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IFAD

Enabling poor rural people to overcome poverty

Portfolio Performance Report 2006/07

Volume I

Evaluation Committee — Fiftieth Session
Rome, 7 December 2007

For: **Review**

Note to Evaluation Committee Members

This document is submitted for review by the Evaluation Committee.

To make the best use of time available at Evaluation Committee meetings, Members are invited to contact the following focal point with any technical questions about this document before the session:

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Abbreviations and acronyms

ARRI	Annual Report on Results and Impact of IFAD Operations
COSOP	country strategic opportunities paper/programme
CPM	country programme manager
FLM	Flexible Lending Mechanism
FPPP	Field Presence Pilot Programme
IEE	Independent External Evaluation (of IFAD)
IFI	international financial institution
M&E	monitoring and evaluation
MFI	microfinance institution
MTR	mid-term review
OE	Office of Evaluation (IFAD)
PCR	project completion report
PMD	Programme Management Department
PPR	Portfolio Performance Report
PSR	project status report
RIMS	Results and Impact Management System
RMF	Results Measurement Framework

Glossary

Actual problem project	Project rated 1, 2 or 3 (6-point rating scale) on one or both of the following criteria: (i) progress achieved in meeting the development objectives; and (ii) project implementation progress.
Closing date	The date after which IFAD has the right to cancel any undisbursed balance and close the loan account.
Completion date	The last day of the project implementation period. For projects approved after April 1999, the completion date is determined at loan effectiveness, taking into account the estimated implementation period (number of years).
Cooperating institution	The entity responsible for supervising the project and administering the loan(s)/grant(s).
Counterpart funds	Financial resources provided by the government or recipient institution/organization for implementation of the development intervention.
Current closing date	The present loan closing date; date as per the most recent extension date or, where no extensions have been approved, the same as the original closing date.
Current portfolio	The current portfolio consists of projects approved but not completed, i.e. projects not signed, not effective and ongoing.
Disbursement	Payments to recipient countries from allocated loan/grant proceeds. Funds are disbursed on the basis of withdrawal applications approved by the supervising institution.
Disbursable amount	The value of effective loans (excluding closed loans) as at the end of the reporting period, minus cumulative disbursements to date.
Disbursement lag	Actual disbursement/expected disbursement. Loans that are 40 per cent or more behind the expected disbursement rate are reported separately.
Expected disbursement	Cumulative disbursement compared with the median of the per cent disbursement by quarter for all loans.
Loan effectiveness	The date on which the conditions of effectiveness have been satisfactorily fulfilled. Since 1999, project completion and loan closing dates are defined from the effectiveness date.
Ongoing portfolio	Portfolio of projects that have been declared effective but are not yet completed.
Potential problem project	Project rated 4, 5 or 6 on implementation performance and progress towards development objectives but rated 1, 2 or 3 on five or more other performance-based allocation system indicators (risk 'flags').
Proactivity index	Share of projects rated as 'actual problem' projects in the previous year that have been upgraded, restructured, closed, cancelled or suspended during the current review period.
Project at risk	A project is defined as 'at risk' if it is unlikely to meet its development objective. Projects 'at risk' include 'actual problem' and 'potential problem' projects.
Quality at entry	The merit or worth of a development intervention and its compliance with given standards. Usually applied to development projects at the time they are approved.
Risk reduction index	The share of projects rated as 'actual problem' the previous year that, despite remaining in the 'actual problem' group, show improved performance. This is calculated by comparing the average score on all project status report flags for the previous year with the average for the current review period.

Executive summary

1. This fourth Portfolio Performance Report (PPR) of IFAD provides information on the performance of loans and grants for the year ending 30 June 2007. For the performance assessment of ongoing projects, the report relied on information contained in project status reports prepared for 198 loan projects and 47 grants, and on 104 progress reports submitted under the Results and Impact Management System (RIMS) framework. For impact assessment of completed projects, the report used 27 project completion reports. This year's PPR report assesses the variances between the findings of the PPR report and the Office of Evaluation's Annual Report on Results and Impact of IFAD Operations (ARRI), and includes a preliminary report on the new IFAD Results Measurement Framework approved by the Executive Board in September 2007.

Portfolio operations

2. During the period under review (1 July 2006-30 June 2007), the Board approved 28 projects for a total of US$496 million in IFAD financing. Approvals for sub-Saharan Africa were higher than in the past, both in terms of numbers of projects (15) and the amount financed (US$259 million). As at 30 June 2007, IFAD's total **current portfolio** consisted of 222 projects, with IFAD financing of US$3.6 billion, and of 282 grants worth US$156 million. As 38 projects and 63 grants were awaiting effectiveness at that date, the **ongoing portfolio** thus contained 184 projects and 219 grants. Effectiveness delays have decreased overall, albeit marginally. During 2006/07, the disbursement performance of investment projects improved remarkably, setting a new record of US$426 million. Disbursements of grants also increased. The share of projects 'at risk' decreased from 22 per cent of ongoing projects to less than 19 per cent and the share of 'actual problem' projects went from 20 per cent to 16.7 per cent. IFAD's proactivity in resolving problems was high, reflecting the new emphasis that is being placed on project supervision.

Project Impact

3. An analysis of baseline surveys of areas covered by IFAD-financed projects, undertaken under the RIMS, shows that in about 25 per cent of all project areas more than half the children are underweight; in another 25 per cent of the project areas, 30-49 per cent of children are underweight. Most project areas where IFAD works report widespread poverty, food-insecure households and rampant child malnutrition. The performance of IFAD projects should be interpreted in the light of the extreme poverty and hardship that characterizes the areas where the organization's projects are located.

4. In preparing the PPR report, the reliability of the impact assessment of **completed projects** has been enhanced by choosing a relatively large sample in 2006 and including the entire cohort of 27 projects completed between 1 July 2005 and 30 June 2006. The comparison, however, is between two cohorts; thus, in terms of annual trends, the results are indicative rather than definitive. The consistency of results seen across indicators, and a relatively small difference between the self-evaluation and the Independent External Evaluation (IEE) of IFAD findings, enhance the validity of the findings, however.

5. Against IFAD's project performance criteria, about 81 per cent of the projects were rated satisfactory for **relevance** in 2007. In terms of **effectiveness,** defined as the extent to which projects met the stated objective, 78 per cent of the completed projects reported satisfactory performance. Against **efficiency,** defined as the ratio between economic cost and benefit, satisfactory achievements were seen in 68 per cent of projects. Significant performance improvement was noted in both these indicators. Overall, this resulted in a **project performance** rating of 76 per cent against the IEE finding of 71 per cent and the target of 80 per cent set in IFAD's Action Plan for Improving its Development Effectiveness. Against **sustainability**, only 63 per cent of the projects reported satisfactory performance. This, however, is significantly better than the PPR finding for 2006 (48 per cent) and the IEE finding (40 per cent). When compared with findings for 2006, performance improved for

innovation and replicability/scaling up; remained at the same level for gender; and decreased slightly on targeting and relevance, albeit from a more satisfactory level.

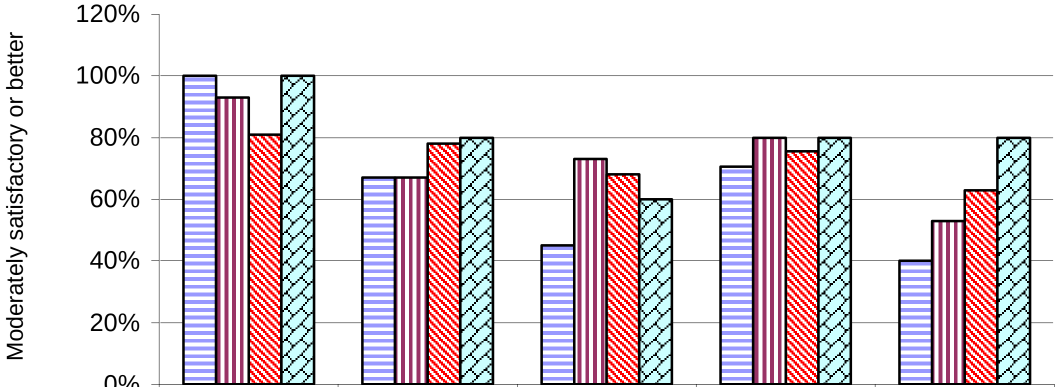
6. With respect to the **impact** domains, the 2007 cohort of projects reported over 80 per cent satisfactory performance for physical asset creation, and 70-80 per cent satisfactory impact for food security, financial assets, and institutions and services. For environment and common resources, and agricultural productivity, satisfactory performance was reported in over 65 per cent of projects. For human assets and social capital and empowerment, satisfactory impact is documented in over 60 per cent of projects. Performance with respect to markets was, however, lower at 42 per cent. Compared with that for 2006, markedly better performance was noted in the current year's cohort with regard to physical and financial assets, environment and common resources, social capital and empowerment, and institutions and services.

7. The overall rating for rural poverty impact was satisfactory for 70 per cent of the completed projects, which represents a significant improvement over 50 per cent reported by the IEE.

8. The comparison of two-year pooled figures for the ARRI and PPR reports shows relatively small differences, i.e. the reports show considerable convergence. Overall, the ARRI report finds slightly better performance against relevance, efficiency, innovation, and rural poverty impact, while the PPR report does the same for effectiveness and sustainability. The PPR report also finds slightly better performance against most impact domains. While, with the current data set, it is not possible to reach a definitive conclusion on trends, both ARRI and PPR data sources indicate greater sustainability, although from a low level.

9. Since the IEE was undertaken, performance has improved in terms of effectiveness, efficiency and sustainability. Compared with targets set for 2009 under IFAD's Action Plan, the 2007 performance levels are satisfactory with regard to effectiveness and are higher for efficiency. Sustainability continues to give rise to concern, although it is an area where performance has improved (chart 1).

Chart 1: Project performance and sustainability: Target and achievements



	Relevance	Effectiveness	Efficiency	Project Performance	Sustainability
IEE Benchmark	100%	67%	45%	71%	40%
ARRI 2006	93%	67%	73%	80%	53%
PPR 2007	81%	78%	68%	76%	63%
Action Plan Target for 2009	100%	80%	60%	80%	80%

IEE Benchmark ARRI 2006 PPR 2007 Action Plan Target for 2009

Note: IEE report assigned a satisfactory project performance rating of 61 per cent for the completed projects. The PPR rating of 76 per cent needs to be compared with this figure.

Proposed action

10. To sum up, IFAD has achieved significant and broad-based amelioration in the performance of its portfolio during the period under review but will need to address a number of issues if further advances are to be made. In this light and in terms of portfolio management, IFAD intends to: (i) work towards early fulfilment of effectiveness conditions and thereby reduce effectiveness delays; (ii) consolidate the portfolio of projects by reducing extensions of loan closings; (iii) further increase its proactivity and thereby reduce the portfolio 'at risk'; and (iv) lower the number of grants in the portfolio, mainly by completing and closing grants on time.

11. Every effort will be made to ensure that projects are 'ready for implementation' prior to presenting them to the Executive Board for approval, thereby reducing delays in effectiveness. Country programmes and projects will set more realistic and specific objectives; new quality enhancement and quality assurance systems have been designed to that end. Performance will be enhanced by more effective use of direct supervision and country presence. Both of these arrangements will enable better linkages among innovation, knowledge management, partnership-building and policy dialogue with a view to increasing the possibility of replication and scaling up of innovations. Sustainability will be improved, mainly by helping to strengthen the capacity of government/project institutions, increasing efficiency, responding more promptly when weaknesses are noted, defining a sustainability strategy during design and comprehensively addressing the issue at various stages of the project cycle.

12. IFAD faces inherent performance risks given the type of interventions it supports – targeting the poorest rural people in the weakest institutional environments, and often in areas with poor natural resources. In this light, IFAD will work towards enhancing the capacity of its borrowing Member States, since a sustained improvement in performance can be achieved only with better institutional performance at the project and country levels. This will be achieved by instituting systems that facilitate: (i) more precise elaboration of expected results and results-oriented annual work programmes and budgets; (ii) project monitoring and evaluation systems that facilitate timely reporting and prompt decision-making; and (iii) mid-course correction systems responsive to the needs of the target groups and to the context in which projects and programmes operate.

Portfolio Performance Report 2006/07

I. Introduction

1. The present Portfolio Performance Report (PPR) has two purposes: (i) to provide the Executive Board with an overview of the performance of the loans and grant portfolio in delivering results to the Fund's target group; and (ii) to complement and, where necessary, amplify Management's response to the Annual Report on Results and Impact of IFAD Operations evaluated in 2006 (the 2006 ARRI report – document EB 2007/92/R.7).

2. In analysing the performance and impact of the portfolio, the report uses the following as the basic reference set for assessing IFAD's performance:

   (a) IFAD's Action Plan for Improving its Development Effectiveness (EB 2005/86/R.2/Rev.2);

   (b) The Results Measurement Framework for IFAD's Strategic Framework 2007-2010;

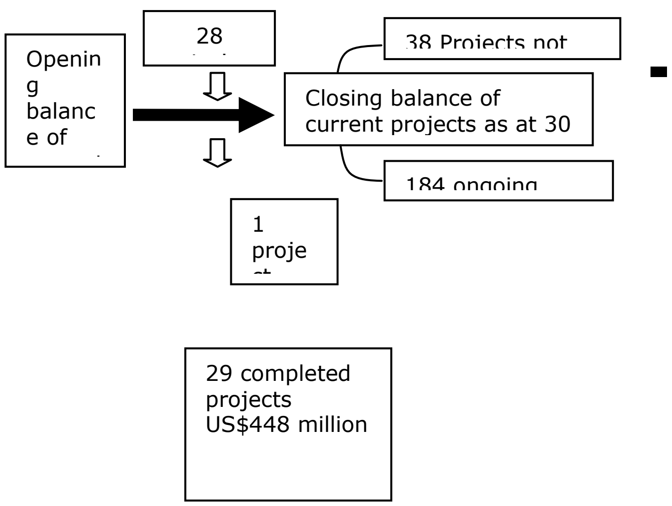
   (c) The Office of Evaluation's 2006 ARRI report; and

   (d) Standard portfolio performance indicators used by most international financial institutions (IFIs).

3. In line with the best practices of other IFIs, the PPR report for 2006 presented analyses of the variances between the ARRI and PPR findings. Given the data limitations, mainly explained by small sample size, these variances were presented in relative terms: only as rank differences. However, with the increased sample size in 2007, these are now reported in absolute terms: as numerical values.

4. This year's report has been restructured and the review of projects is now divided into three distinct parts: projects entering into the portfolio (section II); the ongoing portfolio (section III); and the completed portfolio (section IV). The report builds further on the divisional portfolio reviews, and mainly uses: (i) for projects entering into the portfolio during the review period, the Project Portfolio Management System; (ii) for the ongoing portfolio, supervision reports, mid-term reviews (MTRs), information synthesized in project status reports (PSRs), and IFAD's Results and Impact Management System (RIMS); and (iii) for the completed portfolio, project completion reports (PCRs), reviewed and rated by a team of independent consultants. The report also describes progress made in terms of improving organizational processes and instruments, such as the RIMS for projects, the Direct Supervision Pilot Programme, the Field Presence Pilot Programme (FPPP), the Flexible Lending Mechanism (FLM) and private-sector development.

5. The following diagram presents the portfolio dynamics for the review period.



II. Projects entering into the portfolio

A. The investment portfolio[1]

6. Between 1 July 2006 and 30 June 2007 (the review period), the Board approved 28 projects for a total of US$496 million. Fifteen projects were approved for sub-Saharan Africa (SSA) during the review period, resulting in increased commitments of US$107 million to SSA, up from US$152 million during the previous review period. Consequently, the SSA share of new commitments stood at 52 per cent compared with 36 per cent during the last review period.

7. Since IFAD commenced operations in 1978, the Board has approved 738 projects for a commitment level of US$9.6 billion in IFAD financing. Of these, 130 projects, for a total of US$2.2 billion, have been approved over the last five years.

8. In value terms, US$53 million, or about 11 per cent of the overall total, was provided in the form of grants under the Debt Sustainability Framework. Some US$343 million (69 per cent) was provided on highly concessional terms, US$43 million (9 per cent) on ordinary terms, and US$36 million (7 per cent) on intermediate terms. In 2006-2007, the average size of approved projects stood at US$17.7 million, thereby continuing the trend of a very gradual increase. IFAD's average loan size is lower than that of other IFIs.[2]

9. About US$253 million of cofinancing was mobilized from host-country partners and about US$108 million from non-domestic **cofinanciers** (other donors). Compared with the previous period, domestic sources of financing have decreased significantly, while the amount cofinanced by donors has marginally increased. Of the current portfolio[3] of 222 projects, only ten were initiated by cooperating institutions; the remainder having been initiated by the Fund. With the sharp decline in official development assistance (ODA) for agriculture, in absolute terms from US$8.3 billion in 1979 to US$3.4 billion in 2004 and in relative terms from 18.1 per cent to 3.5 per cent of total ODA, fewer resources are available to IFAD for the cofinancing of its projects.[4]

10. In recent years, IFAD Management has sought to achieve a gradual but steady increase in its financial commitments to its borrowing Member States and, at the same time, improve the performance of its ongoing portfolio. This twin-track strategy becomes more viable when underpinned by a reduction in, or at least maintenance of, the number of investment projects in its portfolio. During the review period, this was achieved by completing 29 projects against 28 projects approved.

11. Component-wise, of the US$4.9 billion in IFAD financing approved since 1995/1996, rural financial services and credit account for 19 per cent, followed by marketing and rural infrastructure (12 per cent), local capacity-building and institutional development (11 per cent), and community-driven development (9 per cent). In recent years, project allocations have increased for policy support, small business and microenterprise development, and market infrastructure. Insurance/risk transfer, disaster mitigation and legal assistance attract small allocations but are becoming more visible.

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[1] As some projects are financed by loans as well as grants (including under the Debt Sustainability Framework), the term 'investment projects' has been used.

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

[3] The current portfolio consists of all projects approved but not completed, and thus includes also those that are not yet effective. The ongoing portfolio is calculated by excluding projects yet to become effective.

[4] World Bank, World Development Report 2008, page 55-56. Figures are in 2004 United States dollars.

Table 1
Current Portfolio by region
(Millions of United States dollars)

	As at 1 July 2005				*As at 1 July 2006*				*As at 1 July 2007*			
Region	*No. of Proj.*	*% of Total*	*IFAD Financing*	*% of Total*	*No. of Proj.*	*% of Total*	*IFAD Financing*	*% of Total*	*No. of Proj.*	*% of Total*	*IFAD Financing*	*% of Total*
Western and Central Africa (PA)	47	20	588	17	46	21	584	16	49	22	633	17
Eastern and Southern Africa (PF)	47	20	728	21	45	20	707	20	46	21	756	21
Asia and the Pacific (PI)[a]	50	22	894	26	50	22	1 030	29	47	21	973	27
Latin America and the Caribbean (PL)	43	19	652	19	38	17	641	18	37	17	631	17
Near East and North Africa, and CEN (PN)	43	19	609	18	45	20	635	18	43	19	629	17
Total	**230**	**100**	**3 471**	**100**	**224**	**100**	**3 598**	**100**	**222**	**100**	**3 621**	**100**

[a] Supplementary loans for tsunami-related projects were approved in April 2006. The value of these loans is shown in the 2006 column.
CEN = Central and Eastern Europe and the Newly Independent States
Note: Includes grant and loan financing. Fully cancelled projects are not included.

B. The grants portfolio

12. IFAD approved 97 grants for a total of US$46 million during the period under review. This represents an increase of 29 per cent in the number of grants and of 44 per cent in the amount approved, despite there having been fewer approvals than in the previous year (110). Sixty grants are small, averaging less than US$160,000. Indeed, on average, even 'large' grants under the country-specific window amounted to less than US$0.5 million. Twenty-three large regional/global grants were approved during the review period, for a total of US$29 million.

Box 1: An example of promoting innovation through grants

AFROLATINOS. The Afro-Latino population in Latin America and the Caribbean, estimated at 90-150 million, suffer from marginalization and severe social and economic exclusion. Over 90 per cent of them are classified as poor. Against this background, the Regional Programme in Support of Rural Populations of African Descent in Latin America aims at promoting policy dialogue to address the deeply embedded discrimination towards Afro-Latinos in the local culture. Over a four-year period, this grant programme will finance activities involving the enhancement of social assets and promotion of capacities; and studies, learning and knowledge sharing. Expected benefits and impacts include: (i) Afro-Latino organizations will have greater capacity to mobilize and manage resources; and (ii) international and private donors as well as governments will gain wider knowledge of the situation and potential of Afro-Latino populations.

III. The ongoing portfolio

13. The performance of the ongoing portfolio has been assessed using:

(a) Standard portfolio management indicators such as disbursements, cancellations and the portfolio 'at risk' as applicable to IFIs;

(b) Rating and associated information contained in the PSR and grant status reports with respect to implementation progress; compliance with the principles of engagement, including targeting and gender; and

(c) Progress reported by projects using the RIMS framework, classified by impact domains.

A. The investment portfolio

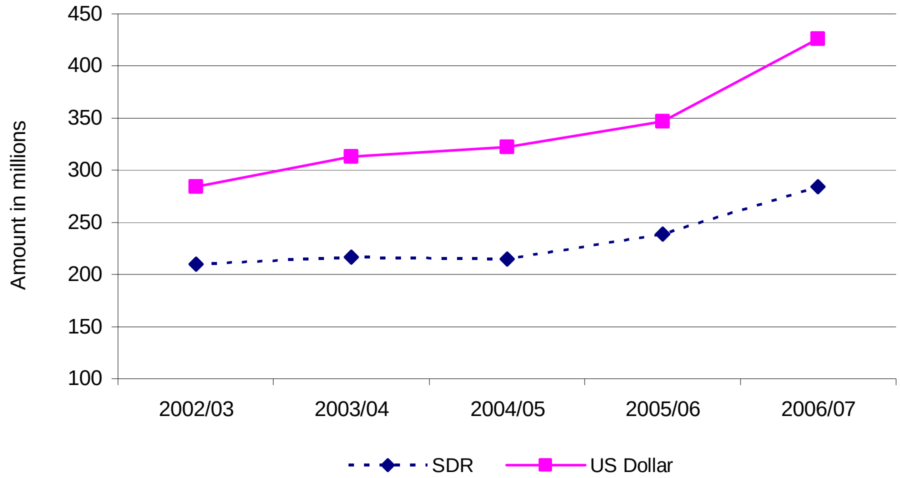
14. **Portfolio size.** Since 38 of the current portfolio of 222 projects have yet to become effective (paragraph 15), this means that IFAD has 184 ongoing projects with a financing amount of slightly less than US$3 billion.

15. **Loan signing and loan effectiveness.** Twenty-nine loans with IFAD financing of about US$544 million became effective during the review period, which is a considerable improvement over the 25 loans (US$354 million) that were declared effective during the last review period. Similarly, 30 loans were formally signed during the review period, which means that there is a slight decrease in the number of projects awaiting effectiveness: from 40 on 1 July 2006 to 38 on 1 July 2007. Of the latter, eight are also awaiting formal signature. This allowed the average time lapse between Executive Board approval and effectiveness to decrease from a medium-term average (2002-2007) of 15.0 months to 14.7 months in 2006-2007. Quite clearly, however, this is only a marginal upswing. Interestingly, for four projects in countries with an IFAD staff presence, the average time lapse was only eight months.

16. While a number of factors are involved, such as the demand for more transparency, which in turn calls for the involvement of more stakeholders in the approval and ratification process, IFAD has considerable influence on 'implementation unreadiness'. Enhanced country-level engagement – mainly through increased direct supervision and strengthened IFAD country presence – are expected to reduce delays in declaring investment projects effective.

17. **Disbursement.** Since 2003-2004, IFAD has achieved steady gains in disbursements (chart 2). This was not only maintained but also significantly enhanced in 2006-2007. Of an increment of about 23 per cent, only a small fraction is due to depreciation in the value of United States dollar vis-à-vis Special Drawing Rights (SDR).

Chart 2: Annual disbursements in SDR and United States dollars



18. Of total disbursements, about US$160 million (or 38 per cent) was for sub-Saharan African countries. While these figures are in line with the historical average, in terms of percentages they are somewhat less than those of last year.

19. **Cancellations.** Of the 28 loans that were closed during the review period, 14 had fully used the approved amounts and the remainder incurred loan cancellations at the closing date. That none of the 14 projects incurred cancellations during the implementation period indicates that there is a reluctance to effect more timely cancellations. At SDR43 million, the amount cancelled at closing was thus rather high. This is explained mainly by the cancellation and closure of three loans for Algeria, which involved SDR28 million. Reluctance to cancel loan amounts relating to components not implemented by projects is partly due to IFAD's lending terms.

20. **Extensions, completions and the ongoing portfolio.** Loan extensions are relatively more common in IFAD. For example, 22 of the 29 projects completed in the review period were extended, with an average extension period of 33 months. Since many such extensions were to provide for restated implementation periods, extension in real terms was about 16 months.

21. **Project supervision.** As at 30 June 2007, 183 projects were supervised. Of these, only 32, or 17 per cent, were directly supervised by IFAD. Among IFAD's cooperating institutions, the United Nations Office for Project Services had the largest share (62 per cent) followed by the World Bank with 18 projects (12 per cent), the Andean Development Corporation (4 per cent) and the West African Development Bank (4 per cent). However, these numbers will decrease with IFAD directly supervising more and more of its projects.

B. The grants portfolio

22. Having increased significantly during the review period, IFAD's **current grant portfolio** now stands at 282 grants for total IFAD financing of US$156 million. This corresponds to an increase over 2006 of 16 per cent in numerical terms and 26 per cent in value. One-hundred of the grants were accorded under a country-specific window, with an average financing level of less than US$0.3 million. Since 63 grants are yet to become effective, the ongoing portfolio consists of 219 grants with approved IFAD financing of US$124 million (table 2). Of this, a little more than 50 per cent has been disbursed cumulatively. After some years of stagnation, disbursements have picked up significantly over the last year and now stand at about US$28 million.

Table 2
Effective Grants Portfolio
(as at 1 July 2007)

			Cumulative disbursed	
	Number	*Amount approved (US$ million)*	*Amount (US$ million)*	*Percentage*
Under previous Grant Policy [a]				
CGIAR	12	13.10	10.37	79
Research non-CGIAR	29	24.33	17.11	70
Component	5	2.35	1.71	73
NGO	7	0.55	0.45	82
Subtotal	**53**	**40.32**	**29.64**	**74**
Under new Grant Policy[b]				
Regional/global window	103	64.74	29.20	45
Country-specific window	63	18.61	5.32	29
Subtotal	**166**	**83. 35**	**34. 52**	41
Total	**219**	**123. 67**	**64. 16**	**52**

Source: Loans and Grants System
[a] IFAD's previous grant policy was in effect through December 2003.
[B] The IFAD Policy for Grant Financing (EB 2003/80/R.5/Rev.2) was approved by the Executive Board in December 2003.
CGIAR = Consultative Group on International Agricultural Research

23. Set against the need to improve the quality of IFAD's grants, the above-mentioned portfolio increase took place far too rapidly. Management therefore decided to focus on means of improving the quality of new grants, including better alignment with the loan portfolio, reducing effectiveness delays, ensuring greater timeliness in the submission of audit and progress reports, and limiting the number of new approvals by increasing the average grant size. A clean-up of underperforming grants is also under way.

C. Implementation performance of ongoing loans and grants

Implementation progress: PSR ratings

24. For investment projects, PSR reports[5] for the review period show better performance in terms of compliance with loan covenants, procurement procedures, timeliness of audits and reporting, availability of counterpart funds, responsiveness of service providers and compliance with audit recommendations. In contrast, relatively lower performance ratings have been assigned to disbursements, and monitoring and evaluation (M&E). While performance varies (within a limited range), most counterpart funding problems have been reported by projects in Western Africa.

25. The same analysis undertaken of grants of more than US$200,000[6] for this year's review yielded different results to those for investment projects. Well-performing indicators for the grants portfolio include availability of counterpart funding, financial management and cofinancing, whereas less well-performing indicators included submission of audit reports, linkages with country programmes and submission of progress reports.

26. The PSR reports assign satisfactory performance with regard to targeting in investment projects. Performance is also fairly well balanced among three indicators built around targeting*:* beneficiary participation, targeting in line with IFAD's Targeting Policy and poverty focus during implementation. Similar analyses for grant projects yield almost identical results, including those relating to women's participation in decision-making. Success in disseminating results, an indicator designed specifically for the grants portfolio, is rated relatively lower.

27. Overall rating for project supervision stands at about 80-85 per cent satisfactory. At 88 per cent and 85 per cent satisfactory, respectively, for investment and grant projects, the achievement of development objectives has received a high rating. For institution-building, grants were rated higher than investment projects.

Performance against impact domains: the RIMS result

28. The RIMS provides data on results achieved vis-à-vis the targets established under the approved annual work programme and budget for each project. RIMS provides information on three levels of results: (i) activities and outputs; (ii) changes in beneficiary behaviour, performance and sustainability of groups, institutions and infrastructure; and (iii) the impact of IFAD-financed operations on child malnutrition and household living standards.

29. In 2007, the RIMS gives results at the first and second levels against five impact domains (policies and institutions was dropped because of the limited number of observations).[7] Performance for the year 2006 is given in Table 3 below.[8]

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[5] In monitoring the performance of individual projects in the ongoing portfolio, IFAD uses the PSR report, which applies qualitative and contextual measures and ranks performance against a range of indicators. The first set within these utilizes a mix of indicators that measure performance as well as compliance requirements. This data set is also used for assessing portfolio performance under the performance-based allocation system. In addition, the PSR report also assesses supervision quality, performance in terms of targeting and gender, and responsiveness towards the principles of engagement adopted under the IFAD Strategic Framework 2007-2010. The PSR rating was changed from a four-point to a six-point scale during the review period. Altogether 198 PSR reports were used for this year's analyses: 162 from among ongoing projects and 36 from projects completed during the review period.

[6] The grants status reports are used for assessing the performance of grants. These reports are similar to PSRs and follow the same rating system.

[7] Third-level results will be reported in 2010, when impact surveys will be undertaken for a sizeable number of projects.

[8] An indicator is on target when at least 70 per cent of the target established in the annual work programme and budget has been achieved.

Table 3
Contribution of ongoing portfolio to impact domains

	First-level results		*Second-level results*	
	Number of projects	*Percentage of indicators on-target*	*Number of projects*	*Percentage of indicators on-target*
Physical and financial assets	94	66	56	59
Food security	37	76	21	55
Human assets	92	68	12	60
Social capital and empowerment	87	69	44	50
Environment and common resources	36	63	21	56
Policy	5	60	2	50
Total projects reporting		**104**		**72**

30. The greatest contribution made by ongoing projects is to increase the access of rural poor to physical and financial assets. Ninety-four projects provided results under this domain for 2006. Rural financial service activities make an important contribution here: as of 31 December 2006, 78 IFAD projects had facilitated access to credit opportunities for 692,838 households, with an average loan size per household of US$492. This average value represents a heterogeneous loan portfolio, which includes both micro and larger loans for agricultural marketing and trading. Agribusiness development is becoming an important instrument for addressing the poverty circumstances of smallholders and landless households. Thirty-seven projects provided financial or non-financial support to more than 13,000 small and medium enterprises and approximately 16,000 new jobs were created. Smallholders' physical assets were also improved through the construction or rehabilitation of 18,000 hectares of irrigation across 24 projects.

31. Similarly, 92 projects include activities aimed at strengthening the human assets of rural poor people. A total of 84 projects financed initiatives aimed at strengthening the capacity of rural poor in various areas of activity, including health and productive and entrepreneurship skills. An important area of activity involves skills training for rural youth, especially in Latin America and the Caribbean. During 2006, approximately 5,500 micro projects designed to ameliorate living conditions in rural communities (clinics, schools, wells, drinking water systems) were completed.

32. Food security is the domain with the highest percentage of first-level indicators, with successful progress towards expected targets (76 per cent). These indicators include training and demonstrations held on farmers' lands aimed at boosting land productivity and thereby increasing food availability. At the second level, social capital and empowerment initiatives have the lowest percentage of indicators 'on target' (50 per cent). In 2006, 82 projects provided support to 21,161 groups comprising more than 300,000 people. Approximately 5,000 groups have women in leadership positions. Only 26 projects reported data on the number of functional groups, thereby demonstrating that groups are very much exposed to the risk of low sustainability. In Asia and the Pacific, a study conducted on rural poor organizations across 19 IFAD-funded projects shows that only 26 per cent of organizations formed and strengthened by the projects have the supporting factors for ensuring long-term sustainability. The majority of the organizations remain strongly dependent on project support and are thus very much exposed to the risk of low sustainability.

33. Six projects reported enabling policies promulgated in support of a more pro-poor policy environment. In Mozambique, for example, IFAD supported the development of new legislation on farmers' associations, which led to several important developments: shifting of registration authority to local level; reduced time lag for

registration; lower registration costs, etc. Policy impacts were also reported in Argentina, Ghana, Swaziland, the United Republic of Tanzania and Zambia.

IFAD-supported microfinance institutions (MFIs): the MIX Market

34. The MIX Market shows positive results in terms of overall portfolio performance. Altogether, 108 IFAD-assisted MFIs report on the RIMS via the MIX Market. In aggregate, they report 8.4 million borrowers with a gross loan portfolio of US$1.7 billion. Almost 2 million people report savings valued at US$387 million. Of the active borrowers, over 82 per cent are women. As far as overall financial viability is concerned, these MFIs report operational self-sufficiency[9] at 112 per cent and the portfolio 'at risk'[10] at 2.5 per cent. These figures demonstrate IFAD's contribution to helping the rural poor by providing microfinance services through sustainable institutional mechanisms. Available information also shows that IFAD-assisted MFIs are more productive in terms of the average number of active borrowers covered by each MFI staff member when compared with the global average for all MFIs.

D. Portfolio at risk and proactivity

35. At the end of the review period, i.e. 30 June 2007, IFAD's investment portfolio contained 32 projects or 16.2 per cent of the total, identified as 'actual problem' projects. In addition, five projects, or 2.5 per cent, were identified as 'potential problem' projects.[11] This represents an improvement over the previous review period, when the total share of the portfolio 'at risk' was 22 per cent (20 per cent actual and 2 per cent potential). Also, the numbers of 'actual problem' projects dropped from 39 to 32 (see annex III).

36. Of the current cohort of 'actual problem' projects, approximately 30 per cent (11 projects) are classified as chronically at risk: that is, those classified as 'actual problem' projects for three or more consecutive years. In contrast, 21 projects, corresponding to 56 per cent, are transitorily 'at risk': that is, projects that have been classified as 'at risk' in one out of the last three years. That there is a higher share of projects only transitorily at risk this year shows some improvement.[12] IFAD's proactivity also remained high during the review period. Of the 39 projects identified as at risk in the past year, 19 improved their performance, four were completed and two were cancelled. This represents a proactivity rating of 64 per cent.

37. Mid-term reviews played an important role in improving the performance of several of the 19 projects that graduated from the 'actual problem' projects category (Eritrea: Gash Barka Livestock and Agricultural Development Project [1097-ER]; Honduras: National Fund for Sustainable Rural Development Project [1128-HN] and National Programme for Local Development [1198-HN]; Nigeria: Community-based Natural Resource Management Programme [1260-NG]; and Senegal: Village Management and Development Project [1019-SN]). In Honduras and Senegal, the MTRs benefited from the support of the Regional Unit for Technical Assistance (RUTA) and IFAD's field presence. Similarly, intensive follow-up, supervision and dialogue initiatives also contributed to stepping up the performance of projects in China: Wulin Mountains Minority-Areas Development Project (1083-CN) and Djibouti: Microfinance and Microenterprise Development Project (1236-DJ). Other advancements were led by factors outside the direct influence of IFAD, such as a

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[9] Operational self-sufficiency is obtained by dividing the financial revenue by a combined total of financial expense, loan loss provision and operating expense. It therefore measures financial viability, and the higher the percentage the stronger and more sustainable the financial institution.

[10] This is measured by dividing the portfolio 'at risk' for more than 30 days (outstanding balance of all loans with a payment over 30 days late) by the gross loan portfolio). The lower the percentage, the less risky and healthier the loan portfolio.

[11] IFAD's project 'at risk' assessment methodology classifies projects into three categories: actual problem, potential problem, and not at risk. The 'actual problem' projects are those that received a rating of 1, 2 or 3 in one of the two main indicators of implementation performance and progress towards development objectives. The identification of 'potential problem' projects is based on a rating of 1, 2 or 3 out of a possible 5 of the 11 risk flags. The remaining projects are regarded as being 'not at risk'.

[12] In last year's PPR report, 14 projects were considered chronically 'at risk', corresponding to 35 per cent of the total portfolio at risk.

better security and political environment (Nepal) and changes in project management (Nicaragua: Technical Assistance Fund Programme for the Departments of León, Chinandega and Managua [1120-NI] and Yemen: Raymah Area Development Project [1075-YE]).

38. In addition to the proactivity index, IFAD also utilizes a reduced risk index that calculates how much a project's performance has improved, despite being left in the 'actual problem' category. In June 2007 this index stood at 46 per cent. Therefore the performance of slightly less than half the projects had rallied, despite still being classified as 'actual problem' projects.

39. Further analyses using an econometric model of the portfolio 'at risk' shows that the country context — defined in this case as a country having at least one project 'at risk' during the previous year — plays an important role. Similarly, the level of project preparedness, measured in terms of time taken to declare a project effective after Board approval and the gross national income per capita, was found to be closely related to the portfolio 'at risk'.[13] A country portfolio with at least one project 'at risk' increased by 35 per cent the probability of any new project becoming a problem project. Similarly, one year's delay in project effectiveness increased by 10 per cent the likelihood of a project becoming a problem project. A World Bank review of its agriculture portfolio obtained similar results: country context issues and delays are indicative of problems to come.

IV. The completed portfolio

40. In analysing the impact of IFAD's projects, this report utilizes the findings of 27 PCR reports (annex IV). The assessment criteria (annex V) encompass all the main elements currently used by the Programme Management Department (PMD) and the Office of Evaluation (OE) to examine project performance. The evaluative criteria and ratings used in this assessment are used by both PMD and OE. Thus the results used for the PPR report are directly comparable with those generated by independent evaluations carried out by OE and are therefore comparable to the ARRI report.

41. The 27 PCR reports cover the entire cohort of projects with closing dates falling between 30 June 2005 and 30 June 2006.[14] The projects reviewed in this report were approved by the Board between 1988 and 1999. The bulk of projects, however, consists of those that were approved and became effective between 1994 and 1999 – the 'average' (median) year being 1997. This cohort covers a wide range of projects in a range of sub-sectors, with a total cost of US$664 million and net IFAD disbursements of US$281 million, and is thus broadly representative of IFAD projects. Three independent consultants undertook the assessments. Test assessments were conducted and discussed to help minimize inter-evaluator variability. Finally, an independent overall review and consistency check was made once all PCR reports had been initially assessed and rated. The services of key members of last year's team, including the team leader, were retained to reduce inter-evaluator variability.

42. The use of PCR reports in assessing IFAD's corporate performance only began from the review year 2005-2006.[15] In this light, a comparison has been made between the performances reported in 2006 and this year's performance. This should not however be interpreted as a definitive trend.

43. Overall, the quality of the reporting of this year's cohort is better than that of last year (chart 3). This is partly due to the new set of guidelines issued in June 2006. This year's review of the PCR reports also shows, however, the need to: (i) enhance

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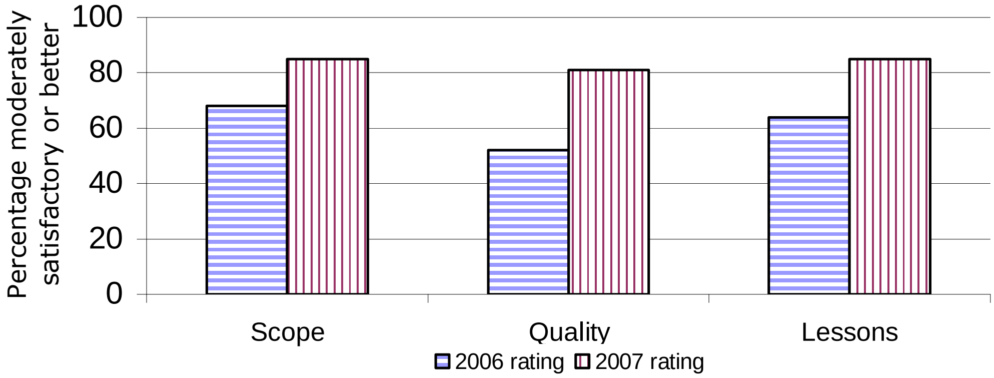
[13] These results were obtained by applying a logistic regression model. Country context and gross national income per capita were significant at 95 per cent confidence level and project preparedness at a 90 per cent confidence level.
[14] Some projects were dropped from this cohort as they were either used for the last review or the quality of the PCR report was poor.
[15] This was so even though IFAD had consistently required project authorities to submit PCR reports for all completed projects.

empirical evidence on output and outcomes, mainly by improving the project-level M&E; (ii) improve the attributability of results by using comparable evidence; (iii) treat partner performance in an adequate manner and thereby address the issue of accountability; and (iv) distinguish between lessons of local and national/international value.

Chart 3: Quality of project completion reports



A. Quality of initial design and implementation

44. At 3.8, the average rating for **initial design** for the 2007 cohort of projects is only marginally satisfactory. Little over half (56 per cent) of the projects were rated satisfactory or better (rating of 4 or higher).[16] On the positive side, many projects had a flexible design that allowed components to be changed, added or dropped as necessary during implementation. However, implementation scores were very similar to design scores, suggesting that intended implementation flexibility was less effective, or used less effectively, than it might have been. Another concern is that some projects were designed several years prior to being approved by the Executive Board and there is little evidence to suggest that the designs were revisited before loan approval. This also tends to reflect the high degree of unreadiness that occurred in projects designed during the 1990s. Because logical frameworks became part of the IFAD design document only in the late 1990s, they were missing in many projects; in more recent projects, however, they are well formulated.

45. At 3.7, the average for **project implementation** is also only marginally satisfactory, and only 56 per cent of projects were rated 4 or higher. As stated earlier, design problems may have been a major contributing factor to weak implementation performance. Certain problems, including limited capacity of implementing agencies and weak M&E, should have been addressed at the design stage. Often, implementation was also affected by IFAD's own performance and that of its partners (paragraphs 46-47). Nonetheless, some problems, such as civil strife, political instability and climatic variability, were beyond the control of any party. As reported in the last section of this report, the performance of projects currently under implementation is significantly better than that of the old, recently closed, portfolio.

B. Partner and IFAD performance

46. Since implementation is also very much affected by the performance of project partners, the PCR review assessed both the ratings for partner performance and those of IFAD. The overall rating for all partners combined is about 70 per cent satisfactory, with NGOs scoring highest (89 per cent) and IFAD and governments around 60 per cent. Reasons cited for low ratings of IFAD performance included poor project design (Belize: Community-initiated Agriculture and Resource Management Project [1067-BZ]), delayed fielding of reformulation mission (Panama: Sustainable Agricultural Development and Environmental Protection Project for the Darien

[16] All self-evaluation instruments in IFAD now use a six-point scale over all assessment criteria. Under this arrangement a rating of 6 is equal to highly satisfactory; 5 to satisfactory; 4 to moderately satisfactory; 3 to moderately unsatisfactory; 2 to unsatisfactory; and 1 to highly unsatisfactory.

[474-PA]), and frequent changes in country programme managers (CPMs) (Bhutan: Second Eastern Zone Agricultural Programme [1094-BT]). In contrast, well-adapted project design and implementation support (Bolivia: Sustainable Development Project by Beni Indigenous People [373-BO], facilitated by an out-posted CPM) by IFAD back-up missions (Jordan: National Programme for Rangeland Rehabilitation and Development – Phase I [1071-JO]), assistance provided in early identification of problems, and prompt design adaptations (Benin: Income Generating Activities Project [488-BJ]) were cited as reasons for high ratings of IFAD's performance. The deficiencies observed in IFAD's performance mostly relate to its low level of engagement at the country level at the implementation stage. This results from the fact that engagement by IFAD staff is largely through missions from Rome rather than from a permanent country presence.

47. Government performance was severely constrained by extraneous factors such as politico-military conflict (Côte d'Ivoire: Rural Development Project in the Zanzan Region [1081-CI]), fiscal problems caused by a high debt burden (Belize: Community-initiated Agriculture and Resource Management Project [1067-BZ]) and social and political unrest (Bolivia: Sustainable Development Project by Beni Indigenous People [373-BO]). Similarly, erratic supervision missions (Belize: Community-initiated Agriculture and Resource Management Project [1067-BZ]), delayed attempts to strengthen M&E (Lebanon: Irrigation Rehabilitation and Modernization Project [370-LB]), and a reactive approach to supervision with too detailed recommendations (Moldova: Rural Finance and Small Enterprise Development Project [1110-MD]) are cited as reasons why cooperating institution supervision was given a poor rating. At 43 per cent satisfactory level, the performance of cofinanciers is rated lowest. This is explained by factors such as the non-availability of expected cofinancing (Moldova: Rural Finance and Small Enterprise Development Project [1110-MD]), suspension of cofinancing (Burundi: Bututsi Agro-pastoral Development Project [229-BI]) and partial cancellation of cofinancing during implementation (Lebanon: Agriculture Infrastructure Development Project [1036-LB]). Overall, the reviews indicated some shortcomings on the part of IFAD with regard to ascertaining the availability/level of cofinancing at the approval stage and in following up with proposed cofinanciers during implementation.

C. Project performance and overarching factors

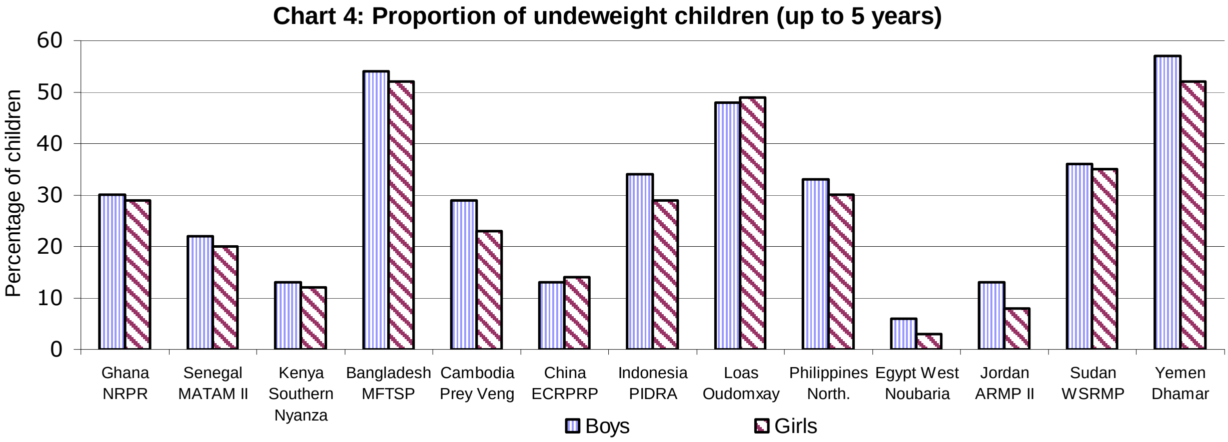
Project performance

48. Among the project performance criteria, **relevance** received the highest rating in the 2007 cohort. Most PCR reports state that projects were relevant to the needs of the rural poor, to IFAD's development objectives, and to governments' development plans. Overall, 81 per cent of projects received a satisfactory or moderately satisfactory rating for this category, with an average weighted score of 4.7. Ratings of 3 or lower for relevance were usually the result of country context and should have been identified through a risk assessment at the outset. A somewhat lower, but not significantly different, performance in the 2007 cohort when compared to that of 2006 (4.9), is explained by application of a more rigorous assessment criteria based on IFAD's Strategic Framework 2007-2010, Targeting Policy, etc. Overall, IFAD's policy statements are much less permissive now and thus not easy to satisfy.[17] In this light, lower relevance ratings were assigned to projects that reported limited local participation in design (Belize: Community-initiated Agriculture and Resource Management Project [1067-BZ]), difficulty in identifying the poorest and inappropriate agricultural technologies (Haiti: Small-scale Irrigation Schemes Rehabilitation Project [241-HT]), relatively low poverty impact and increased inequality (Philippines: Cordillera Highland Agricultural Resource Management Project [486-PH]).

[17] The IEE noted that IFAD's strategic statements are highly permissive and sufficiently imprecise to make almost any work with the rural poor appear relevant (IEE, II-50).

49. In general IFAD works in a difficult environment, where poverty is deep and widespread. Households are food-insecure and child malnutrition is rampant. An analysis of the 16 RIMS baseline survey results (see chart 4, annex II, volume II) shows that, generally speaking, there is a very large number of underweight persons among intended beneficiaries in IFAD project areas. Of the 16 projects involved, four (three in Bangladesh, one in Yemen) report more than half the children as underweight and in another four (one each in Ghana, Indonesia, the Philippines, Sudan) 30-49 per cent are underweight.

50. The above figures demonstrate the seriousness of the hunger problem and how critical it is to achieve the target set for Millennium Development Goal 1: Eradicate extreme poverty and hunger. In the meantime, given the acuteness of the problem, the goal of halving by 2015 the incidence of underweight children under five years of age poses a serious challenge in IFAD's project areas. These figures also underline the relevance of IFAD's action in such areas and suggest that targeting is, in the main, successful.



Note: Ghana: Northern Region Poverty Reduction Programme; Senegal: Agricultural Development Project in Matam – Phase II; Kenya: Southern Nyanza Community Development Project; Bangladesh: Microfinance Technical Support Project; Cambodia: Rural Poverty Reduction Project in Prey Veng and Svay Rieng; China: Environment Conservation and Poverty Reduction Programme in Ningxia and Shanxi; Indonesia: Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas; Lao People's Democratic Republic: Oudomxai Community Initiatives Support Project; Philippines: Northern Mindanao Community Initiatives and Resource Management Project; Egypt: West Noubaria Rural Development Project; Jordan: Agricultural Resource Management Project – Phase II; Sudan: Western Sudan Resources Management Programme; and Yemen: Dhamar Participatory Rural Development Project.

51. **Effectiveness** is defined as the extent to which a project's stated objectives have been achieved in terms of physical targets, percentage of the population reached and the degree to which they benefited. Seventy-eight per cent of projects were rated at 4 or higher compared with 72 per cent in 2006. Weaknesses in effectiveness often arose from problems in design and implementation. The problem is that objectives are often not very precisely defined, especially in projects that lacked logical frameworks and verifiable indicators. Notwithstanding these problems, on average, the projects came close to achieving most or all of their principal objectives, with notable exceptions for projects in conflict areas or regions affected by natural disasters such as drought.

52. Burundi provides a relevant example. Project implementation suffered from: (i) social instability and civil war in 1993; (ii) high turnover of project staff (eight directors, one killed by the rebels); (iii) absence of and gaps in supervisory missions by the cooperating institution, caused by lack of security and inability to travel; and (iv) suspensions in loan disbursements by cofinanciers. Nonetheless, IFAD extended the loan five times and continued to push forward project activities. The target group was increased to 32,000 during the mid-term evaluation in 1998 as a result of increased poverty and needs caused by the civil strife. In spite of this particularly difficult situation, the project was able to function (albeit at modest

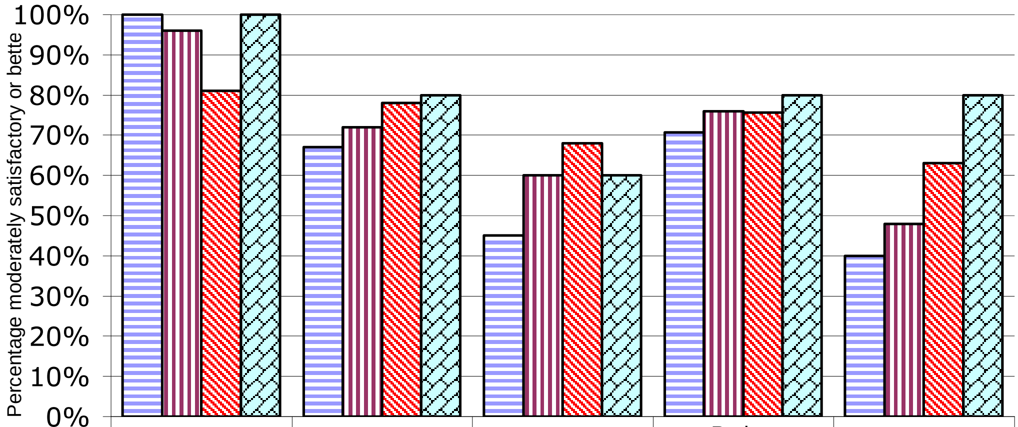
levels) thanks both to government efforts and the will of local people. Although limited, the project had a positive impact.

53. **Efficiency** is most easily understood as the economic relationship between overall costs and overall benefits. A ratio in favour of the latter induces a positive rating. In 2007, the average rating for efficiency was 3.9, slightly higher than the 2005-2006 rating of 3.8. In percentage terms, this rose from 60 per cent in 2006 to 68 per cent in 2007 (chart 5). Approximately 32 per cent of projects were rated as inefficient in 2007, once again an improvement over the previous year when 40 per cent were rated at 3 or lower. Nonetheless, in many projects, resources are not always allocated efficiently. Inordinate delays in implementation and numerous extensions (Burundi: Bututsi Agro-pastoral Development Project [229-BU] and Haiti: Small-scale Irrigation Schemes Rehabilitation Project [241-HA]), vastness of the project area (Ethiopia: Southern Region Cooperatives Development and Credit Project [342-ET]) and high cost overruns for micro-irrigation schemes (Lebanon: Irrigation Rehabilitation and Modernization Project [370 LB]) are factors that reduce efficiency.

54. At 76 per cent, the 2007 cohort of projects has shown the same level of **performance**, a measure that combines relevance, effectiveness and efficiency. Performance is more balanced this year, effectiveness and efficiency having shown better results, and is much higher than the results achieved during the IEE assessment (61 per cent for completed projects). IFAD’s performance on this count was comparable to the World Bank’s 77 per cent for the total portfolio and 80 per cent for the rural sector during the period 2001-2005.[18]

55. Overall, against the project performance criteria of effectiveness and efficiency, IFAD’s performance has significantly improved since the IEE. When compared to the Action Plan targets set for 2009, the performance levels for 2007 compare favourably with regard to effectiveness and project performance and are, in fact, higher for efficiency (chart 5).

Chart 5: Project performance and sustainabilaity: benchmark, target and achievements



	Relevance	Effectiveness	Efficiency	Project Performance	Sustainability
IEE benchmark	100%	67%	45%	71%	40%
2006 PPR rating	96%	72%	60%	76%	48%
2007 PPR ratings	81%	78%	68%	76%	63%
Action Plan target	100%	80%	60%	80%	80%

Note: The IEE reported a satisfactory project performance rating in 61 per cent of the completed projects. The PPR rating of 76 per cent needs to be compared with this figure.

[18] In line with the IEE, the indicator used is per cent satisfactory outcome. *Annual Review of Development Effectiveness 2006: Getting Results*, Independent Evaluation Group, World Bank.

Overarching factors

56. For **sustainability and ownership,** 63 per cent of projects in the 2007 cohort were rated at 4 or above, which is much better than the IEE benchmark of 40 per cent and the performance reported in last year's PPR report (chart 5). This still leaves ten of the 27 projects, or 37 per cent, rated at 3 or lower – indicating that benefits are not expected to continue beyond the period of project implementation. Interestingly, almost 30 per cent of projects report moderately unsatisfactory performance.

57. Some projects were rated as unsustainable because they simply did not do what they were intended to do. Several cannot continue without external funding and assistance. In others, macroeconomic factors such as depreciation in the value of the national currency, such as in Burundi: Bututsi Agro-pastoral Development Project (229-BI), or discontinuation of extension services after project completion, such as in Mozambique: Niassa Agricultural Development Project (359-MZ), explain the relative lack of sustainability. The sustainability of grass-roots institutions promoted by the projects, however, continues to give rise to concern, as seen in Belize: Community-initiated Agriculture and Resource Management Project (1067-BZ), the Philippines: Cordillera Highland Agricultural Resource Management Project (486-PH) and Turkey: Ordu-Giresun Rural Development Project (476-TR). The issue is also about the choice of which type of institutions to promote: existing/indigenous or new. New grass-roots institutions may contribute to enhancing equality in rural society but may also be unsustainable unless adequate time and resources are invested in order to render them strong and viable.

58. Given the need to gain a better understanding of factors affecting sustainability, further analyses were carried out using the 52 PCR reports reviewed over the last two years. While the data set is relatively small for such an exercise and the analysis explores relationships rather than causality, the results nevertheless provide some insights:

(a) Among project performance criteria, efficiency is most closely related to sustainability. Effectiveness shows a moderate relationship; relevance is only very slightly related to sustainability.

(b) Among impact domains, agricultural productivity, institutions (including policies) and financial assets are most closely related to sustainability.

(c) Among overarching factors, innovation showed a closer relationship with sustainability but targeting performance showed only a weak relationship.

(d) Between IFAD and partners, the performance of governments had the strongest relationship with sustainability.

(e) Implementation performance was also found to be closely related to sustainability.

59. Of prime importance therefore is the quality of institutions and governance. In this light, it is important for IFAD to gradually move away from time-bound organizations such as project management units and to work with permanent mainstream institutions. Improved institutional quality would then help improve implementation performance and sustainability. Keeping this in view, the new quality enhancement process – apart from dealing directly with the issues of risk and sustainability – has also placed emphasis on involvement of the government during project design, better understanding and design of implementation and institutional arrangements, innovation, learning, and knowledge management.

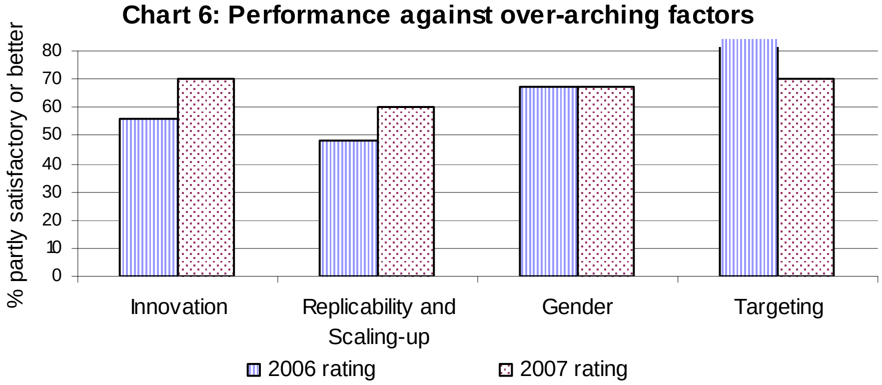
60. Achieving greater efficiency is yet another area where IFAD's performance is only moderately satisfactory (paragraph 53). As noted by the 2006 ARRI report, IFAD projects with inadequate risk analyses are less resilient to changing circumstances. The new quality enhancement process is geared to strengthening these aspects of project design as well, and in particular to reducing implementation delays.

61. In terms of processes, sustainability should be addressed from the outset – during the project design phase – when issues such as participation and stakeholder

ownership/implementation need to be clearly analysed. There also seems to be a good case for building in as much flexibility as possible (to change project components and refocus implementation when weaknesses are exposed) and to plan for post-implementation transition to a steady and sustainable state.

62. The 2007 cohort of PCR reports assigned satisfactory performance on **targeting** to about 70 per cent of the projects (chart 6). The average score of 3.81 is quite close to that of 2006 (3.84). Most projects with low ratings operated in complex social settings with attendant difficulties in effectively reaching out to the poor and most disadvantaged (box 2). In other cases reliance on geographical targeting alone, leaving aside social targeting, led to only a modest impact on the poorest (Philippines: Cordillera Highland Agricultural Resource Management Project [486-PH]).

Chart 6: Performance against over-arching factors



63. Promotion of bottom-up initiatives, along with participation of beneficiaries at all levels and at various stages (identification to implementation), allowed for successful targeting in Mali: Zone Lacustre Development Project – Phase II (497-ML). Along with participatory diagnostics with the poorest communities, this was of considerable help in Viet Nam: Ha Tinh Rural Development Project (1091-VN).

Box 2: Panama – Sustainable Agricultural Development and Environmental Protection Project for the Darien: Targeting in a complex social setting

Following reformulation, the project was limited to a smaller area characterized by moderate to extreme poverty. Beneficiaries were mainly (80 per cent) indigenous peoples belonging to three different ethnicities, Darien population of African ancestry and, to a limited extent, colonists from other Panama provinces. The identification of direct beneficiaries was not specific enough, especially by social groupings, as the cultural characteristics of the beneficiaries were hidden under general categories such as 'farmers' or 'producers'.

64. The average score for impact on **gender** was 4, somewhat better than the 2005-2006 average of 3.6. The proportion of projects rated partly satisfactory or better was 67 per cent (chart 6). Gender performance is all the more impressive when one considers that most projects did not have a specific gender component, target or indicator at the outset. However, where these features were lacking, they were often added during the MTR. Gender concerns should continue to be addressed, and need to be evaluated as a separate overarching factor drawing from all aspects of the project experience.

65. The IFAD Plan of Action 2003-2006 for '*Mainstreaming a Gender Perspective in IFAD's Operations*' (gender PoA) largely achieved the goal of progressively ensuring the integration of programmatic gender concerns in IFAD's business processes, despite the weaknesses highlighted (2006 PPR report). To confirm IFAD's continuing commitment to gender mainstreaming, and to mark further progress in integrating gender concerns in the Fund's business processes, in early 2008, Management is expected to approve a framework for mainstreaming gender in IFAD's operations that will: (i) reiterate core principles, definitions and key responsibilities contained in the existing gender PoA, which remain valid to guide IFAD's action; (ii) describe how gender concerns are addressed in existing IFAD business processes

(excluding gender-related issues); and (iii) describe how IFAD will be reporting on them within its regular reporting and monitoring systems.

66. Overall, about 70 per cent of the projects in this year's cohort were rated as successful in **innovating** (chart 6). Three projects were rated very highly for innovation: Bolivia – participation and credit targeting of indigenous people; Cambodia – highly innovative participation scheme; and The former Yugoslav Republic of Macedonia – innovative credit scheme. While these concepts are not new, they were innovative in the context where they were applied and proved to be extremely effective tools for meeting their stated objectives. Seven other projects received a rating of 5 for innovation, again reflecting contextual innovations rather than completely new ideas in agricultural or rural development.

67. **Replicability and scaling up** of project activities was rated 3.9 on average, with 60 per cent of projects receiving a rating of 4 or higher (chart 6). Twelve of the 25 projects (48 per cent) rated for replicability and scaling up received a rating of 5 or higher, meaning that, most likely, activities can be either expanded or copied in other countries, sectors or regions. In line with earlier findings, IFAD is better at innovating than at replicating or scaling up, although improvements may have occurred in both areas.

68. Realizing the importance of introducing and promoting innovations in the projects and programmes it supports, IFAD has developed an innovation strategy (document EB 2007/91/R.3) aimed at ensuring that innovation is mainstreamed into IFAD processes and practices in a systematic and effective way. Organization tools, processes and monitoring mechanisms for innovation are now being put in place. These, in turn, will enable IFAD to improve its performance in innovating and learning and/or scaling up. The Initiative for Mainstreaming Innovation is also expected to make a significant contribution in terms of mainstreaming innovations.

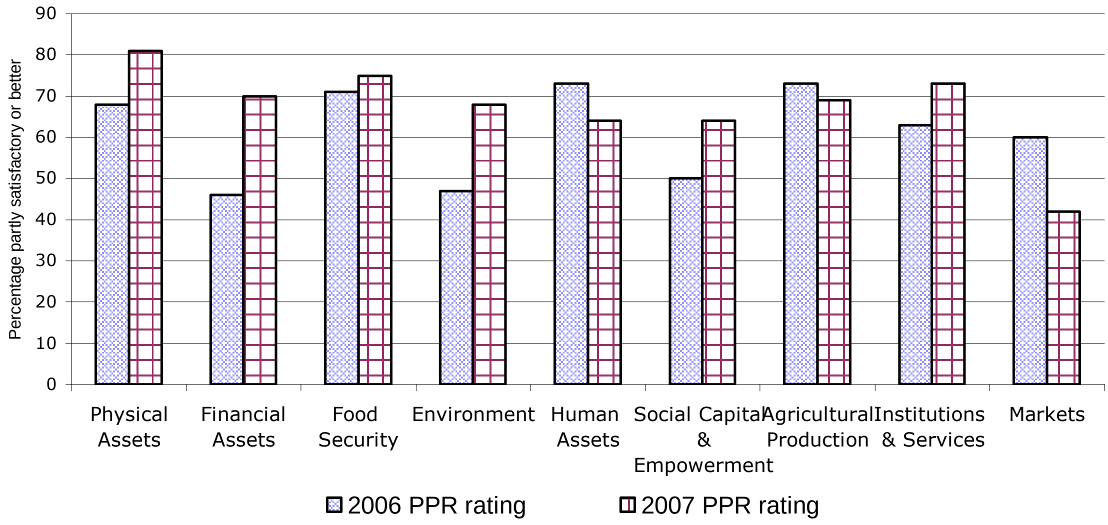
D. Impact on rural poverty

69. The definition of impact used below is 'changes in the lives of the poor, intended or unintended, to which IFAD has contributed'. It also reflects a judgement about the long-term effects of an intervention and therefore takes account of expected sustainability. Apart from the latter factor, the impact on rural poverty tries to weigh, in a balanced and rounded way, the effects of the intervention on gender equity (or women's empowerment) and on a series of contributing impact domains. This section addresses both the ratings for overall impact on rural poverty and specific impact domains.

70. Impact domains are a series of nine development 'agendas' that IFAD seeks to influence. Not all projects explicitly target all domains, but current evaluation methodology assumes that all projects need to influence development positively in most or all of them. That such an approach potentially distorts impact assessment, usually creating a downward bias in performance reporting, should be borne in mind when reading this section.

71. A snapshot of comparative performance against impact domains is presented in the following chart.

Chart 7: Performance against impact domains - 2006 and 2007



72. Eighty-one per cent of the projects received a rating of 4 or above for **physical assets** compared with 2005-2006 when only 68 per cent received the same rating. Of the two highly satisfactory projects, Bolivia: Sustainable Development Project by Beni Indigenous People (373-BO) reported titling of 1.3 million hectares for 157 indigenous communities, with an 88 per cent response rate against demand.

Box 3 – Bolivia: Sustainable Development Project by Beni Indigenous People

The project enabled land titling of 1.3 million hectares of indigenous people's land, responding to 88 per cent of requests made by beneficiary associations. Land titling directly benefited 157 indigenous communities, for a total of 2,846 families, comprising 8,374 men and 7,291 women. Indirectly, 878 men and 813 women benefited from this achievement. This is the first time such land has been delimited and titled, which considerably increases the value of its natural assets.

73. This year's cohort of projects reported a significantly better performance with regard to **financial assets** – from 46 per cent satisfactory in 2005-2006 to 70 per cent in 2006-2007. Financial assets were rated based on whether or not a project contributed to increased access to financial services (credit, insurance, etc.); the change in financial assets (savings, debts, etc.); and changes in household incomes. Like physical assets, the projects often had components seeking to provide rural credit services – an area where IFAD has proved to be an effective provider. The 2007 cohort of projects had an average rating of 4.0, with 70 per cent of projects rated at 4 or above.

74. Of the two highly satisfactory performances, in Viet Nam: Ha Tinh Rural Development Project (1091-VN), 2,570 credit groups were established with 26,582 members and almost 40 per cent of poor households with access to credit succeeded in moving above the poverty line. However, credit activities often had trouble in taking off (Haiti: Small-scale Irrigation Schemes Rehabilitation Project [241-HT], Mali: Zone Lacustre Development Project – Phase II [497-ML]) or in reaching the poorest segments of the population (Nepal: Poverty Alleviation Project in Western Terai [1030-NP]).

Box 4 – India: Rural Women's Development and Empowerment Project

Average annual incomes of women increased by as much as 60 per cent in real terms; dependence on wage labour dropped from 64 per cent to 33 per cent; 70 per cent of groups accessed bank linkages; and economic activities taken up were selected by women participants from a range of on-farm and non-farm activities, individually or in groups. The uptake of income-generating activities was facilitated through access to credit, skills training, technology transfer, technical support and promotion of market linkages, supported by a communications component.

75. The information available on **food security** was mixed. While this particular category is a very important measure of poverty, the 2007 cohort of PCR reports provided only limited information on key indicators for food security. Of the 27 involved, only 16 contained enough information to rate food security. Of these, the average was 4.0, with 75 per cent of projects having a rating of 4 or higher. In some cases impact on food security is spectacular. For example, in Mali: Zone Lacustre Development Project – Phase II (497-ML) improved agricultural production led to enhanced food security for 60,000 people; in Honduras: Rural Development Project in the South-Western Region (1087-HN), of the 500 food-insecure groups 170 achieved food security directly and the remainder were either achieving production diversification or engaged in advanced agri-business. Where impact on food security was reported to be weak and inadequate, this was explained by a low agricultural technology adoption rate mostly as a result of insecurity of land tenure (Côte d'Ivoire: Rural Development Project in the Zanzan Region [1081-CI]).

Box 5 – Moldova: Rural Finance and Small Enterprise Development Project

Food security has been increased through better incomes among the poor thanks to improved agricultural production and financial assets. Better access to loan capital through the savings and credit associations reached a total of 4,695 persons by the end of 2005, and it is assumed that part of the loan capital taken up by poor, small-scale farmers has been used for consumption purposes.

76. The **environment and common resources** impact domain was rated on the basis of a project's impact on the status of the natural resource base and whether or not environmental issues were addressed in specific activities such as agricultural expansion/intensification, infrastructure development, forestry, etc. In projects with a specific natural resource management component, this domain is well developed and the rating is based on specific impacts (box 6). In many cases, where there is no specific environmental component, there was little evidence available in the PCR reports. With this in mind, the average rating for this impact domain was 4.1, with 68 per cent of the projects rated at 4 or higher in 2007.

Box 6 – Jordan: National Programme for Rangeland Rehabilitation and Development – Phase I

The positive impacts have been rangeland rehabilitation using methods that enhanced and protected native flora through participatory processes. It also involved phased rangeland resting that helped to improve natural fodder species recovery. In addition, stocking rates are matched to the sustainable productive capacity of the rangelands, in particular under arid zone conditions.

77. Of the less than one third of projects rated below satisfactory for environmental impact, some did not have an environmental objective and were therefore without any expectation of positive environmental impact. A few received low ratings for failing to meet their environmental objectives; others because they had a negative impact on the environment. In Haiti: Small-scale Irrigation Schemes Rehabilitation Project (241-HT), the project provided pesticides but little training in their use. One product was discontinued for health reasons due to its toxicity. Project activities are also believed to have increased the risk of land erosion in some areas of Haiti.

78. IFAD, through its Global Environment Facility (GEF) unit, is also contributing to the environment agenda by executing projects funded by the GEF. The current IFAD/GEF portfolio of six grants, valued at US$26 million, directly cofinances IFAD loans of about US$200 million. In addition, nine new initiatives are under development. These include IFAD's involvement in: (a) the sub-Saharan African region through its activities within the framework of the Strategic Investment Program for Sustainable Land Management in sub-Saharan Africa, a World Bank-led regional partnership; (ii) the United Nations Development Programme Country Programme Partnership in Burkina Faso; and (iii) development and implementation of the GEF multi-agency regional programming document in the Middle East and North Africa region (led by IFAD).

79. **Human assets** covers a wide variety of subjects, including access to water; basic health services and disease prevention; and changes in the incidence of HIV infection, in maternal health and mortality, in school enrolment rates, in the workloads of women and children, and in literacy. The average rating for human

assets was 3.8, with 64 per cent of projects receiving a rating of 4 or higher. This level of performance is lower than that of the previous year, although it does not imply a trend. In some cases, a low impact rating is simply due to the fact that no project objective was set for human assets.

Box 7 – Mozambique: Niassa Agricultural Development Project

The project has made an important contribution to human assets by: (i) better health services made available by rehabilitating 17 health centres; (ii) enhanced availability of clean water through 253 water points serving 19,000 households, or 76,000 people; (iii) better primary education through 37 improved school buildings; and (iv) more availability of teachers and a consequent increase in the enrolment of children.

80. The impact domain for **social capital and empowerment** addresses empowerment vis-à-vis local and national public authorities and development partners; the role of rural partners in decision-making; social cohesion and self-help capacity; and gender equity. The average rating was 3.9, with 64 per cent of projects rated at 4 or above (36 per cent rated at 5 and 28 per cent at 4), considerably more than last year's cohort of completed projects. The performance level for this domain is relatively lower than for almost all other domains. It is also low when one considers the importance that IFAD attaches to this domain and that most, if not all, projects should have some element of stakeholder participation intended to strengthen their role in the decision-making process.

81. Several projects had rural organization components that helped boost the level of empowerment, but these targets were either not met (Belize: Community-initiated Agriculture and Resource Management Project [1067-BZ]) or organizations promoted by projects lacked effectiveness and were weak (Burundi: Bututsi Agro-pastoral Development Project [229-BI]) and unsustainable. However, where the projects have been successful, achievements have been substantial (box 8).

Box 8 – Ethiopia: Southern Region Cooperatives Development and Credit Project

To date, rural cooperative organizations have mobilized 1,599 primary-level societies with over 944,000 members, of which over 110,000 are women. There were also 90 secondary-level cooperative unions, including: five coffee marketing unions; ten cereal marketing unions; a pastoral union; a fruit marketing union; and two savings and credits cooperative unions (SACCOs). These two SACCOs have 315 primary cooperatives as their members with an individual membership of over 202,000, of which 14,960 (7 per cent) are women.

82. Average performance for **agricultural productivity** was 4.1, with 69 per cent of projects receiving a rating of 4 or higher. Overall, IFAD has been able to contribute significantly to enhancing agricultural productivity (box 9). Where success has been more modest, it was mostly due to institutional issues such as lack of secure access to land, as observed in Belize: Community-initiated Agriculture and Resource Management Project (1067-BZ), or to inputs and credit as in Haiti: Small-scale Irrigation Schemes Rehabilitation Project (241-HT).

Box 9 – Ghana: Root and Tuber Improvement Programme

Agricultural production exceeded targets. The adoption rate for improved cassava increased from 9 per cent to 16 per cent. Larger areas of land cropped to cassava were planted to improve varieties; average yield increases were 105 per cent. However, the adoption rate of related agronomic practices was low. Farmers' yields from improved varieties of sweet potato were 99.8 per cent higher than those obtained from local varieties. Disease control (integrated pest management) targets were met, except in regard to training for technicians owing to logistical difficulties.

83. Most projects have some direct impact on **institutions and services** as they are implemented by national entities. Of this year's cohort, 73 per cent received a rating of 4 or above for institutions and services, with a mean value of 4.1, which is significantly higher than that of last year's cohort. There are some important issues requiring attention, however. Grass-roots institutions in many countries/projects, including Benin: Income Generating Activities Project (488-BJ), continue to be affected by lack of an appropriate legal framework. Institutional strengthening opportunities are being missed, mainly owing to the discontinuation of most of the experienced project staff at the project completion stage (Philippines: Cordillera Highland Agricultural Resource Management Project [486-PH]).

84. The rating for **markets** relates to market access and the ability to benefit from such access. Few projects tackled marketing head-on; not surprisingly, therefore, little information was available in this regard. Of the 19 PCR reports that addressed markets, 42 per cent were rated at 4 or higher and the average rating was low at 3.4. The relatively low performance is explained by a number of factors (apart from the lack of explicit objectives in many projects): inadequate assessment of market potential (Ethiopia: Southern Region Cooperatives Development and Credit Project [342-ET]), rapid expansion in production without due consideration of the market (Cambodia: Agriculture Productivity Improvement Project [517-KH]) and inadequate production volumes to reach the export market. Usually, benefits are held to be a consequence of better roads, introduction of innovative post-harvest practices (Bhutan: Second Eastern Zone Agricultural Programme [1094-BT]) or improved information on markets. In Mali: Zone Lacustre Development Project – Phase II (497-ML), the implementation of an action plan for fish conservation and processing ensured the availability of fish products on local markets all year round. Moreover, improved kilns have made it possible to smoke fish using lower energy inputs.

85. The PCR review process also rates the projects in terms of their overall impact, taking into consideration the project objectives and changes resulting from project activities. The **project impact** rating is not an average for all impact domains discussed individually above. Rather, it is an implicitly weighted judgement that takes account of individual domains, stated project objectives and other on-the-ground, measurable evidence of impact.

86. The overall average rating for impact on rural poverty is 4.0, and 70 per cent of the 27 projects reported moderately satisfactory or better results. While no projects were rated highly satisfactory, none was rated highly unsatisfactory. A relatively high and generally improving performance, however, should not lead to complacency, especially for impact domains related to markets, human assets, and social capital and empowerment.

E. Comparison of PPR and ARRI findings

87. In interpreting the comparative results of the PPR and ARRI reports, account should be taken of three factors. Firstly, the PPR report uses results of the completed portfolio only, whereas the ARRI report uses both completed and ongoing projects.[19] Secondly, the ARRI report is based on a sample, whereas beginning this year the PCR review is based on the universe of all completed projects. Thirdly, for reasons cited earlier, the comparisons presented below do not belong to the same set of projects.

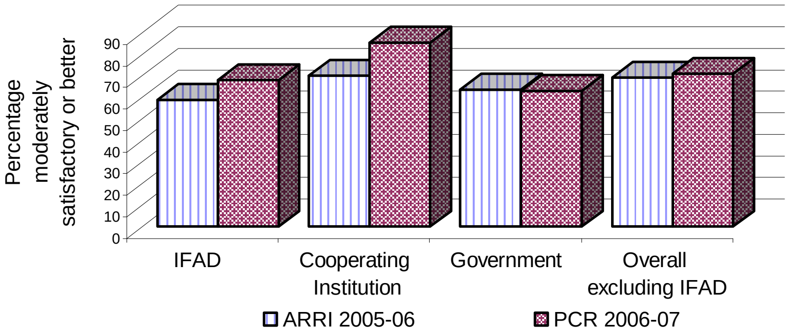
88. With the above-mentioned caveats, the results of the ARRI and PPR reports show a generally low level of variance between the two[20] (chart 8). While the ratings for the overall partner performance, excluding both IFAD and governments, are very similar, PPR ratings are higher for the performance of cooperating institutions. It is also noted, however, that compared with 2006, the PPR report for 2007 shows a significant decline in the performance of cooperating institutions.

89. The 2005 ARRI report rated IFAD's performance lower than the PPR report did (chart 8). The same is true of the ratings for 2006. A closer look, however, shows that the ratings distribution given by the ARRI report for 2006 would result in an average of 3.99 for IFAD's performance. When compared to the weighted average for cooperating institutions of 3.92 and for government of 3.76, IFAD's scores are higher. IFAD's performance therefore is at a level comparable with that of other partners.

[19] Five out of 15 evaluations included in the 2006 ARRI report were of ongoing projects.

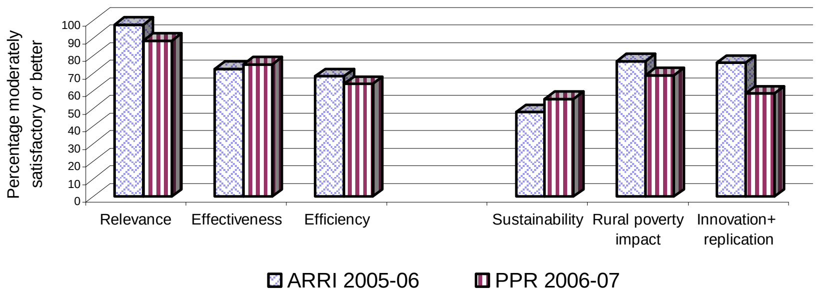
[20] The above comparison is based on pooled samples for two years for the ARRI report. For the PPR report, it is based on a sample of 25 projects for 2006 and the entire cohort of 27 projects for 2007.

Chart 8: Performance of partners: comparison of ARRI and PPR findings



90. Among project performance criteria, ARRI reports a higher level of performance in terms of relevance (chart 9). As mentioned earlier (paragraph 48), this year's PPR report has applied more rigorous assessment criteria in line with less permissive and more precise strategic statements. It also tends to put more weight on implementation than on design. Similarly, while PCR rates are relatively high for innovation, the scaling up rating is low and therefore the composite score is relatively lower. However, the PCR reports indicate a significant amelioration on both counts and the divergence with ARRI is not very significant.

Chart 9: Project performance, sustainability, poverty rural impact and innovation: comparison between ARRI and PPR findings

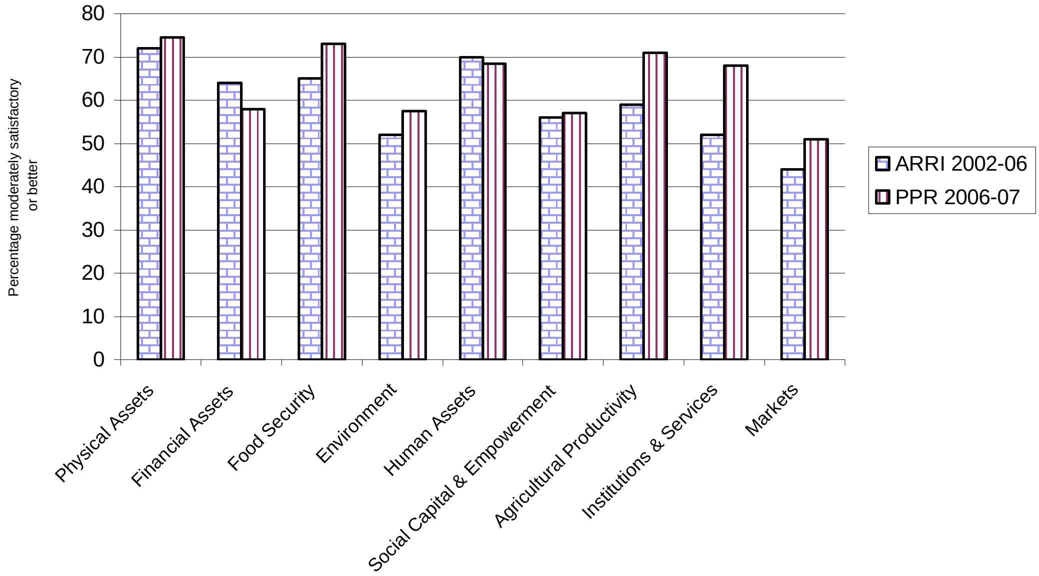


91. As far as sustainability is concerned, the PPR report records a better performance than the ARRI report does. While the current data set makes it impossible to arrive at a definitive conclusion on trends, both data sources indicate greater sustainability.[21] Since poor sustainability is partly related to failure to implement projects effectively, the generally better performance observed since the IEE was carried out indirectly suggests improved sustainability.

92. Once again, the divergence between the ARRI and PPR findings is relatively low for impact domains (chart 10). Since the data set for the ARRI report uses figures from earlier years that are not used for the PPR report, the somewhat higher performance reported by the PPR report may also imply better performance in more recent years.

[21] The ARRI report recorded a satisfactory rating for 53 per cent of the projects in 2006 compared with an average of 43 per cent during 2002-2005. The PPR report showed it at 48 per cent in 2006 and 63 per cent in 2007.

Chart 10: Domain-wise rural poverty impact: comparison between ARRI and PPR findings



V. Progress against the Results Measurement Framework

93. The Results Measurement Framework (RMF) approved by the Executive Board in September 2007 with six indicators, measures the performance of projects and country programmes at entry, during implementation and at completion. Henceforth, IFAD Management will use the RMF as a mechanism for reporting to the Board.

94. The short interval between approval of the RMF and preparation of the present report did not allow for presentation of a complete results matrix of IFAD's performance during the review period. An attempt was made, however, to collect relevant information in terms of targets, achievements and, where available, benchmarks. The existing information system does not provide: (i) results at entry for projects and country programmes; and (ii) results associated with implementation and completion for country programmes. Against the performance indicators on the ongoing portfolio, the current information only partially meets this requirement. Ongoing and proposed activities to build a responsive information system are presented below (paragraphs 122-124).

95. For the ongoing portfolio of 198 projects, the current level of performance compares satisfactorily with the target set for empowerment and gender equity, but is slightly lower than that for sustainability (77 per cent as opposed to 80 per cent). Against the impact indicators to be measured at the completion stage, while adequate information on current performance is available for projects, the same is not true for country programmes. In terms of project impact, the completed portfolio shows a generally positive picture (table 4 below). With the progress made in 2007, performance in terms of effectiveness is close to the target of 80 per cent. Performance against the composite indicator for poverty impact also rallied significantly and is equal to the target of 70 per cent set for 2010. Of the four constituent sub-indicators, physical and financial assets and food security are slightly above target. While some improvement is clearly indicated, the impact on empowerment and gender equity is still slightly below target.

96. Again, with the improvements indicated in the 2007 cohort of completed projects, innovation, learning and scaling up achievement levels have met their targets. Disaggregated analyses show more success in innovation (70 per cent) than in replicating/scaling up (60 per cent). For sustainability, current achievements are below the target of 80 per cent set for 2010, as satisfactory ratings were given for

only 63 per cent of the projects. Compared with 48 per cent in 2006, however, this is a significant improvement.

Table 4
Performance of completed portfolio against Strategic Framework results: Achievements and targets
(Percentage)

Indicators	*2006 Results*	*2007 Results*	*Actual 2010 Targets*
A. Project-related indicators			
1. Effectiveness	72	78	80
2. Poverty impact-composite	60	70	70
Physical and financial assets	57	75	
Food security	71	75	
Empowerment	50	64	
Gender equity	64	67	
3. Innovation, learning and/or scaling up	52	65	65
4. Sustainability of benefits	48	63	80
B. Country programme-related indicators			
5. Contribution to income, food security, and empowerment	n.a.	n.a.	n.a.
6. Adherence to aid effectiveness agenda	n.a.	n.a.	n.a.

97. In assessing the performance of the ongoing portfolio, an attempt was made to gauge performance against six principles identified in the IFAD Strategic Framework 2007-2010 (document EB 2006/89/R.2/Rev.1).[22] Of these, selectivity and focus is checked only at the point of entry of a project into the portfolio. The rest, namely, targeting, innovation, partnership, sustainability and empowerment of rural poor people are assessed annually as part of the portfolio review process. For the ongoing projects in the investment portfolio of 198 projects, the rating was highest for targeting (91 per cent) followed by partnership-building and empowerment of rural poor people (85 per cent each). Sustainability of impact, however, shows a relatively low performance, both for investment projects as well as grants. Grants scored high in terms of both innovation and partnership-building.

VI. Improved processes and instruments

A. Results and Impact Management System

98. Implementation of the RIMS commenced following its approval by the Executive Board in December 2003 (document EB 2003/80/R.6/Rev.1).

99. For the year 2006, a total of 104 projects provided RIMS data on first- and second-level results. This compares favourably with 61 projects for 2003 and 87 for 2005. When compared with the number of reports due (119), however, 15 projects have not reported on progress.

[22] As these indicators were retroactively introduced, some caution is required in interpreting the results.

Table 5
Reporting compliance on RIMS first- and second-level indicators

Division	*Due*	*Received*	*Not reported*	*Of which:* Effective <1.5 year	*Of which:* Problem projects
PA	31	27	4	1	1
PF	22	19	3		1
PI	27	22	5	4	2
PL	18	17	1		1
PN	21	19	2		1
Total	**119**	**104**	**15**	**5**	**6**

100. Most of the projects that did not submit reports had been effective for less than 1.5 years. The remainder mainly belonged to the 'problem projects' category. In this light and given that RIMS is 'retro-fitted' to projects already under implementation, compliance with RIMS reporting requirements can be considered as highly satisfactory.

101. Based on experience gained during three years of RIMS implementation, a guidebook has been prepared for first- and second-level indicators. Similarly, following finalization of the RIMS survey methodology, a total of 41 surveys had been completed as of June 2007. Of these, 37 are baseline surveys and four are MTRs. Regionwise, Asia and the Pacific has completed the most (14), followed by Western and Central Africa and Near East and North Africa (10 each), Latin America and the Caribbean (six) and Eastern and Southern Africa (one). These surveys contain the quantitative benchmark evidence to be used for assessing project impact over RIMS third-level indicators.

102. IFAD has addressed the technical shortcomings that slowed down or impeded the implementation of baseline surveys in the early part of the review period. Special care will be taken to assess the conformity of the RIMS survey approach with the Paris Declaration on Aid Effectiveness, in particular with respect to the commitment of donors with regard to harmonizing reporting requirements, and to rely as far as possible on partner countries' statistical, monitoring and evaluation systems. There is also a need to explore options for better exploiting the potential synergies of RIMS with other portfolio self-assessment processes, especially the PCR report.

B. Direct supervision

103. Direct supervision of 15 projects was initiated by IFAD following adoption of a resolution by the Governing Council in 1997. Of these, six have been completed and nine are ongoing (annex VIII). Following the positive evaluation of the Direct Supervision Pilot Programme (DSPP), undertaken by OE in 2004/05, the Governing Council approved amendments to the Agreement Establishing IFAD and the Lending Policies and Criteria, thereby allowing IFAD to expand direct supervision beyond the DSPP. This was followed by the approval of the IFAD Policy on Supervision and Implementation Support (the Supervision Policy) in December 2006, which confirmed the need to have a wider selection of supervising partners; for IFAD to conduct its own supervision; and for it to be more responsive and pro-active on supervision findings through implementation support.

104. The Supervision Policy foresees that IFAD will gradually reduce its reliance on cooperating institutions. Projects under direct IFAD supervision will be increased from the current 5 per cent to as much as 75 per cent over a period of time. Some 25 per cent of projects, therefore, will continue to be supervised by the cooperating institutions with implementation support from IFAD. A subset of these projects will comprise those initiated by cooperating institutions with IFAD cofinancing.

105. In light of the goals set by the Supervision Policy, in April 2007, the Executive Board decided to change the supervision arrangement for 26 projects and bring them under IFAD's direct supervision. Another 12 projects were approved for direct supervision in 2006 and three during the period up to June 2007. There were therefore 50 projects under IFAD's direct supervision as of 30 June 2007, constituting about 23 per cent of the current portfolio of 222 projects.

106. In view of the increasing proportion of projects directly supervised by IFAD, Management has undertaken a number of capacity-building measures: creation of a loan administration support unit within PMD, development and adoption of supervision guidelines, and training of critical staff.

C. Flexible Lending Mechanism

107. The Flexible Lending Mechanism was approved by the Executive Board in September 1998 (document EB 98/64/R.9/Rev.1). By December 2002, a total of 20 projects in 18 countries had been approved under this mechanism. In order to allow IFAD to draw lessons from its experience with this first set of projects, in September 2002 the Board decided that the number of projects financed under the FLM should be limited to those already approved or in the pipeline. It was further decided that OE would carry out an evaluation of these projects in 2004, and that subsequent decisions on FLM-financed projects would be based on the results of the evaluation. It was, however, decided to defer the evaluation by one year in view of the limited experience IFAD had accrued in this regard to date. In 2005, the Board agreed to the Evaluation Committee's recommendation that: (i) the FLM evaluation should be removed from the OE work programme, and that (ii) Management should undertake a self-assessment of the FLM instrument. The detailed findings of the self-assessment will be presented at this session of the Executive Board (document EB 2007/92/R.45).

108. By the end of the period under review, of the 20 projects involved, one was still in the first phase, 15 had moved into the second phase, two had been cancelled (Lebanon: Cooperative Rural Finance Programme [1188-LB] and Indonesia: East Kalimantan Local Communities Empowerment Programme [1191-ID]), one had been converted into a standard loan project before the first-cycle review (Bhutan: Second Eastern Zone Agricultural Programme [1094-BT]) and one (Niger: Rural Financial Services Development Programme [1139-NE]) had closed at the end of the first phase.

D. Field Presence Pilot Programme

109. The Field Presence Pilot Programme (FPPP) was approved by the Board in December 2003 (document EB 2003/80/R.4) with the aim of helping IFAD to realize its vision and Strategic Framework objectives by strengthening and integrating four interrelated dimensions: project implementation, policy dialogue, partnership-building and knowledge management. The FPPP was to be implemented over a period of three years, with 15 initiatives and an approved budget of US$3 million. As stipulated in the design document, OE undertook an evaluation of the FPPP. The executive summary of the FPPP evaluation report and the agreement at completion point were submitted to the Executive Board in September 2007 (document EB 2007/91/R.6).

110. The FPPP evaluation concluded that achievements in implementation support, policy dialogue, partnership development and knowledge management have been markedly greater in countries with field presence than in comparator countries without field presence.[23] The FPPP has made IFAD more visible and effective, and has allowed for better and more consistent follow-up, all of which has had a beneficial effect on the quality of country programmes and projects. The evaluation also noted that while the out-posting of CPMs shows promise in terms of contributing to IFAD's development effectiveness, this conclusion was of necessity based on a very small sample of out-posted CPMs.

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[23] Evaluation of IFAD's Field Presence Pilot Programme, Main Report, IFAD, July 2007 (paragraph 112).

111. Based on the above findings, the evaluation recommended that IFAD should consolidate the evidence around the positive results that had emerged and determine the most cost-effective form of field presence. To that end, it was recommended that IFAD's future field presence – to be renamed country presence – should follow two tracks: (a) continue to implement the existing 15 FPPP country initiatives; and (b) expand the programme to allow for systematic experimentation with alternative country presence models by out-posting approximately 10 CPMs and establishing two to three subregional offices. While agreeing with most of the evaluation's recommendations in principle, Management preferred to proceed prudently on the question of subregional offices.

112. After due deliberations, the Executive Board decided: (i) that IFAD should continue the 15 country presence initiatives, with further experimentation within these 15 initiatives; and (ii) that IFAD Management should prepare an activity plan for the Fund's country presence, taking account of programmatic considerations and covering, inter alia, administrative arrangements, estimated total and incremental costs, and baseline and expected results, for consideration at the current Executive Board session (document EB 2007/92/R.47).

E. Private-sector development

113. IFAD's Private-Sector Development and Partnership Strategy, approved in April 2005 (document EB 2005/84/R.4/Rev.1), set out a results framework for the period 2005-2008. It is premature to draw definitive conclusions from any of the results reported; however, the following key performance indicators, set out in the framework, were reported under RIMS by projects from the ongoing portfolio as at the end of 2006:

(a) Some 35,350 enterprises were established or strengthened, leading to the creation of about 15,500 jobs (in addition to owner/operator);

(b) About 350 processing facilities were constructed or rehabilitated;

(c) Some 470 market facilities were constructed or rehabilitated; and

(d) Approximately 9,000 km of roads were constructed or rehabilitated.

114. In terms of the process indicators for IFAD country programmes and projects, key performance indicators are divided between those responded to through country strategic opportunities papers/programmes (COSOPs) and those relating to specific project designs. A review of COSOPs and projects presented to the Board during the period under review shows that significant progress has already been made in engaging with the private sector.

115. In terms of the RMF, the targets for projects have been mostly exceeded in large measure:

(a) Some 86 per cent (24 projects) include activities aimed at strengthening the business capacities of rural poor men and women or their organizations (compared with a target of 20-25 per cent).

(b) Of the 25 projects for which extension-type activities are envisaged, 70 per cent have provision for engaging private-sector, non-state service providers (compared with a target of 25-50 per cent).

(c) Financial services will be provided through the private sector (including commercial banks, MFIs, village savings banks, etc.) in 16 projects (67 per cent of projects approved), which include provision of financial services (compared with a target of 50-75 per cent) through banks.

(d) More than two thirds of the projects (71 per cent) provide support to the small and micro enterprise sector, in particular through development of business skills.

(e) Marketing infrastructure will be supported by somewhat more than 80 per cent of projects, through the provision of roads, market facilities and information technology (compared with a target of 20-25 per cent).

(f) Slightly less than 13 per cent of cofinancing (excluding that received from governments and beneficiaries) comes from the private sector (compared with a target of 15 per cent); of this, 82 per cent is from domestic financing institutions.

116. The seven COSOPs approved during the review period all, to varying degrees, addressed issues relative to the private sector. In developing its country strategies and programmes, IFAD needs to take account of the negative consequences that open competition and unregulated market actors may sometimes have on poor and relatively more vulnerable farmers. The degree to which IFAD can partner with the private sector depends on the macroeconomic force and the regulatory environment. The seven COSOPs have the following features in terms of private-sector development and partnership:

(a) Strategies to engage in policy dialogue for local private-sector development were set out for six country programmes.[24]

(b) Private-sector representatives participated in consultations for five of the COSOPs.

(c) Six of the COSOPs envisaged partnership possibilities with the private sector.

117. IFAD intends to continue working with the private sector, and will support the development of public/private partnerships of benefit to rural poor men and women. IFAD should examine whether new products need to be developed specifically to address the needs of the local private sector.

VII. Conclusions

118. IFAD has been successful in terms of strengthening operating systems and producing results during the review period. Under IFAD's Action Plan, (i) a new corporate results framework, (ii) the IFAD Strategy for Knowledge Management and (iii) the IFAD Innovation Strategy were developed and approved by the Executive Board. All these changes will have significant bearing on the quality of future portfolios.

119. As far as results are concerned, disbursements have increased significantly and a new record was set for the fourth consecutive year. Disbursements against grants have also risen, albeit more slowly. The quality of the portfolio in general shows an improving trend, as demonstrated by a decrease in the portfolio 'at risk' from 22 per cent to 19 per cent of total projects. More importantly, projects identified as 'actual problem' projects have improved their performance even though they are not as yet problem-free. Grants are performing well in terms of innovation and partnership-building.

120. IFAD has stepped up the efficiency, effectiveness and sustainability of its projects. With regard to relevance, the current year's lower rating reflects the application of more stringent criteria, as required by IFAD's new policy and strategy pronouncements. Project performance is now close to the target set under the Action Plan. Performance against sustainability has also improved. Comparative performance between this and last year vis-à-vis the targets set under the recently approved RMF is satisfactory for both the ongoing and the completed portfolio. Improvements are clearly discernible against all impact indicators and sub-indicators identified in the RMF.

121. To sum up, the performance of IFAD's portfolio has made significant advancements during the period under review. At the same time, IFAD is addressing a number of issues to foster a comprehensive and sustained impact on rural poverty. A short description of such issues, and the action being taken to address them, is presented below.

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24 The exception was Turkey where the size of the economy and a vibrant private sector obviate against such a policy agenda.

A. Information systems management

122. The overall scope and quality of corporate monitoring and self-evaluation has improved significantly, including the PCR reports. Further work, however, is required, in particular to effectively monitor the performance against RMF, by: (i) introducing a system of quantitatively monitoring the quality of the projects at entry; (ii) increasing the scope of ongoing portfolio monitoring and objectively assessing the performance of the ongoing portfolio; and (iii) introducing a system to monitor the performance of country programmes.

123. In response to the needs identified above, the quality enhancement system has been redesigned and extensively pilot tested. An arms-length project quality assurance process, which will form part of the project design and quality system within IFAD, is also under preparation and is being pilot-tested. Both processes are part of the Action Plan deliverables and are expected to begin full implementation by early 2008. Results generated by these processes in terms of quality at entry will be reported for the first year through next year's PPR report.

124. Similarly, under the framework approved for the results-based COSOP, *country* programmes, including all loans, grants and other activities in the country, are recognized as units for review. Detailed guidelines for assessing performance are currently under development. A client/partner survey, which will contribute to IFAD's commitment to mutual accountability and act as an indicator of progress under the Paris Aid Effectiveness agenda, has been designed and will be pilot-tested soon. Likewise, current guidelines for the portfolio review will be revised in order to include additional indicators related to the ongoing portfolio of projects and the country programmes. The project completion guidelines will be updated in line with the new RMF. The RIMS will be further strengthened and increasingly used to underpin self-assessment of the ongoing portfolio's performance.

B. Portfolio management

125. With respect to portfolio management, the issues and proposed actions are as follows.

(a) Reducing delays in declaring projects effective and in effecting first disbursements;

(b) Further consolidating the portfolio of investment projects by reducing time extensions, effecting more cancellations before the closing date, where appropriate, and being more proactive in reducing the portfolio 'at risk'. To the extent feasible, these actions will be underpinned by a strategy of limiting the number of projects in the current portfolio while achieving growth in investment programmes by increasing the average investment size per project.

(c) Limiting and even reducing the number of grants in the portfolio by lowering the ceiling on annual grant approvals and completing the grant portfolio clean-up exercise, including cancellations and closures. The grants portfolio should also adhere more stringently to compliance requirements such as submission of audit and monitoring reports. Similarly, linkages between grants and investment projects will be further strengthened, while at the same time enhancing performance levels for innovation and partnership-building.

126. Overall improvements in portfolio management, including the reduction in the time required for making projects effective, will be achieved by introducing more rigour into the design of investment projects and grants, especially in enhancing their 'implementation readiness' at entry point. Quality enhancement and quality assurance systems will be geared to ensuring that this aspect of project design is adhered to.

127. Performance will be enhanced by the new arrangements for direct supervision and country presence, which will allow more in-country engagements, especially in helping to implement projects. This will aim at more comprehensive supervision processes for country programmes which include grants as well as non-financial

assistance such as partnership-building and policy dialogue. This approach should also provide opportunities for achieving better links between innovation, knowledge management, partnership-building and policy dialogue in improving the replication and scaling up of innovations introduced by IFAD projects, as suggested by the 2006 ARRI report.

128. Since IFAD's performance as a partner is mainly affected by not being in the field when needed, enhanced country-level engagement will allow it to be more responsive to the needs of partners and thereby contribute to further enhancing its performance of IFAD as a partner.

C. Outcome and impact management

129. Increased **relevance**, and better targeting, of IFAD-assisted projects will be brought about by rigorously implementing the new Targeting Policy and achieving greater alignment with country policies and strategies; in their **effectiveness** by defining project objectives more precisely and following them up during implementation; and in their **efficiency** by factoring in risks and expediting implementation. As pointed out by the 2006 ARRI report, IFAD projects tend to be over-ambitious at the design stage. Setting more realistic objectives therefore will help to increase project effectiveness.

130. Among **impact domains**, IFAD will concentrate more efforts on empowering the rural poor, in particular women, as performance here lags behind RMF targets. Giving rural poor people access to markets is yet another area where IFAD's performance falls significantly short. Because its investments in these areas tend to be relatively small (and are likely to remain so), the Fund will need to work closely with market infrastructure development programmes supported by government and donor partners. There is also a need to consolidate the gains already made in other domains such as physical assets, financial assets, food security and institutions and sustain them over a period of time. For this reason, in future PPR reports performance assessments may be presented as three-year rolling averages rather than as annual figures.

131. **Sustainability** will be improved upon, by helping to strengthen the capacity of institutions relevant to the needs of the rural poor and responding more promptly where implementation weaknesses have been identified. 'Better implementation', in fact, features as a common element to be addressed for improving performance in many impact areas. Early adoption of a sustainability strategy for projects, as pointed out by the 2006 ARRI report, would contribute significantly to enhancing sustainability. This question is now being pursued more regularly by the Technical Review Committee. Attention will be paid to increasing efficiency as it is closely related to sustainability. Essentially, as sustainability is a crosscutting issue it needs to be addressed comprehensively at various stages of the project cycle. This calls for the upgrading of many existing processes rather than for the development of a stand-alone strategy.

132. Effective knowledge management is critical for enhancing overall impact. That being the case and in view of the need for the Fund to strengthen its capacity for learning and knowledge-sharing in order to achieve its larger goal of development effectiveness, the Board approved the IFAD Strategy for Knowledge Management in April 2007 (document EB 2007/90/R.4). By providing better systems, platforms, instruments and tools, this strategy is expected to significantly improve impact of IFAD-supported projects and achieve IFAD's objective of enabling poor rural people to overcome poverty.

133. IFAD faces inherent risks given the types of intervention it supports. Delays in addressing the issues that hinder project performance further reduce performance and enhance risks of not achieving intended impact. Enhanced country presence will help to overcome such delays. There is also a need to review the tolerance threshold for non-performance, ensure that prompt remedial action is taken, increase proactivity and reduce risk.

134. While changes are called for in IFAD's internal processes and in the way it interacts with other stakeholders, any sustained improvement in performance can be achieved only through better performance at the project and country levels. An improved capacity in IFAD's borrowing Member States is a legitimate development objective in itself. From this perspective, the following issues will need to be addresses as a matter of priority:

(a) More precise elaboration of expected results, which requires a results-oriented annual work plan and budget to the extent possible aligned with the RIMS framework;

(b) Instituting M&E systems in projects and government institutions, which are rooted in expected project results and facilitate the decision-making process within the project management structure; and

(c) A mid-course correction system that is responsive to the needs of the target group and is based on feedback generated by the M&E system.

135. Activities to achieve the foregoing changes involve the entire project cycle and thus need to be continuously supported both at design and during implementation. A more focused grant-funded activity to help projects strengthen project-level M&E activities is now being carried forward by various IFAD divisions.

OE comments on the Portfolio Performance Report 2006/07

Background

1. As required by the terms of reference and rules of procedure of the Evaluation Committee, approved by the Executive Board at its eighty-third session, this document contains the comments of the Office of Evaluation (OE) on the IFAD Portfolio Performance Report (PPR) 2006/07, for consideration by both the Evaluation Committee and the Executive Board during their respective sessions in December 2007.

Positive aspects

2. The evolution in the structure of this year's PPR report is interesting. In particular, OE welcomes various new aspects that make the report an important instrument of self-evaluation, both for Management and the Executive Board.

3. PPR enhancements this year include: (i) further harmonization between IFAD's self-evaluation and independent evaluation systems through the adoption of a six-point rating scale in the preparation of project status reports, which are essential building blocks in the preparation of the PPR; (ii) specific analysis of the performance and impact of completed operations using 27 project completion reports (PCRs); (iii) the use in the analysis of 52 PCR reports prepared between mid-2005 and mid-2007 to further understanding of the factors affecting sustainability; and (iv) comparisons between the results contained in the PPR report and those in the Annual Report on Results and Impact of IFAD Operations (ARRI) prepared by OE.

4. **Benchmarking.** Benchmarking contributes to enhancing accountability and serves as an incentive for improving results. While there are some challenges related to benchmarking, the attention to benchmarking in the PPR report is appreciated, especially the efforts made to benchmark the performance of IFAD operations in the five geographic regions (e.g. see table 1 in annex III on IFAD's portfolio at risk 2007). The PPR report also benchmarks performance internally with the results contained in the Independent External Evaluation of IFAD (2004/05) as well as against the targets established in IFAD's Action Plan for Improving its Development Effectiveness (see chart 5). Moreover, the Fund's performance is benchmarked externally with the World Bank (see paragraph 54 in the PPR report).

5. **Congruence between the ARRI and PPR reports.** For the first time, this year's PPR report has tried to assess more formally the disconnect between the results reported in OE independent evaluations (in this case, as contained in the ARRI report) and those found in the Programme Management Department (PMD) self-evaluation system (as contained in the PPR report). In this regard, it is reassuring to note the low level of disconnect between ARRI and PPR results across the various evaluation criteria (see paragraphs 87-92). In fact, a low level of disconnect between self-evaluation and independent evaluation is a key indicator of the credibility and quality of an organization's self-evaluation system and processes.

6. Furthermore, this year's ARRI and PPR reports reached similar conclusions and signalled similar issues as critical for the future. For example, both reports note that the Fund has played a role in promoting innovations, but has not been equally successful in ensuring their replication and scaling up by others, including by governments, the private sector and donors. This is important, and merits further reflection, in particular during the implementation of IFAD's new Initiative for Mainstreaming Innovation. Similarly, both reports underline the weak performance of monitoring and evaluation systems at the project level, noting that immediate attention to this area is required and will help reinforce IFAD's overall self-evaluation activities.

Issues for reflection in future PPRs

7. **Trend analysis.** The PPR attempts to present a trend analysis by comparing 2006 and 2007 PPR data, although it notes that "this should not however be interpreted as a definitive trend". OE would like to underline that prudence is required in undertaking trend analyses from one year to another, in light of the relatively small number of projects completed each year, even with PMD's new approach of including the entire cohort of projects completed in any given year.[1] A similar issue was also faced in the production of this year's ARRI report, and the advice received from a professional development statistician was to avoid this type of trend analysis.

8. To give an additional example, both the PPR and ARRI reports highlight sustainability as a key challenge urgently requiring the deployment of concerted efforts. The PPR report finds that the share of projects rated as satisfactory in this regard increased from 48 per cent in 2006 to 63 per cent in 2007. Looking at the ARRI figures, one also sees an upward improvement from 40 per cent (2005) to 53 per cent (2006). However, this trend needs to be viewed with caution as it is based on a relatively small and non-random sample of projects selected for evaluation by OE, hence casting doubts on the reliability of the figures and trends. A statistically more reliable figure (contained in the ARRI report), based on evaluation ratings from 2002 to 2006, is that only 45 per cent of projects evaluated in that period have a satisfactory result in terms of sustainability.

9. **Importance of using similar data**. PPR data for 2006 are based on different guidelines and methodology than those for 2007. This is understandable, as the PCR reports used in the 2006 were based on the 1999 guidelines, whereas those used in 2007 are based on new guidelines issued in June 2006.

10. **Explaining results.** The PPR report contains a wealth of data, and although there is clearly a need to ensure that the document does not become too lengthy, future reports could be improved by devoting more efforts to identifying and explaining the causes of good or less satisfactory performance. This would be especially useful in the impact domains, but also in those related to the replication and scaling up of innovations where the proximate causes of performance could be analysed more thoroughly than is currently done. For example, paragraph 66 refers to innovations related to credit in Bolivia and The former Yugoslav Republic of Macedonia, but does not elaborate on their specific characteristics or on the factors that contribute to innovations in these countries.[2]

11. **Results measurement framework.** The Executive Board approved a revised framework for results-based country strategic opportunities programmes (COSOPs) in September 2006 and a Results Measurement Framework (RMF) for reporting on progress achieved against the IFAD Strategic Framework 2007-2010 in September 2007. The data and results generated in assessing the COSOPs will contribute towards reporting against the Fund's strategic framework objectives. Therefore, it would be useful if the results framework of the COSOP were aligned with the RMF, as required. For example, one of the six strategic result indicators in the RMF is to determine the "percentage of country programmes rated 4 or better for adherence to aid effectiveness" – an indicator not now explicitly included in the revised framework for COSOPs.

[1] Moreover, PCR reports in one year may include fewer or more countries with a favourable policy and institutional environment, which is likely to affect the results achieved and captured in the reports.

[2] As another example, paragraph 79 concerning impact on human assets notes that 64 per cent of projects assessed show a moderately satisfactory or better performance in this impact domain. However, the only explanation offered is that "in some cases, a low impact rating is simply due to the fact that no project objective was set for human assets." Again, it would have been useful to elaborate further on the reasons for the unsatisfactory performance of the remaining 36 per cent of the projects.

12. **Ledger of recommendations.** The PPR report outlines numerous actions that the Fund plans to undertake to improve the overall quality and performance of its portfolio. IFAD Management may wish to develop a ledger – for example in a matrix format – that would allow all specific actions and their follow-up to be recorded in a succinct manner and included in each PPR report.

Summary of RIMS first- and second-level results

Level	*Indicators*	*Unit*	*Total*	*On Target*	*Below Target*	*Not Planned*
Environment and common resources						
	• Households with security of tenure over natural resources	Projects	5	3	1	1
		Households	20 374	19 215	2 376	500
+						
	• Land improved under soil and water conservation	Projects	29	14	11	4
		Hectares	33 295	24 002	2 376	6 917
First Level	• Common property resources under improved management practices	Initiatives	14	8	3	3
		Hectares	476 185	37 514	6 583	432 088
	• Resource management plan enacted	Project	12	8	4	-
		Number	682	508	174	-
Food Security						
Second Level	• Producers reporting production and/or yield increase	Projects	16	6	3	7
		Number	95 248	66 070	2 545	26 633
	• People adopting recommended technologies	Projects	23	7	9	7
		Number	182 768	11 902	13 702	157 164
First Level	• Demonstrations held on farmers land	Projects	21	17	1	3
		Number	21 870	31 562	133	175
	• Farmers using purchased input	Projects	14	7	3	4
		Number	67 986	41 061	11 302	15 623
Human Capital						
Second Level	• People with improved sanitation	Projects	2	-	1	1
		Number	46 833	-	150	46 683
	• People with sustainable access to drinking water	Projects	11	5	1	5
		Number	138 446	71143	7650	59 653
First Level	• People trained	Projects	84	43	21	20
		People	640 503	371 850	203 691	64 962
	• Community projects implemented	Projects	45	28	8	9
		Number	5 413	3 649	191	1 573
Physical and financial assets						
Second Level	• Jobs generated by small and medium enterprises	Projects	12	5	2	5
		Number	16 785	10 833	517	5 435
	• Farmers working on rehabilitated and new schemes	Projects	11	5	1	5
		Number	28 885	4674	96	24 115
First Level	• Active borrowers	Projects	78	27	12	39
		Number	692 838	192 324	20 469	480 045
	• Enterprises established and/or strengthened	Projects	37	14	13	10
		People	13 635	9023	1 992	2 620
	• Irrigation schemes constructed and/or rehabilitated	Projects	24	14	5	5
		Hectares	18 444	17 196	765	483
Second Level	• Enabling policies promulgated	Projects	2	1	-	1
		Number	2	1	-	2
First Level	• Projects supporting decentralized processes	Projects	13	3	2	8
		Number	1 679	38	27	1 614
Social capital and empowerment						
Level	• Groups operational and/or functional	Projects	14	8	3	3
		Number	3 996	620	264	3 112
	• Resource management plan enacted	Project	14	7	3	-
		Number	682	508	174	-
First Level	• Groups formed/strengthened	Projects	82	45	19	18
		Number	21 161	9 500	7 019	4 642
	• CAP prepared	Projects	36	24	7	5
		Number	3 087	2 781	126	180

Portfolio at risk and proactivity

1. The Fund's project at risk assessment methodology classifies projects into three categories: 'actual problem', 'potential problem' and not at risk. The 'actual problem' projects are those with a rating of 1, 2 or 3 in one of the two main indicators of implementation performance and progress towards development objectives. The identification of 'potential problem' projects is based on a rating of 1, 2 or 3 against five of the 11 risk flags. The remaining projects are regarded as not being at risk.

2. At the end of the review period, i.e. 30 June 2007, IFAD's investment portfolio contained 32 projects 'at risk', and five 'potential problem' projects. Divisionwise, distribution of the portfolio shows some variation.

Table 1
IFAD portfolio at risk 2007

	Projects at risk				*Not at Risk*		*Total*	
	Actual		*Potential*					
PA	6	14%	3	7%	35	80%	44	100%
PF	7	18%			33	83%	40	100%
PI	8	17%	1	2%	37	80%	46	100%
PL	6	19%			26	81%	32	100%
PN	5	14%	1	3%	30	83%	36	100%
Total	**32**	**16%**	**5**	**3%**	**161**	**81 %**	**198**	**100%**

3. The mid-2007 share of projects at risk compares favourably with the previous review period, when the total share of the portfolio at risk was 22 per cent (20 per cent actual and 2 per cent potential). Also, the total number of 'actual problem' projects decreased from 38 in 2006 to 32 in 2007. While this is significant, it is important to understand the dynamics involved, the persistency of the problem, and how projects are transiting between risk categories. For this reason, the projects 'at risk' for 2007 are classified into three sub-categories.

   (a) Projects chronically 'at risk' are those classified as 'actual problem' projects for three or more consecutive years. Approximately 30 per cent of the portfolio at risk (11 projects) falls into the current cohort of 'actual problem' projects.

   (b) The transitorily at risk group consists of projects that, during the last three years, have experienced at least one not-at-risk year. This group comprises 21 projects, corresponding to 56 per cent of the total portfolio at risk for 2007.

   (c) Finally, four projects are new (with less than two years of implementation) and have been classified as projects at risk from the start.

4. Overall, in 2007, a higher share of projects is transitorily at risk.[1] Similarly, of the 14 chronically problem projects as at mid-2006, only three (Haiti: Food Crops Intensification Project – Phase II [1070-HD], Panama: Sustainable Rural Development Project for the Ngöbe-Buglé Territory and Adjoining Districts [1199-PA] and Rwanda: Umutara Community Resource and Infrastructure Development Project [1149-RW]) are still in the 'actual problem' category. Three other projects that are also in the 'actual problem' category (Cameroon: National Microfinance Programme Support Project [1126-CM], Kenya: Eastern Province Horticulture and Traditional Food Crops Project [467-KE] and Pakistan: Northern Areas Development Project [1042-PA]) were expected to be completed in June 2007. More importantly, IFAD succeeded in improving the portfolio quality in Angola: Northern Region Foodcrops Development Project (492-AO), China: Wulin Mountains Minority-Areas Development Project (1083-CN), Guyana: Poor Rural Communities Support Services Project (1009-GY), Malawi:

[1] In last year's PPR report, the share of chronically-at-risk projects corresponded to 35 per cent of the total portfolio-at-risk and consisted of 14 projects.

Smallholder Flood Plains Development Programme (1047-MW) and Yemen: Dhamar Participatory Rural Development Project (1195-YE). Although the performance of the Nepal: Western Uplands Poverty Alleviation Project (1119-NE) improved, it is still a 'potential problem' project.

5. Projects closing in Belize: Community-initiated Agriculture and Resource Management Project (1067-BZ), Nepal: Poverty Alleviation Project in Western Terai (1030-NE), Turkey: Ordu-Giresun Rural Development Project (476-TR) and Zimbabwe: Smallholder Irrigation Support Programme (1051-ZW) contributed to overall enhancement of portfolio quality. The chronic problems affecting the Belize and Zimbabwe projects were not solved before their closure. For the Niger: Rural Financial Services Development Programme (1139-NE), IFAD brought forward the completion and closing dates owing to poor implementation progress. The projects in Algeria: Pilot Project for the Development of Mountain Agriculture in the Watershed Province of Oued Saf Saf (1176-DZ) and India: Livelihood Security Project for Earthquake-Affected Rural Households in Gujarat (1210-IN) are no longer part of the portfolio at risk as they were cancelled at the request of the respective governments.

Table 2

Region	*Actual Problem Projects in 2006*	*Status at Mid-2007*				*Proactivity (percentage)*
		Persistent	*Upgraded restructured*	*Completed closed*	*Cancelled*	
PA	5	Senegal, 1156 Cameroon, 1126 [a] Niger, 1139 [a]	Senegal, 1019 (P) Niger, 1221 Nigeria, 1260			40
PF	8	Rwanda, 1149 Kenya, 467 [a]	Eritrea, 1097 Swaziland, 1159 Mauritius, 1093 Angola, 492 [a] Malawi, 1047 [a]	Zimbabwe, 1051		75
PI	8	India, 1155 Pakistan, 1078 Pakistan, 1042 [a]	China, 1083 Nepal, 1119 (P) Nepal, 1285	Nepal, 1030	India, 1210	62
PL	9	Argentina, 1098 Haiti, 1070 Panama, 1199	Honduras, 1128 Honduras, 1198 Nicaragua, 1120 Haiti, 1171 Guyana, 1009 [a]	Belize, 1067		66
PN	8	Georgia, 1147 Morocco, 1230 Turkey, 1189	Djibouti, 1236 Yemen, 1195 Yemen, 1075 [a]	Turkey, 476	Algeria, 1176	62
Total	**38**	**14**	**19**	**4**	**2**	**64**

[a] These projects were expected to be closed during the current review period. They are included in the group of projects persistently at risk or upgraded/restructured on the basis of their assessment during the last review period.

6. The remaining 19 projects have been upgraded from the 'actual problem' category and have shown improved performance. The projects marked with an asterisk were to be closed during the current review period (1 July 2006-30 June 2007) but are included in the upgraded subgroup because their performance improved during the last year of implementation. Looking at the whole group of projects that have been upgraded or restructured, two subcategories can be distinguished.

7. The portfolio proactivity calculated on the group of projects 'at risk' as at mid-2006 is satisfactory at 64 per cent.[2] However, this indicator will need to be complemented by further analyses, as improving project performance is more desirable than cancelling unsuccessful projects. A number of projects fall into the first subcategory, viz. improved project performance. MTRs played an active role in helping projects in

[2] This is the share of projects rated as 'actual problem' in the previous year that have been upgraded, restructured, closed, cancelled or suspended during the current review period. The index is calculated by counting the number of projects that had been rated as actual problems in the previous year but are not in that category in the current year, and dividing this number by the total number of actual problem projects in the previous year.

Eritrea: Gash Barka Livestock and Agricultural Development Project (1097-ER), Honduras: National Fund for Sustainable Rural Development Project and National Programme for Local Development (1128-HN and 1198-HN), Nigeria: Community-based Natural Resource Management Programme – Niger Delta (1260-NG) and Senegal: Village Management and Development Project (1019-SN) to perform better. Remedial action and interventions were refocused to that end. In Honduras and Senegal, the MTRs benefited from the support of RUTA and IFAD field presence.

8. Intensive follow-up, supervision and dialogue initiatives also contributed to enhancing project performance in China: Wulin Mountains Minority-Areas Development Project (1083-CN) and Djibouti: Microfinance and Microenterprise Development Project (1236-DJ). In the China (1083-CN) project, following an intensive follow-up and dialogue, subsidiary loan agreements were signed with rural credit cooperatives; good progress has been made since then. In the Djibouti 1236-DJ project, IFAD deployed additional resources to backstop the newly established project management unit and engaged in policy dialogue initiatives with officials of the United Nations Development Programme and the Government for the purpose of developing the microfinance policy necessary to provide an enabling environment for project implementation.

9. The second subcategory consists of projects where performance improvements were led by factors outside the Fund's direct influence. IFAD projects in Nepal benefited from an overall improved security and political environment. Changes in project management are identified as key factors that determined upswings in the performance of IFAD projects in Nicaragua: Technical Assistance Fund Programme for the Departments of León, Chinandega and Managua (1120-NI) and Yemen: Raymah Area Development Project (1075-YE).

Table 3

Division	*Actual Problem Projects in 2006*	*Actual Problem Projects in 2007*	*Proactivity (percentage)*	*Reduced Risk (percentage)*
PA	5	6	40	50
PF	8	7	75	100
PI	8	8	62	33
PL	9	6	66	66
PN	8	5	62	-
Total	**38**	**32**	**64**	**46**

10. In addition to the proactivity index, IFAD also makes use of the reduced risk index, which calculates the share of interventions previously rated as 'actual problem' projects and that, despite remaining in that group during the current year, show improved performance.[3] This index for mid-2007 stands at 46 per cent. In other words, the performance of a little less than half the projects actually achieved some improvement in performance.

[3] This is calculated by comparing the number of the PSR flags for each previous year's actual problem project with the number of flags for the same project for the current review period. The index is calculated by counting the number of projects where the number of flags has been reduced, and dividing these 'reduced risk' projects by the number of actual problem projects that appear in both years.

List of project completion reports reviewed

Region	*Country*	*ID number*	*Project/programme name*	*Loan effectiveness*	*Project completion date*	*Loan closing date*	*Approved loan amount (US$'000)*
PA	Benin	488	Income Generating Activities Project	13-Mar-97	31-Dec-04	30-Jun-05	12 000
PA	Gambia	428	Lowlands Agricultural Development Programme	27-May-97	31-Dec-04	30-Jun-05	5 061
PA	Ghana	1053	Root and Tuber Improvement Programme	15-Jan-99	31-Mar-05	30-Sep-05	9 017
PA	Côte d'Ivoire	1081	Rural Development Project in the Zanzan Region	16-Sep-99	30-Sep-05	31-Mar-06	11 117
PA	Mali	497	Zone Lacustre Development Project – Phase II	12-Jun-97	31-Dec-05	30-Jun-06	12 692
PF	Burundi	229	Bututsi Agro-pastoral Development Project	27-Sep-89	31-Dec-95	30-Jun-05	8 960
PF	Ethiopia	342	Southern Region Cooperatives Development and Credit Project	17-Aug-94	30-Jun-05	31-Dec-05	10 470
PF	Mozambique	359	Niassa Agricultural Development Project	19-Oct-94	31-Dec-05	30-Jun-06	12 403
PI	Bhutan	1094	Second Eastern Zone Agricultural Programme	17-May-00	30-Jun-05	31-Dec-05	9 511
PI	Cambodia	517	Agriculture Productivity Improvement Project	22-Sep-97	31-Dec-05	30-Jun-06	8 599
PI	India	1012	Rural Women's Development and Empowerment Project	19-May-99	30-Jun-05	31-Dec-05	19 208
PI	Nepal	1030	Poverty Alleviation Project in Western Teri	10-Mar-98	30-Jun-05	31-Dec-05	8 866
PI	Philippines	486	Cordillera Highland Agricultural Resource Management Project	04-Dec-96	31-Dec-04	30-Jun-05	9 240
PI	Viet Nam	1091	Ha Tinh Rural Development Project	17-Sep-99	30-Sep-05	31-Mar-06	15 433
PL	Belize	1067	Community-initiated Agriculture and Resource Management Project	30-Jun-99	31-Dec-05	30-Jun-06	2 293
PL	Bolivia	373	Sustainable Development Project by Beni Indigenous People	30-Oct-96	30-Jun-05	31-Dec-05	6 260
PL	Haiti	241	Small-scale Irrigation Schemes Rehabilitation Project	10-May-96	31-Dec-05	30-Jun-06	10 572
PL	Honduras	1087	Rural Development Project in the South-Western Region	30-Jun-99	30-Jun-05	31-Dec-05	19 300
PL	Panama	474	Sustainable Agricultural Development and Environmental Protection Project for the Darien	28-Oct-96	31-Dec-05	30-Jun-06	7 916
PN	Egypt	355	Agricultural Production Intensification Project	25-Jan-95	30-Jun-05	31-Dec-05	20 200
PN	Jordan	1071	National Programme for Rangeland Rehabilitation and Development – Phase I	04-Sep-98	30-Jun-05	31-Dec-05	4 003
PN	Lebanon	1036	Agricultural Infrastructure Development Project	09-Apr-99	31-Dec-04	30-Jun-05	11 929
PN	Lebanon	370	Irrigation Rehabilitation and Modernization Project	04-Jan-96	31-Mar-05	30-Sep-05	9 920
PN	The former Yugoslav Republic of Macedonia	522	Southern and Eastern Regions Rural Rehabilitation Project	05-Sep-97	31-Dec-05	30-Jun-06	8 148
PN	Moldova	1110	Rural Finance and Small Enterprise Development Project	01-Dec-00	31-Dec-05	30-Jun-06	8 000
PN	Turkey	476	Ordu-Giresun Rural Development Project	25-Aug-97	31-Dec-05	30-Jun-06	19 992
PN	Yemen	1061	Southern Governorates Rural Development Project	01-Jul-98	30-Jun-05	31-Dec-05	11 276

Template for assessing project performance

Criterion	*Assessment*
	Project Performance
Design	• Did design problems affect any aspect of performance or impact? • Did the project provide for the appropriate human, physical and financial resources? • Was baseline data taken into account at the design phase? • Did the project have a logical framework? • Was the expected internal rate of return (EIRR) included in original project design? • Are the components a logical/coherent means of meeting the stated objective? • Was the project too ambitious or not sufficiently so? • Did the design address gender issues? • Was there any stakeholder participation in the design?
Implementation	• How effective was the project management unit? • Were the M&E systems in place and operational? • Were stakeholder workshops/surveys carried out? • Was the logical framework updated to reflect changes during implementation? • Were there any design changes during implementation? • Were the implementation arrangements appropriate and effective (e.g. did the implementing agency have the capacity to carry out project activities)?
Relevance	• Was the project relevant to the needs of the rural poor? • Was the targeting approach appropriate to the country context and was it effective? • Was the project relevant to IFAD strategic objectives? • Was the project relevant to national development strategies?
Effectiveness	• To what degree were the stated objectives met? • What percentage of the project's physical targets was met? • What percentage of the target population was reached? To what degree did they benefit? • Was the project participatory and did it meet the stated needs of stakeholders? • Include problems that may have arisen from poor design or implementation.
Efficiency	• If re-estimated EIRR is presented, how does in compare to expectations at design phase? At mid-term review? • Were timetables adequately met? • Were there any cost overruns? • Also note if any cost-/time-saving measures were/could have been taken.
	a) Partner Performance
IFAD	• How well designed/monitored/implemented was the project? • Was IFAD flexible in dealing with changes in project environment, including amendments to the loan agreement? • Were any measures taken to adjust the project in response to inadequacies in the original design or changes in the implementation environment? • Relationship between IFAD and other partners?
Cooperating institution	• Were cooperating institution reports filed in a timely manner? • Were cooperating institution reports from supervision missions adequate? Were the recommendations relevant? • How frequent were the supervision missions? • Was the skill mix of the supervision teams appropriate? • Was there continuity in terms of staff provided by the cooperating ?
Government	• Did government contribute to project design? • Did government comply with covenants of the loan agreement? • Did government follow up on the recommendations of donors and support missions? • Was counterpart funding provided as agreed? • Were national policies and institutions supportive of the project? • Performance of project management unit – how responsive and effective was it?
NGO/other	• Opinion of end-users is important. • Timeliness of service delivery, adherence to schedules and contracts.
Cofinancier(s)	• Were the committed funds provided in full and as agreed? • Were there any issues regarding harmonization: reporting structures, special requirements, support missions? • Were the cofinanciers flexible where necessary? • Were there any conditions set on cofinancing? • Relationship between cofinancier and other partners.
Combined partner performance	***As a whole, how did they do? How well did they work together?***
Rural poverty impact	*Measures impacts that can be directly attributable to the project (comparing before and after). This information can be qualitative or quantitative. Rate each domain, if information not mentioned, not relevant, or not*

Criterion	*Assessment*
	assessable, say so. Rating should also be based on sustainability.
Physical assets	• Did households' physical assets (land, water, livestock, tools, etc.) change? • How secure is this change (e.g. legally secure entitlement, to land, secure source of water/grazing areas, etc.)? • Did other household assets (houses, bicycles, ratios, etc.) change? • Did infrastructure improve/increase?
Financial assets	• Did household financial assets (savings, debts, etc.) change? • Did household access to financial services (credit, insurance, etc.) change? • Was there any increase in income? Income diversification? Increased employment?
Food security	• Did children's nutritional status change? • Did household food security change? • Did the frequency of food shortages change? • Include increases in access to food and home production changes.
Environment and common resources	Note: Positive changes are high numbers (4-6); negative changes are low numbers (1-3). No impact (as perhaps in a credit activity) would not be rated. • Did the status of natural resource base (land, water, air, forest, pasture, fish stocks, biodiversity, carbon emissions, etc.) change? • Were potential environmental problems analysed? In other words, was environment discussed in agricultural expansion/intensification; in infrastructure development; in forest activities?
Human assets	• Were there changes in access to water? • Did the project improve access to basic health and disease prevention? • Did the incidence of HIV infection change? • Were there any changes in maternal health and mortality? • Did the project lead to an increase in school enrolment? – note gender differences • Were there any changes in women's and children's workloads? • Did the project lead to any improvements in adult literacy?
Social capital and empowerment	• Did rural people's organizations and institutions change? • Did social cohesion and the self-help capacity of rural communities change? • Did gender equity and/or women's conditions change? • Did rural people feel empowered vis-à-vis local and national public authorities and development partners? • Do rural people play a (more effective) role in decision-making?
Agricultural productivity	• Did farming technology and practices change? • Did agricultural production change (area, yield, production mix, etc.)? Consider also agriculture and livestock activities.
Institutions and services	• Did rural financial institutions change? • Did local public institutions and service provision change? • Did national/sectoral policies affecting the rural poor change? • Were there other changes in institutions and policies?
Markets	• Did rural people's access to markets (transport, roads, storage, communication facilities, etc.) change? • Did rural people's ability to work with and benefit from markets change?
Rural poverty impact	***The overall impact on the rural poor. A weighted average, general view of project impact. But NOT an arithmetic calculation. Consider project objectives.***
Overarching factors	
Innovation	• Were there any innovative aspects to the project? Innovations can be completely new, new to the country, new to the region, or new to the target population.
Replicability and scaling up	• What potential exists for replication (at national level or in other countries)? • Scaling up: Can the project be expanded beyond the target area/population? • What is the potential to apply project (or specific components) to national development policies, projects, plans? • Is any of the above already taking place?
Innovation, replicability and scaling up	***This will be an overall/combined rating of both to meet IFAD criteria. The above can be used for discussion; this rating will be used for the overall evaluation.***
Sustainability and ownership	• Has the project taken reasonable steps to mitigate the risks from natural disasters? • Did the project recognize any risks to sustainability (i.e. commodity prices) and taken measures to mitigate impacts? • How vulnerable is project continuity to political/economic change? In other words, are there any institutional or capacity issues that could/should have been addressed to ensure sustainability? • Are project impacts sustainable beyond project interventions (can they continue without external

Criterion	*Assessment*
	financing/support)? • What is the level of local ownership? • What is the level of local capacity to ensure continued operation and maintenance?
Gender	• Did women's situation (workloads, access to credit, health care, primary education, literacy) change? • Increased social capital (women's groups, cooperatives, etc.)? • Increased income and employment? • Was the project designed to specifically target the needs of women? • Disaggregate gender from other impact domains and rate based on impact only to women.
Overall performance	**Based on performance indicators, impact and overarching factors, rate the project as a whole.**
PCR quality	
Scope	• Does the PCR cover all or nearly all of the elements outlined in chapter VI of the 2006 guidelines? Note major omissions. • Is all basic data presented (surveys/stakeholder workshops)?
Quality	• Are the description, analysis and conclusions convincing or flawed? • Are data well chosen, well analysed and well presented? Quantitative or qualitative. • Is there a re-estimated EIRR? • Ease of assessment. How easy was it to find all the relevant information for this assessment?
Lessons	• Are the lessons clearly drawn? • Are lessons old or new? • Do they have broad or narrow relevance?

Progress against Strategic Framework results

Strategic result indicator	*At entry*	*During implementation*	*At completion[a]*	*Actuals reported in ARRIs for ongoing and competed portfolio[b]*	*Actuals as reported by IEE for ongoing and completed Projects[c]*	*Actuals as reported by comparator organizations for completed projects[d]*
A. Project-related indicators						
1. Percentage of projects rated 4 or better[e] for (projected) effectiveness in one or more thematic area of engagement	Current (n.a.) Target (2010) – 90 per cent	Current (n.a.) Target (2010) – 80 per cent	Current (n.a.) Target (2010) – 70 per cent	Current: project effectiveness at completion Target (2010) – 80 per cent	Outcome rating (relevance, effectiveness and efficiency) Ongoing+completed projects: 71 per cent Completed only – 61 per cent Effectiveness only, for ongoing and completed projects – 67 per cent	World Bank, satisfactory outcome (2001-2005), completed projects only, Rural sector – 80 per cent Overall – 77 per cent <u>AsDB</u>: Completed ADF projects rated successful (1990-1997): Agriculture – 47 per cent Total projects – 58 per cent
			2006 – 72 per cent			
			2007– 78 per cent	2006 – 67 per cent		
			2-year average – 75 per cent	2002-05 – 74 per cent		
• Natural resources (land and water)						
• Agricultural technologies						
• Financial services						
• Markets						
• Rural employment and enterprise development						
• Policy and programming						
2. Percentage of projects rated 4 or better for (projected) impact on poverty measures, such as:	Current (n.a.) Target (2010) – 90 per cent	Current (n.a.) Target (2010) – 80 per cent	Current (n.a.) Target (2010) - 70 per cent	Current, composite of all 4: Target (2010) – 70 per cent,	Ongoing+completed projects:	
			2006- 60 per cent		Composite of all 4 (+1): 37 per cent	
			2007- 70 per cent,	2006: 80 per cent,		
			2-year average – 75 per cent	2002-2005: 60 per cent		
• physical and financial assets			2007: 75 per cent			
• food security			2007: 75 per cent			
• empowerment		2007: 85 per cent	2007: 64 per cent			
• gender equity of target populations		2007: 83 per cent	2007: 67 per cent			
3. Percentage of projects rated 4 or better for innovation, learning and/or scaling up	Current (n.a.) Target (2010) – 90 per cent	Current (n.a.) Target (2010) – 80 per cent, 2007 – 80 per cent	Current (n.a.) Target (2010) – 70 per cent	Current: Innovation replicability, and scaling up Target (2010) – 65 per cent	Innovation and replication, Ongoing+completed projects,	
			2006 – 52 per cent		Local innovation – 55 per cent	
			2007 – 65 per cent	2006 – 67 per cent	National innovation – 25 per cent	
			2-year average – 59 per cent	2002-2005 – 69 per cent		
4. Percentage of <u>projects</u> rated 4 or better for sustainability of benefits	Current (n.a.) Target (2010) – 90 per cent	Current (n.a.) Target (2010) – 80 per cent	Current (n.a.) Target (2010) – 70 per cent	Completed and ongoing projects: Target (2010): 80 per cent	Sustainability of impact	World Bank: Completed projects 2001-2005: Rural sector – 73 per cent All projects – 77 per cent
		2007:77 per cent	2006 – 48 per cent		Ongoing+completed projects – 61 per cent	
			2007 – 63 per cent	2006 – 53 per cent	Late and closed projects only – 40 per cent	
			2-year average – 56 per cent	2002-2005 – 43 per cent		
B. Country programme-related indicators						
5. Percentage of country programmes rated 4 or better for (projected) contribution to:	Current (n.a.) Target (2010) – 90 per cent	Current (n.a.) Target (2010) – 80 per cent	Current (n.a.) Target (2010) – 70 per cent	ARRI reports on project-level performance only and not yet on COSOPs Target (2010): 70 per cent	No impact assessment made for country programmes. At project level and for both ongoing and completed projects composite rating was 41 per cent of projects rated to have substantial (3) or high (4) impact (a suggestion for outcomes at country strategies)	
• increasing the incomes,						
• improving the food security and						
• empowerment of rural poor women and men						
6. Percentage of country programmes rated 4 or better for adherence to aid effectiveness agenda	Current (n.a.) Target (2010) – 90 per cent	Current (n.a.) Target (2010) – 80 per cent	Current (n.a.) Target (2010) – 70 per cent	Aid effectiveness is not used as an indicator in ARRI Target (2010): 70 per cent	Only 50 per cent of COSOPs were rated satisfactory on consistency with national priorities and poverty reduction strategies.	

[a] Current levels are based on PCRs and thus data refer to completed projects only. Sample sizes were 25 and 27 PCRs in 2006 and 2007, respectively.
[b] ARRI findings are based on both ongoing and completed projects. Sample sizes were: 2002, 10 project evaluations (of which, 9 interim), partly supplemented by 2 country programme evaluations; 2003, 10 project evaluations (8 interim), partly supplemented by 4 country evaluations; 2004, 9 projects (8 interim); also consolidates the findings of 2002 and 2003 evaluations and thereby increases the sample to 29; 2005, 11 project evaluations; ratings given for 21 projects from 3 country evaluations was added to make it a 32-project sample.
[c] For IEE, reference years were projects becoming effective from January 1994 to December 2003. Of the 20 projects selected, only 6 were completed and 14 were ongoing. Of the ongoing, 4 were at a late stage. In some cases these 10 (6+4) were used to gauge impact.
[d] The information provided for comparators – World Bank and AsDB - are for indicators that only approximate the indicators chosen by IFAD. They are based on a much larger sample. Performance measures of ongoing portfolio, however, tend to over-rate performance in most IFIs.
[e] IFAD Management has adopted a new rating scale that ranges from 1 (highly unsatisfactory) to 6 (highly satisfactory). A rating of 4 (partly satisfactory) or above in this scale is equivalent to 3 or above in a 4-point scale used in the ARRI report and IEE. From 2007 onwards, the ARRI now reports results on a 6-point scale.

Projects financed under the Flexible Lending Mechanism

Div.	*Country*	*Project/Programme Name*	*Board approval*	*Loan effective*	*Project completion date*	*Estimated years implementation.*	*No. of phases (approved)*	*Estimated phase II begins*	*Current phase*	*Disbursed (percentage)*
PA	Cape Verde	Rural Poverty Alleviation Programme	08 Sep 99	14 Jul 00	30 Sep 09	9	3 (3-3-3)	2004	2nd	49
PA	Guinea	Programme for Participatory Rural Development in Haute-Guinée	09 Dec 99	18 Jan 01	31 Mar 11	10	3 (3-4-3)	2006	2nd	20
PA	Mali	Sahelian Areas Development Fund Programme	02 Dec 98	14 Oct 99	31 Mar 09	10	3 (3-4-3)	2003	2nd	84
PA	Niger	Rural Financial Services Development Programme	03 May 00	08 Jun 01	30 Jun 11	10	3 (4-3-3)	2006	1st	26
PA	Sao Tome and Principe	Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme	26 Apr 01	25 Feb 03	31 Mar 15	12	4 (3-3-3-3)	2006	2nd	24
PF	Malawi	Rural Livelihoods Support Programme	12 Sep 01	30 Aug 04	30 Sep 13	9	3 (3-3-3)	2008	1st	33
PF	Rwanda	Umutara Community Resource and Infrastructure Development Project	04 May 00	05 Dec 00	31 Dec 10	10	3 (3-4-3)	2004	2nd	73
PF	United Republic of Tanzania	Rural Financial Services Programme	07 Dec 00	12 Oct 01	31 Dec 10	9	3 (3-3-3)	2005	2nd	57
PI	Bangladesh	Sunamganj Community-Based Resource Management Project	12 Sep 01	14 Jan 03	31 Mar 14	11	3 (5-3-3)	2008	2nd	23
PI	India	National Microfinance Support Programme	04 May 00	01 Apr 02	30 Jun 09	7	2 (3-4)	2006	2nd	97
PI	India	Orissa Tribal Empowerment and Livelihoods Programme	23 Apr 02	15 Jul 03	31 Mar 13	10	3 (3-4-3)	2007	2nd	17
PI	Indonesia	Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas	04 May 00	31 Jan 01	31 Mar 09	8	2 (4-4)	2005	2nd	66
PI	Nepal	Western Uplands Poverty Alleviation Project	06 Dec 01	01 Jan 03	31 Mar 14	11	3 (4-4-3)	2007	2nd	11
PL	Guatemala	Rural Development Programme for Las Verapaces	08 Dec 99	06 Sep 01	30 Sep 11	10	2 (4-6)	2007	2nd	60
PL	Haiti	Productive Initiatives Support Programme in Rural Areas	23 Apr 02	20 Dec 02	31 Dec 12	10	3 (3-4-3)	2006	2nd	20
PL	Nicaragua	Technical Assistance Fund Programme for the Departments of León, Chinandega and Managua	09 Dec 99	20 Jun 01	30 Jun 13	12	4 (4-4-4)	2005	2nd	27
PN	Sudan	South Kordofan Rural Development Programme	14 Sep 00	12 Feb 01	31 Mar 11	10	2 (5-5)	2005	2nd	65

Notes: The Second Eastern Zone Agricultural Programme in Bhutan was transformed in 2003 to a non FLM loan; the Cooperative Rural Finance Programme in Lebanon was cancelled in 2004 and the East Kalimantan Local Communities Empowerment Programme in Indonesia in 2006; for the Programme for Participatory Rural Development in Haute-Guinée in Guinea: the 1st phase lasted 5 years and the 2nd and 3rd were merged into one as a recommendation of the Interphase Review mission; Malawi 2nd phase was approved during 3rd quarter of 2007.

Projects directly supervised by IFAD

Region	*Country*	*Project/programme Name*	*Lending terms*	*Project type*	*Board approval*	*Loan signing*	*Loan effectiveness*	*Project completion*	*Disbursed (percentage approved amount)*
Closed projects									
PA	Benin	Microfinance and Marketing Project	HC	Credit and financial services	22 Apr 98	03 Jul 98	04 May 99	30 Jun 06	99
PA	Gambia	Rural Finance and Community Initiatives Project	HC	Credit and financial services	02 Dec 98	18 Feb 99	14 Jul 99	30 Jun 06	94
PF	Uganda	District Development Support Programme	HC	Rural development	10 Sep 98	11 Feb 00	24 May 00	30 Jun 06	99
PF	Zimbabwe	Smallholder Irrigation Support Programme	HC	Irrigation	02 Dec 98	17 Feb 99	14 Sep 99	31 Dec 05	10
PI	Bangladesh	Agricultural Diversification and Intensification Project	HC	Agricultural development	29 Apr 97	29 May 97	04 Dec 97	30 Jun 04	90
PN	Armenia	North-West Agricultural Services Project	HC	Agricultural development	04 Dec 97	05 Dec 97	14 Apr 98	31 Jul 01	100
Ongoing Projects									
PA	Mali	Sahelian Areas Development Fund Programme	HC	Rural development	02 Dec 98	19 Feb 99	14 Oct 99	31 Mar 09	82
PF	Zambia	Smallholder Enterprise and Marketing Programme	HC	Rural development	09 Dec 99	16 Feb 00	07 Nov 00	31 Dec 07	91
PI	Indonesia	Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas	HC	Rural development	04 May 00	21 Jun 00	31 Jan 01	31 Mar 09	64
PI	India	Jharkhand-Chattisgarh Tribal Development Programme	HC	Rural development	29 Apr 99	13 Mar 01	21 Jun 01	30 Jun 09	18
PL	Dominican Republic	South-Western Region Small Farmers Project – Phase II	I	Rural development	03 Dec 98	19 Jan 99	05 Apr 00	31 Dec 07	92
PL	Peru	Development of the Puno-Cusco Corridor Project	O	Research/extension/training	04 Dec 97	07 Dec 99	17 Oct 00	31 Dec 07	86
PL	Brazil	Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East	O	Credit and financial services	03 Dec 98	10 Oct 00	21 Dec 00	30 Jun 09	51
PN	Sudan	North Kordofan Rural Development Project	HC	Rural development	28 Apr 99	14 Jul 99	14 Jun 00	30 Jun 08	94
PN	Gaza and the West Bank	Participatory Natural Resource ManagementProgramme	HC	Rural development	23 Apr 98	07 May 98	01 Feb 00	31 Dec 08	30

Notes:
HC = Highly concessional
I = Intermediate
O = Ordinary