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Enabling the rural poor  
to overcome poverty

## **Annual Report on Results and Impact of IFAD Operations Evaluated in 2006**

### **Office of Evaluation**

Evaluation Committee — Forty-ninth Session  
Rome, 10 October 2007

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For: **Review**

## **Note to Evaluation Committee Members**

This document is submitted for review by the Evaluation Committee.

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## **Abbreviations and acronyms**

ARRI	Annual Report on Results and Impact of IFAD Operations
AsDB	Asian Development Bank
AfDB	African Development Bank
CAF	Andean Development Corporation
CPM	Country programme manager
COSOP	Country strategic opportunities programme
EVEREST	Evaluation of IFAD's Regional Strategy in Asia and the Pacific
IEE	Independent External Evaluation
M&E	Monitoring and evaluation
MDGs	Millennium Development Goals
MFE	Methodological framework for evaluation
MTR	Mid-term review
OE	Office of Evaluation
PCR	Project Completion Report
UNOPS	United Nations Office for Project Services

## Executive Summary

1. This is the fifth Annual Report on Results and Impact of IFAD Operations (ARRI) prepared by the Office of Evaluation (OE). It synthesizes the main results and findings from the 15 IFAD-funded projects evaluated by OE in 2006, and also, draws upon the conclusions from a selected number of corporate level and country programme evaluations. In addition, the ARRI highlights key learning issues and development challenges that IFAD needs to address to enhance its overall development effectiveness.
2. This year's ARRI has two new features:
  - in addition to providing the customary and comprehensive account of the results and impact of IFAD operations, it focuses more widely on learning and in identifying the root causes of good and less good performance and impact; it also proposes, for the approval of the Executive Board, a list of learning themes that would deserve deeper analysis in next year's ARRI, and debate within IFAD; and
  - it argues based on statistical considerations why great prudence and less emphasis should be paid to comparisons of results from one year to another. Therefore, in addition to the stand-alone analysis of the 2006 evaluation data, the ARRI includes for the first time an assessment of the performance and impact of a more reliable and robust sample, namely IFAD operations over 5 years (2002-2006) using the 73 projects rated by OE in this period.
3. With regard to learning, the ARRI includes a specific section (VI) devoted to the two themes, namely sustainability and innovations, which have been analysed in depth this year. This is the first time that the ARRI pays a significant amount of attention to identifying the opportunities and challenges around specific themes, as well as makes recommendations on measures that could be taken to enhance the performance of the Fund in the key areas of sustainability and innovations. The ARRI also builds upon the inputs received from the IFAD management and staff on these themes, which was obtained during two in-house learning workshops organised by OE on the topics.
4. This and previous ARRIs have identified sustainability as one of the most challenging areas where the Fund's performance has not been satisfactory thus far. While recognising that other development agencies are also grappling with sustainability and that there is no blue print for addressing the issue, the evaluation reports and discussions at IFAD identified a number of points that need to be taken seriously into account for strengthening the Fund's performance in this critical area. For instance, the need to ensure that project objectives are realistically established, exit strategies are designed early on in the project life cycle, and systematic efforts are made to build ownership and ameliorate the capacities of implementing institutions were some of the priorities identified for moving forward in addressing sustainability. In fact, given its importance, this year's ARRI recommends that IFAD develop a specific strategy and a plan of action for promoting sustainability in IFAD operations.
5. The ARRI noted that IFAD's performance in introducing innovations, for example in the area of on- and off-farm technologies, institutions and social engineering, has been on the whole satisfactory. While the new IFAD innovations strategy is expected to further improve and structure IFAD's overall approaches to innovations, the ARRI found that the performance in upscaling and replicating successfully promoted innovations has been weak. For this purpose, more resources and efforts need to be devoted to partnership building, knowledge management and policy dialogue, which are essential aspects of IFAD's innovations promotion process. Moreover, there is also scope for a wider utilisation of grants for testing innovative

approaches, and developing ways and means for more systematically feeding the results of grant-funded activities into loan-funded projects and programme.

6. On the issue of results and performance, the ARRI notes that ratings from the 15 evaluations in 2006 raise few new issues as compared to past years. These retain, of course, their full importance. For example, relevance remains a strong point, as does the positive impact on human assets, institutions, environment and agriculture productivity. Areas where IFAD did not perform satisfactorily include reaching the poorest and most vulnerable groups; promoting gender equity; sustainability, which continues to remain at an unacceptable low level; weak rural finance components; insufficient attention to markets; and poor monitoring and evaluation at the project level. The higher plane evaluations<sup>1</sup> reveal that the Fund's performance in non-project activities, such as policy dialogue, partnership building, mobilising co-financing and knowledge management has been generally weak.
7. Eighty per cent of projects evaluated in 2006 were assessed to be satisfactory<sup>2</sup> with respect to project performance (a composite of the evaluation criteria of relevance, effectiveness and efficiency combined) and rural poverty impact. Even though several evaluations pointed to the need to articulate more realistic project objectives (which are often over-ambitious) and to ensure deeper integration of various project activities, IFAD's performance as a partner was satisfactory in 60 per cent of the projects evaluated.
8. An analysis of the data from the 73 projects rated by OE between 2002 and 2006 provides a reasonably reliable measure of IFAD's achievement over a 5 year period. Overall, 84 per cent of the projects were rated as satisfactory in terms of project performance and 65 per cent in terms of rural poverty impact. IFAD-funded projects have made their strongest contributions in the impact domains of physical and human assets, followed by food security and financial assets. But, operations have been notably less effective in the impact domains of environment and common resources, institutions and services, and generally disappointing in terms of promoting access to markets. The same can be said about gender.
9. Discounting the general difficulties inherent in benchmarking, it is interesting to note that IFAD's satisfactory project performance rating is basically on par with the outcomes ratings of the agriculture and rural sector operations of the World Bank, whereas IFAD appears to be above par compared with the Asian Development Bank<sup>3</sup>.
10. Among other issues, two explanatory findings stand out from the analysis of the 2002-06 evaluation data. First, the analysis reveals that country context is a strong determinant of project success, and that project achievement is markedly lower in low income countries and those with challenging policy and institutional contexts. Second, projects that became effective towards the end of the 1990s and thereafter appear to show a more satisfactory performance than earlier projects. These issues are further elaborated in the main document.
11. The ARRI recommends that three issues, where performance has been weak over the 2002-06 period, be examined in more detail in future ARRIs. These include: (i) the monitoring and evaluation in IFAD-funded projects, (ii) the way IFAD deals with

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<sup>1</sup> These include corporate level and country programme evaluations.

<sup>2</sup> 'Satisfactory' includes the top three ratings on a six-point scale (with 1 being the lowest, and 6 the highest score). Therefore 'satisfactory' would include the ratings 6 (highly satisfactory), 5 (satisfactory) and 4 (moderately satisfactory).

<sup>3</sup> The Asian Development Bank determines 'success rate' by combining the results across the following evaluation criteria: relevance, effectiveness, efficiency and sustainability.

the characteristics and implications of country context, and (iii) the performance in certain impact domains such as: (a) environment and common resources, (b) institutions and services, and (c) markets.



# Annual report on results and impact of IFAD operations evaluated in 2006

## I. Introduction

1. This is the fifth Annual Report on the Results and Impact of IFAD's Operations (ARRI) produced by the Office of Evaluation (OE)<sup>1</sup>. In keeping with previous years, the ARRI consolidates and synthesises the results and impact of IFAD's operations based on a cohort of project, country programme and corporate level evaluations conducted in 2006.
2. As in the past, the objective of the ARRI is twofold: (i) to present a synthesis of performance based on a common methodology for evaluation; and (ii) to highlight key learning issues and development challenges that IFAD needs to address to enhance its overall development effectiveness. While the primary audience of the ARRI includes the IFAD management and staff, and the Fund's Evaluation Committee and Executive Board, it is also of importance to the wider development community as it raises systemic issues related to sustainable agriculture and rural development at large.
3. In the preparation of this year's ARRI, OE undertook a number of preparatory activities that deserve to be mentioned here. Firstly, it is important to note that in the first three years (2002-04), OE's evaluation methodology required evaluators to use a four-point scale<sup>2</sup> for assigning ratings to the various evaluation criteria. Thereafter, OE adopted a six point rating scale<sup>3</sup> and has since applied it to all evaluations starting from 2005. To allow for comparison and homogeneity, OE had the ratings contained in the 29 evaluation reports produced between 2002-04 systematically converted to the six-point scale<sup>4</sup>.
4. In addition to reporting on performance based on the six point rating scale, as a new feature in this ARRI, OE has introduced the broad categories of *satisfactory* and *unsatisfactory* for reporting on performance across the various evaluation criteria. This is done by aggregating under satisfactory the percentage of project ratings falling in the three higher ratings (4-6), or the three lower ratings (1-3) for the unsatisfactory category. The introduction of these two broad categories<sup>5</sup> allows the reader to gain a rapid appreciation of whether the performance of IFAD-funded projects lays in the satisfactory or unsatisfactory zone across a particular evaluation criteria. However, performance in the satisfactory zone should not lead to complacency, especially when actual performance is just above the unsatisfactory line and rated as a 4, namely moderately satisfactory.
5. The ARRI places less emphasis on drawing inferences by comparing the 2006 ratings with previous years. In this regard, a statistical review of the data available concluded that such comparisons or trend analysis on a year by year basis were not reliable. This is because the sample of projects changes between one year and the next, and any perceived differences are more likely to reflect the changes in sample (see paragraphs 67-68). Any real changes over time tend to be gradual and would therefore only likely to be measurable after a longer period of elapsed time. In fact, as a result, the ARRI this year also includes an overall analysis of all ratings

<sup>1</sup> OE is required to produce the ARRI each year, as per the provisions contained in the IFAD Evaluation Policy (see paragraph 20 in EB 2003/78/R.17/Rev.1).

<sup>2</sup> With 1 being the lowest score (worst), and 4 the highest (best).

<sup>3</sup> This is consistent with the approach adopted by other independent evaluation outfits in international financial institutions. OE uses a six-point scale for the assessment across all evaluation criteria. For example, for effectiveness, the following would be the legend: 6 = Highly effective, 5 = effective, 4 = Moderately effective, 3 = Moderately ineffective, 2 = Ineffective, and 1 = Highly Ineffective.

<sup>4</sup> Annex 2 provides information on how the conversion was undertaken.

<sup>5</sup> The Annual Review of Development Effectiveness produced by the Independent Evaluation Group of the World Bank uses a similar categorization.

available over the past five year period (2002-06), apart from reporting on the results and impact from the previous year (2006) in a separate section (III).

6. As anticipated last year, in addition to providing the customary account of the results and impact of IFAD operations, this year's ARRI focuses on learning more than in the past. That is, while ensuring that the ARRI continues to serve as the prime instrument of accountability based on independent evaluations, more efforts have been made to understand the causes of good performance or areas of IFAD operations that need further improvement and management attention. In sum, in addition to responding to the question what was the performance, the ARRI aims to gain a deeper understanding of why is performance as it was.
7. This in turn will facilitate the identification and consolidation of learning issues to be considered in future. The ARRI includes a specific discussion – in section VI - on two specific topics, namely sustainability and innovation, which have been raised by past ARRI as areas requiring attention. In fact, OE undertook research on these topics and organised two separate workshops earlier in year to engage IFAD staff in a dialogue around issues related to sustainability and innovations, including IFAD's performance in these areas in the past. A number of measures that should be taken to address the constraints faced by IFAD in sustainability and innovations were identified during the workshop discussions. This has been considered in developing the corresponding recommendations contained in the ARRI in sections VI and VII.
8. Moreover, this year's ARRI includes in section VII a provisional list of topics that correspond to areas that need improvement and management attention, and that could therefore form the core learning themes for future ARRIs. Subject to the agreement of the Executive Board, OE would treat two of the issues from the list thoroughly in next year's ARRI, following a similar approach taken to addressing the issues of sustainability and innovations this year.
9. The remainder of the report is structured as follows: Section II provides an outline of the evaluations conducted in 2006. Section III provides a synthesis of the performance of the projects evaluated in 2006. Section IV includes an overview of the main issues emerging from corporate level and country programme evaluations included in the ARRI. Section V contains an analysis of the ratings from evaluations covering the period 2002-06. The two thematic topics on sustainability and innovation are treated in section VI. Section VII presents the report's key conclusions and recommendations, including a list of proposed learning issues to be approved by the Executive Board that will be covered in future ARRIs.

## **II. Projects and Programmes Evaluated**

10. The evaluations used as a basis for developing this year's ARRI are listed in Table 1, which include assessments and ratings of 15 projects in all five geographic regions covered by IFAD operations<sup>6</sup>.

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<sup>6</sup> Seven of the 15 projects were rated in the context of country programme evaluations (CPEs). While the intensity and in particular costs of single project evaluations are different as compared to projects evaluated in CPEs, it has to be pointed out that the latter are conducted using the same methodology and with no less rigour, and always entail visits to project sites and interactions with beneficiaries and other stakeholders.

Table 1  
List of Evaluations 2006

Type	Country	Title	IFAD Loan <sup>7</sup> (US\$ million)	Total Project Costs (US\$ million)
Corporate Level Evaluations	Asia/Pacific	Regional Strategy for Asia and the Pacific		
	All Regions	Field Presence Pilot Programme		
	All Regions	Rural Finance Policy		
Country Programme Evaluations	Brazil	Low-Income Family Support Project in the Semi-Arid Region of Sergipe	17.9	25.9
		Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid Zones of the North East	25.0	93.5
	Mali	Income Diversification Programme in Southern Mali	15.0	27.1
		Second Phase of the Zone Lacustre Development Project	12.7	20.1
		Sahelian Areas Development Fund Programme	21.9	45.9
	Morocco	Rural Development Project for Taourirt and Taforalt	19.5	49.4
Rural Development Project in the Mountain Zones of Al-Haouz Province		18.0	30.2	
Project Interim Evaluation	Colombia	Rural Micro-Enterprise Development Programme	16.0	25.9
Project Completion Evaluations	Ethiopia	Southern Region Cooperatives Development and Credit Project	17.5	20.8
	Georgia	Georgia Agricultural Development Project	6.6	27.1
	Niger	Special Country Programme Phase II	14.9	20.0
	Peru	Puno-Cusco Corridor Project	18.9	30.9
	Philippines	Cordillera Highland Agricultural Resource Management Project	9.2	41.5
	Romania	Apuseni Development Project	16.5	34.1
	Tanzania	Participatory Irrigation Development Programme	17.1	25.3
<b>Total</b>			<b>246.7</b>	<b>517.7</b>

<sup>7</sup> The IFAD loan and the costs indicated for the three CPEs relate to the total loan amount and overall costs only of those projects evaluated and rated in the framework of the corresponding CPE. That is, the figures are not indicative of IFAD's total loans to the country nor are they representative of the total costs of all projects financed by the Fund in the country.

11. As illustrated in Table 1, the total value of IFAD loans for the 15 projects rated during 2006 was around US\$247 million. The total cost of the 15 projects is around US\$518 million. As in previous years, the 2006 evaluation cohort covers a range of different types of projects (e.g., in terms of sub-sector focus) spread across the five IFAD geographic regions<sup>8</sup>. The size of the 2006 ARRI sample covers approximately 25 per cent of completed projects in any one year, which is broadly in line with evaluation practice in other international financial institutions.

### III. 2006 Evaluation Findings

12. The purpose of this section is to provide a synthesis of the results of the 15 projects rated by OE in 2006.

#### A. Relevance, Effectiveness and Efficiency<sup>9</sup>

13. Table 2 below provides an overview of results from the analysis across the 15 projects rated in 2006.

Table 2  
Relevance, Effectiveness and Efficiency (% by rating)

	Rating	Relevance	Effectiveness	Efficiency
6	Highly Satisfactory	27	0	7
5	Satisfactory	33	20	20
4	Moderately satisfactory	33	47	47
	<b>Total satisfactory</b>	<b>93</b>	<b>67</b>	<b>73</b>
3	Moderately Unsatisfactory	7	27	20
2	Unsatisfactory	0	7	7
1	Highly unsatisfactory	0	0	0
	<b>Total unsatisfactory</b>	<b>7</b>	<b>33</b>	<b>27</b>

14. More specifically, it can be noted that 60 per cent of the total sample of projects was rated as highly satisfactory or satisfactory, while only seven per cent of projects rated were unsatisfactory as far as **relevance** is concerned. However, in a number of evaluations it was noticed that while project objectives remained relevant to the needs of the rural poor, implementation limitations did not always allow the poorer groups to be covered by project services, thus making the operation less relevant for them. For example, in the case of Romania, the project was unable to reach adequately smaller farmers, mainly due to the high collateral requirement in the financial products offered, and its wide geographic coverage in comparison with the limited institutional outreach capacity of rural finance institutions.
15. A common issue emerging in numerous evaluations was that the project had problems in reaching the poorest and most vulnerable groups. The new IFAD targeting policy approved by the Executive Board in September 2006 now provides clearer guidance on how to enhance targeting in IFAD operations, and the effects of the new policy may be captured by evaluations in the coming years. For the time being, however, the tendency to use geographical rather than socio-economic targeting mechanisms was identified as a concern in several operations evaluated in 2006. While geographical targeting is important, it may be insufficient by itself as a way of reaching poorer groups. For example, the use of unsophisticated

<sup>8</sup> West and Central Africa, East and Southern Africa, Asia and the Pacific, Latin America and the Caribbean, and Near East and North Africa

<sup>9</sup> Relevance is defined as the extent to which project objectives are consistent with the needs of the rural poor, IFAD's strategic framework and policies, and the country's current policies and strategies for poverty reduction. Effectiveness is defined as the extent to which project objectives were achieved at project completion. Efficiency is a measure of how economically inputs (funds, expertise, time, etc) are converted to outputs.

targeting mechanisms to analyse one of Ethiopia's four largest regions, and probably the most diverse in ethnic terms, led to the project overlooking significant variations in rural poverty. As a result only a small number of women benefited from the project. A lack of disaggregation and socio-economic analysis at the project level was also found in the Georgia project evaluation, where significant variations in rural livelihoods were not exposed and fed into project design.

16. The Georgia, Philippines and Romania evaluations reported instances of elite capture of project benefits. In this regard, it is of particular concern that benefits have accrued in a disproportionate manner to those with more resources. This calls for project objectives to be formulated more specifically, clearly stating who should be benefiting, in what way, and by when.
17. Indications of more sophisticated targeting were found in the Puno-Cusco Corridor Project in Peru. A strong needs analysis of the beneficiaries' priorities was undertaken systematically and this was backed up by a thorough awareness of the policy context, which includes the need to promote commercialisation and strengthen adaptive research in agriculture, and so on. In Colombia, the selection of priority regions not only took into account the socio-economic characteristics of the poor, but also the existence of favourable conditions (e.g., availability of rural finance) for the development of the rural micro-enterprises.
18. With 47 per cent of projects rated as only moderately satisfactory and 33 per cent as unsatisfactory in terms of **effectiveness**, there is clearly no room for complacency, even though overall the majority of projects (67 per cent) were rated as satisfactory in terms of effectiveness. One cause of limited effectiveness is the setting of overambitious project objectives without the allocation of commensurate human and financial resources to achieve the intended objectives. Another reason is the undertaking of "mid-term" reviews – which are important instruments for contributing to better effectiveness – often are undertaken late during project implementation. For example, the mid-term review in the Niger project took place very late, only one year before the operation was actually closed. Finally, the examples of Peru and Colombia as compared to the projects in Niger and Ethiopia illustrate that effectiveness is more likely to be achieved within a supportive and stable institutional and policy context.
19. Another cause –found in the evaluation of IFAD's regional strategy for Asia and the Pacific – leading to weak effectiveness is that programme and project cycle management has been largely characterized by a series of compartmentalized processes, especially between design and implementation, which among other issues limits continuity and ownership. However, it must be recognised that the recent approval by the Executive Board in December 2006 of the IFAD Policy on Supervision and Implementation Support<sup>10</sup> should ensure there is a better continuum between the project and programme design and implementation phases. Likewise, the recent Board decision to continue and consolidate IFAD country presence arrangements will also serve towards redressing the aforementioned constraint by, inter-alia, ensuring a deeper and more constant involvement of the Fund in all key stages and processes related to the project life cycle.
20. Half of the projects reviewed experienced problems with the management of the rural finance components. Significant delays in implementation should have resulted in a revalidation and adjustment of objectives and operational plans. For example, the mid term review of the Philippines project raised the need for a redesign of the rural finance component, and yet these issues that could have led to enhanced effectiveness remained unaddressed. In Romania, delivery of rural finance to the poor was constrained, among other reasons, by the inadequate institutional outreach in rural areas. Efforts by IFAD and the co-operating institution

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<sup>10</sup> See Document EB/84/R.4/Rev.1

in redesigning the rural finance activities had limited effects, partly due to the lack of experience in the country in providing rural finance to the IFAD target groups.

21. As in the past, it is difficult to assess **efficiency** because of limited data availability and the difficulty in assessing non-physical outputs, such as empowerment, capacity building and participation of the rural poor in development activities. However, in spite of the limitations, concerted efforts are being made to ensure that each evaluation undertakes a systematic efficiency analysis. In this regard, in the 2006 evaluations, overall 73 per cent of the projects were satisfactory in terms of efficiency. But a sizable number (47 per cent) were rated as only moderately satisfactory, while 27 per cent of the 2006 projects evaluated were considered as unsatisfactory in terms of efficiency. Hence, here too there is room for further enhancing IFAD's performance in this area.
22. The Colombia project – rated as highly efficient - witnessed large cost savings by allowing micro-enterprises (during implementation) to use competitive bidding procedures to contract service providers, instead of having an inter-ministerial committee select training and technical assistance proposals formulated by pre-identified service providers. This avoided financing low priority activities and reducing administrative costs. It also underlines the need already at design to carefully consider the complementarities among the roles and responsibilities of the public sector, private sector and civil society.
23. In spite of the aforementioned, micro-lending did not reach the poorest in the Colombia project. There may be a cost in terms of "efficiency" if the poorer are to be reached. Trade-offs between cost-savings and reaching the poorest should be explicitly analysed at design and implementation stages.
24. In Brazil, for a variety of reasons such as inappropriate choice of technology, the costs of some activities (e.g., construction of roads or cisterns) were higher than averages, which in more recent projects were reduced by encouraging a wider involvement of contractors both from the private sector and NGOs. Finally, the rural finance policy evaluation and others reveal that more can be done in future evaluations to assess the performance of rural finance components through the use of standard financial performance indicators, such as default rates and operating cost factors.
25. As in the past, combining the ratings for relevance, effectiveness and efficiency produces an **overall rating for project performance**. Table 3 below shows the results of this analysis, which illustrates that based on the 2006 evaluations report, 80 per cent of the projects performed satisfactorily, whereas 20 per cent did not.

Table 3  
**Project Performance**

Rating	Total sample 2006 (%)
Highly Satisfactory	7
Satisfactory	33
Moderately Satisfactory	40
<b>Total satisfactory</b>	<b>80</b>
Moderately Unsatisfactory	20
Unsatisfactory	0
Highly Unsatisfactory	0
<b>Total unsatisfactory</b>	<b>20</b>

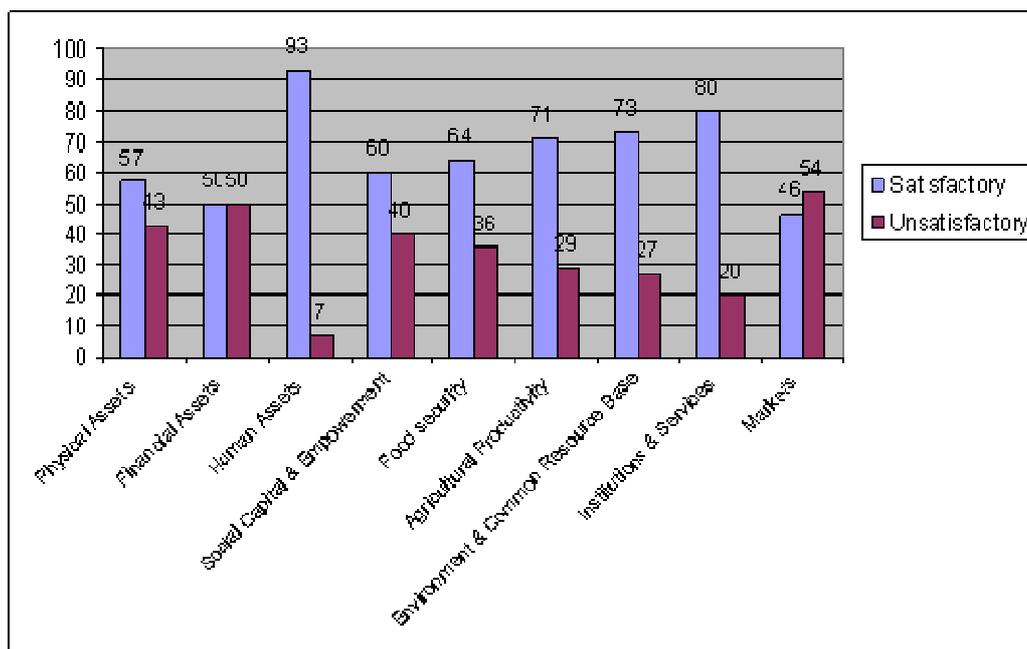
## B. Impact on Rural poverty

26. The impact on rural poverty is assessed using nine impact domains<sup>11</sup>, as shown in Figure 1. This ARRI edition has made a special effort to comprehensively underline the reasons that have contributed to performance in the various impact domains with a view of generating lessons learned and determining possible remedial actions to enhance IFAD's performance in specific impact domains. Rather than presenting a comprehensive synthesis of performance and learning across each and every impact domain, the focus has been on "outliers", which are those domains demonstrating either very good or poor performance. Outliers analysis is generally considered a useful approach towards an understanding of the causes of performance.
27. The evaluations in 2006 found that projects were particularly satisfactory in two impact domains, namely **human assets** (93 per cent satisfactory) and **institutions & services** (80 per cent satisfactory). In the case of human assets, of the 15 projects evaluated in 2006 that included scores for human assets, two cases - Peru and Colombia - were rated as highly successful. Eighty per cent were found to be satisfactory or moderately satisfactory. While impact in this domain was only classified as unsatisfactory in one project (Romania), 60 per cent of the projects were found only moderately satisfactory in terms of impact on human assets.
28. In Georgia, more than 2000 loans were provided by the project, which were used by the beneficiaries also for consumption and emergency purposes - including health and education services. The Colombia project evaluated was especially satisfactory in building human assets, in particular by empowering micro-entrepreneurs to run their businesses in a more productive, managerial and commercial terms. A rapid assessment survey undertaken as part of the Tanzania evaluation revealed that the project facilitated access to knowledge on improved agricultural technologies, which ultimately contributed to better irrigation management.
29. Some of the projects evaluated in 2006 (e.g., in Ethiopia, Mali and the Philippines) used training as a means for building human capacity. However, often training was not well targeted to the rural poor. In the Philippines project, training for farmers in diversified cropping and other farm management processes were often limited only to village leaders, thus reducing the impact training could have had on production systems within communities at large. In the case of Niger, training was conducted at a high cost for a small group of relatively more prosperous farmers with stable access to irrigated land. Moreover, training in specific skill development, and social and water conservation techniques were not adequately adapted to the capability and needs of beneficiaries.
30. The sustainability of the training was in doubt in 50 per cent of cases due to a lack of follow-on and replicability. In Mali, functional literacy training - which is not an area of specialisation of IFAD - resulted in the construction of a large number of literacy centres. Today, however, they remain greatly underused, partly due to the unavailability of teachers. This is usually the case with literacy programmes that are not carefully designed. There is scope for a more detailed analysis of training as a means of improving human assets in future evaluations.

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<sup>11</sup> Physical assets, financial assets, human assets, social capital and empowerment, food security, agriculture productivity, environment and common property resources, institutions and services and markets.

Figure 1  
Rural Poverty Impacts - % Satisfactory and Unsatisfactory, 2006



31. Sixty-four per cent of the projects evaluated in 2006 demonstrated satisfactory ratings in terms of improving **food security**. The improvement in food security is linked to an increase in food production, an increase in income, an improvement in diet, and availability of information on nutrition. In Morocco, the positive impact on food security resulting from the diversification and intensification of agriculture was clearly evident in a comparative study of project beneficiaries and a control group. The Brazil CPE demonstrated that enhancements have been achieved in food security, inter-alia, due to more reliable access to water which also led to decreases in animal mortality.
32. In Peru, increased food production was subsequently used for consumption and led to a better and broadened diet, particularly for children. In the Philippines, where farming is not at a subsistence level, modest impacts were made where infrastructure investments helped production and marketing of food stuffs. In Tanzania, achievements in food security through greater agriculture production were high, largely due to better irrigation and extension services.
33. In many instances, however, it was not possible to measure impact on food security due to information gaps and a lack of monitoring indicators related to food security at the project level. These deficiencies in the monitoring and evaluation systems (M&E) need to be overcome if IFAD is to be able to report better on this pivotal domain (which is an overarching goal as contained in IFAD's Strategic Framework 2007-10). M&E issues aside, it remains a concern that impact in the critical domain of food security – which reflects IFAD's commitment to reduce global hunger through the MDGs – has not generally been better.
34. The two weakest impact domains in the 2006 sample were **financial assets** (50 per cent satisfactory) and **markets** (46 per cent satisfactory). No cases of successful or highly successful impacts on financial assets were reported this year. Moderate success was found in four projects. In one of these – Georgia – project loans enabled new forms of income generation or re-investment in stagnated businesses with income increases noted. However, no increase in household capital or goods was found.

35. A plethora of design and implementation issues were identified this year affecting rural financial services. One of the main criticisms - identified in four of the evaluations - was that the rural financial mechanisms chosen were not suited to the local context. In Ethiopia, it was expected that the service cooperatives would facilitate the provision of sustainable services to members. However, upon evaluation many cooperatives were found to be poorly functioning or bankrupt. In Mali, rural finance methods were not suited to the local context due, among other issues, to the lack of appropriate expertise within both Project Management Units and partner institutions. Therefore, the limited availability of rural finance was a constraint in achieving even better results from the various micro projects (e.g., paddy development) promoted in the country programme. Weak rural finance design was also criticised in the CPE for Morocco.
36. There also appears to be limited application of prior experience or lesson learning. For example, it is notable that there appears to have been little coordination between a successful nationwide IFAD and Asian Development Bank-funded micro-enterprise finance project in the Philippines<sup>12</sup> and the Cordillera Highlands Agriculture Resources Management Project evaluated in 2006 in the same country. Moreover, the evaluation of the rural finance policy and the Romania project evaluations found that some of its critical findings coincided with those already underlined during IFAD's internal project design review processes. However, such concerns had not been adequately addressed by the time of approval, thus contributing to reduced effectiveness in a number of IFAD-funded rural finance projects.
37. The rural financial policy evaluation also found that while IFAD has been a leader in terms of the quantity of approved loans for rural finance, its performance as measured by the sustainability of partner financial institutions has been at the lower end of the spectrum of donor agency effectiveness. The evaluation noted that the policy meets best practice standards in some areas, notably sustainability. Project designs are increasingly meeting these standards, but challenges remain in implementation due to systemic weaknesses in project cycle management such as the limited although improving quality assurance mechanisms, insufficient technical expertise within IFAD in rural finance, and IFAD's focus on lending to governments (rather than directly to rural finance institutions).
38. Given its importance for agriculture and rural development, the impact on markets was first assessed as a distinct impact domain in the OE evaluations conducted in 2006<sup>13</sup>. Before that, market access and related issues were covered under the relevant impact domains (e.g., physical assets, institutions and services and so on). The relatively poor performance in this impact domain bears out the findings of previous ARRIs. Fifty four per cent of projects in the 2006 sample were rated as unsatisfactory in terms of promoting access to markets. Most positive impacts on market access were generally due to improvements in road access (Philippines, Tanzania, Ethiopia and Mali) or in market information (Peru and Tanzania), but also in some cases due to better access to information on prices and goods.
39. However, in half of the programmes evaluated, the issue of markets was either omitted from the design (Brazil, Georgia, and Niger) or dealt with inadequately (Mali and Philippines). For example, marketing was mostly not considered in the Brazil Country Strategy and Opportunities Paper (COSOP), even though there have been some sporadic initiatives in recent operations (e.g., in terms of support to the development of marketing co-operatives to facilitate access of project producers to output markets). The importance of improving access to inputs and markets were known from an evaluation of the first phase of the project in Niger, but continued to remain unaddressed in the second phase. Marketing problems continued to be a disincentive for investments in soil fertility conservation, and contributed to the

<sup>12</sup> Rural Mmicro-Enterprise Finance Project, evaluated by OE in 2002/03.

<sup>13</sup> The improvement of markets is one of the six strategic objectives of IFAD's Strategic Framework 2007-10.

gradual abandonment of irrigation investments. In Mali, the marketing interventions were too timid or piecemeal to have a lasting impact, and reflected an excessive production-orientation in project design. A stress on food production led to insufficient attention to either pre-production (e.g., credit and inputs) or post-production (e.g., agro-processing and marketing) issues.

### C. Overall Rural Poverty Impact

40. In the 2006 evaluations, overall 80 per cent of projects rated were considered satisfactory with respect to overall rural poverty impact. This satisfactory performance must be qualified by the relatively high percentage of projects (47 per cent) found to be moderately satisfactory and 20 per cent of which were unsatisfactory. This underlines the need for continuous efforts to improve overall rural poverty impact of IFAD operations in the future.

Table 4  
Overall Rural Poverty Impact

Rating	Total sample 2006 (%)
Highly Satisfactory	0
Satisfactory	33
Moderately Satisfactory	47
<b>Total satisfactory</b>	<b>80</b>
Moderately Unsatisfactory	20
Unsatisfactory	0
Highly Unsatisfactory	0
<b>Total unsatisfactory</b>	<b>20</b>

41. With regard to rural poverty impact, gains in Peru seem due in part to the relatively stable institutional and economic policy context, as well as a strong focus on implementation-support, learning and innovation, and poverty targeting. This has to a certain degree been facilitated by the work of IFAD's country programme manager (CPM) for Peru, who has been posted in the country for around 10 years. In fact, for similar reasons, the performance and impact of other IFAD-funded projects in the country evaluated by OE in recent years has also been favourable<sup>14</sup>.
42. From the experience in Georgia, there is a need for IFAD to understand more clearly the links between poverty and access to land and credit, and integrate this into its project cycle management. There also needs to be a greater understanding of the multi-dimensional nature of poverty, which requires both social and economic challenges to be addressed in a complementary manner.
43. Most evaluations also underline that achieving impact is closely connected with a high degree of beneficiary participation, empowerment and ownership. In fact, the best performance in this area was noted in the Colombia project evaluated, where significant attention was devoted to transferring decision-making to associations of rural micro-enterprises, for example, in terms of selecting and contracting services. The lowest performance in this area was noted in projects evaluated in Ethiopia, Mali and Romania, where beneficiaries were not involved in all critical stages of design and implementation.

<sup>14</sup> For example, the Management of Natural Resources in the Southern Highlands Project (evaluated in 2002) and the Thematic Evaluation on Innovations in Peru in 2004.

44. In Niger, even though the project evaluated was one of the largest in the country, its impact was constrained by poor project design and implementation, leading to constraints in effectiveness; a lack of a real strategy to reduce vulnerability among target groups; and weak implementation support.

#### **D. Overarching factors**

45. As mentioned in the ARRI's introduction, the two overarching factors of sustainability and innovation are dealt with as special issues in this year's ARRI. This section provides a summary of the findings of the 2006 evaluations as background to the more detailed discussion that follows in section VI.
46. Forty seven per cent of the overall 2006 sample was rated as unsatisfactory in terms of **sustainability** - see table 5, while 33 per cent of the projects were just above the line and rated as moderately satisfactory. This continues to be a worrisome finding, which has been highlighted by previous ARRIs as well. Weak sustainability has been a consistent theme identified by previous ARRIs. The 2006 evaluations confirm that the limited sustainability of IFAD operations requires concerted attention. In this regard, three key challenges can be identified. First, it was reported that sustainability was given little attention at project design, for example, the need to develop exit strategies was not emphasised or considered. Second, in a third of evaluations, a failure to build sufficient capacity within key institutions (e.g., government agencies as well as community based organisations) involved in implementation and post-project activities is a major determinant affecting sustainability. Thirdly, evaluations also cited poor maintenance, or a lack of consideration for maintenance of project investments (e.g., infrastructure developed or soil conservation activities), as being a core underlying factor. Related to the aforementioned, evaluations note that projects often introduce technologies or promote investments with ambitious quality standards, for which implementing agencies and the communities do not have the necessary resources or know-how to maintain. For example, in the Philippines, the municipal government units do not have the capability (especially in terms of recurrent resources) to maintain the facilities established and there is no routine or preventive maintenance. Moreover, the target driven nature of the project led participants to focusing on physical and financial outputs, rather than on ensuring more profound systemic development changes (e.g., in terms of building ownership) that are at the core of ensuring sustainability.
47. Projects in Brazil, Colombia and Peru which were rated well on sustainability were able to successfully transfer decision making to lower administrative levels, included investments in productive assets, had successful financial services component and promoted institutional ownership in the various project activities.

Table 5  
Sustainability and Innovations

Rating	Total sample 2006 (%)	
	Sustainability	Innovations
Highly Satisfactory	0	0
Satisfactory	20	40
Moderately Satisfactory	33	27
<b>Total satisfactory</b>	<b>53</b>	<b>67</b>
Moderately Unsatisfactory	27	27
Unsatisfactory	20	7
Highly Unsatisfactory	0	0
<b>Total unsatisfactory</b>	<b>47</b>	<b>33</b>

48. The capability to promote **innovation** continues to be regarded as central to IFAD's mandate<sup>15</sup>. The reasonable record observed in previous years continued in 2006 with 67 per cent of the total sample being considered satisfactory with respect to innovation (see Table 5).
49. The 2006 sample contains some positive examples of innovation. In Georgia, the land registration model that was piloted is now being used as the basis for a national system. In Peru, specific attention was devoted to documenting innovative examples and experiences from other IFAD-funded projects in the country and organising platforms for exchanging lessons learned around such issues. In Tanzania, the promotion of participatory irrigation planning approaches ensured that incremental water was available by diverting water from rivers to irrigation fields in order to supplement traditional modes of water-harvesting. In sum, some of the main innovations promoted in the operations evaluated in 2006 include: the transfer of decision-making power to beneficiaries; promoting cost-sharing arrangements in project activities (e.g., in the construction of village water points) that fostered ownership at the community level; competitive resource allocation process; empowerment of women by provision of identity documents thus allowing them, among other issues, to access credit from formal financial institutions; and others.
50. There are some examples of replication and upscaling. For example, the Government of Tanzania has adopted participatory planning approaches as a key concept to the development of irrigation schemes in their new national irrigation policy. In Colombia, empowering and supporting rural micro-enterprises is now a key priority of the Government, which sees them as an important instrument for their own rural poverty alleviation efforts. However, in spite of the aforementioned, the three CPEs part of this ARRI found that, in general, the promotion of innovations has generally been ad-hoc. That is, there do not appear to be proactive efforts, linkages and adequate resources allocated towards knowledge management, policy dialogue and partnership building, which are all essential in identifying wider opportunities for upscaling and replicating successfully tested innovations promoted by IFAD. Similarly, the synergies between grants – which are key for fostering technological and other forms of innovations - and loan funded projects are not systematic.

<sup>15</sup> A corporate innovation strategy was approved by IFAD's Executive Board in September 2007.

## E. Performance of Partners

51. Overall, the **performance of IFAD** as a partner was satisfactory in 60 per cent of the projects evaluated in 2006, whereas in 40 per cent of cases the Fund's performance was found to be unsatisfactory – see Table 6. The proportion of satisfactory ratings must be further qualified by the fact that over one third of the projects were rated just moderately satisfactory. Out of the 15 projects rated in this ARRI, IFAD's performance was best in Colombia and Peru (the project in Peru was directly supervised by IFAD). It is useful to recall that the CPM for both of these countries is out-posted in Peru. Likewise, the Tanzania<sup>16</sup> project and the only project directly supervised in Brazil also had high ratings for IFAD performance. While good performance cannot only be attributed to IFAD country presence and direct supervision and implementation support activities, these findings are consistent with the results of the recent evaluation on the Field Presence Pilot Programme, and previously, the evaluation of the Direct Supervision Pilot Programme (2005).
52. From a programme management perspective, key criticisms of IFAD's performance fall into the following categories: project design; and monitoring and evaluation. Moreover, the evaluation of IFAD's regional strategy in Asia and the Pacific and the three CPEs included in the ARRI reveal that, generally, IFAD's performance in non-project activities such as policy dialogue, knowledge management, and partnership building including donor co-ordination has not been good. This is partly due to the limited allocation of resources, time and attention to such non-project activities.
53. A number of 2006 evaluations contain criticisms of project design. These include weak poverty targeting (e.g., in Romania); dispersed activities (Ethiopia and Mali), both in terms of geographic coverage of projects in a country programme but also within specific projects; and over-ambitious objectives (Georgia and Niger in particular). Criticisms of M&E focus on the heavy design of systems with numerous indicators and reporting requirements, inadequate level of human resources to effectively perform the required functions, the late undertaking of baseline surveys, as well as limited attention by implementation agencies to use M&E results for steering project management.

Table 6  
Partner Performance (%)

Rating	IFAD	Cooperating Institutions	Government and its agencies
Highly Satisfactory	13	0	0
Satisfactory	13	25	13
Moderately Satisfactory	33	42	53
<b>Total satisfactory</b>	<b>60</b>	<b>67</b>	<b>67</b>
Moderately Unsatisfactory	40	33	33
Unsatisfactory	0	0	0
Highly Unsatisfactory	0	0	0
<b>Total unsatisfactory</b>	<b>40</b>	<b>33</b>	<b>33</b>

54. In 67 per cent of the 2006 evaluations, the **performance of Co-operating Institutions** was rated as satisfactory<sup>17</sup>. The United Nations Office for Project Services (UNOPS) was a cooperating institution in 7 out of the 15 projects rated in

<sup>16</sup> Tanzania was included in the Field Presence Pilot Programme.

<sup>17</sup> It is to be noted that the 3 projects in which IFAD provided direct supervised and implementation support are not included in this analysis.

this year's ARRI, 3 were part of IFAD's Direct Supervision Pilot Programme, 2 were supervised by the West African Development Bank, and one each by the Andean Development Corporation (CAF), AsDB and the World Bank. The overall performance of UNOPS was considered satisfactory in four of these projects respectively in Ethiopia, Morocco, Niger and Tanzania, and moderately unsatisfactory in three projects respectively in Brazil, Morocco and Romania. This highlights that overall there is scope for further improvements in the work of co-operating institutions.

55. The performance of CAF in Colombia was good, as it made 16 field visits to the project throughout the implementation period, actively managed project issues and carried out all supervisory activities in a participatory and conscientious manner. AsDB in the Philippines provided a very reliable supervisory function, although it was difficult for IFAD to participate in supervision activities due to difficulties in co-ordination with the AsDB. In those projects where the performance of co-operating institution was unsatisfactory, a number of common features were noted, such as the absence of necessary technical expertise on missions and limited coverage in supervision reports of emerging results and impact.
56. As in previous years, **government performance** has generally been satisfactory in 67 per cent of the projects evaluated. However, there is no room for complacency, given the relatively high levels of moderately satisfactory (over 50 per cent) and moderately unsatisfactory (33 per cent) projects ratings. This implies that there is scope for improvement in the work of governments. In Peru, local government was involved closely in the design and evaluation of the project. The Government of Tanzania exemplified outstanding performance in its Programme Management Unit and M&E activities. This is a rare mention of effective M&E. In Morocco, although performance was generally satisfactory, it varied from one government agency to another and also depended on the sub-sector focus of the operation.
57. A key lesson from the evaluations is that it can take time to find the correct institutional location for IFAD-funded projects in the government apparatus. But this is time well spent and is crucial to getting the correct level of visibility, timely finance where appropriate, and for building sustainable partnerships. One of the issues that came up in a few evaluations was related to delays in the provision of counterpart funds (especially by State or Provincial level authorities), leading to delays in project implementation.

## F. Overall Project Achievement

Table 7  
Overall Project Achievement

Rating	Total sample 2006 (%)
Highly Satisfactory	0
Satisfactory	20
Moderately Satisfactory	53
<b>Total satisfactory</b>	<b>73</b>
Moderately Unsatisfactory	27
Unsatisfactory	0
Highly Unsatisfactory	0
<b>Total unsatisfactory</b>	<b>27</b>

58. The overall project achievement reflects the combined assessment of project performance (relevance, effectiveness and efficiency), rural poverty impact, sustainability and innovation. In this regard, as illustrated in Table 7, seventy-three per cent of the projects evaluated in 2006 were rated as moderately satisfactory or better<sup>18</sup>, and about one third of projects evaluated were found to be unsatisfactory.

#### **Key points from the 2006 evaluations**

- Performance is satisfactory in all evaluation criteria, but not in terms of sustainability and access to markets. However, apart from relevance where performance is quite good, there is no room for complacency in any area or evaluation criteria where performance can be further improved.
- Sustainability is quite low requiring urgent remedial actions. The lack of attention to developing exit strategies and limited institutional capacity were among the reasons for poor sustainability.
- Eighty percent of the projects evaluated revealed a satisfactory rating in terms of project performance, which is a composite of the evaluation criteria relevance, effectiveness and efficiency combined.
- Likewise, 80 per cent of projects had an overall satisfactory rural poverty impact, with best impact in the areas of human assets, and institutions and services.
- Impact was particularly weak in promoting access to markets and financial assets, as well as monitoring and evaluation activities.
- The promotion of innovations was by and large satisfactory, even though few examples of upscaling and replication of innovations promoted by IFAD were observed.
- IFAD's performance was satisfactory in 60 per cent of the projects evaluated. Direct supervision and implementation support as well as IFAD country presence have contributed to better overall results on the ground. However, in several cases, project objectives were over-ambitious and poverty targeting weak.
- Co-operating institutions performed generally well, although there is scope for wider coverage of results in supervision reports. Likewise, government performance was satisfactory, but delays in provision of counterpart funds affected implementation progress in a number of cases.

## **G. Contribution to IFAD's Strategic Objectives and the MDGs**

59. IFAD's new strategic framework for 2007-2010 was approved by the Executive Board in December 2006 and contains six strategic objectives. As in previous ARRIs, the impact ratings have been regrouped according to IFAD's six strategic objectives. Even though the projects evaluated in 2006 were designed before the IFAD Strategy Framework for 2007-10 was approved, it can be observed that these projects embodied already many of the objectives and principles of engagement of the most recent Strategic Framework. Table 8 presents the impact ratings for each of IFAD's strategic objectives based on the ratings for 2006. It is interesting to note

<sup>18</sup> It is to be noted that performance of partners (i.e., IFAD, Government and Co-operating Institutions) is not included in the aforementioned calculation, as the individual evaluations are not required to include an overall assessment of partner performance as a group. The reason is that it is not appropriate to aggregate individual partners' performance into one figure, given the diversity of functions performed by each of them in the project life cycle.

that performance has been particularly satisfactory in achieving corporate objectives related to natural resources (65 per cent of project evaluated demonstrated a satisfactory performance), improved agricultural technologies and effective production services (71 per cent), and local national policy and programming processes (70 per cent), whereas performance in corporate objectives related to financial services, marketing and off-farm employment are not as strong.

Table 8  
Project Impact by IFAD's Six Strategic Objectives

IFAD 2007-10 Strategic Framework “...poor rural men and women have better and sustainable access to, and have developed the skills and organization they require to take advantage of:”	2006 Satisfactory Ratings (%)
Objective 1: Natural resources, especially secure access to land and water, and improved natural resource management and conservation practices	65
Objective 2: Improved agricultural technologies and effective production services	71
Objective 3: A broad range of financial services	50
Objective 4: Transparent and competitive markets for agricultural inputs and produce	53
Objective 5: Opportunities for rural off-farm employment and enterprise development	51
Objective 6: Local and national policy and programming processes	70

60. IFAD-supported projects make two types of contribution to the MDGs – direct and indirect. Neither is particularly easy to assess on the basis of the evaluation reports. For example, projects make a direct contribution to increasing household food security, improving sanitation conditions or reducing income poverty. These direct benefits can yield indirect benefit, such as improved school attendance or health. However, indirect impacts are often difficult to trace and attribute, and thus might not have been reported accurately in evaluations.
61. In spite of the limitations outlined in the previous paragraph, some indication of the contribution can nevertheless be derived by regrouping the impact domains according to the MDGs. One hundred per cent of the 2006 sample were moderately satisfactory or better in one or more of the domains that contribute to the MDGs. The most consistent contribution was made in the area of human assets. Achievements in this area contribute to the MDGs on education (MDG 2), reducing child mortality and maternal morbidity (MDGs 4&5), and combating disease (MDG 6). Eighty seven per cent of the projects evaluated in 2006 were moderately successful or better in one or more domains that contributed to MDG 1, halving extreme poverty and hunger, which is a central part of IFAD's mandate. However, disappointingly, less than half of the projects evaluated in 2006 had satisfactory contributions to MDG 7 (ensure environment sustainability).
62. In spite of methodological considerations outlined in the previous paragraphs, the ARRI is able to provide some notion of how IFAD is performing in achieving its strategic objectives, as well as the contribution it makes in meeting selected MDGs. However, due to limitations in the data available, the ARRI is unable to give an indication of the magnitude of these achievements.

#### **IV. Selected Issues Raised by Corporate Level and Country Programme Evaluations**

63. Three CPEs are also part of this ARRI, as were three corporate level evaluations. This section synthesises some general findings from these evaluations.

64. The evaluation of IFAD's Regional Strategy in Asia and the Pacific (EVEREST) found that portfolio performance and impact in the region has been good compared to the IFAD-wide ratings reported in previous ARRIs. This lends weight to the assumption running through this report that the presence of sound institutions and favourable policy context provides a more conducive environment for change. Extensive involvement of high quality NGOs, as well as enhanced participation of women, leads to greater effectiveness. These findings provide useful pointers for those looking at the best community development model for IFAD. Finally, the EVEREST evaluation team felt that better project implementation indicators were present in the region. This strengthens the case for improving M&E systems more widely.
65. On the negative side, concerns remain about targeting and sustainability. Overall weaknesses have been found in building strategic partnerships, mobilising co-financing and counterpart funds, promotion of innovations, policy dialogue and IFAD's participation in donor coordination and harmonisation. The coherent articulation of IFAD's target group was found to be a key comparative advantage in the region by the EVEREST. However, difficulties with targeting mean that certain groups among the rural poor remain excluded from projects. Elite capture and/or a lack of inclusive development are likely. These issues are echoed in project evaluations from 2006 and previous years.
66. The three CPEs identified a number of common issues in addition to those already mentioned (rural finance, marketing, and knowledge management). All three CPEs noted that COSOPs were not updated despite significant changes in the country context. All three CPEs also noted a fairly limited level of policy dialogue. In the case of Brazil, an emphasis on policy dialogue in the COSOP was not matched by the identification of policy issues or ways to carry out this dialogue in practice. Finally, all three CPEs were critical of the M&E at the project and programme level.

## V. 2002-06 Project Analysis

67. Previous ARRIs have limited their analysis to the projects and programmes evaluated in one particular year. As mentioned earlier, this year's ARRI places less emphasis in attempting to draw inferences by comparing the ratings from one year ratings with those from previous years. This is in line with the results of a statistical review commissioned by OE to analyse the characteristics of the data used for the production of previous ARRIs, which concluded that any comparison between one year and another are not reliable for three main reasons, including the:
- non-random selection of projects that are rated through independent evaluation each year;
  - relatively small cohort of projects evaluated in any given year; and
  - potential distortions – for better or worse - that may be introduced to the overall cohort by one or two outstanding or very poor performing projects<sup>19</sup>.
68. In other words, there is a risk connected with undertaking comparisons in performance on a year by year basis. This is because it is difficult to determine whether changes in performance are due to actual improvements or deterioration in IFAD operations or simply a consequence of the sample of projects evaluated in a particular year. Therefore, a more prudent approach is to analyse, as a block, data collected over a longer time frame. In this way, there are good chances that any distortionary effects due to the reasons mentioned in the previous paragraph are likely to even out over time.
69. Therefore, this year's ARRI presents a block analysis of the 73 projects evaluated over the period 2002-2006<sup>20</sup>. Therefore, the analysis in this section is undertaken

<sup>19</sup> One example is the difference between the figures for Institutions and Services for 2006 (80 per cent satisfactory) compared with the figures for the 2002-06 period as a whole (52 per cent satisfactory). This exemplifies the point made that figures for a single year are not reliable estimates because of the nature of the evaluation sample.

on a much wider sample of projects evaluated, thereby enhancing the reliability of the findings of such an analysis, including highlighting those systemic and recurrent issues that need priority attention by the management to further enhance the performance and impact of IFAD operations.

## A. Project performance

70. As shown in Table 9, eighty four per cent of projects rated as satisfactory for project performance (which is a combination of the ratings for relevance, effectiveness and efficiency). Ninety six per cent of projects were rated as satisfactory for relevance, while two-thirds of projects were rated as satisfactory for effectiveness and efficiency.

Table 9  
Relevance, Effectiveness and Efficiency (2002-06)

Evaluation Criteria	(%)	
	Satisfactory (4-6)	Unsatisfactory (1-3)
Relevance	96	4
Effectiveness	72	28
Efficiency	66	34
Project Performance	84	16

## B. Rural Poverty Impact

71. An average of 65 per cent of the projects were rated as satisfactory for rural poverty impact, whereas more than one third were not. Projects were mostly satisfactory at increasing the physical assets of the poor: land, water, livestock, tools, equipment, infrastructure and technology. Performance in building human assets was satisfactory in 70 per cent of the projects.
72. Two weaker areas stand out. Almost half of the projects were rated as unsatisfactory in relation to the environment and common resource base, with 21 per cent rated as unsatisfactory or highly unsatisfactory. Almost half of the projects were also rated as unsatisfactory in respect of institutions and services. Another weaker area was market improvement. The results are summarised in Table 10.
73. Another issue that emerges from the analysis across the period 2002-06 is in relation to gender mainstreaming and targeting. While it is clear that IFAD is playing a more active role in these two important areas, and getting it right, it is not doing so in many projects with consequences for gender equity and rural poverty impact.

<sup>20</sup> The evaluation outfits of other IFIs, such as the World Bank and the Asian Development Bank, also undertake such block analysis in their annual reports similar to the ARRI.

Table 10  
Rural Poverty Impact (2002-06)

Impact Domains	(%)	
	Satisfactory (4-6)	Unsatisfactory (1-3)
Physical Assets	72	28
Financial Assets	64	36
Food Security	65	35
Environment and Common Resources	52	48
Human Assets	70	30
Social Capital and Empowerment	56	44
Agricultural Productivity	59	41
Institutions and Services	52	48
Markets	44	56
Rural poverty impact	65	35

74. Two overarching factors were rated in the 2002-06 project evaluations: innovation and sustainability. The results are summarised in Table 11 below. The performance is particularly disappointing in terms of sustainability, which was the lowest of all the evaluation criteria. Over half (55 per cent) of projects were rated as unsatisfactory in terms of sustainability. This confirms the importance of addressing this area within IFAD on a priority basis.

Table 11  
Overarching Factors (2002-06)

Overarching factors	(%)	
	Satisfactory (4-6)	Unsatisfactory (1-3)
Innovation, Replicability and Scaling-up	68	32
Sustainability	45	55

## C. Partner Performance

75. Sixty one per cent of projects were rated as satisfactory overall in terms of partner performance (see Table 12), but almost 40 per cent were not. The performance of IFAD was rated as satisfactory in only about half of the projects<sup>21</sup>.

<sup>21</sup> The relatively lower performance of IFAD as compared to co-operating institutions and governments may be partly explained by the fact that evaluators have been more comprehensive and, to some extent, somewhat more critical when analysing IFAD performance.

Table 12  
**Partner Performance (2002-06)**

	(%)	
	Satisfactory (4-6)	Unsatisfactory (1-3)
IFAD	51	49
Co-operating Institutions	64	36
Government	67	33
Partner Performance	61	39

#### **D. Overall Project Achievement**

76. The rating for overall project achievement<sup>22</sup> is shown in Table 13. Almost two-thirds of projects were rated as satisfactory, whereas it was unsatisfactory in around one-third of the projects assessed.

<sup>22</sup> See paragraph 58, which outlines the approach used to determining overall project achievement.

Table 13  
Overall Project Achievement 2002-06

Rating	%
Highly Satisfactory	4
Satisfactory	20
Moderately Satisfactory	44
<b>Total satisfactory</b>	<b>67</b>
Moderately Unsatisfactory	29
Unsatisfactory	4
Highly Unsatisfactory	0
<b>Total unsatisfactory</b>	<b>33</b>

## E. Explaining Project Performance

77. Using a number of indicators related to the countries covered by the ARRI, this section makes an attempt to explain project performance. More specifically, information on the country income group<sup>23</sup>, World Bank's Country Policy and Institutional Assessments (CPIA)<sup>24</sup>, and IFAD's Rural Development Sector (RDS) country score as used in the Performance-Based Allocation System (PBAS)<sup>25</sup> were collected and used in the analysis leading up to the below findings, which OE proposes to expose to further analysis and discussion in next year's ARRI.
78. Two main findings emerging from the analysis are:
- **context** is a major determinant of project success; and
  - **more recent** projects tend to be more satisfactory.
79. Context appears to be a major determinant of project success, whichever way context and success are measured. Overall project achievement is lower in low income countries, as compared with lower middle-income countries; in countries in the lower three CPIA quintiles compared with those in the top two quintiles; in countries with lower RDS scores; and in Sub-Saharan Africa (PA and PF).
80. The importance of context is not a new or surprising finding. The fact that projects tend to be more successful in better and more supportive policy and institutional contexts makes intuitive sense. The latest Annual Report on Development Effectiveness produced by the Independent Evaluation Group of the World Bank came to a similar conclusion: economic management and policies for social inclusion both positively affect the likelihood of a satisfactory project outcome. Having said that, the complexity of the context at design or its evolution during implementation cannot be the rationale for less positive results at project completion. It has to be assumed that the project design teams factor in context issues upfront (such as institutional capabilities, economic policies, extent of decentralisation, etc), and that project strategy is fine-tuned as required during implementation to respond to major changes in context.
81. Table 14 provides an overview of overall project achievement according to three key parameters related to country context, namely income level, CPIA classification, and RDS score.

<sup>23</sup> The classifications of countries based on incomes is according to the World Bank list of economies (July 2007), World Development Indicators Database, World Bank.

<sup>24</sup> The CPIA assesses the quality of a country's present policy and institutional framework.

<sup>25</sup> IFAD PBAS: Rural Sector Performance Assessment 2005-06.

Table 14  
Overall Achievement by Country Context

	Overall achievement (%) 2002-6	
	Satisfactory (4-6)	Unsatisfactory (1-3)
Low Income (US\$905 or less)	55	45
Lower Middle Income (US\$ 906-3 595)	81	19
Upper Middle Income (US\$ 3 596 – 11 115)	88	12
CPIA <sup>26</sup> quintile 3-5	31	69
CPIA quintile 1-2	81	19
Non-IDA countries <sup>27</sup>	83	17
RDS score 3.75 or below <sup>28</sup>	33	67
RDS score 3.76 – 4	58	42
RDS score > 4	85	15

82. The ARRI analysis reveals that there appears to be over-optimism at entry in terms of project objectives, which do not sufficiently take into account the difficulties inherent in a given country context. For example, the EVEREST concluded that some projects did not adequately take into consideration the extremely remote location of the project area, and the difficulties that would arise for example in terms of project execution as well as supervision and implementation support (e.g., Indonesia, East Kalimantan<sup>29</sup>). Similarly, evaluations also point towards inadequate approaches being pursued in specific country contexts.
83. For example, the CPEs in Brazil, Mexico and to some extent in Morocco underline that the requirements of middle-income countries are significantly different from the priorities of low income countries. For middle income countries, their interest in engaging with IFAD is often motivated by the desire to acquire good innovative practices and knowledge on agriculture and rural development activities, as well as flexibility and low transaction costs in relation to the loans provided by IFAD, rather than accessing financial resources from other sources. These CPEs are pointers to the fact that IFAD has tended to use a “one size fits all” approach, undertaking activities in middle income countries with similar strategies and approaches as in low income countries.
84. As to middle income countries, it would seem that a specific approach is warranted for IFAD’s engagement in these countries, especially given that the organisation

<sup>26</sup> Countries are classified into five CPIA quintiles, according to 4 main criteria: (i) economic management; (ii) structural policies; (iii) policies for social inclusion and equity; and (iv) public sector management and institutions. Countries with best CPIA rating are in the 1<sup>st</sup> quintile and those with the worst ratings are in the 5<sup>th</sup> quintile.

<sup>27</sup> The World Bank only classifies the 80 poorest countries – which are IDA borrowing countries - in the five CPIA quintiles. Therefore, the figures for “non-IDA countries” are based on the overall project achievement calculated in the ARRI. For IFAD, these are countries borrowing loans at ‘ordinary’ terms.

<sup>28</sup> Each country has an average Rural Sector Performance Assessment Score, prepared by the IFAD management. A six point rating scale is used, with 6 being the highest and 1 the lowest score possible. The average score is based on individual scores across 12 parameters (e.g., policy and legal framework for rural organisations, access to land, dialogue between government and rural organisations, etc). The Rural Sector Performance Assessment Score is used assist in developing the country score and country allocation under the PBAS.

<sup>29</sup> This project has since been cancelled by IFAD for the above-mentioned and other related reasons.

has financed operations in 22 middle income countries<sup>30</sup> for a total loan amount of around US\$992 million and project cost of US\$2.5 billion since the beginning of IFAD operations<sup>31</sup>. Furthermore, questions arise why IFAD has not invested adequately in some such countries, especially given the large numbers of rural poor who live there (e.g. in Brazil<sup>32</sup> and Mexico<sup>33</sup>) as compared to other countries with much smaller numbers of rural poor people. Finally, the issue of middle income countries was the topic of a recent comprehensive evaluation by the Independent Evaluation Group of the World Bank on middle income countries<sup>34</sup>, which also came to a similar conclusion as above.

85. Similar questions are important for IFAD in the context of its programme and operations in fragile and post conflict countries, given that currently IFAD is financing operations in 31 out of the 37 countries defined as fragile by the OECD/DAC<sup>35</sup> for a total loan amount of US\$1.9 billion and project cost of US\$4.87 billion since the beginning of IFAD operations<sup>36</sup>.
86. Table 15 illustrates that projects that became effective in the last ten years are more satisfactory than older generation projects. This is potentially a good sign as it suggests that IFAD is able to learn from past lessons and experiences. There are a number of possible explanation for this: (i) greater attention to and involvement of IFAD staff in supervision and implementation support; (ii) establishment of country presence (including proxy field presence) arrangements; (iii) the introduction of COSOPs in around 1996/7 as a guiding framework for IFAD operations. The development of numerous corporate policies and strategies (including the regional strategies in 2002) similarly provided clearer strategic orientation, facilitating prioritisation of efforts and allocation of resources; (iv) generally wider emphasis on results and impact management; and (v) gradual improvement in internal quality assurance processes and self evaluation systems.
87. Finally, there are some external factors related to borrowing countries that can also explain the better performance of more recent projects. These include a generally more conducive framework conditions in many countries including a wider involvement of the private sector, better governance including decentralisation, and overall enhanced national capacities in recent years.
88. However, the aforementioned hypothesis that recent projects are more effective than older ones is not consistent with the fact that projects completed in 2005-06 do not on average demonstrate more satisfactory achievement than projects completing in 2001-04. This could be partly explained by the fact that a greater proportion of projects completed in 2005-06 were in low income countries and generally in countries with more difficult context than those closing in 2001-04. In any case, this topic warrants additional analysis in the future to develop a better understanding of the correlation existing between project achievement on one hand, and effectiveness and closing dates on the other.

<sup>30</sup> Defined according to the World Bank list of economies, July 2007.

<sup>31</sup> The loan amount of currently ongoing (including not signed and not yet effective) IFAD operations in middle income countries is US\$438 million for a total project cost of US\$825 million.

<sup>32</sup> For example, 30 per cent of the total rural poor population in Latin America and the Caribbean live in Brazil.

<sup>33</sup> Around 25 per cent of the countries more than 100 million people live in rural areas.

<sup>34</sup> Development Results in Middle-Income Countries: An evaluation of World Bank's Support (2007).

<sup>35</sup> See Monitoring Resource Flows to Fragile States: 2006 Report, OECD/DAC.

<sup>36</sup> The loan amount of currently ongoing projects (including not signed and not yet effective) is equal to US\$787 million for a total project cost of US\$1.4 billion.

Table 15  
Overall Achievement by Period of Project Effectiveness

Effectiveness date	Overall achievement (%) 2002-6	
	Satisfactory (4-6)	Unsatisfactory (1-3)
Before 31 December 1996	50	50
After 31 December 1996	83	17

89. Table 16 provides an overview of the percentage of projects rated as satisfactory between 2002-05, in 2006 and between 2002-06. Although such comparisons may be interesting, as mentioned earlier, the difference in ratings between the past years and 2006 should not be taken as a sure measure of changes in IFAD performance – see paragraphs 67-68.

Table 16  
Projects Rated as Satisfactory

Evaluation criteria	2002-05	2006	2002-06
	%	%	%
Relevance	97	93	96
Effectiveness	74	67	72
Efficiency	64	73	66
<i>Project Performance</i>	<i>84</i>	<i>80</i>	<i>84</i>
Rural Poverty Impact	60	80	65
Sustainability	43	53	45
Innovation, Replicability and scaling-up	69	67	68
IFAD performance	48	60	51
CI performance	63	67	64
Government performance	67	67	67
Overall Achievement (excluding IFAD, CI and Govt performance)	65	73	67

90. As mentioned, it is risky to draw inferences by comparing ratings from one year to another due to reasons outlined in paragraph 5. A more reliable measure of change is a comparison of the performance across two periods, namely 2002-04 and 2005-06 (see Table 17), even though also this comparisons should be made with caution, especially given the changes in the sample of projects evaluated in each period.

Table 17  
**Projects Rated as Satisfactory**

Evaluation Criteria	(%)	
	2002-4	2005-6
Relevance	93.1	97.7
Effectiveness	72.4	72.5
Efficiency	62.1	68.3
<i>Project performance</i>	<i>82.8</i>	<i>84.1</i>
Project impact	50.0	76.5
Sustainability	41.4	47.5
Innovation, replicability and scaling-up	56.0	76.3
IFAD performance	40.0	58.8
CI performance	56.0	70.0
Government performance	71.4	63.6
Overall project achievement	65.5	69.2

## F. Internal and External Benchmarking

91. **Internal Benchmarking.** Project performance over the period 2002-06 was benchmarked internally for relevance, effectiveness, efficiency, sustainability and innovation against the results contained in the IFAD independent external evaluation (IEE, 2005). A comparison between the ARRI and IEE data is presented below in Table 18, which also includes the targets contained in IFAD's Action Plan.

Table 18  
**Internal Benchmarking (% satisfactory)**

Evaluation Criteria	Independent External Evaluation <sup>37</sup>	2002-2006 evaluations	Action Plan Targets <sup>38</sup>
Relevance	100	96	100
Effectiveness	67	72	80
Efficiency	45	66	60
Sustainability	61	45	80
Innovation <sup>39</sup>	55	68	>25

92. In addition, this ARRI includes a comparison in performance related to overall project achievement across the five regional divisions for the entire cohort of data between 2002-06. The data is shown in Table 19 below.

<sup>37</sup> See Chapter 2 in the Independent External Evaluation (IEE) Report of IFAD, dated, September 2005.

<sup>38</sup> These are targets contained in IFAD's Action Plan for Improving its Development Effectiveness, approved by the Executive Board in December 2005.

<sup>39</sup> The IEE split the analysis into local and national innovations. The results included in the table refer to local innovations, which they defines as something "new of different at the community or village level (more commonly understood to be technology transfer)". As for national innovations defined as something "new or different in a particular country context (a new type of microfinance organisation, a new agriculture technology)", only 25per cent of projects rated were considered satisfactory.

Table 19  
**Comparisons Across the Five Regional Divisions (2002-06)**

Regional Division	Satisfactory (%)	Unsatisfactory (%)
Asia and Pacific (PI)	90	10
East and South Africa (PF)	38	62
Latin America and Caribbean (PL)	75	25
Near East and North Africa (PN)	80	20
West and Central Africa (PA)	53	47

93. The low percentage of satisfactory performance in the two Africa regional divisions (PA and PF) of IFAD can be partly explained by the difficult prevailing context in PA and PF countries. In fact, most countries with IFAD operations in these two regions are low income countries and fall within the 3rd-5th CPIA quintile. But, of course, that does not explain the difference between PA and PF. Other factors such as the way the projects and programmes are designed, implemented and supervised must also be taken into account.
94. **External Benchmarking.** There are several ways in which the IFAD's size and its specialist mandate distinguish it from other development agencies. Finding data from comparable projects is a challenge. However, there are also many similarities, not least the need to demonstrate results, manage risks and work in alignment with country-led development frameworks<sup>40</sup>. Some evaluation data from other development banks is presented here for comparison – see table 20 for a snapshot.
95. In its most recent annual review of evaluation results, the AsDB<sup>41</sup> notes that the success rate<sup>42</sup> for agriculture and rural development operations approved between 1990 and 1997 was 52 per cent. Using the same criteria, the ARRI analysis found that the success rate of IFAD operations in Asia and the Pacific is around 83 per cent in the period 2002-6.
96. The Annual Review of Development Effectiveness of the World Bank<sup>43</sup> provides data for 222 rural sector projects exiting in 2001-5. Eighty per cent of these projects had satisfactory outcomes, and 73 per cent were judged likely to be sustainable. According to the ARRI, 84 per cent of IFAD operations evaluated globally in the period 2002-6 had satisfactory project performance (which is comparable to the World Bank's outcome criteria<sup>44</sup>), but sustainability is at a very low rate of 45 per cent.
97. The African Development Bank (AfDB) has not so far issued a comparable report on their project performance. However, a review by the Operations Evaluation Department (OPEV) in 2007 of the AfDB of their 2003-05 Project Completions Reports (PCRs) found that 4 out of 8 (50 per cent) agricultural sector projects recorded satisfactory overall project outcomes compared with 63 per cent for all projects. Another review of evaluation ratings across 2001-2 by OPEV indicates that 69 per cent of Bank's agriculture operations have satisfactory results in terms

<sup>40</sup> As enshrined in the commitments of the Paris Declaration 2005.

<sup>41</sup> See 2006 Annual Evaluation Review, Operations Evaluation Dept, AsDB.

<sup>42</sup> The success rate is based on four core evaluation criteria: (i) relevance; (ii) effectiveness; (iii) efficiency; and (iv) sustainability. Projects rated as successful are defined as the sum of projects rated as highly successful, successful and partly successful – see page 5 of the 2006 Annual Evaluation Review, by the Operations Evaluation Department of the Asian Development Bank.

<sup>43</sup> See Annual Review of Development Effectiveness 2006, Getting Results, Independent Evaluation Group, World Bank.

<sup>44</sup> Project performance is a composite of relevance, effectiveness and efficiency. It is comparable to the World Bank's outcome criteria, as the latter is also determined based on relevance, effectiveness and efficiency.

of sustainability<sup>45</sup>. The Office of Evaluation and Oversight of the Inter-American Development Bank issued a Development Effectiveness Report in 2002, but has not since produced another edition. The said report does not contain comparable data.

Table 20

**Benchmarking Against Agriculture and Rural Development Operations Other Financial Institutions (per cent projects rated as satisfactory)**

	IFAD (2002-6)	World Bank 2001-5	Asian Development Bank 1990-7
Outcome (project performance) -world wide	84	80	N/A
Project performance and sustainability <sup>46</sup> - Asia and Pacific Region	83	79 <sup>47</sup>	52

Note: N/A = not applicable or not available or both.

98. In sum, although such comparisons must be interpreted with caution given the specificity of each organisation and their operating models, and based on the most recent data available, it is interesting to note that IFAD's project performance rating is broadly on par with the rural sector operations financed by the World Bank, although the latter seems better in terms of sustainability. The success rate of IFAD operations appears to be higher than the agriculture operations financed by the Asian Development Bank.

**Key points from the 2002-6 evaluations**

- Broadly speaking, performance over the five year period has been satisfactory in all evaluation criteria, but not in terms of access to markets. Moreover, there are opportunities for improvement in impact on institutions and services as well as environment and common resources.
- The performance in sustainability has been disappointingly low, warranting urgent attention by the management.
- The analysis reveals two major findings: (i) context is a major determinant of project success; and (ii) more recent operations tend to be more satisfactory. With regard to context, the ARRI notes that the requirements of middle income and fragile countries are significantly different from the priorities of low incomes countries. These and other related findings merit deeper analysis in the future.
- The projects in the two IFAD Africa Regions (PA and PF) have the least satisfactory performance. This is partly explained by the particularly difficult country context prevalent in these two geographic regions.
- The performance of IFAD operations in Asia and the Pacific appear well above par in comparison to the agriculture and rural development projects of the AsDB. IFAD is broadly on a par with the World Bank's agriculture and rural development operations world wide.

<sup>45</sup> See table A8 on sustainability in "Review of 2001-2 Evaluating Results, documented submitted to the Board on 21 April 2004.

<sup>46</sup> Project success used at the AsDB is a composite of relevance, effectiveness, efficiency and sustainability.

<sup>47</sup> This is an average of project outcome and sustainability across all sectors, and not merely agriculture and rural development operations – see Table A1, in the Annual Review of Development Effectiveness, Getting Results, Independent Evaluation Group, World Bank.

## VI. ARRI's Contribution to Learning

### A. Sustainability

99. This year's ARRI has examined two issues in more detail. The first of these – sustainability – is the subject of this section. The main reason for selecting sustainability was IFAD's weak performance in this area in the past: more than half (55 per cent) of the 73 projects rated since 2002 have judged that sustainability was unsatisfactory. IFAD's performance in this critical area is the weakest of all the criteria evaluated.

#### Definitions and Measurement

100. Definitions of sustainability are wide-ranging and often hard to pin down. The OECD/DAC defines sustainability in the context of development cooperation as "The continuation of benefits from a development intervention after major development assistance has been completed". This is built on a twin assessment of the likelihood or probability of continued long-term benefits and the resilience to risk of the net benefit flows over time. In this definition, sustainability is assessed in relation to stated project or programme objectives and the type of benefits that are expected at the point of project inception and subsequently through project implementation.
101. The assessment of the likelihood of continued long-term benefits involves an assessment of a number of dimensions of sustainability – economic, social and environmental. In the definition adopted by PMD in its Project Completion Report Guidelines, there are 6 principal factors to be taken into account when assessing sustainability. They are: political sustainability, social sustainability, ownership, institutional sustainability, economic and financial sustainability and environmental sustainability. Other development agencies use different assessments. For example, The World Bank assesses sustainability in terms of 'the risk to development outcome'. The likelihood that project benefits will be sustained is a function of the degree of resilience that a project or programme has to specific risks or shocks.

#### The Importance of Institutions

102. Common to all agency definitions of sustainability is the focus on institutions. Without the right kind of institutional framework – be it formal or informal, national or local – the likelihood that benefits will be sustained is substantially reduced. Institutions in this sense refer to both formal and informal rules of the game (from customary tenure to the regulatory/policy environment) as well as to organisations. In a seminal study on the challenge of sustainability for development agencies, Gibson, Ostrom et al (2005)<sup>48</sup> argue that the prime focus should be on incentives in particular for those who will be central in contributing to ensuring the post-project continuation of the benefits streams, which are often a major reason for the poor sustainability of development interventions. The same study reveals two important lessons that are relevant here. First that sustainability in development assistance is about the longevity of the positive effects it creates and not the existence of particular projects or activities. Second, that achieving sustainability requires designing for it and creating a culture of organisational learning to support it over time.

#### Evaluation Findings

103. IFAD shares with its other development partners the challenge of addressing sustainability. Successive ARRIs point to weak prospects for sustainable outcomes in a significant portion of IFAD operations. While the contexts in which IFAD works pose particular challenges to achieving sustainable outcomes (weak institutions, missing or weak markets), the current performance record suggests that against their own objectives over half of IFAD's projects do not deliver lasting benefits<sup>49</sup>.

<sup>48</sup> See "The Aid Effectiveness Puzzle."

<sup>49</sup> Objectives are themselves context specific, as are expectations about what can reasonably be delivered and hence sustained. The higher the risks to delivering sustained benefits, because of the difficulty of the context and/or the

The question is why. Does the problem lie in the way IFAD is designing operations, in the way they are being implemented, in the high expectations of relatively small investments or problems of organisational culture and weak incentives?

104. Looking at the evaluation record, issues that recur in projects that have underperformed on sustainability are:
- Overambitious project objectives often poorly adapted to context;
  - Inadequate attention to institutional, social and risk analysis and consequently weak attention to mitigating and resilience building measures that help projects adapt to changing circumstances over time;
  - Insufficient hands-on implementation support and short project time frames;
  - Insufficient attention to ongoing recurrent financing and technical assistance requirements following project closing.
105. Project evaluations from 2006 illustrate some of the challenges. A common feature was the weakness of institutional strengthening efforts. In contrast the Peru Puno-Cusco Corridor project demonstrated strong institutional development linked to a highly participatory project development process, strong support from a CPM based in the country, and an emphasis on continuous improvement and learning from experience.
106. A major difficulty in assessing the sustainability of IFAD supported operations lies in the lack of M&E data available at project completion, particularly in these older projects, and the relatively weak attention to reviewing risks and assumptions linked to the achievement of development outcomes at the mid-term review point.
107. The CPE for Mali, for example, acknowledges that newer generation projects demonstrate slightly better prospects for sustainability based largely on improved design but also due to more attention to increasing access to rural financial services that are critical in making capital available in rural areas. Even so, the sustainability of newer projects is not guaranteed and weaknesses are still evident in terms of support to farmer organisations, poor linkages to permanent local institutions, weak attention to cost effectiveness and a lack of technical specialists engaged in project management.
108. Sustainability in IFAD operations is also potentially hampered by an inpermanent country presence. In Mali, although IFAD is the lead agency for the north, dialogue with partners remains heavily project focused, while coordination challenges are not addressed and policy dialogue opportunities on a number of issues crucial to development in the north, including security of land tenure, decentralisation and the regulation of financial institutions, are being missed.
109. To engage IFAD staff more widely in a forward looking discussion about the issues affecting sustainability, OE organised a workshop on the challenge of sustainability highlighting key lessons from evaluations and those emerging from other organisations to both invite staff reactions and also identify possible ways to move forward. Box 1 below summarises the main highlights arising from the workshop on factors enabling or impeding sustainability in IFAD operations.

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newness of the project approach, the more attention that needs to be given to risk reduction and mitigation measures at project formulation and during project implementation.

## Box 1

**Factors Affecting the Sustainability of IFAD Operations**

- Difficult contexts, high risks, innovative practices
- Absence of enabling factors, including strong political and governance institutions and economic/market incentives
- Overambitious project objectives, sometimes weakly embedded and weakly owned by country/local implementing partners
- Inadequate institutional, social and risk analysis, weak analytical underpinnings of our project designs
- Inadequate country-level engagement and implementation support by IFAD staff
- Time frames too short
- Weak attention to exit strategies and ongoing recurrent financing needs
- IFAD's internal incentive environment increasingly favours the delivery of short term outputs (results) over longer term institutional outcomes

**Comparisons with Other Agencies**

110. While IFAD is different in some respects, so are all development agencies. The challenge of sustainability is thus not a peculiar challenge for IFAD but one shared with its development partners whether national or local, governmental or donor. How does IFAD's performance compare with others?
111. The Asian Development Bank's project success rating includes its assessment of the likelihood that project benefits will be sustained. Data from the Annual Review of Evaluation Activities published in June 2004<sup>50</sup> indicate that around 78 per cent of projects evaluated at the time were likely to be sustainable. A quantitative study of the determinants of project success found the following factors to be central in achieving positive outcomes: (a) the characteristics of the sector (some being more favourable (transport) than others (agriculture)); (b) the economic climate, underscoring the need for sound country economic analysis to underpin project formulation; (c) regulatory quality (one indicator of the quality of governance) and (d) the absence of long delays in project implementation (ADB 2006).
112. As stated in paragraph 97, the African Development Bank notes 69 per cent of their agriculture operations have satisfactory results in terms of sustainability. However an AfDB Country Assistance Programme evaluation for Tanzania published in 2005 notes that a major feature of the portfolio is the significant emphasis on irrigation and the weak sustainability of many of these operations.
113. Successive World Bank Annual Reviews of Development Effectiveness (ARDE) – see paragraph 96 – have also pointed to a continuing challenge of sustainability. However, recent progress is impressive. For rural sector operations the average for projects exiting in 2001-05 was 73 per cent likely to be sustainable or better, up from an average of 45 per cent for projects exiting in 1996-2000<sup>51</sup>. This improving trend is associated with, amongst other things, a clearer focus on delivering results at the country level, with strong Bank country presence in many cases, a clearly defined and monitored results chain and the appropriate choice of lending instrument.
114. However the 2004 ARDE notes the difficulties of achieving sustainable outcomes in poverty reduction projects and programmes, particularly when working at community level. Furthermore, the Bank has been more successful where it has supported home grown initiatives and less successful where it has tried to start new initiatives. The sustainability of such approaches remains weak.

<sup>50</sup> See table 2 in the report produced by the Operations Evaluation Department of the Asian Development Bank.

<sup>51</sup> Table A.1, Appendix A, Annual Review of Development Effectiveness 2006. IEG, The World Bank.

115. Where there is evidence of sustainability community-based projects have been carefully adapted to the social characteristics of each beneficiary community and have adopted a longer term approach that aims to leave behind local organisations capable of operating and maintaining services and built infrastructure left behind. A notable finding is that Bank projects that incorporate one or more effective social development actions (whether Community-driven Development, conflict prevention or gender actions) tend to have better ratings on outcome, sustainability and institutional development impact than the Bank's overall portfolio, but that finding ways to deliver effective social development actions remains a major challenge.

#### **Towards Improved Sustainability**

116. As the last section confirms, a good percentage of the lessons on the obstacles to sustainability are common across development agencies. In particular the focus on aid effectiveness has highlighted a number of common threads amongst both multilateral and bilateral partners that point not just to common problems, but also to possible shared solutions. This shared challenge provides IFAD with a crucial opportunity to learn from the experience of others and, where possible, to join in common approaches to tackling the prospects for sustainability, not just of development assistance but the development effort more broadly.
117. A number of actions are already underway within IFAD to address improved development effectiveness. This includes the commitment in the Strategic Framework for 2007-10 that sustainability should be a key principle of engagement stating that "IFAD will improve its project design quality, so as to ensure development impact; and it will maintain its support until such time that the impact can be sustained." The IFAD Action Plan for Improving Development Effectiveness (2005) also gives prominence to sustainability stating that by 2009 IFAD the share of operations achieving likely sustainability or better (along with effectiveness) will reach 80 per cent. Other relevant measures include the recently approved IFAD Policy on Supervision and Implementation Support (2006), the recent decisions related to IFAD's country presence arrangements and ongoing quality enhancement measures led by PMD.
118. Box 2 below summarises priority actions identified at the workshop that are likely to require particular emphasis going forward.

## Box 2

**Sustainability: Priorities for Moving Forward**

- Greater realism in setting as well as reviewing project objectives, and focus on exit strategies early on in project design and ensure that technical specifications are such that beneficiaries are able to adequately operate and maintain them after the project
- Longer time frames for project identification to identify existing institutions to work with and build the basis for ownership and commitment and ensure that implementation capacity and necessary arrangements are in place before projects become effective
- More systematic economic, institutional and risk analysis and identification of expected outcomes, steps taken to ensure sustainability, as well as risk mitigating measures as part of project design
- Clearer sequencing and phasing of institution building and economic
- Increase resources for implementation and direct supervision and implementation support; consider a stronger country presence particularly in those countries with weak capacities and enabling environments

119. **Recommendation.** Although the ARRI underlines several areas that need to be addressed to achieve enhancements in the sustainability of IFAD operations, the overarching recommendation is for IFAD to develop in 2008 a strategy and plan of action for promoting and improving sustainability. The underlying assumption being that operations need to be designed for sustainability from the very beginning and create a culture of organisational learning to support sustainability over time. In this regard, in the first place, a definition of sustainability which focuses on the endurance of results needs to be agreed on. The strategy would be expected to provide clearer guidance to IFAD staff and other concerned partners on the critical factors that must be considered right from the project design phase until completion. More specifically, the strategy should be anchored around three aspects: (i) a more systematic analysis of the institutions involved; (ii) greater realism of objectives and approaches; and (iii) the development and implementation of exit strategies in all projects and programmes supported by IFAD.

**B. Innovation**

120. Unlike sustainability, innovation was not selected because it was a particularly weak area. In general, evaluation evidence suggests that IFAD has been less innovative than it aspired to be, rather than weak per se. Innovation has come to be seen as a key component of IFAD's comparative advantage, and therefore an increasingly important corporate characteristic. This is reflected in IFAD's 2007-2010 Strategic Framework, and in the Action Plan for Improving Its Development Effectiveness, which had a separate target for innovation<sup>52</sup>. It is also reflected by the fact that the Fund produced its first ever comprehensive innovation strategy, which was approved by the Executive Board at its 91st session in September 2007<sup>53</sup>.

**Definition and Measurement**

121. According to the new innovation strategy, "there is no universally binding definition of innovation. Each organization must reach a definition that has the greatest operational value from its perspective. In the case of IFAD, the operational framework of the Initiative for Mainstreaming Innovation defines innovation as "a process that adds value or solves a problem in new ways". This strategy retains this definition, and it further specifies that in order to qualify as an innovation, a product, idea, or approach needs to be new to its context, useful and cost-effective in relation to a goal, and able to "stick" after pilot testing".
122. Unlike sustainability, innovation has not been an evaluation issue for other development agencies, and no comparable evaluation information was found.

<sup>52</sup> The Action Plan aims to raise the innovation rating at the national level above the 25 per cent of IFAD-supported projects rated as innovative by the IEE (2005).

<sup>53</sup> See document EB/2007/91/R.3.

### **Evaluation Findings**

123. Successive ARRIIs have reported a mixed success record. Overall, 68 per cent of projects were rated as satisfactory over the 2002-06 period in terms of innovation. Each year saw a mix of innovative and less innovative projects; of innovative and conventional project components; and of successful and less successful innovation. There were relatively few instances of actual replication and scaling up, which could be considered the acid test for the innovation promotion process to be declared successful. For example, the rural savings banks in Venezuela and Costa Rica (ARRI, 2005); and self-management boards and water users' groups in Vietnam (ARRI, 2004).
124. Until 2004, innovation as either a cross-cutting issue, or a separate thematic or strategic area for consideration, was scarcely addressed within Portfolio Performance Reports (PPRs). From 2004, however, with the advent of the IMI, innovation starts to feature more explicitly as an area for performance assessment. The 2005 PPR found that, overall, IFAD-assisted programmes and projects possessed 'a substantial degree of innovative elements and they have been replicated to a fair extent'. It noted that there was evidence of innovative ideas being replicated either by other donors or by governments. A review of Project Completion Reports in the 2006 PPR found that innovation was satisfactory in about two-thirds of cases.
125. Many of the factors that make for successful innovation at the project level are the same as those that are associated with successful pro-poor initiatives more generally. For example, innovations that address a need widely shared by the poor; have been well-tested and piloted; are affordable and relatively simple to adopt; are based on existing or traditional knowledge, technologies, practice, cultural and social norms; have clear and rapidly visible advantages; and are easily reversible if they do not work.
126. At a more general level, the IFAD evaluation literature suggests that successful innovation needs an explicit innovation objective; a structured innovation process, with clear sequential steps; a genuine commitment to, and capacity for, innovation on the part of IFAD and its partners; and a supportive policy environment and effective local partners. Flexible project designs, longer project timeframes, frequent adjustments during implementation, and systematic follow-up are also required. Some of the most innovative projects have been in countries with an IFAD permanent presence
127. Replicating and scaling up innovations requires much the same. Replication needs to be an explicit objective, and supported by policy dialogue and partnerships in order to scale interventions up to meso- and macro level.
128. Previous evaluations have also identified some of the organisational factors that constrain innovation within IFAD, and its role as a promoter of replicable innovation. Many of these mirror the success factors already mentioned. Innovation was less likely in an organisation that did not require explicit objectives relating to innovation; did not focus on innovation during supervision and implementation support; and that generally lacked an in-country presence. More fundamentally, evaluations pointed to the need for an institutional culture biased towards, rather than against, innovation, with competencies and incentives to match; for a clear definition of, and conceptual framework for, innovation within the organisation; for the better analysis and treatment of risk; and for better knowledge management on experience and lessons learned from IFAD and other programmes.
129. As in the case of sustainability, an internal workshop was held to discuss these and other explanations for IFAD's mixed record on innovation. Box 3 below summarizes the factor affecting innovation as identified in the workshop.

## Box 3

**Additional factors affecting innovation as identified by IFAD staff**

- Innovation is a relatively new objective for IFAD. Most of the projects evaluated pre-date this.
- Design and approval pressures do not allow sufficient time for scouting for new ideas.
- There is a possible tension between a focus on results (which favours proven solutions) and a focus on innovative approaches (which increases the risk of failure).
- The risks of innovation are perceived differently by, and distributed differently between, different stakeholders.
- Gaps in the methodologies, competencies and capacities within IFAD and its partners.
- Loans may not be the most appropriate financial instrument, or at least need to be better linked with grants.
- Governments are not necessarily receptive to, or supportive of, innovation.

**Improving IFAD's Innovation Promotion Process**

130. Box 4 presents a list of issues identified at the workshop that need to be considered on a priority basis to further strengthen IFAD's overall innovation promotion process.

## Box 4

**Priorities for Moving Forward**

- Clarify the definition, measurement and aspiration.
- Create a more supportive 'space' and internal culture for innovation.
- Structure the innovation process, and train staff to support this.
- Increase the time and capacity for innovation 'scouting'.
- Consider measures for marketing and sharing innovation at country level (eg. innovation fairs).
- Re-examine the case for more flexible financing instruments, and the focus on governments.
- Consider how innovation could be facilitated and encouraged within project design and implementation.
- Increase direct supervision, implementation support, and country presence.
- Improve knowledge management, innovation sharing, and the rotation of staff.

131. Many of the above factors have been, or will be, addressed in the framework of implementing the recently-approved IFAD innovation strategy. Moreover, the forthcoming evaluation by OE on IFAD's efforts in promoting replicable innovations will provide another opportunity to take stock of past performance and generate lessons learned, which can also be useful during the implementation of the innovation strategy.

**VII. Conclusions and Recommendations****A. Conclusions**

132. While still continuing to provide a comprehensive account of the results achieved in one single year (2006), this year's ARRI has paid particular attention to learning by analysing in depth two areas of critical importance to IFAD, namely sustainability and innovations. This will allow the Fund and its Executive Board to use the ARRI both for accountability purposes and as an instrument that can contribute to organisational change, with the ultimate aim of enhancing IFAD's development effectiveness. That is, while the ARRI is and will continue to remain an important instrument for strengthening accountability, its potential is more fully realised with

more emphasis also to understanding the root causes related to the performance and impact of IFAD operations.

133. With regard to sustainability, evaluation results demonstrate that there is a clear room for improvement. There are several reasons for weak performance in this area, such as the often over ambitious objectives in projects and programmes or the lack of attention to developing exit strategies early on in the process. However, it is clear that other development organisations are also grappling with similar issues, but this should not be a reason for complacency.
134. On the other hand, generally speaking, the Fund's performance in recent years in promoting innovative solutions to rural poverty reduction has been satisfactory, and the new IFAD innovations strategy provides an opportunity to systematise IFAD's overall approach in this area. The ARRI does however believe that there is need for deeper and specific efforts – for example by better linkages between promoting innovations, knowledge management, policy dialogue and partnership strengthening - in ensuring that innovations are upscaled and replicated by other development actors. Lastly, the fact that both sustainability and innovations are 2 out of the 6 key principles of engagement in IFAD's Strategic Framework 2007-10 is an illustration of the commitment of the Fund to tackle these issues seriously.
135. In terms of results, the analysis across the 2006 data illustrates that relevance continues to remain strong for IFAD. Impact on human assets, the environment and institutions was particularly good, whereas performance in promoting markets, financial assets and monitoring and evaluation are weak. In fact, data analysis for the five year period 2002-6 also shows that impact in human assets is good, and impact on markets and institutions as well as the functioning of monitoring and evaluation could be better<sup>54</sup>. Well functioning monitoring and evaluation systems at the project level are crucial, not least because they are essential for ensuring reliable performance assessment and learning. Overall, the performance of IFAD as a partner institution has been satisfactory in 51 per cent based on all projects rated between 2002-06.
136. Two findings stand out from the analysis of the 2002-06 evaluation data. Firstly, the ARRI notes that country context is a strong determinant of project success, including factors such as the stability of governments, their policies related to agriculture and rural development, capacities of implementing institutions, level of decentralisation, and so on. In fact, the ARRI reveals that achievement is markedly lower in difficult policy and institutional contexts. However, the difficulties in context cannot always authoritatively be taken as an excuse for weak performance, as it is assumed that project strategies and approaches should be adjusted as required to changes in context that may occur during implementation. Moreover, deeper analysis is required to understand the consequences of context on project results. This will require, among other issues, responding to questions such as the following: Are IFAD-supported projects sufficiently different in difficult contexts from those in better contexts, for example, in conflict or post conflict countries and fragile states as well as middle income countries. Are project objectives sufficiently realistic given the context and adaptable to changes in the context during implementation?
137. Secondly, on the whole, projects effective from 1997 onwards appear to be more satisfactory than earlier projects (see Table 15 and paragraph 86), which is consistent with the findings contained in last year's ARRI that included a similar analysis<sup>55</sup>. This may indicate that IFAD is learning from past experience and lessons, and increasingly designs and supports operations more effectively than in the past. Various reasons can be found to explain this (see paragraphs 86-88). However, for the time being this must remain a pointer or a working hypothesis,

<sup>54</sup> However, the impact on institutions based only on the 2006 was good.

<sup>55</sup> See Annex V in the Annual Report on the Results and Impact of Operations Evaluation in 2005.

which is not supported by a comparison of the performance analysis of projects completed in 2005-06 and 2001-04: the former were on average not found to be better than projects closing in 2001-04.

## B. Recommendations

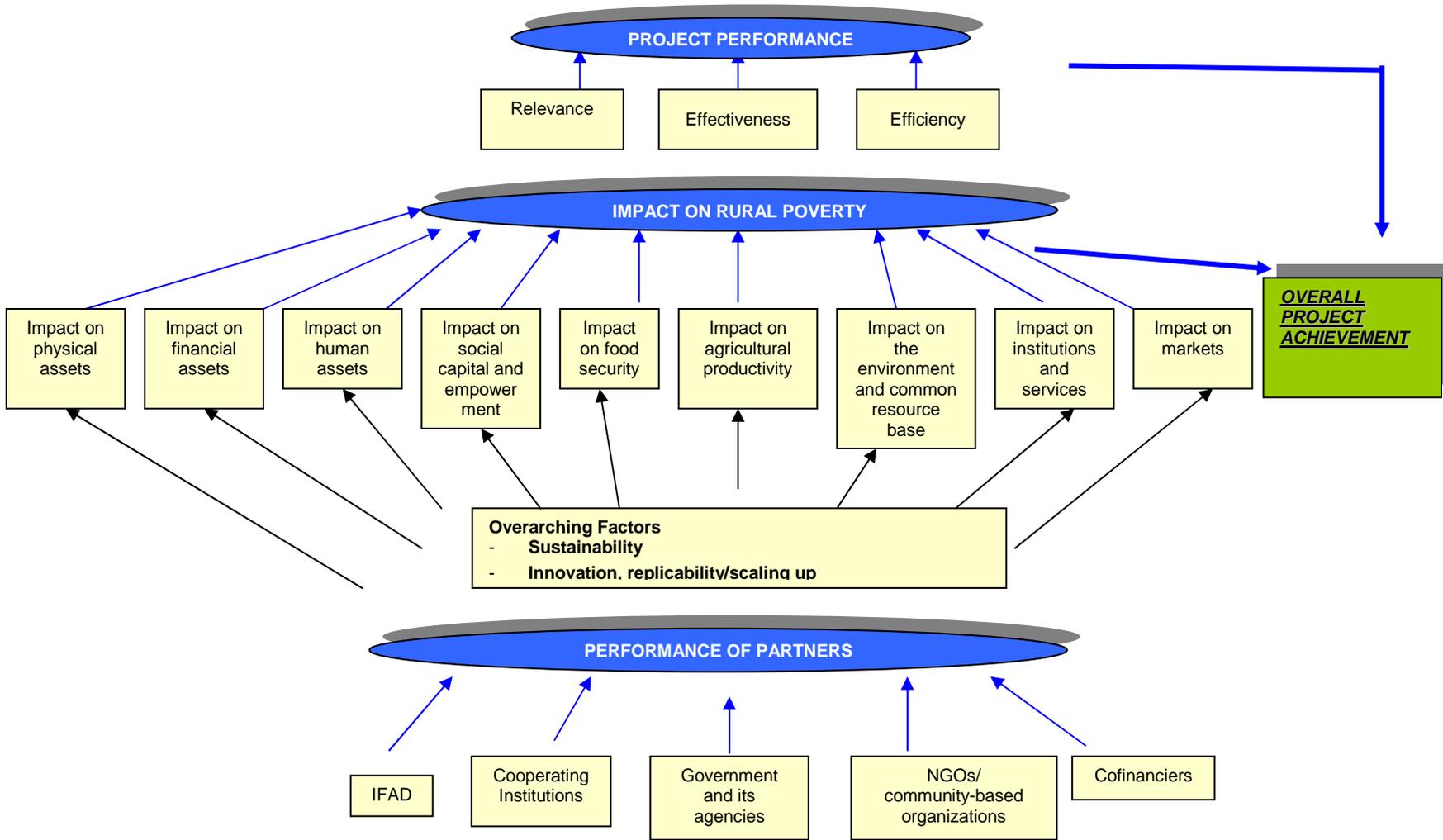
138. The Executive Board and management are invited to review and approve the following recommendations:
139. **Sustainability.** IFAD should develop in 2008 a coherent strategy on sustainability, in order to address this crucial recurrent area of weakness in its operations. The strategy would provide clear guidance to IFAD staff and other concerned partners on key aspects that need to be taken into account during the preparation of COSOPs and throughout the project life cycle. More specifically, the strategy should be anchored around three aspects: (i) a more systematic analysis of the institutions involved; (ii) greater realism of objectives and approaches; and (iii) the development and implementation of exit strategies in all projects and programmes supported by IFAD.
140. Moreover, OE proposes to undertake specific analysis based on evaluation evidence and engage the IFAD management and staff in a debate during next year's ARRI preparation process around the first two of the three below themes with the aim to identify priority issues that need to be considered to promote better performance in these areas. The third theme will be the focus of the ARRI to be produced in 2009. These are:
- **Country context**, which appears to be a major determinant of the success and sustainability of IFAD-funded operations. This would include IFAD experiences in middle income countries and fragile states.
  - **Monitoring and evaluation**, which has repeatedly been identified as a weakness in IFAD-supported projects and programmes and is crucial, *inter-alia*, for results-based management, impact assessment, knowledge management, and innovation promotion<sup>56</sup>.
  - **The weaker impact areas**, in particular markets, institutions and environment, which are also prominent areas in IFAD's 2007-10 Strategic Framework.

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<sup>56</sup> At the 91<sup>st</sup> session of the Executive Board, while considering the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, it was agreed that OE and PMD would work closely together in 2008 to develop a plan of action for improving project-level monitoring and evaluation activities. The preparation process of the next ARRI in 2008 would contribute towards the same endeavour.

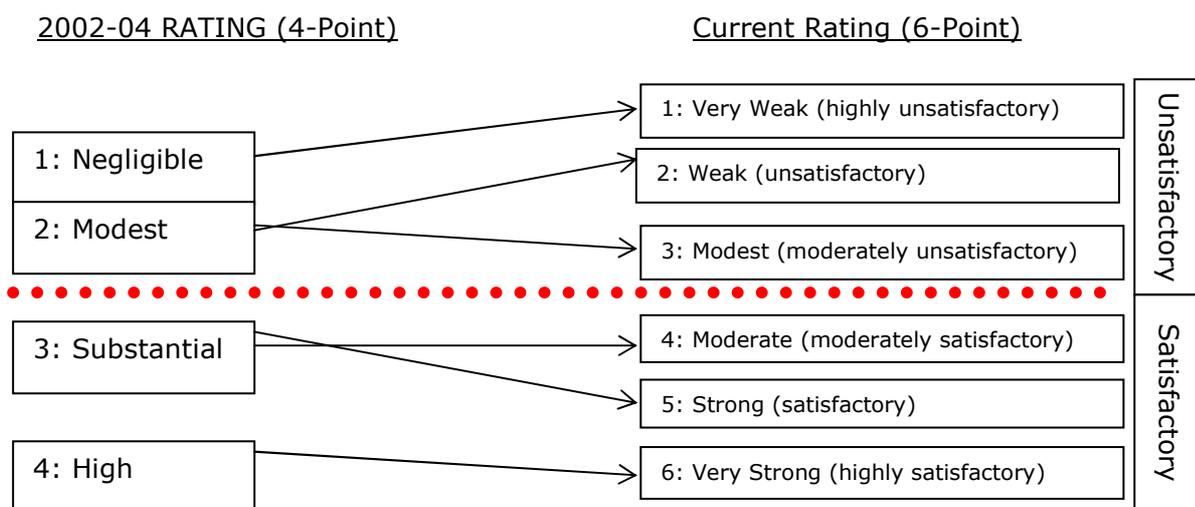


# Methodological Framework for Project Evaluations



## 2002-04 Data Conversion

1. The 29 evaluations undertaken by OE in the period 2002-04 used a 4-point rating scale. The basic objective of the data conversion exercise was to convert these ratings into a 6-point scale, and therefore make them broadly comparable with the data contained in evaluation undertaken from 2005 onwards. This was a comprehensive task, undertaken by an evaluator consultant, entailing reviewing all 29 evaluation reports in detail that were used for preparing the first three editions of the ARRI. In sum, all the evaluation ratings are now available on a six-point rating scale.
2. The chosen method provides a tightly restricted transposition of ratings from the 4-point to the 6-point scale as shown in the diagram below.



3. This method ensures that all project ratings remain consistently satisfactory/unsatisfactory when compared to the original 4-point scale used in the 2002-04 evaluation reports. That is, the re-rating exercise did not change the percentage of projects rated as satisfactory or unsatisfactory for any criteria.
4. Finally, it is useful to note that in the initial stages of implementing the OE methodology for project evaluations, in some instance, evaluators did not systematically rate all evaluation criteria. Hence, the conversion exercise gave the opportunity to fill in some of the gaps present in ratings within the individual evaluation reports produced in the past. However, a new rating was only attributed if sufficient information and evidence was available in the corresponding evaluation report to allow OE to make an objective judgement at this stage.

## Definition of Evaluation Criteria

- (i) **Relevance** is defined as the extent to which project objectives are consistent with: the needs of the rural poor; IFAD's strategic framework and policies; and the country's current policies and strategies for poverty reduction
- (ii) **Effectiveness** is defined as the extent to which project objectives were achieved at project completion
- (iii) **Efficiency** is a measure of how economically inputs (funds, expertise, time, etc.) are converted to outputs. This can either be based on economic and financial analysis, or on unit costs compared with alternative options and good practices
- **Project performance** is a composite of the assessment of the relevance, effectiveness and efficiency evaluation criteria.
- **Impact on rural poverty:** This criterion assesses the changes that have occurred by project completion. IFAD defines rural poverty impact as the changes in the lives of the rural poor, intended or unintended – as they and their partners perceive them at the time of the evaluation – to which IFAD's interventions have contributed. Impact has been divided into 9 impact domains that are addressed by IFAD projects to varying degrees. The 9 impact domains are:
  - **Physical assets** including equitable access to land, water, livestock, tools, technology and infrastructure.
  - **Financial assets** including secure access to rural financial services by working through and improving institutional frameworks that provide such services.
  - **Food security** covers availability (production and trade), access to food (income, markets and prices) and stability of access (storage and marketing arrangements).
  - **Environment and Common Resource Base** focuses on assessing the extent to which a project contributes to the protection of rehabilitation of natural resources and the environment or the extent to which the project contributed to the depletion of natural resources.
  - **Human Assets** assesses the level of capital embodied in people and include their nutritional status, health, and knowledge.
  - **Social Capital and Empowerment** includes an assessment of empowerment of individuals, quality of grassroots organisations and institutions, the poor's collective capacity (their social capital), and so on.
  - **Agriculture Productivity** is measured in terms of cropping patterns (e.g., shifting from subsistence farming to producing cash crops) and yields (production as compared to inputs).
  - **Institutions and Services** aims at assessing the quality and performance of institutions, policies and regulatory frameworks that influence the lives of the rural poor.
  - **Markets** are important for rural poverty reduction. Evaluations assess the project's efforts in promoting physical access to markets (transport routes and means of transportation) and to information on prices and good.
- **Overarching factors:**
  - Sustainability: The continuation of benefits from a development intervention after major development assistance has been completed.
  - Innovation: As per the new innovation strategy, a product, idea or approach his innovative if it is: (i) new to its context of application; (ii)

useful and cost-effective in relation to a goal; and (iii) able to “stick” after pilot testing.

- **Performance of partners:** This assesses the performance of primary partners in the project: IFAD, cooperating institutions, the government agencies responsible for implementing the project, the NGOs/community-based organizations involved into project implementation and project cofinanciers. This assesses how well IFAD and its partners identified, prepared and supervised the project, and the contribution each made to project success during implementation.
- **Project achievement** provides an overall assessment of an IFAD-funded project. It is not a simple numerical aggregation, but rather a judgement formed by the evaluators, building on the ratings assigned to the various evaluation criteria.

## Objectives of Country Programme and Individual Projects Evaluated

### Objectives of country strategies

The main objectives of the three country strategies are summarized below:

- (i) **Brazil:** The main strategic direction of the 1997 Country Strategic Opportunities Paper (COSOP), included:
- Undertaking policy dialogue
  - Promoting access to land
  - Supporting the Government's smallholder sector policy and programme (PRONAF)
  - Focusing IFAD assistance to the north east region of the country

The COSOP included 4 "Strategic Choice of Instrumentalities":

- Strategic partnerships with the Federal Government
- Strengthening human resources development
- Building new approaches to delivery critical supporting services
- Off-farm activities and Micro-enterprises development

- (ii) **Mali:** According to the Country Strategic Opportunities Paper (COSOP) for Mali which was produced in 1997, the aim of assistance to the government of Mali is to improve the rural poor's standard of living through four main objectives:

- Ensuring household food security
- Creating a sustainable village or group based participatory development process
- Increasing household incomes
- Ensuring sustainable natural resource management

The COSOP defined two intervention zones: the Sahelian zone, located between the 14<sup>th</sup> and 16<sup>th</sup> latitudes north (with annual rainfall of 400-800 mm) and the sub-Saharan belt (with annual rainfall of 150-400 mm)

- (iii) **Morocco:** Key elements of IFAD's strategy in Morocco, as outlined in the Country Strategic Opportunities Paper (COSOP), consist of contributing to Government's efforts to:
- Focus on community-driven rural development needs rather than on commodity-specific agricultural development
  - Promote food security at the national and household levels through diversification of production by supporting commodities with a comparative advantage on national and international markets
  - Further consolidation and strengthening of devolved, decentralized planning and implementation through support for the creation and strengthening of local institutions and grass-roots organizations, together with devolution of human and financial resources from the centre to the regions

- Improve access of rural poor households to productive resources, including land, water, technological know-how and financial services

### Objectives of Each Project Evaluated in the ARRI

Country & Project names	Objectives
Colombia, Micro-Enterprise Development Programme	The project aims at contributing to the global objective of reducing rural poverty in Colombia by means of increasing rural households' incomes. The project's general objective is supporting the development of rural-micro-enterprises as a means for increasing incomes of rural poor landless population with particular emphasis on households headed by women These are the following specific objectives: (i) providing training and technical assistance to rural micro-entrepreneurs; (ii) granting adequate credit facilities to rural micro-entrepreneurs; (iii) strengthening NGOs and financial intermediaries in order to enhance their capabilities to deal with rural micro-entrepreneurs; (iv) strengthening the second-tier national institutions responsible for the provision of technical assistance and training as well as for financial services directed to rural micro-entrepreneurs.
Ethiopia, Southern Region Cooperatives Development and Credit Project	The general objective of the project is to improve the standard of living of rural households as members of service cooperatives. This is to be achieved through: (i) developing service cooperatives as independent and financially viable grassroots level institutions; (ii) strengthening the institutional capacity of the project implementation agencies; (iii) improving access by rural households to markets, credit and improved production technologies; (iv) reducing the burden of disease and thereby increase the productivity of household labour and family incomes.
Georgia, Agricultural Development Project	The objectives of the project is to increase agricultural productivity by supporting the development of private sector farming and agro-processing, by: (i) developing an agricultural credit system (ii) bringing about liquidity in land markets
Niger, Special Country Programme, Phase II	The project goal is to contribute to achieving food and income security by increasing agricultural and livestock production, through: (i) to helping restore and maintain the productive potential of agricultural and pastoral ecosystems through promotion of soil and water conservation and agroforestry activities; (ii) to helping establish conditions for self-managed socio-economic development by promoting farmers' and pastoralists' organizations, either in the form of solidarity groups or socio-geographic communities, depending on the scope and nature of activities (e.g., specific economic activities or natural resource management); (iii) encouraging partnership between community-based organizations and the private sector, and participation of women and youths in the decision-making process of their community; and (iv) assisting in laying the ground for self-sustained development through promotion of mutual savings and credit funds, in partnership with the formal banking system.
Peru, Development of the Puno - Cusco Corridor Project	The overall objective of the project is to increase the incomes of the rural poor, eradicating extreme poverty and allowing for a better access to markets of local goods and services. Specific objectives are to: (i) strengthen a demand-driven self-financing market of technical assistance services; (ii) facilitate community investments; (iii) increase value of products and services of farmers and small

	entrepreneurs in intermediate cities and towns; (iv) strengthen financial institutions and increase coverage of rural financial services.
Philippines, Cordillera Highland Agricultural Resources Management Project	The primary objective would be to reduce poverty in the project region by increasing the disposable incomes of smallholder families in the target areas. Such an improvement should also lower the incidence of malnutrition among the target population. In addition, an integral part of achieving objective would be focused on promoting sustainable resource management practices, protecting the environment and mitigating adverse development impacts, strengthening existing institutions, involving beneficiaries in project planning and implementation activities, and improving beneficiary access to formal and informal credit.
Romania Apuseni Development Project	The project aims to improve and stabilize the economic environment of the rural communities of the Apusenis through the promotion and credit-funding of on and off-farm enterprises and the provision of rural development services.
Tanzania, Participatory Irrigation Development Programme	The strategic goal of the programme is sustainable improvement in smallholder incomes and household food-security. Its purpose is to enhance the institutional, organizational and technical capacities of farmers, the private sector, NGOs, civil-society organizations and government institutions, to construct, develop and sustain small-scale irrigation systems throughout the marginal areas of the United Republic of Tanzania. The objectives of the programme will be achieved by: (a) increasing the availability and reliability of water through improved low cost systems of water control; (b) raising agricultural productivity by improving agricultural extension services to respond better to farmers' needs; and (c) building institutional capacity to realize, over the long term, the vast potential for smallholder irrigation development throughout the programme area. The six-year programme will consolidate the irrigation development effort in the central plateau.