress ratings or have experienced major delays in effectiveness declaration. It is reported that the inter-cycle review process is hampered by a lack of clear guidelines for internal processing. Significant pre-planning is therefore required to facilitate the process.
12. A self-assessment of ongoing field presence pilot initiatives (FPPIs) was undertaken which indicated sound initial results. There are still some difficulties with the institutional arrangement concerning these initiatives which require follow-up. The emergence of proxy FPPIs requires attention, particularly considering the financial resource requirements and clarification of roles and responsibilities.

Innovative/Non-Conventional Instruments

13. Although increased efforts have been afforded, a weakness remains in the strategic management of partnerships. Moreover, cofinancing levels continue to decline in the

face of unclear incentive systems for country teams. Engagement of the private sector is also very limited throughout the portfolio. These issues require further attention and follow-up from PI during the next review period.

14. In terms of policy dialogue, there are various lessons learned with respect to achieving policy impact objectives in the context of limited resource availability and lack of in-country presence. These issues were discussed with country stakeholders at the Bangkok Performance Review Workshop with a dissemination of lessons learned and recommendations for improvement.

Monitoring and Evaluation (M&E)

15. The quality of M&E systems and their importance in improving project implementation, together with supporting IFAD's policy and innovation agenda, has again been a key focus for PI. Various areas requiring improvement have been highlighted such as increased attention to improved design of M&E systems; lack of guidance and support from IFAD during the project cycle; lack of harmonization with country systems and reporting requirements and a focus on compliance rather than improvement. Over the course of the review period PI attempted to initiate measures aimed at achieving improvement in this area.
16. Implementation of the Results and Impact Management System (RIMS) has continued with sound success. A total of 19 projects reported on Level 1 indicators and six impact assessments were completed.

Supervision and Implementation Support

17. Despite long-standing concern regarding the lack of diversification of cooperating institutions (CIs) within the portfolio, UNOPS continues to be the dominant CI, supervising about 85 per cent of the current PI portfolio. CI performance has slightly deteriorated over the review period however ratings are now more in line with overall portfolio performance.
18. Implementation support has been successful in assisting in overcoming implementation problems. A lack of resources, together with a reactive approach to addressing implementation bottlenecks remain areas of concern.

Emerging Trends, Conclusions and Recommendations

19. In general, the regional portfolio has been quite successful in meeting objectives and bringing about desired impacts. Many lessons have been generated for future improvements which in turn have been validated by IFAD's country partners and with joint action plan agreements in place to improve performance.

Recommendations

An Improvement Agenda

20. PI has instigated many changes in approaches and processes, such as the establishment of horizontal teams. These need to be continued in the context of the Action Plan.

Improving the Quality of Country Programme Design

21. Over the review period PI has sought to improve internal peer review processes and poverty diagnostics under the leadership of the Economics team. This should continue to be institutionalised in the future.

Enhancing the Quality of Project Design

22. Project design must become less compartmentalised and promote greater country ownership, with the countries themselves driving and managing the process. Country programme staff (including the new Project Director (PD) where possible) must also be included in the design process. Project design must be more cognisant and clear regarding the innovation agenda – the quality of M&E and policy impact objectives. Project design must provide greater guidance to forecasting financial benefits, institutional arrangements targeting and sustainability issues. Project

designs must be uncomplicated and realistic with explicit focus on implementation. Conditions for loan effectiveness must be appropriately simplified. In terms of quality assurance processes and oversight, PI should continue to formalise and expand on contributions from horizontal teams to the project development team process. Better linkages to opportunities and knowledge presented by an expanded grants programme also need to be explored.

Enhancing Quality during Implementation

23. Increased support and direction is required from IFAD during the early stages of project implementation. Enhancing project management capacities must receive greater attention. M&E systems need to be strengthened and refocused as a learning/management tool rather than compliance with improved processes for KM. Implementation of the RIMS system needs to be fast-tracked. Sustainability of project benefits needs to be built from the beginning of the project. The role of each country team needs further clarification regarding accountability and potential value addition (i.e. Country Programme Manager (CPM), CI, and Field Presence Officer (FPO)). Supervision needs to become more results-focused and relevant with greater diversification of CIs. Finally, self-assessment capacities and processes need to be improved to promote the more active and responsive management of projects and country programmes.

Operating beyond the Project Level

24. Projects need to establish effective links at the policy level using innovation and knowledge generated in a more catalytic manner. Partnerships should be pursued in view of fostering IFAD's policy dialogue on key sector issues,

Partnerships

25. A defined strategy for partnership needs to be developed taking into consideration PI's limited human resources and new opportunities arising from expanded field presence. Corporate direction is required regarding cofinancing objectives and incentive systems for country teams to explore cofinancing opportunities. Greater engagement of the private-sector must also be explored.

Latin America and the Caribbean Division

Executive Summary

1. Poverty reduction continues to be a major challenge facing the region, particularly in rural areas, where 62 per cent of the population lives on incomes below the poverty line. Inequality is greater in Latin America (LAC) than in every other region except Sub-Saharan Africa. The critical situation of rural areas has also led to an increase in unemployment and migration. In light of these features and obstacles, the Latin America and the Caribbean Division (PL) has developed an active project portfolio and a set of regional and sub regional programmes to address these constraints. A strong emphasis on learning and innovation is one of the main features of IFAD's activities in the LAC region.
2. The portfolio review is at the core of the self-assessment processes in the Division. It constitutes a key element of PL's quality assurance system. A substantial change has been made in 2006 regarding the methodology followed in the preparation of the report by giving greater attention to: (i) an internal discussion of the Project Status Reports (PSR) by sub-regional teams, (ii) a revision of the individual project scores by checking with alternative sources of information, where available, such as supervision reports and project evaluations; and (iii) the development of a database related to the portfolio of loans and grants.

The Loan Portfolio

3. As of 1 July 2006, there were 38 current IFAD projects in LAC. Of these, 28 were ongoing, six were not yet signed, and four had been signed, but were not effective. The total value of IFAD loan commitments for the 38 projects is US\$641.2 million. The analysis of the portfolio also takes into account those projects that were completed during the period relevant to the portfolio review (1 July 2005 to 30 June 2006). The total financing involved is US\$1.1 billion (including government financing, external cofinancing and beneficiary contributions).
4. Most projects in the current PL portfolio are considered to be of the rural development type (23 projects, or 61 per cent of the portfolio). Research, extension and training, and agricultural development types follow, with seven and six projects respectively (18 per cent and 16 per cent). An alternative way to look at the main components of IFAD activities is to focus on the main subcomponent types in the overall portfolio by making use of the impact domains developed by the Office of Evaluation and the recent work carried out by the Results and Impact Management System (RIMS) group. According to this method, the most important impact domains of IFAD interventions in LAC are social development (24.5 per cent of the total value of the investment); agriculture, livestock and fisheries development (19.5 per cent); market and rural enterprise development (15.5 per cent); and financial assets (11.4 per cent). One of the features of the IFAD portfolio in the region is the large proportion of lending under ordinary and intermediate terms (73 per cent of the total current portfolio, up from 69 per cent in 2004-05).

The Grant Portfolio

5. IFAD operations in LAC are supported by a network of regional programmes providing project services, facilitating the development of capacities in priority areas and promoting synergies with civil society and the private sector. The PL grant portfolio comprises 19 ongoing grants. Of these, 79 per cent are regional grants and, as such, are the largest and most important category. Country-specific grants constitute 21 per cent of the total portfolio. Regional grants support the development of regional programmes, which is one of the distinctive features of IFAD's work in the region. There are two types: (i) *regional thematic networks* that carry out monitoring and evaluation (M&E) and impact assessment, remittances and Internet-based knowledge management activities and (ii) *implementation support programmes* that work at the sub regional level.

Internal Efficiency of the Portfolio

Pre-implementation activities continue to be an area of concern in PL

6. In comparison with the corresponding figures for 2004-2005 there was a decrease from eight to six in the number of projects that had not been signed two months after approval. There was, however, an increase in the average signing delay, from 9.5 months to 15.5 months. Lags in signings are due to five factors: (i) political, economic and social instability; (ii) loan approval process requires legislation by national congresses; (iii) the complex and sometimes conflicting relations between federal and provincial governments in federal states; (iv) ceilings on foreign and domestic debt established; and (v) lack of IFAD presence in the country.

Disbursement Performance

7. The overall disbursement rate for the regional portfolio continues to be within expected patterns in accordance with the IFAD-wide disbursement profile. The overall disbursement lag as of 30 June 2006 was higher than the one recorded in June 2005: 16 per cent compared with 8 per cent. The main recurrent reasons for disbursement lags in the region are the political and institutional instability that has affected some countries, in particular *Bolivia, Haiti, Venezuela, Honduras* and *Panama*, with large portfolio and little disbursements.

Maturity of the Portfolio

8. The average age of the ongoing projects in the current portfolio is 3.7 years. This figure suggests a portfolio with a fairly *balanced maturity*, as the expected average duration of a project of the ongoing projects is 7.5 years. However, the average figure conceals considerable differences in the age structure. Within the next two years, 15 projects are expected to be completed. This calls for an active effort by PL to develop a project pipeline.

Operational Effectiveness

Targeting the Poor

9. The Division's existing strategy identifies a number of groups that are recognizable target groups for interventions. These include indigenous peoples, small-scale, subsistence farmers or *campesinos* and landless laborers, rural women and populations affected by conflict and natural disasters. A number of projects in the region can be classified as addressing the needs of indigenous groups; among these are projects in *Bolivia, Guatemala, Honduras, Panama* and *Peru*. The Division has contributed greatly to the identification of gender issues and included measures for positive discrimination in favor of women in many parts, if not the totality of its portfolio.

Social Capital and People's Empowerment

10. Strengthening social capital has been one of the most important achievements of PL projects. Ten projects reported on social capital in *Bolivia, the Dominican Republic, El Salvador, Guatemala, Haiti, Nicaragua, Mexico, Panama, Peru* and *Uruguay*. Four projects reported that they had achieved the expected impact, while four indicated these had been mostly met, and two reported results that were below the expectations. Two intermediate evaluations (MTR) of projects in *Peru* and *Venezuela* have highlighted the work being done in the LAC region on social capital and empowerment. The PRODECOP MTR in *Venezuela* states unambiguously that the project has achieved its most important objective by transforming the lives of tens of thousands of rural poor dwellers into active citizens.

Gender equality and empowerment of poor rural women

11. A key component of social capital is the gender perspective. From March to July 2005, the Division participated in the Field-Based Evaluation of IFAD Gender Support Programmes and Activities. The results of the evaluation indicate that the most important achievements have been related to: (i) the participation of women in grass-roots organizations related to productive, community and economic issues;

(ii) helping women to access productive resources (land, credit) and services (water, health care, literacy, technical assistance); (iii) the organization of women's microenterprises; (iv) improving women's income levels; and (v) helping women achieve greater self-confidence and autonomy.

Portfolio Performance and Risks

12. PL's portfolio performs well in terms of most projects, and, compared with the previous review period, overall portfolio performance is steady. 26 (74 per cent) of 35 effective projects are classified as not at risk, down from 38 a year ago. Some projects, however, are encountering implementation problems and are not achieving their development objectives.
13. According to the Project Status Reports, the number of projects rated as above or on target ("1" rating) decreased in absolute and relative terms. Currently, there are four projects rated "1" (11 per cent of the current portfolio), while, in 2005, there were ten projects so rated (26.3 per cent of the portfolio). However, the number of projects rated as substantially below target decreased from eight (21 per cent) to five (14 per cent), while the number of operations rated mostly on target increased from 20 to 26 projects. To a great extent, this is due to a more rigorous scrutiny of the ratings of the projects.

Persistence of Problem Projects

14. A key result of the review is the high correlation between projects at risk and those rated low for progress and impact; and of more concern is the persistence of these difficulties over time, from one year to the next. Eight of the nine problem projects in 2005-2006 are repeaters from previous years, while only four projects that were once problem projects are not reported as such during the current review. The existence of the same problem projects year after year is an indication of the difficulty faced by IFAD and the cooperating institutions to respond under the current supervision system on a timely and regular basis to monitor problem projects as required by the complexity of the sector that IFAD targets. This also highlights the importance of developing strong partnerships with other donors in the most problematic countries.

Progress against other institutional priorities

Directly Supervised Projects

15. There are presently three projects under direct supervision in the LAC region: (a) Brazil: the Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East; (b) Dominican Republic: South Western Region Small Farmers Project-Phase II and (c) Peru: Development of the Puno-Cusco Corridor Project. Two of these pilot programmes have been evaluated by the Office of Evaluation. The conclusions of the assessment by the Office of Evaluation of the Direct Supervision Pilot Programme remain valid for the LAC region in terms of: (i) contributing to better development effectiveness at the project level; (ii) providing greater attention to IFAD's broader objectives at the country programming level; (iii) emphasizing issues of prime concern such as gender mainstreaming, targeting and building grass-roots organizations; (iv) ensuring wider opportunities for policy dialogue and partnership development; and (v) contributing to the development of IFAD's knowledge base and strengthening country-level coordination. The three projects performed well ("mostly on target" or "above or on target"). Direct supervision has allowed staff a more direct involvement in the decision making process and has positive outcomes.

Flexible Lending Mechanism

16. PL has incorporated the FLM in three of its programmes: 518-Guatemala, *the Rural Development Programme for Las Verapaces*, 518-Haiti *Productive Initiatives Support Programme in Rural Areas (PAIP)* and 529-Nicaragua, *Technical Assistance Fund Programme for the Departments of Leon, Chinandega and Managua (FAT)*. Some lessons have emerged regarding the FLM. The triggers are helpful for guidance in

implementation monitoring and prioritization, but should not be understood as preconditions for the passage of a phase per se. Some phase indicators have been difficult to meet due to: (i) institutional constraints that are beyond the scope of IFAD projects and (ii) laborious procedures for the approval of withdrawals that have hampered project implementation.

Field-Presence Pilot Programme (FPPI)

17. This three-year pilot project covers 15 initiatives globally, of which three are taking place in the region, in Bolivia, Haiti and Honduras (covering both Honduras and Nicaragua). A preliminary assessment conducted by PL indicates that these initiatives have increased IFAD's relevance in these countries, improved project performance and communication between headquarters and country operations and facilitated policy dialogue, thereby ensuring IFAD's catalytic role in rural poverty reduction. Nonetheless, the positive impact of the programme has been limited not only by the political instability and institutional weaknesses in the participating countries, but also by the uncertain contractual status of the field presence managers.

Monitoring and Evaluation

18. The Division has been giving increased attention to M&E activities. As a result, several initiatives have been developed that are oriented to improving these systems in IFAD projects, including: (i) the creation of PREVAL in 1999 and (ii) the introduction of RIMS in projects following the approval of the framework by the December 2003 session of the Executive Board. As part of the preparation of the portfolio review process, the Division carried out a quality, efficiency and outreach assessment of the current M&E system. Following the approval of the Results and Impact Management System (RIMS) in December 2003, the Division has made steady progress in mainstreaming RIMS within existing projects, project design processes and headquarters reporting systems. Actual results for these indicators have been reported by 17 projects in 2006, eight projects more than in 2005. Fourteen projects reported on achievements in first-level indicators against annual target values.

Conclusions, emerging trends and the way forward

19. The analysis conducted in this review provides some indication of new trends in relation to previous years. Among these possible trends are the following: (i) *the existing portfolio is maturing rapidly*. A substantial proportion of the portfolio is more than half-way to completion, and there are a relatively large number of recently initiated projects. This means that urgent action is needed in the development of the project pipeline and in ensuring that the necessary conditions for effectiveness are met; (ii) *the importance attached to rural financial services is declining*. This has been highlighted repeatedly in the assessments of the portfolio. Some of the projects through which activities in this domain are being implemented show considerable weaknesses; (iii) *Changes in macroeconomic conditions in many countries make it difficult for IFAD to place loans; this is so especially in middle-income countries*. Greater access to international financial markets by governments in developing countries makes it necessary for IFAD to develop a policy for middle income countries; and (iv) *the lack of sufficient coordination between projects and the grants programme is a concern*.
20. The portfolio review process has been carried out from a more critical and analytical perspective. It has demonstrated the need for the following.

Develop the use of the portfolio review as a management tool

21. This annual review should be seen as a continuous process that: (i) helps to describe and understand the various operational instruments that are available; (ii) assists in organizing experience gained and, by doing so, increasing the knowledge base; and (iii) allows to adopt corrective measures expeditiously and in a

timely fashion. The knowledge management strategy of the Division should adopt the portfolio review as one of its centre pieces.

Improve efficiency in supervision and reporting

22. Work on direct supervision and the assessment of supervision arrangements in general may contribute greatly in improving this situation. Proper planning and reporting on supervision may be achieved, and project status reports and country information may be enhanced. Effectiveness may also be improved by strengthening project delivery mechanisms and accountability.

Address the role of IFAD in middle-income countries in the context of the PBAS

23. Executive Board decisions on the PBAS and allocations require rethinking programme planning and the dialogue with governments.

Consider the strategic importance of the field-presence pilot programme

24. Implementation of field-presence pilot initiatives has improved. However, some problems remain. Although there has been much progress in ensuring donor coordination and furthering IFAD's presence in the selected countries (Bolivia, Haiti, Honduras and Nicaragua), field presence managers have pointed to the need to reconsider their status, provide them with operational funds and clarify their roles in relation to cooperating institutions in the work of supervision.

Near East and North Africa Division

Executive Summary

1. This report reviews the performance and impact of the PN portfolio from July 2005 to end June 2006. Similar to last year, the process of conducting the PN portfolio review this year consisted of holding individual country portfolio reviews between all the Country Programme Managers, Programme Assistants, the Regional Economist and the Division Director prior to writing-up the report. The purpose was to review portfolio progress and agree on follow-up actions required by PN to support/implement the supervision process.

Divisional-Level Events since Last Review

2. During the past review period, key divisional events included: (i) completing a self-evaluation of the Near East and North Africa (NENA) and Central and Eastern Europe and Newly Independent States (CEN) regional strategies in preparation of the Office of Evaluation independent evaluation and the preparation of revised strategies for 2007; (ii) initiating a series of thematic studies and reviews to feed into the revised NENA strategy (including on rural microfinance and rural unemployment in the NENA region); (iii) preparing and obtaining board approval for two new COSOPs for Bosnia-Herzegovina and Egypt; (iv) proceeding with the implementation of the RIMS and holding several RIMS training workshops for IFAD project staff; (v) proceeding with the implementation of the field presence pilot programmes in Egypt, Sudan, and Yemen; (vi) conducting a series of partnership meetings with the major regional and international partner IFIs (e.g. Arab Fund, IsDB, OPEC Fund, World Bank, etc.); (vii) organizing several workshops, including on the rural water sector in the NENA region, on farmers' innovation experiences in Tunisia, on land and water governance in the Sudan, on natural resources policies in the NENA region, and on the gender mainstreaming programme in the CEN region; and (viii) strengthening the division's knowledge management function through the ongoing grant-funded Programme to Develop a Knowledge Generation and Sharing Network in the NENA Region (also known as KariaNet).

Characteristics of the Ongoing Portfolio

3. The Portfolio of the PN Division as of mid-2006 consisted of 44 active IFAD loan-funded programmes and projects. Of these, 35 were ongoing and eight were signed but not yet effective and one was not yet signed as of 30 June 2006. During the period 1st July 2005 – 30th June 2006, five PN projects were approved for a total amount of US\$65.3 million, bringing the total value of IFAD loan commitments for the 44 projects to US\$623 million.
4. The ongoing projects are spread over 19 member countries in the PN region, including 11 countries in the NENA sub-region and eight countries in the CEN sub-region. The country distribution of projects in the NENA sub-region is broadly in line with the total historic portfolio which is concentrated on Yemen, the Sudan, Tunisia, Egypt and Morocco. In the CEN sub-region, there is no significant country concentration, as there are usually between one and two ongoing projects in each of the eight borrowing countries.
5. Six distinct themes are pursued in the portfolio of the NENA sub-region: (i) community-based infrastructure and local institutions development; (ii) participatory natural resource management; (iii) remote and mountain area development; (iv) increasing farm assets and agricultural productivity; (v) supporting non-farm income generating activities through the promotion of small and micro rural enterprises and the provision of rural financial services; and (vi) conflict prevention and post-conflict assistance. The dominant themes of the portfolio of the CEN sub-region are market linkages, entrepreneurship development, and development of the non-farm rural economy through the promotion of rural financial services and support services for small and medium-sized enterprises.

6. The PN division also has a substantial grant portfolio. As at 30 June 2006, the grant portfolio comprised 41 ongoing grants financed by IFAD, for a total value of US\$24 million. In terms of financing, there is a very strong concentration on large regional grants that make up over two thirds of the portfolio, followed by the large country-specific grants. In addition to the IFAD-financed grants, the division is also managing a large number of grants supported through supplementary funds (SF).

Internal Efficiency of the Portfolio

7. Accounting for all open project loans as at 30 June 2006, the overall disbursement lag is 7 per cent (similar to the past two years). There are currently 11 projects with disbursement lags greater than 40 per cent (compared to seven last year). The main recurrent reasons for the disbursement lags of these projects are: (a) slow start-up of new projects due to lengthy and complicated bureaucratic procedures for setting-up and hiring the Project Management Unit; (b) lengthy procurement and bidding procedures; and (c) conflict and political unrest. The Division continues to follow-up actively on these issues and in some cases, the underlying problems are slowly being resolved.
8. The analysis of the portfolio shows an average age of 4.2 years for the 35 ongoing projects, which indicates a fairly balanced age distribution since the average duration of a project is about 7.3 years. However, the average conceals a somewhat uneven age-wise distribution, with more than half of the ongoing projects being in the second half of their implementation period. With nine approved projects awaiting **effectiveness** and 16 projects scheduled to be completed in the next two years, the ongoing rejuvenation of the portfolio will make considerable progress over the next few years. This is also reflected in the COSOP pipeline of the division which foresees about seven new COSOPs for approval over the next two years.

Impact Assessment

9. The impact of the ongoing PN portfolio was assessed using mainly Project Supervision and Completion Reports, Mid-term Reviews, and OE evaluations. These have demonstrated several examples of impact in different domains, most notably the following:
- Success in targeting women in Morocco, Somalia, the Sudan, Tunisia, and Yemen through the formation of women's groups and/or specific activities addressing women's needs (such as literacy classes, training in micro-enterprise management and other off-farm income-generating activities).
 - Good impact in terms of increasing access of beneficiary households to physical assets throughout the NENA and CEN, such as drinking water supply for people and livestock, classrooms, restrooms, multi-purpose halls, and other community-level infrastructure.
 - Successful pilot initiatives in the rural financial sector in NENA, such as the women's savings and credit groups in the West Bank and Gaza, and working with NGOs in Tunisia to expand the outreach of credit services to the poorer groups.
 - Continued good performance of rural finance interventions in the CEN, with notable achievements in Albania, Macedonia, and Moldova in terms of number of loans disbursed and beneficiaries reached.
 - Several examples of impact on food security and increased production, especially in the area of livestock production in the CEN region (Azerbaijan and Bosnia/Herzegovina).
 - Improvements in rural people's empowerment through the creation of community-based associations, cooperatives, women development groups, water-user associations and range-management associations (e.g. in Egypt,

Morocco, the Sudan), and the demonstrated success of the participatory approach used in development projects in Tunisia and Somalia.

- Gender impact and women's empowerment have been achieved through several activities supported by the two grant-based gender programmes in NENA and CEN.
- Impact on the environment and common resources include good achievements in community-based natural resource management (Morocco, Tunisia, and the Sudan), and progress in improved participatory irrigation management (Armenia, Egypt, Morocco, and Tunisia).
- Impact on institutions and policies has been mainly in the areas of rural finance policy and regulatory framework, decentralisation and devolution of natural resources' management to local government or user organisations in the NENA, and mountain areas development policies in the CEN.

Portfolio Performance

10. The assessment of the performance and health of the portfolio using the Project-at-Risk (PAR) and the Relative Scale (RS) methodologies give the following results. Of the 38 rated projects, 29 (79 per cent) are classified as projects not at risk and the rest (8) are classified as actual problem projects (21 per cent). The RS methodology reveals that 13 projects (which include the eight actual problem projects) are classified as amber or red on either progress and/or impact. This means that these projects exhibit some signs of under performance and need to be watched closely (amber category) or require immediate attention (red category). This result illustrates a lower percentage of problem projects than last year due, at least partly, to the more rigorous follow-up on implementation performance.
11. The most common difficulties faced by problem projects are lengthy and complicated bureaucratic procedures at country level, weak implementation capacity of the PMUs or central and local government institutions, unavailability of counterpart funds, and insufficient coordination between government agencies. There is little evidence that under-performance is systematically country-related, except for Yemen where it appears that project designs are poorly matched to the very limited implementation capacity in the country. The Division is closely following-up on these projects with more frequent follow-up missions and more intensive dialogue with government counterparts.

Progress against other Institutional Priorities

12. PN is currently responsible for the direct supervision of four projects in its portfolio (Gaza and the West Bank (two projects), Somalia and the Sudan), and one Flexible Lending Mechanism programme in the Sudan. Two of these projects (Gaza and the West Bank and Somalia) are grant financed. In terms of progress on the Field Presence Pilot Programmes (FPPPs) in PN, the programmes became fully operational in Egypt in October 2005, in the Sudan in November 2005, and in Yemen by July 2006.
13. Engaging the private-sector in development activities has become an increasingly important feature of PN programmes. This past year, the Division has worked with ACCION on a pilot project to engage commercial banks in rural finance in five NENA countries. In the CEN region, the Division continues to use its strategic investment programming approach (SIP) to improve the access of small producers to private agri-food supply chains and markets.
14. During the past year, the Division strengthened its partnership agenda considerably with its traditional Arab and international financial partners, such as OPEC Fund, AFESD, IsDB, and the World Bank, through several missions and meetings organized by PN for that specific purpose. The objectives of these partnership meetings were to have a shared understanding of each other's work programmes

and operational modalities, and to agree on complementary and cofinancing programmes in the field.

15. The Division has heavily invested in post-conflict and crisis-assistance in countries such as Gaza and the West Bank, Somalia, and the Sudan, with innovative implementation approaches to circumvent the absence of government counterparts (Somalia) or to work in an inclusive approach based on conflict resolution (the Sudan). Activities in post-conflict areas have usually focused on securing the basic survival needs of the population, such as rebuilding farm assets to ensure food security, and community-based rural infrastructure to provide services such as water supply, health and sanitation.

Monitoring and self-evaluation

16. During 2005/2006, the Division has made major strides in the area of improving the M&E systems of projects, implementing the RIMS, and strengthening the M&E support function within the Division. M&E and RIMS training workshops for project staff were also completed during this past year. In addition, PN has made use of M&E experts to assess the M&E framework and impact monitoring systems of existing projects and provide technical backstopping to the M&E project staff. Consequently, the M&E systems of these projects were revised to include and align themselves with the RIMS requirements.
17. The self-evaluation of the NENA and CEN regional strategies has come-up with interesting findings and recommendations which will be followed-up on in the preparation of the revised strategies. Broadly, the self-evaluation found that the current strategy documents were too permissive, without a clear set of objectives nor an adequate preparatory process. They also did not help the Division in directing its country strategies or programmes, and they were weak in defining IFAD's niche vis-à-vis other IFIs in the region.
18. Finally, regarding supervision and implementation support, UNOPS continues to be NENACEN's major Cooperating Institution (CI). However, the frequency of supervision is found to be a common problem. As a result, the division is using its follow-up budget to supplement the once-a-year supervision missions when needed. The Division has also allocated more follow-up budget resources on problem projects. AFESD, one of the major CI which has been working with PN for a long time in the region has recently agreed with PN (due to internal changes in the emphasis of AFESD operations) that future cooperation will be confined to cofinancing and that AFESD ongoing supervision of IFAD programmes will be discontinued. As a result, several projects that were supervised by AFESD are now being supervised by UNOPS, and no new projects will involve AFESD supervision.

Conclusions, Emerging Trends, and the Way Forward

19. The main conclusions, emerging trends and way forward for the division are as follows:
 - The Division will strengthen its NENA rural finance portfolio through innovative pilot schemes and partnerships with leading international and regional organizations and following the completion of its sub-strategy on rural microfinance.
 - In view of the new supervision modalities that are being suggested under the new operating model in IFAD, the Division will make specific choices in terms of supervision partners or supervision arrangements in the future.
 - Retrofitting the Division's ongoing operations to ensure alignment with the new action plan will be a priority in the coming year. This includes better targeting and focus on the poor, better results and impact orientation, ensuring institutional sustainability and ascertaining appropriate gender mainstreaming in the ongoing portfolio.

- The enhanced partnerships with Arab and regional financial institutions will be sustained and nurtured.
- The Division will also continue to strengthen the M&E function and implementation of the RIMS, as well as its knowledge management and communication tools.

Technical Advisory Division

Executive Summary

1. PT's role and much of its work is aimed at Quality Enhancement (QE) through mutually supportive and inter-linked activities that facilitate and add value to the work of the regional divisions. These activities are reinforced by PT's strategic partnerships and knowledge sharing roles. To meet QE objectives, PT undertakes technical reviews of projects and grants, building on the experience gained from IFAD projects and from those of other donors and on knowledge developed through partnerships. To enhance the knowledge base, PT staff is also increasingly participating in missions. PT shares and utilises knowledge gained through various tools, including Learning Notes (LNs). LNs communicate the basic quality standards that design reports are expected to adhere to. An AP/PD memo (dated 8th of March 2006) called for references to the LNs in the TRC Lead Advisor Memos (LAMs), emphasising the importance and degree of institutionalization of LNs within IFAD.
2. As an integral part of its functions in enhancing knowledge, PT also administers and supervises innovations-based, pro-poor adaptive research grants with a view to enhancing the impact of IFAD's loan and grant portfolio. The objective is QE to improve and ensure that IFAD projects, as designed, are relevant, effective, sustainable, and innovative.
3. During the period under review, PT has continued to assume increased responsibilities in response to demands from various in-house units – for technical backstopping and learning/knowledge sharing duties; specific in-house focal point roles; and sub-sectoral focus and associated functions. Furthermore, the cross-cutting dimensions of PT's portfolio of innovations-led grant programmes (including NRM, Targeting, Gender, Participatory Approaches) have resulted in PT functioning as an interdisciplinary team that provides specific expertise in innovations and partnership building. This includes engagement with the global agricultural research system (e.g., the CGIAR and GFAR) and in the microfinance industry (e.g., CGAP). PT contributes substantially to knowledge sharing internally and through external networks such as the Rural Poverty Portal. These multifaceted tasks strain available regular staff resources and require continuous contracting of a number of short- and long-term consultants to supplement PT's resources and enable the division to deliver its POW.
4. PT supported the country-programme portfolio in the period under review, through the technical reviews of: 14 Formulation Reports of investment projects, 2 country grants, 11²⁶ regional/global grants, 1 BSF component for an existing IFAD-funded loan project in Burundi and 2 GEF projects. In addition, PT played a pro-active role in the 97 Project Development Teams (PDT) in various stages of the project cycle - from Inception to Implementation. Technical support was also provided in the PDTs of 7 COSOPs and 1 SRESOP. PT has ensured that project designs were consistent with design standards. Learning Notes contributed significantly to efficiency through the systematic identification of relevant issues via the Lead Advisory Memos (LAMs). The division has also overseen 2 Environmental Assessments. All reviews were undertaken in a timely fashion, regardless of occasional slippage in TRC schedules and resultant bunching.
5. During the period under review, PT also supervised 7 Research and Innovation Large Grants and administered 22 effective grants managed by PT. It screened and prepared 23 large grants and submitted 20 of them to the Executive Boards²⁷ - 5 of which will also be managed by PT. In addition, PT processed 26 global/regional small grants²⁸ and participated in missions relating to grant activities, including

²⁶ These 11 grants are covered in two LAMs; one LAM with 4 grants and the other with 7.

²⁷ Grants submitted to the 9/2005; 12/2005 and 4/2006 Executive Boards

²⁸ Grants approved by the President between 30/6/2005 and 31/3/2006

Steering Committee meetings for effective grants to IPGRI, ICRISAT, ICIPE, IFDC, and INBAR.

6. In pursuit of the objective of improving targeting, PT has lead-authored IFAD's Policy Paper on Targeting (with the support of a cross-departmental Policy Reference Group) and is involved in the preparation of IFAD's Operational Guidelines on Targeting. Other contributions by PT staff include: (a) undertaking the MTR of the Gender Plan of Action to identify gaps between design and achievement and to improve impact; (b) finalising the Rural Finance Action Plan to strengthen IFAD's operations in rural Finance, in response to the findings of the IEE and the Donor Peer Review; and (c) reviewing proposals for mainstreaming innovation through the IMI programme.
7. On behalf of AP/PD, PT coordinates the IFAD GEF Unit, which plays a catalytic role in addressing links between poverty and global environmental concerns. The unit designs projects and programmes that complement and diversify IFAD's investments at country and regional level to fight rural poverty and environmental degradation.
8. PT plays a fundamental role in learning and sharing knowledge, both within IFAD and across the organizational boundaries. In particular, sixteen LNs were prepared and posted on the internet and seven are in the pipeline. In 2006, the Learning Notes were used formally and on a systematic basis. These were referenced in the LAMs, both specifically in relation to the issues raised and generically in the LAM box for future reference in the TRC issues paper and at Appraisal. This facilitated a more structured discussion on operational policy adopted by the Fund (via the Learning Notes) and referenced the TRC decisions accordingly. Regional Directors and CPMs undertook to provide feedback to PT, while PT is also actively pursuing and welcoming such feedback to: (i) refine the current set of Learning Notes; and (ii) develop new Learning Notes of topical relevance so as to improve their potential impact on project design. LNs are, by design, open-ended documents that need to be updated periodically to reflect feedback from project design missions, experience gained from projects, OE Evaluations and best practices of other development partners.
9. External evaluations and ARRIs, and indeed PT's LAMs, continue to report weaknesses in project design with some shortfalls in achieving desired impact, indicating there is room for improvement. Alleviating poverty is a multifaceted and complex endeavour that requires, in some instances, longer-term perspectives on certain issues (such as gender mainstreaming, targeting, institutional development, NRM) and sustained efforts to achieve the desired results -- issues that are consistently raised by PT in TRCs. These long-term issues notwithstanding, a number of steps can be taken to improve the potential impact of IFAD-funded projects in the various domains. The latest ARRI noted shortfalls in M&E, sustainability and targeting effectiveness, among other issues which are highlighted in the main text of this report. Although the last ARRI does not reiterate many issues flagged in the previous ARRI (for instance, limited stakeholder and beneficiary ownership, weak project design and implementation, insufficient consideration of risks in the review process, etc.), these latter issues are nevertheless also taken into account in reviewing PT's role in quality enhancement. These areas of weakness are noted in many LAMs and PT works closely with the regional divisions to address the many issues noted in the evaluation reports and portfolio reviews.
10. The recurrent nature of TRC comments, relating to issues that PT raises regularly, perhaps reflects the need to develop a more effective way of institutionalizing TRC decisions on key design parameters. PT suggests the following additional measures to strengthen the prospective impact of projects : (a) improve forward planning to deploy departmental resources efficiently; (b) enhance the use of IFAD's review

process, reiterating earlier PMD agreements on the project cycle; (c) further improve IFAD's capacity to address major sectoral and cross-cutting issues relevant to its mandate and communicate them through existing and forthcoming LNs (where required); (d) further strengthen strategic partnerships, participate in development of policy, and increase contribution to the project cycle to improve project design; and (e) recognise that the quality enhancement process is an IFAD-wide responsibility and consequently strengthen PT's as well as other divisions' involvement in knowledge sharing across the house.

List of project completion reports reviewed

Region	Country	Project Id	Project Name	Loan Effective ness	Project Completion Date	Loan Closing Date
PA	Burkina Faso	369	Special Programme for Soil and Water Conservation - Phase II	02 May 96	30 Jun 03	31 Dec 03
PA	Burkina Faso	512	South West Rural Development Project	12 Jan 98	31 Dec 04	30 Jun 05
PA	Ghana	1002	Village Infrastructure Programme	02 Apr 98	30 Jun 04	31 Dec 04
PA	Mali	367	Income Diversification Programme in the Mali Sud Area	25 Jul 96	31 Dec 04	30 Jun 05
PA	Niger	434	Special Country Programme - Phase II	27 Feb 98	30 Jun 04	31 Dec 04
PA	Sierra Leone	308	North-central Agricultural Development Project	06 Sep 93	30 Sep 03	31 Mar 04
PF	Rwanda	314	Intensified Land Use Management Project in the Buberuka Highlands	23 Jul 96	31 Dec 03	30 Jun 04
PF	Rwanda	500	Rural Small and Micro-enterprise Promotion Project	02 Mar 98	30 Jun 04	31 Dec 04
PF	Tanzania	1006	Agricultural and Environmental Management Project	10 Sep 97	30 Jun 04	31 Dec 04
PI	Bangladesh	1029	Agricultural Diversification and Intensification Project	04 Dec 97	30 Jun 04	31 Dec 04
PI	China	1048	Southwest Anhui Integrated Agricultural Development Project	12 Dec 97	31 Dec 03	30 Jun 04
PI	Korea, D.P.R.	1064	Crop and Livestock Rehabilitation Project	20 Dec 97	30 Jun 03	31 Dec 03
PI	Laos	1099	Xieng Khouang Agricultural Development Project - Phase II	27 Apr 99	30 Jun 05	31 Dec 05
PI	Mongolia	502	Arhangai Rural Poverty Alleviation Project	04 Nov 96	31 Dec 03	30 Jun 04
PI	Nepal	250	Hills Leasehold Forestry and Forage Development Project	18 Feb 91	30 Jun 03	31 Dec 03
PI	Viet Nam	1025	Ha Giang Development Project for Ethnic Minorities	27 Apr 98	31 Dec 03	30 Jun 04
PL	Dominica	503	Rural Enterprise Project	29 Nov 96	30 Sep 05	30 Mar 06
PL	Ecuador	1043	Indigenous and Afro-Ecuadorian Peoples' Development Project. Rural Development Project of the Mayan Communities in the Yucatan Peninsula	02 Nov 98	30 Jun 04	31 Dec 04
PL	Mexico	494	Peninsula	04 Nov 97	31 Dec 04	30 Jun 05
PL	Nicaragua	495	Rural Development Project for the Southern Pacific Dry Region	21 Feb 97	31 Mar 03	30 Sep 03
PL	Paraguay	496	Peasant Development Fund Credit Project - Eastern Region of Paraguay	03 Dec 96	31 Dec 04	30 Jun 05
PL	Peru	475	Management of Natural Resources in the Southern Highlands Project Support Project for Small Producers in the Semi-arid Zones of Falcon and Lara States	09 Apr 97	31 Dec 04	30 Jun 05
PL	Venezuela	279	States	25 May 93	30 Jun 04	31 Dec 04
PN	Azerbaijan	1033	Farm Privatization Project	24 Jul 97	30 Jun 03	31 Dec 03
PN	Tunisia	483	Integrated Agricultural Development Project in the Governorate of Siliana	17 Jun 96	30 Jun 05	31 Dec 05

Projects directly supervised by IFAD

Region	Country	Project/Programme Name	Lending Terms	Project Type	Board Approval	Loan Signing	Loan Effectiveness	Project Completion	Disbursed (% apprv'd amount)
PA	Benin	Microfinance and Marketing Project	HC	Credit and Financial Services	22 Apr 98	03 Jul 98	04 May 99	30 Jun 06	99
PA	Gambia, The	Rural Finance and Community Initiatives Project	HC	Credit and Financial Services	02 Dec 98	18 Feb 99	14 Jul 99	30 Jun 06	94
PA	Mali	Sahelian Areas Development Fund Programme	HC	Rural Development	02 Dec 98	19 Feb 99	14 Oct 99	31 Mar 09	68
PF	Uganda	District Development Support Programme	HC	Rural Development	10 Sep 98	11 Feb 00	24 May 00	30 Jun 06	99
PF	Zambia	Smallholder Enterprise and Marketing Programme	HC	Rural Development	09 Dec 99	16 Feb 00	07 Nov 00	31 Dec 07	79
PF	Zimbabwe	Smallholder Irrigation Support Programme <i>a/</i>	HC	Irrigation	02 Dec 98	17 Feb 99	14 Sep 99	31 Dec 05	10
PI	Bangladesh	Agricultural Diversification and Intensification Project	HC	Agricultural Development	29 Apr 97	29 May 97	04 Dec 97	30 Jun 04	90
PI	India	Jharkhand-Chattisgarh Tribal Development Programme	HC	Rural Development	29 Apr 99	13 Mar 01	21 Jun 01	30 Jun 09	17
PI	Indonesia	Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas	HC	Rural Development	04 May 00	21 Jun 00	31 Jan 01	31 Mar 09	51
PL	Brazil	Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East	O	Credit and Financial Services	03 Dec 98	10 Oct 00	21 Dec 00	31 Dec 06	41
PL	Dominican Republic	South-Western Region Small Farmers Project - II	I	Rural Development	03 Dec 98	19 Jan 99	05 Apr 00	30 Jun 07	87
PL	Peru	Development of the Puno-Cusco Corridor Project	O	Research/Extension/Training	04 Dec 97	07 Dec 99	17 Oct 00	31 Dec 07	71
PN	Armenia	North-West Agricultural Services Project	HC	Agricultural Development	04 Dec 97	05 Dec 97	14 Apr 98	31 Jul 01	100
PN	Gaza and the West Bank	Participatory Natural Resource Management Programme	HC	Rural Development	23 Apr 98	07 May 98	01 Feb 00	31 Mar 07	30
PN	Sudan	North Kordofan Rural Development Project	HC	Rural Development	28 Apr 99	14 Jul 99	14 Jun 00	30 Jun 08	88

Notes:
 HC = highly concessional
 I = intermediate
 O = ordinary
 PA = Western and Central Africa
 PF = Eastern and Southern Africa
 PI = Asia and the Pacific
 PL = Latin America and the Caribbean
 PN = Near East, North Africa, and Central Europe

a/ Closed at 31 December 2005.

Projects financed under the Flexible Lending Mechanism

Div.	Country	Project Name	Board Approval	Loan Effectiv.	Project Compltn Date	Estimated Implmnt. Years	No. of Phases (approved)	Estimated Phase II Begins	Current Phase	Disbursed (%)
PA	Cape Verde	Rural Poverty Alleviation Programme	08 Sep 99	14 Jul 00	30 Sep 09	9	3 (3-3-3)	2004	2nd	46
PA	Guinea	Programme for Participatory Rural Development in Haute-Guinée <i>a/</i>	09 Dec 99	18 Jan 01	31 Mar 11	10	3 (3-4-3)	2006	2nd	19
PA	Mali	Sahelian Areas Development Fund Programme	02 Dec 98	14 Oct 99	31 Mar 09	10	3 (3-4-3)	2003	2nd	68
PA	Niger	Rural Financial Services Development Programme	03 May 00	08 Jun 01	30 Jun 11	10	3 (4-3-3)	2006	1st	26
PA	Sao Tome & Principe	Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme	26 Apr 01	25 Feb 03	31 Mar 15	12	4 (3-3-3-3)	2006	2nd	19
PF	Malawi	Rural Livelihoods Support Programme	12 Sep 01	30 Aug 04	30 Sep 13	9	3 (3-3-3)	2008	1st	22
PF	Rwanda	Umutara Community Resource and Infrastructure Development Project	04 May 00	05 Dec 00	31 Dec 10	10	3 (3-4-3)	2004	2nd	62
PF	Tanzania	Rural Financial Services Programme	07 Dec 00	12 Oct 01	31 Dec 10	9	3 (3-3-3)	2005	2nd	48
PI	Bangladesh	Sunamganj Community-Based Resource Management Project	12 Sep 01	14 Jan 03	31 Mar 14	11	3 (5-3-3)	2008	1st	13
PI	India	National Microfinance Support Programme	04 May 00	01 Apr 02	30 Jun 09	7	2 (3-4)	2006	2nd	35
PI	India	Orissa Tribal Empowerment and Livelihoods Programme	23 Apr 02	15 Jul 03	31 Mar 13	10	3 (3-4-3)	2007	1st	7
PI	Indonesia	Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas	04 May 00	31 Jan 01	31 Mar 09	8	2 (4-4)	2005	2nd	51
PI	Nepal	Western Uplands Poverty Alleviation Project	06 Dec 01	01 Jan 03	31 Mar 14	11	3 (4-4-3)	2007	1st	7
PL	Guatemala	Rural Development Programme for Las Verapaces	08 Dec 99	06 Sep 01	30 Sep 11	10	2 (4-6)	2007	1st	32
PL	Haiti	Productive Initiatives Support Programme in Rural Areas	23 Apr 02	20 Dec 02	31 Dec 12	10	3 (3-4-3)	2006	1st	11
PL	Nicaragua	Technical Assistance Fund Programme for the Departments of León, Chinandega and Managua	09 Dec 99	20 Jun 01	30 Jun 13	12	4 (4-4-4)	2005	2nd	18
PN	Sudan	South Kordofan Rural Development Programme	14 Sep 00	12 Feb 01	31 Mar 11	10	2 (5-5)	2005	2nd	58

Note: the Second Eastern Zone Agricultural Programme in Bhutan was transformed in 2003 to a non FLM loan.

The Cooperative Rural Finance Programme in Lebanon was cancelled in 2004 and the East Kalimantan Local Communities Empowerment Programme in 2006.

^a For the Programme for Participatory Rural Development in Haute-Guinée in Guinea, the first phase lasted 5 years and 2nd and 3rd were merged into one as a recommendation of the Interphase Review mission.

