

Document: EC 2008/53/W.P.2  
Agenda: 3  
Date: 30 September 2008  
Distribution: Public  
Original: English

**E**



Enabling poor rural people  
to overcome poverty

## **Annual Report on Results and Impact of IFAD Operations evaluated in 2007**

Evaluation Committee — Fifty-third Session  
Rome, 3 October 2008

---

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:

**Luciano Lavizzari**

Director, Office of Evaluation  
telephone: +39 06 5459 2274  
e-mail: [l.lavizzari@ifad.org](mailto:l.lavizzari@ifad.org)

Queries regarding the dispatch of documentation for this session should be addressed to:

**Deirdre McGrenra**

Governing Bodies Officer  
telephone: +39 06 5459 2374  
e-mail: [d.mcgrenra@ifad.org](mailto:d.mcgrenra@ifad.org)

## Contents

<b>Abbreviations and acronyms</b>	<b>ii</b>
<b>Executive summary</b>	<b>iii</b>
<b>I. Introduction</b>	<b>1</b>
<b>II. Projects and programmes evaluated</b>	<b>1</b>
<b>III. Evaluation findings 2007</b>	<b>3</b>
A. Project performance (relevance, effectiveness and efficiency)	3
B. Impact on rural poverty	6
C. Overall rural poverty impact	8
D. Overarching factors	10
E. Performance of partners	12
F. Overall project achievement	15
G. Contribution to the Millenium Development Goals (MDGs)	16
<b>IV. Selected issues raised by corporate-level and country programme evaluations</b>	<b>17</b>
<b>V. Evaluation findings 2002-2007</b>	<b>19</b>
A. Project performance	19
B. Rural poverty impact	20
C. Innovation and sustainability	22
D. Partner performance	23
E. Overall project achievement	23
F. Analysis of performance over time	24
G. Internal and external benchmarking	24
<b>VI. ARRI report's contribution to learning</b>	<b>27</b>
A. Country context and its impact on IFAD-funded activities	27
B. Project-level monitoring and evaluation	30
<b>VII. Conclusions and recommendations</b>	<b>33</b>
A. Conclusions	33
B. Recommendations	35
<b>Annexes</b>	
I. Methodological framework for project evaluation	38
II. Definition of evaluation criteria	39
III. Objectives of country programmes and individual projects evaluated	41
IV. Explanation of aggregated ratings	43

## Abbreviations and acronyms

AfDB	African Development Bank
ARRI	Annual Report on Results and Impact of IFAD Operations
AsDB	Asian Development Bank
CBO	community-based organization
CPE	country programme evaluation
CPM	country programme manager
CPR	common property resource
COSOP	country strategic opportunities programme/paper
IEE	Independent External Evaluation (of IFAD)
IFI	international financial institution
M&E	monitoring and evaluation
MDG	Millennium Development Goal
MIC	middle-income country
MTR	mid-term review
O&M	operation and maintenance
OE	Office of Evaluation (IFAD)
PMD	Programme Management Department (IFAD)
PMU	project management unit
PRISMA	President's Report on the Implementation Status of Evaluation Recommendations and Management Actions
RIMS	Results and Impact Management System
UNOPS	United Nations Office for Project Services

*Note:* See table 1, page 2, for the acronyms of project/programme titles.

## Executive summary

1. This is the sixth Annual Report on Results and Impact of IFAD Operations (ARRI) prepared by the Office of Evaluation (OE). It presents a comprehensive synthesis of the main results and impact from evaluations conducted by OE in 2007.
2. The report also includes a specific section on two key learning themes: (i) the importance of analysing country context issues thoroughly in order to strengthen IFAD's development effectiveness; and (ii) a reflection on the opportunities and challenges in enhancing the performance of project-level monitoring and evaluation (M&E) systems.
3. **Evaluation findings related to performance.** Evaluation findings from the projects assessed in 2007 reveal an encouragingly positive picture of the Fund's operations. In fact, for the first time since production of the first ARRI report in 2003, all projects evaluated manifested satisfactory results in two of the most important evaluation criteria: project performance and overall project achievement.<sup>1</sup> This is a noteworthy achievement that deserves to be highlighted.
4. In addition, 91 per cent of the projects evaluated demonstrated satisfactory results in rural poverty impact, with strong performance in promoting physical assets and agricultural productivity.
5. Moreover, there have been marked improvements in the 2007 sample with regard to sustainability, which has been unsatisfactory in the past. Sustainability was satisfactory in 67 per cent of the projects evaluated in 2007, as compared to merely in 40 per cent in 2002. The results in promoting pro-poor innovations are also quite good, particularly in introducing low-cost technologies, gender mainstreaming and pro-poor institutional arrangements.
6. Following the practice introduced in last year's report, this edition includes an analysis of the entire ARRI data set for six years,<sup>2</sup> from 2002-2007 (see section V). It also presents the data according to three two-year blocks (2002-2003, 2004-2005, and 2006-2007). This analysis reveals that performance is improving over time in most evaluation criteria, with the exception of government and cooperating institution performance, where a trend is hard to discern. The results over the period 2006-2007 are also better than at the time of the IFAD Independent External Evaluation in 2004-2005.
7. Benchmarking against other agencies reveals that IFAD's project performance appears slightly better in comparison with the World Bank's agriculture and rural development portfolio. Similarly, taken together, IFAD's project performance and sustainability are significantly better than the Asian Development Bank's in the Asia and the Pacific region. The emerging results from a joint African Development Bank (AfDB)/IFAD Africa evaluation reveal that IFAD's performance in Africa is broadly similar to AfDB's, except in the criteria of relevance and efficiency, where IFAD scores higher.
8. In sum, the trends in performance and impact are indeed promising, even though this cannot be substantiated 100 per cent by statistical evidence, given limitations in the data set.<sup>3</sup> However, the overall findings in the 2008 report are confirmed by three mutually reinforcing analyses: (i) results of the evaluations undertaken in 2007; (ii) analysis of the three two-year blocks of ARRI data; and (iii) findings in this and last year's report that recent operations tend to perform better than older

---

<sup>1</sup> Project performance is a composite of the relevance, effectiveness and efficiency criteria. (This parallels the outcome evaluation criteria used by the Independent Evaluation Group of the World Bank.) Overall project achievement is based on the ratings for relevance, effectiveness, efficiency, rural poverty impact, sustainability and innovation, and replication and scaling up.

<sup>2</sup> The ARRI sample currently contains evaluation ratings for 85 IFAD-funded projects.

<sup>3</sup> See paragraph 6 in the main text.

ones. Taken together, it can reasonably be concluded that IFAD's development effectiveness is improving, and even stronger results can be expected in the future when the reforms of IFAD's Action Plan for Improving its Development Effectiveness are fully implemented.

9. However, this positive performance should not lead to complacency. Five areas are identified in the ARRI report in which improvements can be achieved:
10. First, numerous projects showing positive results are only moderately satisfactory. Performance can be further strengthened, particularly in efficiency, given the relatively low score of this indicator overall.
11. Second, while significant improvements are evident in the sustainability of IFAD operations in 2006 and 2007, the results and experiences of the Asian Development Bank and World Bank (where sustainability results were weak in the late 1990s) demonstrate that IFAD performance in this area can be further improved with appropriate efforts in the near future.
12. Third, the importance of impact on market access, including private-sector engagement, and on the environment and natural resources cannot be overemphasized. Both domains need improvement to ensure sustainable development in rural areas.
13. Fourth, the promotion of innovation is a fundamental principle of engagement for IFAD. While performance in introducing innovative approaches has been good, more can be done to ensure their systematic replication and scaling up by others. Towards this end, more attention needs to be devoted in country programmes to policy dialogue, partnership-building and knowledge management.
14. Fifth, the performance of partners (IFAD, governments and cooperating institutions) is satisfactory in two out of three projects. This is an area in which improvements are critical and possible, as the performance of the respective partners is broadly within their own realms.
15. **Evaluation findings related to learning.** Evaluations have underlined the importance of IFAD's investment in a comprehensive understanding of country context issues, including the institutional framework, government policies related to agriculture and rural development, rural poverty profiles, and social and cultural issues. This would allow IFAD to design and implement country strategies and projects that are more adequately tailored to the prevailing environment in which they are executed. For example, the circumstances of middle-income countries and fragile states are different from those of other countries and need specific treatment. Evaluations have also underlined that IFAD's capacity to conduct analytic work of this nature is rather limited and needs strengthening.
16. Generally speaking, the performance of project-level M&E systems has not been a strong point in IFAD operations. While it is fair to recognize that other development organizations have also not had a great deal of success in this area, the Fund needs to step up the attention and resources it devotes to this critical component exponentially. IFAD has made sporadic efforts in the past, in particular using grant funds, but a more coherent and systematic effort is required to make a real difference in the performance of project-level M&E systems across the board. An ARRI workshop dedicated to M&E produced useful suggestions for the future. These will be further elaborated during a planned IFAD-wide initiative to improve the performance of M&E systems that OE is undertaking jointly with IFAD's Programme Management Department.
17. **Recommendations.** The Executive Board is invited to approve the following recommendations:
  - (a) In discussing the ARRI report during its session in December 2007, the Board agreed that OE should analyse a selection of **weaker impact areas**

(including markets, institutions and the environment) in the 2009 report. In the light of the resources required and the time that IFAD Management and staff need to devote to the process, OE proposes to include dedicated learning sections in next year's report on two of the weakest impact areas.

- (b) The learning themes proposed for the 2009 edition are **access to markets** and the **environment**, as IFAD's performance in these areas is not as good as that in the area of institutions. In this regard, OE proposes to comprehensively analyse IFAD's evaluative evidence and international experience in the two topics, engage IFAD Management and staff in a workshop to discuss possible actions to further improve IFAD's performance, and bring the results to the attention of the Board.
- (c) It is recommended that other weaker impact areas – **institutions** and **social capital and empowerment** – be taken up as learning themes in the development of the 2010 report.
- (d) It is recommended that OE further analyse those areas requiring improvement, as presented in this ARRI report (e.g. paragraphs 10-14 of the Executive summary), and propose to the Board, within the context of the 2009 report, a list of learning themes to be treated in future editions.





# Annual Report on Results and Impact of IFAD Operations evaluated in 2007

## I. Introduction

1. This is the sixth Annual Report on Results and Impact of IFAD Operations (ARRI) produced by the Office of Evaluation (OE).<sup>1</sup> The ARRI report consolidates and synthesizes the results and impact of IFAD's operations based on a cohort of project, country programme and corporate-level evaluations conducted in the previous year – in this case in 2007.
2. As in the past, the objective of the ARRI report is twofold: (i) to present a synthesis of performance based on a common methodology for evaluation; and (ii) to highlight key learning issues and development challenges that IFAD needs to address to enhance its development effectiveness. While the primary audience of the report includes IFAD Management and staff, and the Fund's Evaluation Committee and Executive Board, it is also of importance to the wider development community because of the issues it raises for sustainable agriculture and rural development generally.
3. The present ARRI report follows the structure of the 2007 edition. Sections II-IV synthesize the main evaluation findings from the project, country and corporate-level evaluations carried out in 2007. Section V presents an analysis of the consolidated evaluation data from all 85 projects evaluated since production of the first edition in 2003. Section VI presents the report's contribution to learning, which this year covers the themes of country context and project-level monitoring and evaluation (M&E), as agreed with the Executive Board in 2007. Conclusions and recommendations are contained in section VII.

## II. Projects and programmes evaluated

4. Table 1 provides an overview of the evaluations carried out by OE during 2007, all of which were considered by this year's report: one corporate-level, two country programme,<sup>2</sup> two project interim and three project completion evaluations. The objectives of projects and programmes evaluated are summarized in Annex III.
5. Most of the 12 projects assessed in this report were approved in the period 1998-2001. Four of the projects were still ongoing at the time of evaluation, and are expected to close between 2008 and 2010. Of the other eight projects, five closed in 2007 and one each in 2005, 2003 and 2000. Thus the 12 projects assessed as part of this report, although designed between 1998 and 2001, represent a fairly recent picture of the Fund's project portfolio.
6. Caution should be used in drawing general conclusions about the performance of the historical portfolio of projects on the basis of these evaluations. The projects and programmes evaluated were not selected as a random<sup>3</sup> or representative sample of the IFAD loan portfolio dating from the period, and they constitute a relatively small number of projects of the total financed by IFAD.<sup>4</sup>

---

<sup>1</sup> OE is required to produce the ARRI report annually, in accordance with the provisions of the IFAD Evaluation Policy (see paragraph 20 in document EB 2003/78/R.17/Rev.1).

<sup>2</sup> A total of seven projects were also evaluated within the framework of the two country programme evaluations (CPEs).

<sup>3</sup> In consultation with the Evaluation Committee, OE has defined a set of criteria for selecting evaluations to be included in its annual work programme – see Annex V of the OE work programme and budget, document EC 2003/S3/W.P.2.

<sup>4</sup> In line with the practice in other international financial institutions (IFIs), OE evaluates some 30 per cent of closed projects each year.

Table 1  
Evaluations undertaken in 2007

Type	Country/ region	Title	Executive Board approval date	Project completion date	IFAD loan <sup>a</sup> (US\$ million)	Total project costs <sup>a</sup> (US\$ million)
<b>Corporate-level evaluation</b>	Africa	African Development Bank (AfDB) and IFAD operations in agriculture and rural development in Africa: A joint evaluation <sup>b</sup>				
	Ethiopia <sup>c</sup>	Agricultural Research and Training Project (ARTP)	September 1998	June 2007	18.2	90.6
<b>Country programme evaluations</b>	Ethiopia <sup>c</sup>	Rural Financial Intermediation Programme (RUFIP)	December 2001	March 2010	25.7	88.7
		Pastoral Community Development Project (PCDP)	September 2003	June 2009	20.0	60.0
		Pakistan <sup>c</sup>	Mansehra Village Support Project	December 1992	June 2000	14.6
	Pakistan <sup>c</sup>	Pat Feeder Command Area Development Project	April 1994	June 2003	28.5	41.5
		Barani Village Development Project (BVDP)	December 1998	June 2007	15.3	25.1
		North-West Frontier Province Barani Area Development Project (NWFPBADP)	April 2001	June 2009	14.4	98.7
<b>Project interim evaluations</b>	Burkina Faso	Community-Based Rural Development Project (PNGT2)	May 2000	June 2007	11.4	111.0
	Philippines	Western Mindanao Community Initiatives Project (WMCIP)	April 1998	June 2007	15.5	18.2
<b>Project completion evaluations</b>	Albania	Mountain Areas Development Programme (MADP)	December 1999	September 2007	13.7	23.1
	Belize	Community-Initiated Agriculture and Resource Management Project (CARM)	April 1998	December 2005	2.3	6.8
	Pakistan	Dir Area Support Project	September 1996	June 2008	16.5	25.4
<b>Total</b>					<b>196.1</b>	<b>613.3</b>

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

<sup>b</sup> The working papers for this evaluation were completed in time for this report – in particular the meta-evaluation covering 28 project evaluations of IFAD and 27 of AfDB: A meta-evaluation of past performance – AfDB and IFAD operations in agriculture and rural development in Africa: A joint evaluation, May 2008. The main report of the joint evaluation will contribute to next year's ARRI report.

<sup>c</sup> The projects listed in the next column were individually assessed as part of the Ethiopia and Pakistan CPEs respectively. They do not constitute a comprehensive list of projects funded by IFAD in the two countries.

### III. Evaluation findings 2007

#### A. Project performance (relevance, effectiveness and efficiency)

7. This section includes a discussion of project relevance, effectiveness and efficiency, which combined provide an overview of project performance.<sup>5</sup> Table 2 summarizes the 12 projects rated for these criteria in the 2007 evaluations.

Table 2

**Relevance, effectiveness and efficiency** (percentage by rating)

<i>Rating</i>	<i>Relevance</i>	<i>Effectiveness</i>	<i>Efficiency</i>	<i>Project performance</i>
6 Highly satisfactory	17			
5 Satisfactory	58	33	8	25
4 Moderately satisfactory	25	50	50	75
<b>Total satisfactory</b>	<b>100</b>	<b>83</b>	<b>58</b>	<b>100</b>
3 Moderately unsatisfactory		17	42	
2 Unsatisfactory				
1 Highly unsatisfactory				
<b>Total unsatisfactory</b>	<b>0</b>	<b>17</b>	<b>42</b>	<b>0</b>

*Note:* In order to avoid the use of decimal points, some percentages in the table have been rounded using a consistent approach. Each of the figures in the above table (and other tables in the document) are an accurate but rounded representation of the underlying data, not a simple addition of the figures as presented. This explains the apparent discrepancy of up to one percentage point in some totals. This note is also applicable to tables 3, 5, 6 and 12.

8. The data in table 2 support a number of conclusions. First and foremost, the majority of projects evaluated have achieved satisfactory results in all performance criteria. In addition, overall project performance is satisfactory in all cases. Second, the picture is particularly good for relevance and effectiveness. For the latter, however, 50 per cent of all projects were judged to be only moderately satisfactory. That is, they were found to be just barely above the satisfactory line. This last finding highlights the fact that the achievement of satisfactory effectiveness is within reach for a large number of projects if the right level of effort is mobilized in the near future. Third, efficiency is an area of concern, as it was in past years. Half the projects were found to be just moderately satisfactory and 42 per cent moderately unsatisfactory. Thus, in the future, efforts will have to be devoted to reducing the number of unsatisfactory projects and consolidating the satisfactory performance of a large number of projects that are just moderately satisfactory in terms of efficiency.
9. **Relevance.** All the projects evaluated were assessed as relevant (moderately satisfactory or better) and 75 per cent were either satisfactory or highly satisfactory. Overall, the report concludes that all projects and programmes addressed the challenges of rural poverty and the needs of rural poor people, and were consistent with the policies of both IFAD and the countries concerned.
10. Unsurprisingly, not all projects were as relevant as they could have been, and it is useful, from a learning perspective, to analyse the underlying causes. For example, the design of the Mountain Areas Development Programme (MADP) in Albania misjudged the appropriateness of promoting collective actions and group-based activities in a sociological context in which there was distrust towards public institutions and cooperative approaches extending beyond the family. Further, the initial focus on traditional agricultural extension involving demonstrations and farmer training did not reflect the interests and priorities of the farmers themselves and thus had limited relevance. But to its credit, at the mid-term review (MTR)

<sup>5</sup> The Independent Evaluation Group of the World Bank also combines the assessments of relevance, effectiveness and efficiency to determine project outcomes, thus making the latter comparable to OE's project performance evaluation criterion. An explanation of aggregated ratings for determining project performance is contained in Annex IV.

IFAD recognized the initial flaws and developed a new private-sector vision and direction for the project that significantly improved the project's relevance.

11. Nor were all the project components in all the projects judged to be equally relevant. The Ethiopia CPE concluded that the rural finance, small-scale irrigation and pastoral development activities were highly relevant. These activities were in high demand, easily accessible and informed by good practice. Agriculture research and agricultural marketing activities were considered by the evaluators to be less relevant. While the CPE agreed with the need to support the development of a national agricultural research system (NARS), concerns were raised about the weak linkages between the NARS, extension services and farmers as end users. Similarly, while recognizing that the marketing project has only been effective for just over two years, the CPE noted that the project needs to explore opportunities for greater public/private-sector partnerships. The objectives and most of the activities of the Western Mindanao Community Initiatives Project (WMCIP) in the Philippines were very relevant to the needs and aspirations of the stakeholders. However, the credit component did not fit the needs of project beneficiaries, due to the stringent lending policies of the bank involved, and a proposed redesign did not materialize.
12. Two evaluations attributed reduced relevance to design shortcomings that failed to address foreseeable implementation constraints. The Community-Initiated Agriculture and Rural Management Project (CARM) in Belize underestimated the capacity needed to implement the design. Experience from previous projects had shown that project management/staff capability was a critical issue. More intensive support at the start of the project, and more realistic expectations, would have helped. Similarly, foreseeable implementation shortcomings in the difficult context of the Pakistan Dir Area Support Project (DASP) were not addressed. The evaluation found that these should have been mitigated by more systematic implementation support through training and technical assistance.
13. The relevance of projects to poorer and vulnerable groups reoccurs as an issue in five evaluations. WMCIP in the Philippines was commended for its special focus on vulnerable groups, including indigenous people. This focus was first introduced during the project as a pilot scheme to better target households that were less empowered and not actively participating in project activities. It was then expanded into neighbouring communities to reach the most vulnerable households. However, four evaluations reported less success in providing relevant support to the poorest people.<sup>6</sup> The differential impacts that resulted are discussed under "Impact on rural poverty" (section III.B.).
14. Gender relevance was mixed. WMCIP in the Philippines was commended for its proactive approach to women's engagement and associations, and its conscientious recording of gender-disaggregated M&E data. However, it was criticized for a compartmentalized approach to gender, instead of taking a broader perspective on the requirements and roles of both men and women. Gender was also addressed reasonably effectively, if sometimes clumsily, in Pakistan. That is, while the project devoted attention to the empowerment of women, including mobilization and training, it did not always use specific measures that would have been more suitable to the prevailing social and traditional norms of the targeted communities. The same cannot be said of MADP in Albania, where there was limited gender targeting in the design, and a failure to address gender during implementation despite supervision pressure.
15. **Effectiveness.** Although the rating is less than for relevance, over three-quarters (83 per cent) of the projects were still judged to be effective overall (moderately satisfactory or better). In four of these (33 per cent), effectiveness was rated satisfactory, and 50 per cent of the projects were assessed as moderately satisfactory. Some positive characteristics of IFAD operations that lead to enhanced effectiveness include: due attention to people's participation in design and implementation, realistic objectives that can be achieved within the implementation

---

<sup>6</sup> These include the projects in Albania and Burkina Faso, DASP in Pakistan and the Pakistan CPE.

- timeframes and are commensurate with the overall institutional capacities, and allocation of appropriate resources and technical know-how for implementation support. Negative factors include: complex technical specifications for infrastructure that make operation and maintenance challenging to rural poor people, and untimely provision of counterpart funds.
16. For example, the Pastoral Community Development Project (PCDP) in Ethiopia introduced effective, innovative models of local governance for planning and implementing investments in community infrastructure, as well as in income-generating activities for the poorest people. The Rural Financial Intermediation Programme (RUFIP), also in Ethiopia, expanded outreach at an annual average rate of 34 per cent, covering 1.72 million clients by mid-2007. DASP in Pakistan has achieved its objectives in a very challenging geographical and socio-political context: significant incremental agricultural and livestock production, increased employment, better market access, and improvement in the income- and non-income-related status of women.
  17. Effectiveness was rated moderately unsatisfactory in only two projects (17 per cent). At the community level, the effectiveness of CARM in Belize was minimal. Communities visited viewed the project as a continuation of previous failures: a project ostensibly designed for them that did not respond to their articulated needs and made no difference to their living conditions. For example, the subprojects for women did not respond to their interests, but were mainly stereotypical domestic activities such as cooking and garment-making. A participation rate of 25 per cent for women was achieved compared to the target of 35 per cent. In contrast, by the end of the project the major initiatives at the organizational level in credit and in the cacao industry were exemplary successes. Successful initiatives were achieved where suitably qualified and experienced project staff were appointed, real community interest existed, and ready markets were available.
  18. The effectiveness of MADP in Albania was similarly mixed, but also improved significantly over time. The ineffectiveness of early interventions was attributed to flawed design: the reliance on associations and collective action was inappropriate in the Albanian context.
  19. **Efficiency** was assessed using a mix of criteria in the evaluations: *ex post* cost-benefit analyses where available, unit cost comparisons, and management criteria such as implementation delays. Overall, efficiency is the less satisfactory of the three criteria making up project performance. It was judged moderately satisfactory or better in just over half the projects (58 per cent). Positive explanatory factors include beneficiary cost-sharing and community involvement. Negative explanatory factors include: slow, inadequate or inappropriate recruitment; overestimation of economic internal rates of return at appraisal; slow administrative procedures; and difficult, dispersed project locations.
  20. One of the moderately efficient projects – the Community-Based Rural Development Project (PNGT2) in Burkina Faso – had unit costs of up to 66 per cent lower than sector comparators, with the largest savings in social infrastructure. This was attributed to beneficiary cost-sharing and works supervision, and to a community-driven approach that stimulated the appearance of competitive local entrepreneurs. Only one project of the 12 covered by this year's report – RUFIP in Ethiopia – was rated satisfactory. The microfinance institutions have good portfolio and operational efficiencies, for example in loan approvals and repayment rates. However, concerns remain about the effect of increasing inflation rates on the future of the sector. The pastoral development and small-scale irrigation projects in Ethiopia generally had favourable unit costs (again partly because of community involvement), but delayed implementation, and so were rated moderately satisfactory. The Agricultural Research and Training Project (ARTP) in the same country was rated moderately inefficient because of the combination of significantly lower project output, high unit costs of construction and significant delays.

21. An operational constraint on WMCIP in the Philippines was its location in a conflict zone. This and the widely scattered project sites presented problems for project execution, supervision and implementation support. Efficiency was also adversely affected by implementation delays associated with slow administrative processes and an 18-month impasse between IFAD and the Government on the role of NGOs. A similar setback of nearly two years resulted from delays in appointing key management staff for MADP in Albania. This appears to have contributed to a piecemeal and supply-driven approach as the project tried to make up lost time.
22. Human resource issues had been identified as a major risk to the efficiency of CARM in Belize. Delayed recruitment and inadequate staffing made this risk a reality in implementation. In view of the few results achieved and the high operating costs, the project was rated moderately inefficient. MADP in Albania was also rated moderately inefficient. As in many projects, efficiency varied by project component, which makes an overall assessment difficult. However, the general picture in MADP was of substantial implementation delays and of investments in irrigation, livestock vaccination and agricultural extension whose economic life was overestimated during design. Similar overestimates during economic appraisal were noted in five other projects. Economic internal rates of return (EIRRs) for the main subprojects in PNGT2 in Burkina Faso were judged to be overoptimistic in view of operation and maintenance (O&M) problems and the underutilization of some community investments. In the Pakistan CPE, all four of the projects with EIRRs at completion had rates of return lower than projected at appraisal.
23. **Project performance.** As mentioned earlier, the rating for project performance is based on a combination of the ratings for relevance, effectiveness and efficiency. By this measure, and for the first time since production of the ARRI report from 2003 onwards, 100 per cent of the projects evaluated in 2007 were rated moderately satisfactory or better (table 2 above). This is a very positive result, even though 75 per cent were only moderately satisfactory in terms of project performance, implying that there is room for further improvement.

## Box 1

**Key points on relevance, effectiveness, efficiency and project performance**

- As in previous years, relevance remains a strong characteristic of IFAD operations. That is, projects and programmes focus on those aspects that are expected to improve the overall livelihoods of rural poor people.
- Effectiveness, which is the extent to which project objectives were achieved at completion, also rates well. There are, however, some areas that warrant attention, such as ensuring that project objectives are realistic and measurable.
- Efficiency is an area of concern, as in past years. Of the evaluation criteria covered in this section, it yields the least positive results.
- Project performance, which is a composite criterion consisting of relevance, effectiveness and efficiency, is in the satisfactory zone in all cases for the first time since production of the first ARRI report. This is a noteworthy achievement.
- Finally, in spite of the broadly positive results across the projects assessed, there is no room for complacency, given that numerous projects have only moderately satisfactory ratings for effectiveness, efficiency and project performance.

**B. Impact on rural poverty**

24. Impact on rural poverty is assessed using nine impact domains. These are listed in table 3 and explained in Annex II. As in last year's report, the emphasis in this section is on identifying and explaining particularly strong or weak performance, rather than summarizing performance in all impact domains.

Table 3  
Impact by domain (percentage by rating)

Rating	PA	FA	FS	E	HA	SCE	AP	IS	M
6 Highly satisfactory			13	13		10		18	
5 Satisfactory	50	56	38	13	70	40	38	18	13
4 Moderately satisfactory	40	22	25	38		30	50	36	50
<b>Total satisfactory</b>	<b>90</b>	<b>78</b>	<b>75</b>	<b>63</b>	<b>70</b>	<b>80</b>	<b>88</b>	<b>73</b>	<b>63</b>
3 Moderately unsatisfactory	10	22	25	25	30	10	13	27	38
2 Unsatisfactory				13		10			
1 Highly unsatisfactory									
<b>Total unsatisfactory</b>	<b>10</b>	<b>22</b>	<b>25</b>	<b>38</b>	<b>30</b>	<b>20</b>	<b>13</b>	<b>27</b>	<b>38</b>

Note: PA = physical assets, FA = financial assets, FS = food security, E = environment, HA = household assets, SCE = social capital and empowerment, AP = agricultural productivity, IS = institutions and services, M = access to markets.

25. Table 3 illustrates positive achievements in all impact domains. In particular, the 2007 evaluations assessed impact to be highest for physical assets (90 per cent satisfactory) and agricultural productivity (88 per cent satisfactory). However, environment and access to markets both need improvement. The following paragraphs attempt to provide analysis and explanation of these results.
26. Five projects (50 per cent) were rated highly for their impact on **physical assets**. A further four projects (40 per cent) had a moderately satisfactory impact. PNGT2 in Burkina Faso provided 37 per cent of the country's rural villages with some essential basic infrastructure, thereby increasing access to potable water, basic health care and education. DASP in Pakistan generated visible impacts for more than 10,000 households. At the community level, this included water supply systems, hand pumps and vegetable sheds. For individual households, it included improved food grain seed, improved livestock, rehabilitated irrigated and rainfed land, and latrines.
27. Satisfactory or moderately satisfactory improvements in **agricultural productivity** were recorded for seven projects (88 per cent). The evaluation of WMCIP in the Philippines found significantly higher farm incomes attributable to alternative and integrated agricultural technologies and improved agricultural infrastructure. The creation of fish sanctuaries also increased regeneration rates and average fish catches.
28. In two projects covered by the Pakistan CPE (Barani Village Development Project (BVDP) and North-West Frontier Province Barani Area Development Project (NWFPBADP)), uptake of improved seed contributed to productivity increases of at least 30 per cent. Information collected by the evaluation of DASP in Pakistan also suggested that the project had contributed to a substantial jump in crop and livestock productivity, albeit from very low levels. However, both evaluation reports acknowledge that accurate assessment of agricultural productivity impact is not possible on the basis of the M&E information available. While activities were fully reported, impacts were not. For example, there was a lack of data on seedling survival and on the uptake of improved techniques. In the Pakistan CPE and other evaluations, OE undertook specific surveys as part of the respective evaluations to collect primary data to fill such gaps.
29. Some 60 per cent of all projects had a positive impact on the **environment and natural resources**. However, close to 40 per cent of the projects had an unsatisfactory rating for environmental impact. More specifically, impact on the

environment and natural resources was highly satisfactory in the DASP project in Pakistan. On average, about 0.22 hectares of newly wooded area per household can be attributed to the project, which is not negligible for an environment in which the targeted households own less than one hectare of land dedicated to crop and livestock production. WMCIP in the Philippines had a satisfactory rating on environmental impact because it was able to contribute to the protection and rehabilitation of natural resources and the environment through various measures, such as the creation of marine protected areas and fish sanctuaries and rehabilitation of mangrove forests.

30. Impact on the environment and natural resources was unsatisfactory in three projects. Some of the natural resource management investments in PNGT2 in Burkina Faso were less effective and found to be in a poor state. In most cases this was due to inadequate maintenance and management arrangements, or unresolved land tenure issues that extended beyond village boundaries. Thus environment and natural resource issues received less attention in village plans, despite the fundamental importance of land and natural resources access and management to the livelihoods of most poor households.
31. Difficulties in ensuring long-term maintenance of investments in the environment and natural resources were also identified in MADP in Albania. Some of the forest and pasture management plans have assisted in protection and rehabilitation. However, the medium- to long-term impact of these plans is often reduced by lack of enforcement and limited post-programme activity by user associations. Further discussion of environmental issues can be found in section V.
32. As in previous ARRI reports, the projects and country programmes evaluated revealed that they had had relatively less impact on **market access**. Somewhat less than two thirds of the rated projects had a satisfactory or moderately satisfactory impact. In most cases the evaluations concluded that market access had improved due to road investment, rather than to a direct and sufficient focus on markets (e.g. by developing new markets or addressing marketing constraints). Most of the roads constructed under MADP in Albania have had a strong positive impact on the communities they serve, even if this impact has been reduced in some cases by low effectiveness and sustainability. The evaluations of DASP and of the country programme in Pakistan also concluded that market access has undoubtedly improved following construction of roads. However, the Pakistan CPE was more generally critical of the lack of direct attention paid to developing markets in support of other project initiatives. For example, a number of private nurseries have not survived due to lack of markets, and the sustainability of seed supply is threatened by the lack of private-sector linkages.
33. CARM in Belize recorded a similarly mixed picture. Market access improved for cacao and livestock, but otherwise the project neglected marketing issues. Poor or no results were achieved in all supply-driven initiatives in which there was no specific market and/or marketing process identified. WMCIP in the Philippines was also criticized for its lack of an agribusiness and market-oriented strategy. While farm-to-market roads again helped improve access to agricultural commodity markets, the project did not address market operations or pricing, or focus on improving farmers' knowledge of agribusiness and marketing. Most of the focus was on improving subsistence rather than market production.

### **C. Overall rural poverty impact**

34. While it is useful to gain an understanding of the impact a particular project may have achieved in specific domains (such as food security or financial assets), it is also critical that evaluations are able to provide an overarching assessment of the rural poverty impact of a project. In this section, the report provides a consolidated assessment of the rural poverty impact of IFAD-funded projects, which is derived by aggregating the results achieved under the various impact domains presented in the preceding section.



35. Table 4 illustrates a very positive picture regarding rural poverty impact. In fact, all but one of the projects rated (91 per cent) had a satisfactory or moderately satisfactory overall rural poverty impact. Two of the evaluations reported successful efforts to reach poor and vulnerable groups. WMCIP in the Philippines had a special focus on vulnerable groups and was successful in benefiting nearly 3,400 vulnerable households (about 20 per cent of all beneficiaries). Women's associations were formed at all project sites. PCDP in Ethiopia directly contributed to improving the income and assets of 10,000 of the poorest community members, three quarters of whom were women.

Table 4  
**Overall rural poverty impact**

<i>Rating</i>	<i>Total sample 2007 (%)</i>
Highly satisfactory	
Satisfactory	36
Moderately satisfactory	55
<b>Total satisfactory</b>	<b>91</b>
Moderately unsatisfactory	9
Unsatisfactory	
Highly unsatisfactory	
<b>Total unsatisfactory</b>	<b>9</b>

36. The overall good performance evident in table 4 is an average and does not necessarily mean that all groups benefited similarly or equally. The Ethiopia CPE observed that "elite capture" had generally been avoided and that real benefits were being obtained, even by the very poor with limited assets. This was attributed to: effective participatory rural appraisals during the preparation of intervention plans, activities that were simple and affordable for very poor households, and an open and egalitarian culture of the pastoral communities involved.
37. Four of the evaluations (33 per cent) concluded that poorer and vulnerable groups are likely to have benefited less than wealthier groups. For example, the evaluation of PNGT2 in Burkina Faso found that economic and social benefits were below expectation for the more vulnerable groups, notably women, youth, herders and immigrants, who had been specifically mentioned as priority target groups. IFAD was a minor cofinancier with the World Bank, which was also the cooperating institution, and the Fund was unable to ensure focus on IFAD-specific issues such as targeting and impact monitoring. The Pakistan CPE came to a similar conclusion: the projects focused on less-poor communities and households, and the very poor were likely to have benefited little. Major beneficiaries were the relatively wealthier land-owning households, which were able to save.

Box 2  
**Key points on rural poverty impact**

- As in previous years, overall rural poverty impact remains good, even though 55 per cent of the projects have been assessed as only moderately satisfactory.
- Particularly positive achievements are evident in the critical areas of physical assets and agricultural productivity.
- Impact domains in which results need to be strengthened include access to markets and environmental and natural resource management.
- Gender equity and women's empowerment is an important area in IFAD operations. While good results have been obtained in some projects, further enhancement can be achieved by ensuring that the activities promoted are appropriately tailored towards women's development.

## D. Overarching factors

38. Two overarching factors are rated by each evaluation: sustainability, and innovation, replication and scaling up (table 5), both of which are critical in improving IFAD operations. An assessment of sustainability provides an indication of the continuation of benefits in the post-project period. As such, sustainability is among the most important characteristics in any development project. Similarly, given the relatively small amount of financial resources provided by IFAD in agriculture and rural development, promoting pro-poor innovations and contributing to their replication and scaling up by others is a central and essential feature of IFAD operations in successfully combating rural poverty.
39. Both factors were covered as special learning themes in last year's ARRI report and are being followed up proactively. IFAD produced a paper on its approach to sustainability that was discussed in the July 2008 session of the Consultation on the Eighth Replenishment of IFAD's Resources. OE has launched a corporate-level evaluation of IFAD's capacity to promote pro-poor innovation, which will be discussed by the Evaluation Committee and Executive Board in 2009.

Table 5  
**Sustainability and innovation**

<i>Rating</i>	<i>Total sample 2007 (%)</i>	
	<i>Sustainability</i>	<i>Innovation</i>
Highly satisfactory		
Satisfactory	17	45
Moderately satisfactory	50	45
<b>Total satisfactory</b>	<b>67</b>	<b>91</b>
Moderately unsatisfactory	33	9
Unsatisfactory		
Highly unsatisfactory		
<b>Total unsatisfactory</b>	<b>33</b>	<b>9</b>

40. **Sustainability.** Evaluation results for sustainability had been weak in the past and a large number of projects were rated unsatisfactory in this area. The causes of this weak performance were discussed in a dedicated section on the topic in last year's report.
41. Against this backdrop, it is very encouraging to underline that two thirds of the projects considered in this edition (67 per cent) were rated satisfactory or moderately satisfactory for sustainability (table 5). This is a higher percentage than in previous reports, even though only two projects were actually rated satisfactory (PCDP and RUFIP in the Ethiopia CPE), while all other projects were found to be only moderately satisfactory. The sustainability of these projects was attributed to: the high priority set by the Government on funding for agriculture and rural development; the great relevance of IFAD interventions to government policies; and, in the case of rural finance, to the high quality of the loan portfolio and managers in the microfinance sector. More generally, the 2007 evaluations found that sustainability was positively associated with the integration of project management units (PMUs) and related activities into existing institutional frameworks, and with community ownership and contributions. It was negatively associated with poor design, inadequate O&M arrangements, and a dependence on continued financial support.
42. The integration of project management functions into existing institutions increased the likelihood of sustainability in the two Ethiopian projects and in WMCIP in the Philippines. In Ethiopia, PMUs were well embedded in decentralized government

structures or in permanent national organizations. In the Philippines, the Department of Agrarian Reform has mainstreamed the project management structure and many WMCIP activities into its own operations. Wider mainstreaming in regular provincial and regional programmes, and the continued provision of support activities, will be essential to sustainability.

43. Community ownership was identified as being important to sustainability in four projects. In DASP in Pakistan, a strong sense of ownership by village and women's organizations was the principal driver of sustainability, as it was for small physical infrastructure in the Pakistan programme more widely. Participatory planning was identified as having a direct impact on ownership and therefore sustainability in the Philippines (WMCIP). Cost-sharing by the community was an important factor in Pakistan (DASP) and Burkina Faso (PNGT2). In contrast, private ownership and the individual profit motive explain the higher sustainability of individual investments in Albania (MADP), compared with donor-established groups and collective initiatives. An important determining factor was the extent to which individuals, companies or small cohesive groups had a clear and direct incentive to continue the activity after support was withdrawn. Full project funding (100 per cent) of pastoral and forestry associations undermined ownership, as did supply-driven infrastructure investments with limited community participation.
44. Poor design contributed to concerns about the sustainability of the roads constructed under DASP in Pakistan, and under MADP in Albania. Much of the rural infrastructure in Albania (MADP) was based on flawed design. For example, the economic and financial sustainability of the irrigation schemes was low due to poor planning of the technical package, poor construction quality and non-existent O&M systems.
45. Inadequate O&M arrangements are a recurrent theme. In Burkina Faso (PNGT2), less than half the community investments have functional and sustainable O&M arrangements. O&M training was too basic and uniform; user contributions for the maintenance of social investments were insufficient; and the management capacity and remuneration of local O&M committees was inadequate. Maintenance was a concern in all projects involving road construction. In addition to deficient design and implementation, the maintenance of roads constructed under DASP in Pakistan is not assured. The story is the same in the Philippines (WMCIP), where the maintenance of farm-to-market roads is beyond local capabilities and will require outside technical and financial help. In Albania, a heavy reliance on collective action for O&M (e.g. water users' associations) proved ill-suited to the highly individualized social context.
46. A dependence on continued or new sources of outside funding represented a risk to sustainability in a number of cases. The evaluation of PNGT2 in Burkina Faso noted the lack of public funding for sustaining technical service support to local communities. Prolonged support from regional budgets is also required in Ethiopia, where the fees and revenues of water users' associations are generally insufficient to cover maintenance work. Similarly, none of the microfinance institutions in Pakistan are profitable. All are dependent on a high level of subsidy. By contrast, the rural finance sector in Ethiopia is on a more sustainable path. However, in spite of excellent portfolio quality and management, the combination of low interest rates and high inflation represents quite a threat to long-term sustainability.
47. **Innovation, replication and scaling up.** A very high percentage (91 per cent) of evaluated projects were rated satisfactory or moderately satisfactory across this evaluation criterion. This is a very good achievement. The most successful instances were reported from Burkina Faso and Ethiopia. In Ethiopia, institutional innovations were noted within the support for agricultural research and pastoral communities. The specific combination of irrigation and soil conservation was fairly innovative. Some of the innovations have been continued, replicated and scaled up after project closure, often with other donor funds. In Burkina Faso (PNGT2), the community-driven development approach, three-tier M&E system and land-tenure pilots were all innovative. In the case of the development approach, the

combination of visible field interventions, strong capacity-building and policy dialogue allowed the project to scale up key features of the approach by seeing them incorporated in the rural decentralization process at the national level. The evaluation acknowledged that the World Bank, as the main cofinancier of PNGT2, was the main driver of the project's innovative design.

48. Other projects also offered examples of successful innovation. In Pakistan (DASP), adaptation of the community-based organization (CBO) approach to the difficult context was considered innovative. In Albania (MADP), establishment of two new agencies<sup>7</sup> within the institutional structure of the Government was a major innovation, as was investment support for commercial farmers, who were the central pillar of the private-sector development component. The latter redirected support away from small-scale subsistence farmers towards commercial farmers with a strong potential for replication and scaling up. In contrast, WMCIP in the Philippines was not able to implement a responsive and innovative agribusiness and market-oriented strategy, or to move beyond subsistence farming. Most of the livelihood activities were on a backyard scale, with few incentives for innovation. A "one-size-fits-all" approach did not adequately match the diversity of farming communities and opportunities, and hence lessened the potential for replication.
49. The Pakistan CPE concluded that, despite a few positive examples, innovation has not been a conspicuous feature of the programme. Results remain weak in terms of replication and scaling up, which is in fact a fairly common characteristic in the other evaluations covered by the ARRI report. This may be attributed generally to inadequate attention to non-lending activities (see section IV), poor links between grants and loans, limited IFAD country presence, and only recent engagement in direct supervision and implementation support. More specifically, it may be attributed to the absence of a systematic approach by IFAD to the replication and scaling up of successful innovations by government, larger international financial institutions (IFIs) and the private sector. This accords with the point made in last year's ARRI report: innovation, replication and scaling up need to be planned and implemented as structured processes with explicit objectives and resources.

Box 3

**Key points on sustainability and innovation**

- There has been a significant improvement in sustainability, which was a recurrent weak area in the past: the first ARRI report in 2003 reported that only 40 per cent of the projects were in the satisfactory zone for sustainability, as compared with 67 per cent this year.
- However, it is to be noted that 50 per cent of the projects evaluated are rated only moderately satisfactory for sustainability.
- Evaluations revealed that, among other issues, mainstreaming project management structures in existing institutional frameworks is essential in promoting sustainability.
- The performance of IFAD in promoting replicable innovation has been good. In particular, projects have introduced innovations of a technical, social and institutional nature.

## **E. Performance of partners**

50. The performance of the main partners is important, as their efforts during design and implementation are critical in determining the results of IFAD-funded projects. Table 6 summarizes the performance of IFAD, cooperating institutions and government. It shows broadly the same level of overall performance, with about two thirds rated satisfactory or moderately satisfactory. This implies that the performance of the main partners is unsatisfactory in one out of every three projects funded, a result that merits careful consideration in the future, in particular concerning the causes of such performance.

<sup>7</sup> The Mountain Area Development Agency and Mountain Area Finance Fund.

51. **IFAD.** The Fund's performance has been satisfactory in 67 per cent of projects assessed. The two CPEs considered in the ARRI report underlined that corresponding governments valued IFAD's focus, flexibility and contribution to their own rural poverty reduction efforts. Country presence and direct supervision and implementation support are two characteristics of the new operating model that were highlighted as being important in improving IFAD's development effectiveness on the ground. Several project evaluations (DASP in Pakistan, WMCIP in the Philippines and others) also found that IFAD had a useful role in promoting agriculture and rural development in that it works in remote and difficult environments that are at times also in conflict, with unstable security conditions and a traditional social fabric.
52. Criticisms of IFAD performance centre on two phases: design and implementation. In Burkina Faso (PNGT2), a project in which the World Bank was the main financier, IFAD objectives and concerns (relating to marginal groups, for example) were not adequately addressed in either design or implementation (see paragraph 37). In Albania (MADP), the IFAD-led design had structural flaws – based partly on unconvincing and unanalysed assumptions (see, for example, paragraph 18) – and failed to place sufficient emphasis on a pro-poor orientation. However, IFAD was instrumental in reorienting the design at the MTR. It also responded well after the MTR of CARM in Belize. Until then, IFAD had not sufficiently followed up in ensuring that the design was adequately translated into implementation. All partners – including IFAD – must share responsibility for the divergence of project operations from design, the re-emergence of problems experienced under previous projects, and the resultant poor performance.
53. Inadequate implementation support from IFAD was also identified in Belize, Burkina Faso, Pakistan and the Philippines. This is something that is expected to improve as IFAD increasingly becomes responsible for undertaking direct supervision and implementation support. IFAD performance in respect of WMCIP in the Philippines was moderately satisfactory. The quality of the design and preparation (e.g. targeting, participation and gender) was satisfactory under IFAD supervision. However, the lack of subsequent IFAD involvement – particularly its non-participation in the MTR – was detrimental and difficult to understand. Operational modalities did not allow for a field presence in the Philippines at that time. Similar criticisms are contained in the evaluation of DASP in Pakistan, and in the Pakistan CPE: implementation support was insufficient. In the case of Pakistan, however, IFAD has made a real and positive effort to address this criticism. There has been a proxy country presence since 2005<sup>8</sup> and a positive response to IFAD's increased role in implementation support. The Ethiopia CPE reports a similar picture. Since 2005 an IFAD field support manager has participated in supervision and implementation support missions. This has facilitated the timely identification of implementation problems, flow of information, and dialogue with the Government and other partners. This is consistent with the evaluation of the Field Presence Pilot Programme in 2007, which found that a more permanent IFAD country presence improved performance across all the dimensions of implementation support, policy dialogue, partnership development and knowledge management.
54. Evaluations also recognize the far-reaching changes being introduced under IFAD's Action Plan for Improving its Development Effectiveness, including: introduction of new corporate policies and strategies, strengthening the results orientation of IFAD operations – including the introduction of rigorous quality enhancement and arms-length quality assessment mechanisms – and changes to the operating model. These are expected to contribute to achieving better performance and impact in the future, in particular through direct supervision and implementation support and strengthening of IFAD's country presence.

---

<sup>8</sup> The term 'proxy country presence' is used by IFAD to refer to an arrangement by which contracted staff are appointed in-country. In the Pakistan case, two experts were appointed to field positions in Pakistan, with the country programme manager (CPM) remaining Rome-based.

Table 6  
**Partner performance (percentage)**

<i>Rating</i>	<i>IFAD</i>	<i>Cooperating institutions</i>	<i>Government and its agencies</i>
Highly satisfactory			
Satisfactory	8	25	33
Moderately satisfactory	58	33	33
<b>Total satisfactory</b>	<b>67</b>	<b>58</b>	<b>67</b>
Moderately unsatisfactory	33	33	33
Unsatisfactory		8	
Highly unsatisfactory			
<b>Total unsatisfactory</b>	<b>33</b>	<b>42</b>	<b>33</b>

55. The performance of **cooperating institutions** has been mixed, with a significant percentage (42 per cent) rated moderately unsatisfactory or unsatisfactory. The United Nations Office for Project Services (UNOPS) was the cooperating institution in five of the evaluated projects. For four of these, its performance was rated moderately satisfactory or better, despite the limited budget allocation for supervision (an average of US\$9,000 per annum per project in Pakistan). In DASP in Pakistan, UNOPS was rated moderately unsatisfactory because of its irregular and insufficient supervision and implementation support, which focused mainly on fiduciary aspects and less on development effectiveness issues. In this regard, the approval and full implementation of the IFAD Policy on Supervision and Implementation Support has provided IFAD with a unique opportunity to contribute to better project performance, especially by focusing on the range of development issues emerging during project execution. However, adequate attention and resources (human and financial) will have to be devoted to ensure effective direct supervision and implementation support activities.
56. The World Bank was the cooperating institution for four projects. Its performance was very varied, even in the same country. In PCDP in Ethiopia, the Bank's performance was rated satisfactory in both design and implementation. Close and active support was provided, particularly by the Bank's in-country office, for a project cofinanced by IFAD and the Bank. This was not the case for ARTP, where supervision and implementation support were provided by the Bank from its headquarters in Washington. Bank missions were rarely able to visit the activities sponsored by IFAD, which were mostly located in remote geographic areas. In Burkina Faso (PNGT2), World Bank performance was rated moderately unsatisfactory. The evaluation criticized the Bank for making little effort to develop a true partnership with IFAD and for showing scarce interest in the Fund's concerns in the project.
57. The performance of **government and its agencies** was rated satisfactory or moderately satisfactory in the majority of cases (67 per cent). On specific issues, project management was rated highly in Burkina Faso (PNGT2), the Philippines (WMCIP), and for one of the projects in Ethiopia (RUFIP). Poor and/or delayed appointments to PMUs were criticized in Belize (CARM), Albania (MADP) and Pakistan. In the latter case, the Government did not ensure that project management vacancies were filled, or that project directors were appointed in a timely fashion and remained for the agreed length of time. IFAD has relied on government agencies – which in remote areas tend to be weaker than in more densely populated provinces – to implement its projects. Given this reality, the Pakistan CPE is critical of the fact that IFAD has paid little attention to improving the competencies of government agencies or, in particular, the performance of PMUs.

58. Monitoring and evaluation is one of the learning themes of this year's report and is discussed in more detail in section VI.B. The evaluation of PNGT2 in Burkina Faso commended the project on its innovative and adequate three-tier M&E system – funded by a specific Danish grant – covering outputs and impact. The only criticisms were that the system did not sufficiently include participation by the poorest and most excluded people, nor has it yet been transferred to the appropriate government agency to become the national rural development M&E system, as originally intended. WMCIP in the Philippines also had a well-established and run M&E system, with good gender-disaggregated recording, but the system focused largely on input and activity monitoring and reporting. Impact monitoring was limited and not too useful to project management.
59. Apart from these two projects, the evaluations were generally critical of M&E. CARM in Belize lacked even a basic M&E system and went for long periods without M&E staff. Internal monitoring was unreliable and incomplete. DASP in Pakistan had no systematic records of demonstration plots or adoption patterns and flawed impact assessment methods. The failure to recruit any of the three management information system staff meant that no genuine system was available. The Pakistan CPE similarly found M&E systems to be generally weak, with delayed or non-existent baselines. As a result, it was not possible to produce accurate estimates for improvements in food security or increases in the number of livestock. Similar criticisms were made in the evaluation of MADP in Albania. There was uncertainty over the coverage of the livestock vaccination programme, the number of beneficiaries and MADP's impact. Despite the importance attached to M&E in the 1999 country strategic opportunities paper (COSOP), the Ethiopia CPE reported that little progress had been made in strengthening M&E systems. The long-running discrepancy between the stated importance of M&E and the difficulties of delivering effective M&E as evidenced by these evaluations is discussed in section VI. OE and the IFAD Programme Management Department (PMD) have recently started work on an institution-wide initiative to strengthen project M&E systems. Among other issues, the initiative will aim to deepen the Fund's understanding of the problematic related to baseline surveys.

Box 4

**Key points on partner performance**

- Even though the performance of partners is either satisfactory or moderately satisfactory in the majority of cases, it is a cause for concern that the performance of IFAD, cooperating institutions and governments is unsatisfactory in one out of every three projects evaluated in 2007 (table 6). Moreover, no partner's performance is highly satisfactory in any given project.
- Governments are ultimately responsible for project execution, and enhancing their capacities is key to better project performance.
- It can be expected that the reforms being introduced under IFAD's Action Plan (e.g. more-rigorous quality enhancement and quality assurance processes, direct supervision and implementation support, more-permanent country presence, new targeting policy) will contribute to improved IFAD performance in the near future.
- With full implementation of the IFAD supervision and implementation support policy, the role of cooperating institutions will be limited in the future, thus providing IFAD wider opportunities to more directly affect project performance.
- Project-level M&E remains a challenge, and OE's planned efforts to tackle the topic systematically in 2008/09, together with PMD, are indeed timely.

## F. Overall project achievement

60. The rating for overall achievement reflects the combined assessment of project performance (relevance, effectiveness and efficiency), rural poverty impact, sustainability and innovation. All 12 projects evaluated in 2007 were rated moderately satisfactory or satisfactory by this measure (table 7). This is the first

ARRI report to record such an achievement and this is a very positive sign, even though it is not statistical evidence of improving achievement. In fact, as stressed in the introduction, each annual evaluation sample is not necessarily representative of the wider population of IFAD projects. Moreover, as table 7 illustrates, the majority of projects have been assessed as only moderately satisfactory and none as highly satisfactory in terms of overall project achievement, implying that there is room for improvement in the future.

Table 7  
**Overall project achievement**

<i>Rating</i>	<i>Total sample 2007 (percentage)</i>
Highly satisfactory	
Satisfactory	17
Moderately satisfactory	83
<b>Total satisfactory</b>	<b>100</b>
Moderately unsatisfactory	
Unsatisfactory	
Highly unsatisfactory	
<b>Total unsatisfactory</b>	<b>0</b>

Box 5  
**Summary of key points from the 2007 project evaluations**

- For the first time since issuance of the first ARRI report in 2003, the 2007 evaluations demonstrate that the aggregate evaluation criteria of *project performance* and *overall project achievement* are entirely in the satisfactory zone. This is an important positive finding.
- However, there is no room for complacency as even greater results can be aspired to in the future. Rarely do projects have a highly satisfactory rating in any individual evaluation criterion, and a large number of projects manifest ratings that are only moderately satisfactory.
- Better results can only be possible if partner performance improves, especially that of the Government, which is ultimately responsible for project execution, and of IFAD. With regard to the Fund, reforms under the Action Plan are expected to lead to improved development effectiveness in the future.
- Even if there are clear improvements over past performance, sustainability of benefits remains a challenge, as 50 per cent of the projects are only moderately satisfactory and 33 per cent remain unsatisfactory.
- While there are many examples of interesting innovations introduced through IFAD operations, their replication and scaling up has not been pursued in a systematic manner with adequate allocation of resources.

## **G. Contribution to the Millennium Development Goals (MDGs)<sup>9</sup>**

61. IFAD-supported projects contribute to the MDGs in two ways: directly and indirectly. The most direct and significant contribution to MDG 1 – “eradicate extreme poverty and hunger” – is measured by food security impact, but also by agricultural productivity. Seventy-five per cent of the projects evaluated in 2007 made a moderately satisfactory or better contribution to food security and 88 per cent to agricultural productivity. Projects also made smaller, but still positive, direct contributions to MDG 3 – “promote gender equality and empower women” –

<sup>9</sup> This ARRI report does not include a section on the results achieved in relation to the IFAD Strategic Framework 2007-2010. All projects evaluated as part of this year's ARRI were approved, and a number of them closed, before the latest strategic framework was adopted, hence making such an analysis of limited significance.



and MDG 7 – “ensure environmental sustainability”. A small number of projects also supported investments in community social and physical infrastructure and will thus have made a limited contribution to MDG 2 – “achieve universal primary education” –, MDG 4 – “reduce child mortality” – and MDG 6 – “combat HIV/AIDS, malaria and other diseases”.

#### **IV. Selected issues raised by corporate-level and country programme evaluations**

62. The sample for 2007 contained 12 project evaluations, but also two CPEs (Ethiopia and Pakistan) and the preliminary results of one corporate-level evaluation (the joint evaluation with AfDB on agriculture and rural development policies and operations in Africa). This section summarizes four selected issues raised by these evaluations that deserve further attention in the future: performance in non-lending activities, country presence, the balance between agricultural and non-farm activities and the need for greater attention to gender issues in IFAD operations.
63. **IFAD’s performance in non-lending activities.** On the whole, IFAD has struggled in achieving the required results in key non-lending activities, including policy dialogue, partnership-building and knowledge management. These are critical and complementary to loan-funded activities, as they allow the Fund, among other issues, to contribute towards the replication and scaling up of successful pro-poor innovations introduced through IFAD operations.
64. For example, the Pakistan CPE concluded that non-lending activities had not been strong in the past, as IFAD largely focused on its project portfolio in the country. Despite generating a wealth of knowledge from implementing agricultural and rural development projects, IFAD did not systematically document and disseminate the experiences and lessons learned from its operations. Similarly, while IFAD has a good partnership with the Government, a wider range of partnerships could have been developed with IFIs, United Nations agencies, bilateral organizations and the private sector. Having said that, the establishment of a proxy country presence in 2005 has done much to improve IFAD’s visibility, communication with in-country partners, and the Fund’s ability to participate in pertinent policy forums, even though the current country presence arrangements need further strengthening. The decision at the beginning of 2008 to undertake direct supervision and implementation support of projects previously supervised by UNOPS in Pakistan is also expected to contribute towards enhancing IFAD’s performance in non-lending activities.
65. The results of the Ethiopia CPE are similar to those in Pakistan. Good efforts were made in building partnership with the Government and IFIs, but partnerships with United Nations agencies, bilaterals and the private sector were limited. Knowledge management was rated moderately unsatisfactory because little progress was made, despite its receiving high priority in the COSOP. However, establishment of IFAD’s country presence in Ethiopia in the past few years has resulted in improvements in non-lending activities here as well. The recent decision to outpost the country programme manager (CPM) for Ethiopia to Addis Ababa is a welcome move, one which is expected to further strengthen the performance of IFAD’s country programme. In sum, the underlying cause of weak performance in non-lending activities in both countries is mainly due to the lack of a coherent approach (for example, clear objectives and milestones for policy dialogue were not defined), and to limited allocation of dedicated financial and human resources for non-lending activities in general.
66. The meta-evaluation of past AfDB and IFAD performance in Africa<sup>10</sup> confirmed the poor performance of both agencies in terms of policy dialogue: no more than 10 per cent of country programmes are fully satisfactory in either agency. The

<sup>10</sup> The main objective of the meta-evaluation, using existing evaluation reports of IFAD and AfDB operations in Africa, was to arrive at a continent-wide assessment of performance and impact in Africa – and to determine the causes of good or less good results.

meta-evaluation concludes that the causes are the limited capacity in both AfDB and IFAD to undertake rigorous analytic work and weak knowledge management systems.

67. **Country presence.** As mentioned in the preceding paragraphs, both country programmes evaluated in 2007 – Ethiopia and Pakistan – introduced an IFAD country presence in 2005. In both cases, this has been seen as highly beneficial. In Ethiopia, it has facilitated the flow of information and timely identification of implementation problems, and has improved dialogue with the Government and other partners. In Pakistan, it has markedly improved the way in which IFAD is represented and perceived in the country. It has allowed regular participation in donor coordination groups and project supervision and implementation support activities.
68. However, it is clear that country presence alone is not enough. The Pakistan CPE observed that country presence was well established, but not adequately institutionalized. For example, the country officer works on a retainer consultancy basis. Among other issues, this does not adequately reflect the actual level of effort he invests in being an effective IFAD representative in a large country with a significant portfolio. Moreover, as observed in the Africa meta-evaluation, a country presence needs to be adequately skilled, fully mandated, properly resourced and well supported by a flow of information and knowledge from headquarters. The review of business processes carried out as part of the joint AfDB/IFAD evaluation made a similar point: the impact of expanding country presence is likely to increase if decision-making authority is more decentralized.
69. Another issue raised by the Pakistan CPE relates to the **balance between agricultural and non-farm investments** (e.g. microenterprises and access to markets). The CPE recommended that more resources be devoted to non-farm investments, particularly in view of agriculture's relatively modest 30-per-cent contribution to the income of poor rural households. The evaluation of MADP in Albania found that a better strategy for reducing poverty may be to increase the ability of poor people to exit agriculture-based livelihoods and secure alternative employment. Both this and the evaluation of WMCIP in the Philippines favoured an increased focus on commercial, market-oriented agricultural enterprises, rather than subsistence production alone. While recognizing that these findings may be more applicable to "transforming" economies,<sup>11</sup> it is worth examining the assumption that support for subsistence agriculture is necessarily the best way to help the poorest households in all situations. In general, it may be worthwhile to use as a starting point the country categorization included in the *World Development Report 2008* (footnote 17) in determining the appropriate balance between agriculture and non-farm investments. This determination should also include, among other issues, a careful consideration of the number of rural poor people who derive their livelihoods from agriculture or off-farm activities.
70. **Gender issues.** The Pakistan CPE concluded that IFAD-supported projects made an important contribution to gender equality by developing gender activities where there had been none. The most significant achievements of the programme have been in providing women with an organized forum and collective voice, and empowering them through knowledge and information. The results are significant, especially given the traditional male-oriented societies in IFAD operations in the country. However, even more could have been achieved with a differentiated approach to empowering women, one which would have built on the prevailing social norms and values of the targeted communities.

---

<sup>11</sup> The *World Development Report 2008: Agriculture for development* (World Bank 2007, Washington, D.C.) classifies countries into three categories: agriculture-based, transforming and urbanized countries. In agriculture-based countries, agriculture is a major source of growth – mainly because agriculture is a large share of GDP – and most poor people (70 per cent) are in rural areas. In transforming countries, agriculture is no longer a major source of economic growth, but poverty remains overwhelmingly rural (82 per cent of all poor). Urbanized countries are those in which agriculture directly contributes even less to economic growth and poverty is mostly urban.

71. The meta-evaluation carried out as part of the joint AfDB/IFAD evaluation of agriculture and rural development in Africa also covered gender. It found that gender-based project components in the region were infrequent, with little evidence that gender issues had been mainstreamed. The few gender-based components did not appear to contribute strongly to poverty impact, partly because projects often treated gender mainstreaming as an issue related mainly to women's development, rather than considering the dynamics of relationships more broadly, as well as the roles and responsibilities of women and men in agriculture and rural development. This relative neglect and limited impact warrants further investigation. It will be one of the main tasks of the planned corporate-level evaluation on IFAD's efforts and approaches to promoting gender equity and women's empowerment, which the Executive Board has asked OE to carry out in the near future.

Box 6

**Key points from corporate-level and country programme evaluations**

- IFAD has struggled to achieve catalytic impact through non-lending activities such as strategic partnerships, policy dialogue and knowledge management. Dedicated and realistic objectives, activities and resources are needed, so that lending and non-lending activities are mutually reinforcing in achieving IFAD's objectives in any country.
- Evaluations have found that country presence is important in improving IFAD's development effectiveness. However, country presence needs to be better institutionalized and resourced. Evaluations have underlined the need to ensure an appropriate balance between agriculture and off-farm activities. Among other issues, careful analysis of the main livelihood activities of rural poor people is crucial in determining this balance in a given country. The country categorizations of the *World Development Report 2008* offer a useful starting point for conducting such analysis.
- IFAD-supported projects need to devote wider attention to gender issues in general, and to take better account of the prevailing social norms and values in developing activities aimed at promoting gender equity and women's empowerment.

## V. 2002-2007 Evaluation findings

72. Last year's ARRI report was the first to present a combined analysis of all the projects evaluated since 2002. The present report updates this analysis by presenting an overview of the results of the 85 projects evaluated over the period 2002-2007. Multi-year analysis of this type was introduced as a more significant feature in last year's report and is a common feature of similar reports produced by other IFIs. Drawing on all data available – rather than just one year – enhances the reliability of the findings and highlights those issues that need the priority attention of Management. In addition, in this section an initial attempt has been made to outline possible trends in performance based on three periods of two-year data sets since 2002 (2002-2003, 2004-2005 and 2006-2007).

### A. Project performance

73. Eighty-six per cent of the projects evaluated since 2002 were rated moderately satisfactory or better for project performance (a combination of relevance, effectiveness and efficiency). As seen previously, the average rating is highest for relevance (96 per cent) and lowest but still satisfactory for efficiency (65 per cent). Some three quarters of projects (74 per cent) are rated moderately satisfactory or better with respect to effectiveness.

Table 8  
**Relevance, effectiveness and efficiency, 2002-2007** (percentage)

<i>Evaluation criteria</i>	<i>Satisfactory (4-6)</i>	<i>Unsatisfactory (1-3)</i>
Relevance	96	4
Effectiveness	74	26
Efficiency	65	35
<b>Project performance</b>	<b>86</b>	<b>14</b>

74. The data in table 8 show an apparent (but not unusual) disconnect between the much higher percentage of projects rated as relevant (96 per cent) and those rated as effective or efficient (74 per cent and 65 per cent). There are two possible explanations. The first is that this disconnect is real: it is easier to set out to “do the right things” than it is to “do things right” in practice. The second is that this disconnect is more apparent than real, because relevance is often overscored (see next paragraph). The African meta-evaluation also noted an inconsistency between the high scores for relevance accorded to some IFAD projects and the detailed evidence in the evaluations.
75. The overscoring of relevance is largely due to the fact that, in the past, relevance has tended to be assessed by evaluating the alignment of project objectives with the donor organization’s objectives in the country, the needs and priorities of rural poor people and government policies and priorities. Relevance was not assessed by also considering the overall logic and strategy of a particular project, for example in terms of components selected, financial allocation by component and institutional arrangements deployed to achieve the project’s objectives.
76. It is not possible to conclude which of the two explanations offered in paragraph 74 carries more weight. However, even if the second explanation is only partly true, it indicates that there is more scope for improving the relevance of projects – and therefore potentially their effectiveness and impact – than has hitherto been suggested by the data on relevance. Either way, improving the way in which relevance is assessed in the future will also be important.
77. A relatively small proportion of projects (14 per cent) were rated moderately unsatisfactory or worse for project performance. Analysis of the IFAD and AfDB evaluations in Africa indicates that, in this region at least, low project effectiveness is a clear function of inadequate project design. Irregular and ill-focused supervision and implementation support and weak borrower performance are also important determinants.
- B. Rural poverty impact**
78. Over two thirds (69 per cent) of the projects evaluated were rated moderately satisfactory or better with respect to rural poverty impact (table 9). The joint AfDB/IFAD evaluation in Africa suggests that satisfactory rural poverty impact is most likely to result when project design is realistic and internally logical, well aligned with the needs of poor people, and congruent with country policies. Good design in respect of participation, self-help, social capital formation and effective targeting also increases the likelihood of satisfactory poverty impact.
79. The three strongest impact domains for IFAD over the 2002-2007 period are physical assets (76 per cent), human assets (70 per cent) and agricultural productivity (70 per cent). The four weakest domains are environment and common resources (53 per cent), social capital and empowerment (59 per cent), institutions and services (55 per cent), and markets (54 per cent). For these domains, just over half the projects were rated moderately satisfactory or better.
80. Last year’s ARRI report suggested that selected weaker impact areas should be a learning focus for the 2009 edition, as agreed by the Board during its December

2007 session. This section presents an initial analysis of two of the weaker impact areas: the environment and markets.

81. IFAD-funded projects fall into two main groups with respect to **environmental issues**. The first has specific objectives related to environmental improvement (e.g., rangeland management or desertification control). The second group does not have specific environmental objectives, but is expected to "do no harm" and to address any environmental risks.
82. It follows that low ratings for environment and common resources can result mainly for two reasons: (i) significant environmental issues or risks were not addressed by the project, but should have been; or (ii) environmental and common resource activities were a component of the project, but were less successful than planned.

Table 9  
**Rural poverty impact, 2002-2007** (percentage)

<i>Impact domains</i>	<i>Satisfactory (4-6)</i>	<i>Unsatisfactory (1-3)</i>
Physical assets	76	24
Financial assets	67	33
Food security	66	34
Environment and common resource base	53	47
Human assets	70	30
Social capital and empowerment	59	41
Agricultural productivity	70	30
Institutions and services	55	45
Markets	54	46
<b>Rural poverty impact</b>	<b>69</b>	<b>31</b>

83. Some evaluations have identified significant, but unaddressed environmental issues. These may be broad and systemic (e.g. catchment carrying capacity) or specific (e.g. groundwater depletion or construction damage). The Pakistan CPE provides a good example. The criticism of projects in Pakistan is not that the environment was ignored. Projects did include some environmental activities. However, project designs did not pay systematic attention to environmental issues other than prescribing reforestation or livestock management. The location of many projects in the mountainous upper catchments, where the population exceeds the carrying capacity of the land, meant that the environment warranted more systematic treatment during design and implementation. Particular environmental risks were not identified, nor were infrastructure subprojects required to undertake environmental assessments.
84. While unaddressed issues or risks underlie some of the low ratings, in the majority of cases, these reflect poor performance of specific environmental components. For projects in which environmental issues are dealt with in a minor component, a common criticism is a lack of priority during implementation. This was the case for PNGT2 in Burkina Faso (see paragraph 30). An explicit and focused effort is a necessary, but not sufficient condition for success in this area.
85. The most challenging, and not uncommon, situation is one in which environmental and common property resource (CPR) activities were a major component of the project, but have been unsuccessful. There are a number of reasons for this. First, environmental and CPR problems require long-term action. This often makes the immediate investment of time and resources less attractive to communities, project managers and governments. Sustainability also becomes a more critical issue.

Management institutions need to be sustained beyond the life of the project for activities that may not have a great short-term benefit. Second, environmental and CPR issues are often complex and difficult to solve, especially if they involve land tenure disputes. Range and forest management are prime examples. The requirement that initiatives be technically, economically and socially sound is arguably more difficult to meet for environmental and CPR issues.

86. Given this reality, it is perhaps not surprising that IFAD projects have achieved less impact in this area. These are not problems that have simple, quick solutions. This does not mean that they should not be addressed and prioritized in IFAD-supported projects when they are important to rural poverty reduction. However, it does mean that objectives need to be realistic; that an especially careful and participatory analysis, design and implementation is required; and that partners need to be committed to a long-term effort that is likely to extend beyond one or two project phases.
87. The second impact domain examined here is **market access**. This has been one of the weaker impact areas in the 2007 evaluations and in previous years. Two general findings stand out. First, most positive impact in this area has been achieved mainly through the construction of rural roads, which have been widely appreciated by targeted communities. Second, many projects have lacked a direct and sufficient focus on markets as a driving force for rural poverty reduction. That is, most projects evaluated in this year's report did not have specific components (e.g. promoting access to market information, supporting low-cost agroprocessing technologies, or development of market infrastructure, etc.) or financial allocations that would contribute directly towards developing market linkages for rural poor people.
88. OE has undertaken an initial analysis – to be further developed in next year's report – and has found that more-recent projects have a better impact in promoting access to markets. This is consistent with the wider conclusion in last year's report that projects that became effective after 31 December 1996 had a better overall achievement than those that became effective before the end of 1996. Moreover, the analysis reveals that IFAD performed better in terms of market development in wealthier countries (measured by the country's gross national income at the time of project approval).

### **C. Innovation and sustainability**

89. The results for innovation and sustainability for the period 2002-2007 confirm the weak performance for sustainability (table 10). Combining the ratings for sustainability and poverty impact generates an even less positive picture. Only 14 per cent of the projects evaluated since 2002 have been rated satisfactory for both rural poverty impact and sustainability. And while 69 per cent have been rated moderately satisfactory or better for rural poverty impact alone, only 41 per cent have been rated moderately satisfactory or better for both factors. In other words, even if moderate ratings are included, a minority of evaluated projects can be said to have had a sustainable rural poverty impact.
90. The overall sustainability rating for the entire 2002-2007 period is cause for concern. However, there have been steady improvements in sustainability ratings, especially in the past two years. In fact, while 53 per cent of projects evaluated were rated satisfactory in 2006 (which was better than in previous years at the time), 67 per cent of the projects were satisfactory in 2007. Hence, there appears to be an encouraging upward trend in sustainability that needs close monitoring in future ARRI reports.

Table 10  
**Overarching factors, 2002-2007** (percentage)

<i>Overarching factors</i>	<i>Satisfactory (4-6)</i>	<i>Unsatisfactory (1-3)</i>
Innovation, replication and scaling up	72	28
Sustainability	48	52

#### **D. Partner performance**

91. Though this criterion was rated satisfactory in just over half the projects evaluated between 2002 and 2007, table 11 illustrates that IFAD's performance is generally rated lower than other partners over the last six-year period. However, it is also fair to stress that the projects evaluated would not yet have benefited from the comprehensive recent changes introduced by the Fund under the Action Plan.
92. It should be recognized that evaluations tend to pay deeper attention to and are often more rigorous in assessing IFAD's own performance, as compared with the performance of other partners. This is partly because evaluations can make a more immediate impact on enhancing IFAD's development effectiveness. This is consistent with the findings reported in the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), which notes that Management has implemented a greater proportion of evaluation recommendations addressed to the Fund, as compared with the recommendations addressed to other partners.
93. Good performance by partners is fundamental in successfully achieving project objectives. Collaboration with cooperating institutions is diminishing as the Fund moves towards full implementation of its Policy on Supervision and takes on direct supervision and implementation support activities. This is a challenging endeavour, yet it offers a major opportunity for IFAD to achieve better development effectiveness.
94. Evaluations have also revealed the need to strengthen government capacity at different administrative levels, given its prime responsibility for project execution. They also underline the importance of forging public/private/civil society partnerships for better design and implementation. These and other measures will hopefully lead to better partner performance in the future, which is another area that requires close monitoring.

Table 11  
**Partner performance, 2002-2007** (percentage)

	<i>Satisfactory (4-6)</i>	<i>Unsatisfactory (1-3)</i>
IFAD	54	46
Cooperating institutions	63	37
Government	67	33

#### **E. Overall project achievement**

95. More than a quarter of IFAD projects evaluated since 2002 (29 per cent) were rated satisfactory or highly satisfactory overall (table 12). A further 46 per cent were rated moderately satisfactory. The importance of devoting greater attention to and improving performance particularly in project efficiency and sustainability – without neglecting other areas such as effectiveness and partner performance – will be fundamental in ensuring that overall project achievement scores increase in the future.

Table 12  
Overall project achievement, 2002-2007

<i>Rating</i>	<i>Percentage</i>
Highly satisfactory	3
Satisfactory	26
Moderately satisfactory	46
<b>Total: satisfactory</b>	<b>74</b>
Moderately unsatisfactory	24
Unsatisfactory	3
Highly unsatisfactory	0
<b>Total: unsatisfactory</b>	<b>26</b>

## F. Analysis of performance over time

96. The ARRI data set expands as more evaluations are undertaken by OE using consistent methodology. In this section, the total number of evaluations (85) for six years (2002 to 2007) has been divided into three groups.
97. Table 13 shows that projects evaluated in the last two years (2006-2007) have, on average, higher ratings for project performance, rural poverty impact, sustainability and overall project achievement than did projects evaluated earlier. This is indeed consistent with the finding in last year's report that more-recent projects tend to be more satisfactory than older-generation projects. These results point to the fact that IFAD and its partners are learning from previous experience, and that IFAD-supported projects demonstrate – although not across all evaluation criteria – better performance over time.

Table 13  
Projects rated satisfactory by evaluation time period (percentage)

<i>Evaluation criteria</i>	<i>2002-2003</i>	<i>2004-2005</i>	<i>2006-2007</i>	<i>2007</i>
Project performance	80	87	89	100
Rural poverty impact	55	64	85	91
Sustainability	45	41	59	67
Innovation	56	77	77	91
IFAD performance	31	57	63	67
Cooperating institution performance	65	62	63	58
Government performance	79	59	67	67
Overall achievement	65	71	85	100

## G. Internal and external benchmarking

98. As in the past, the present report again benchmarks IFAD's performance against its own targets and against available data from other IFIs.

### Internal benchmarking

99. IFAD operations over the period 2005-2007 were benchmarked internally for relevance, effectiveness, efficiency, sustainability and innovation against the results contained in the 2005 Independent External Evaluation of IFAD (IEE). A comparison of ARRI and IEE data is presented in table 14, which also includes the targets of IFAD's Action Plan.



100. As the table shows, performance in the period 2005-2007 outperforms the independent external evaluation results in all criteria (except for relevance, which is marginally lower). Relevance, effectiveness and efficiency are broadly in line with Action Plan targets. IFAD is also doing well in the area of innovation, but sustainability remains a challenge. The percentage of satisfactory ratings for sustainability in 2005-2007 is 52 per cent. This is much lower than the Action Plan target of 80 per cent, which OE considers an unrealistic target for IFAD to achieve within the set time frame.

Table 14  
**Internal benchmarking** (percentage satisfactory)

<i>Evaluation criteria</i>	<i>Independent External Evaluation<sup>a</sup></i>	<i>2005-2007 evaluations</i>	<i>Action Plan targets<sup>b</sup></i>
Relevance	100	98	100
Effectiveness	67	75	80
Efficiency	45	66	60
Sustainability	40 <sup>c</sup>	52	80
Innovation <sup>d</sup>	55	80	>25

<sup>a</sup> See Chapter 2 in the Report of the Independent External Evaluation of IFAD, September 2005.

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

<sup>c</sup> This is based on the ratings of 10 late and closed projects. However, the IEE found that 61 per cent of all projects it covered (18) would have a satisfactory impact on sustainability.

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

101. In addition, as agreed with the Board in December 2007, for the first time this edition includes a comparison of results using an overall project achievement evaluation criterion – across the five geographic regions in which IFAD operates (table 15). All available evaluation data generated by OE in the past six years (2002 to 2007) have been used for this purpose.

Table 15  
**Comparison of overall project achievement across the five regions in which IFAD operates, 2002-2007**

<i>Geographic region</i>	<i>Overall project achievement satisfactory (%)</i>	<i>Overall project achievement unsatisfactory (%)</i>
Asia and the Pacific	95	5
Eastern and Southern Africa	59	41
Latin America and the Caribbean	73	27
Near East and North Africa	82	18
Western and Central Africa	56	44

102. At the same time, it is important to underline that the aforementioned comparisons *cannot* be used as a proxy to compare the performance of the five corresponding PMD regional divisions responsible for operations. Among other reasons, the results of the projects funded by IFAD are determined by a multiplicity of factors – in particular the performance of borrowing countries – and not only by the performance of the respective divisions.

103. Table 15 shows that all regions are in the satisfactory zone. However, there are regional differences. The relatively low percentage of satisfactory performance in Africa can be partly explained by the difficult prevailing context of the countries in these two regions. In fact, most countries with IFAD operations in these regions are low-income countries and fall within the 3<sup>rd</sup> to 5<sup>th</sup> quintiles of the World Bank's Country Policy and Institutional Assessment.

### External benchmarking

104. This report recognizes the difficulties inherent in benchmarking the performance of organizations that are dissimilar in terms of size and mandate, partly because the evaluation methodologies employed by the different IFIs, though harmonized, are not identical. These reservations aside, available comparative data are presented in table 16.

Table 16

**Benchmarking against agriculture and rural development operations of the World Bank and AsDB**  
(percentage of projects rated satisfactory)

	<i>IFAD</i> <i>(ARRI 2002-2007)</i>	<i>World Bank</i> <i>(exit 2001-2005)<sup>a</sup></i>	<i>Asian Development Bank (AsDB)</i> <i>(approved 1990-1999)<sup>b</sup></i>
Outcome (project performance) – worldwide	86	80	N/A
Project performance and sustainability in Asia and the Pacific <sup>c</sup>	82	79 <sup>d</sup>	47
Sustainability	48	73	78

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

<sup>a</sup> Data from the World Bank's *Annual Report on Development Effectiveness 2006*.

<sup>b</sup> Data from the AsDB Operations Evaluation Department's *Annual Evaluation Report on the 2007 Annual Evaluation Review: The challenge of capacity development*, Appendix 2, table A2.2 (Agriculture and natural resources projects approved in the 1990s).

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

<sup>d</sup> This includes operations across all sectors and not merely agriculture and rural development operations.

105. Table 16 shows that IFAD's performance is slightly better than the World Bank's, which also has a global mandate. The Fund's combined project performance and sustainability rating in the Asia and the Pacific region is better than that of the Asian Development Bank (AsDB), which focuses its activities only in this region. IFAD's results are less positive for sustainability than are the World Bank's and AsDB's, even though there are encouraging trends towards better performance in this area in 2006 and 2007. It is important to recall that the World Bank had major problems with sustainability in the 1990s, but concrete measures such as rigorous quality assurance systems, strong country presence and a focus on results have all contributed to improving sustainability.

106. The joint AfDB/IFAD agriculture and rural development evaluation has produced the most comparable data available to date. The respective figures for AfDB and IFAD from the meta-evaluation are presented in table 17. This indicates broadly similar performance, except for relevance and efficiency, in which IFAD scores higher.

Table 17

**Benchmarking against agriculture and rural development operations of AfDB**  
(percentage of projects rated satisfactory)

	<i>IFAD in Africa</i>	<i>African Development Bank (AfDB)</i>
Relevance	89	71
Effectiveness	61	63
Efficiency	61	52
Overall poverty impact	53	55
Sustainability	39	35

## Box 7

**Key points from 2002-2007 evaluation findings**

- An initial trend analysis of the entire data set shows a steady improvement over time across all evaluation criteria, except for government and cooperating institution performance, which are largely beyond IFAD's control.
- There are significant improvements as compared with the results of the IEE in 2004/5.
- Comparisons across the five IFAD geographic regions point towards the need to consider the difficulty of the sub-Saharan African context more systematically.
- IFAD's project performance is slightly better than the World Bank's, but data indicate that the Bank's operations are more sustainable. The Fund's results are also better compared with AsDB in the Asia and the Pacific region, but, again, less positive in sustainability. The meta-evaluation in the context of the joint Africa evaluation found that IFAD's performance is broadly similar to that of the AfDB, with the Fund doing better in terms of relevance, efficiency and sustainability, while the Bank marginally outperforms IFAD in effectiveness and rural poverty impact.

## VI. ARRI report's contribution to learning

107. As a contribution to learning and as agreed with the Board in December 2007, this year's report examines two topics of importance to IFAD's development effectiveness in more detail. These are: (i) country context and (ii) project-level M&E. This section has been prepared following examination of OE evaluation reports and bilateral consultations with representatives of IFAD Management, staff in PMD and other organizational units, as well as review of selected literature from and discussions with representatives of other IFIs.<sup>12</sup> It has also been informed by two in-house workshops on the two topics with IFAD staff.

### A. Country context and its impact on IFAD-funded activities

#### Introduction

108. The issue of country context arose from an analysis contained in the 2007 ARRI report.<sup>13</sup> This indicated that, over the period 2002-2006, income status, country and rural sector performance were all closely correlated with the degree of achievement of satisfactory rural poverty impact. While divergent impacts for middle-income countries (MICs) and fragile states are characteristic of all multilateral development banks,<sup>14</sup> there is concern to better understand the factors that drive this discrepancy and the scope for reducing it within IFAD operations.

<sup>12</sup> OE organized two specific presentations at IFAD by evaluation staff from the Independent Evaluation Group of the World Bank on the recent evaluations of the Bank's performance in middle-income countries and fragile states.

<sup>13</sup> IFAD. 2007. *Annual Report on Results and Impact of IFAD Operations evaluated in 2006*, table 15, page 23 (pdf version). Rome.

<sup>14</sup> World Bank data show about 90 per cent of projects as having satisfactory outcomes overall, about 80 per cent satisfactory for agriculture and rural development and about 60 per cent satisfactory for projects in fragile states. The recent AfDB/IFAD meta-evaluation of projects in Africa indicates that, for both organizations, projects have a satisfactory or moderately satisfactory impact on rural poverty about 55 per cent of the time. A recent evaluation by the Independent

### Definition and measurement

109. 'Country context' can be defined as the initial and evolving conditions in which a project or country programme is prepared, implemented and evaluated. In this usage, the term 'country' is not synonymous with "nationwide". For IFAD-assisted projects and programmes, it also comprises conditions relating specifically to the rural sector, including regional and local governance in rural areas. This includes the political economy, physical environment, social and human capital, and both organizational and individual capacity.
110. An understanding of the country context also requires that assumptions be made as to the evolution of these variables during the life of a project. Project design should be based on the most likely path of evolution, but allowance should be made, through risk analysis, for divergence of the actual path from that originally projected. Projects should normally include allowance for high-probability risks, but it is neither realistic nor efficient to try to protect against all risks *ex ante*. A major part of the adjustment to unexpected events is normally left to the process of project supervision and implementation support.
111. In this light, less-positive results and impact at project completion cannot be attributed to a complex or volatile country context situation. That is, one should assume that country context is adequately factored in at the time of country strategy formulation and project design, including a comprehensive assessment of any potential risks. Moreover, as mentioned, any major changes should be captured in a timely manner during implementation and adjustments made accordingly to ensure that project objectives will be accomplished effectively and efficiently.

### Evaluation findings

112. An adequate analysis and understanding of the country context is key to the design of realistic and appropriate projects. Project evaluations suggest that, in a number of cases, weak design reflected insufficient knowledge of country conditions. For example, in the case of the Arhangai Rural Poverty Alleviation Project in Mongolia, inadequate awareness of the frequency of *dzuuds* (severe blizzards) was a major design weakness. This had consequences for the welfare of livestock and the potential of farmers to repay credit taken out under the project. Moreover, evaluations have found that project designs often tend to have overambitious or overoptimistic objectives at entry, which reveals a somewhat limited understanding of the prevailing country context at the time of design.
113. IFAD's decision to increase its country presence should increase understanding of the country context. However, this needs to result in project designs that better reflect that understanding. A number of evaluations and interviews cited the relationship between project complexity and managerial capacity as an important issue. Where projects tended to be overly complex, often with too many components and/or multiple managing institutions, they required very strong managerial capacity to succeed. This is rarely available, especially in fragile states. In contrast, relatively simple operations or those with fewer components could be more easily supervised, and they tended to have better results.
114. Some of the evaluations and some individuals interviewed expressed the view that complexity also encompassed the number of cofinanciers involved in a project. This was evident, for example, in the Ethiopia CPE. Donors had requested that their own procurement procedures be implemented, leaving country partners with conflicting sets of instructions. The trade-off between the desire for increased cofinancing in fragile states and the transaction costs that multiple donors can represent for weak managing institutions needs to be carefully considered.
115. To the extent possible, design of a project should reflect in-depth knowledge of the country context and a sense of realism as to implementation capacity and ability to adapt to change. As mentioned, however, it is neither realistic nor efficient to build allowance for every eventuality into programme and project design. Rather,

procedures need to be in place to identify shifts in the risk profile, to react in a timely fashion once a risk factor becomes a reality, and to adjust design to the changed situation.

116. Quality and quantity of supervision and implementation support are widely viewed as key factors in achieving satisfactory project impact in difficult environments. A recent World Bank internal study<sup>15</sup> states that “in fragile states the amount of supervision and implementation support is critical to the achievement of development results”. IFAD’s recent move to undertake supervision and implementation support of its own projects is thus an opportunity to deal better with the evolving risks of its projects, especially in fragile states. Similarly, as mentioned, the establishment of country presence allows IFAD to gain a better understanding of the country context in general and to identify risks and deal with them in a timely manner during design and implementation. This is particularly important where project designs are complex and require closer managerial oversight in several dimensions.
117. Evaluations also underline the importance of more rigorous and comprehensive analysis (including subsector and rural poverty analysis) to inform country strategies and project design. Currently, evaluations note, IFAD’s understanding of rural poverty issues in a given country and of the latter’s agricultural and rural development policies and plans are often in the form of tacit knowledge held by CPMs and their divisions. This poses several challenges, including the transfer of critical knowledge when, for example, there are rotations in country allocations or departure of staff from PMD.

#### Box 8

#### Findings on context from the workshop with IFAD staff

- IFAD needs to provide more differentiated products and services to match very diverse contexts.
- IFAD-supported projects in fragile states tend to be insufficiently differentiated, overambitious, overdesigned, and undersupported during implementation. Political/economic analysis is either limited or ignored.
- Better performance in fragile states requires simplified COSOPs and projects, better analysis of the context, robust and better-supported implementation arrangements and an increased country presence.
- IFAD needs to become better equipped to provide knowledge services and differentiated financial products relevant and attractive to MICs.

#### Towards more context-appropriate approaches

118. IFAD’s business model was mainly designed to serve developing countries that lacked the resources needed to tackle problems of rural poverty, but had some of the capacity that, appropriately strengthened, could implement projects to address such poverty. The evidence suggests that the model is coming under stress, especially in **fragile states**. IFAD has responded to the call to do more in these countries,<sup>16</sup> but it must be careful to not bring forward projects that are neither well adapted nor ready for effective implementation. The limited capacity of these countries calls for intensive country knowledge, projects designed to be manageable within available capacity or to strengthen that capacity, and hands-on support for implementation. The question for IFAD is whether the steps to increase country presence, direct supervision and implementation support will be sufficient in these challenging contexts.
119. The recent World Bank evaluation of its performance in **MICs** suggests that these countries are increasingly putting a premium on the knowledge that comes bundled

<sup>15</sup> World Bank. 2007. Strengthening the World Bank’s rapid response and long-term engagement in fragile states. Working paper, 30 March 2007. Washington, D.C.

<sup>16</sup> IFAD Management is preparing a paper on its approach to engagement with fragile states for consideration at the October 2008 session of the Consultation on the Eighth Replenishment of IFAD’s Resources.

with lending operations, rather than simply on the transfer of financial resources. We do not have the evidence to assess the adequacy of IFAD's response to this evolution in the needs of the MICs. However, evaluations do find that governments in MICs are increasingly asking IFAD for diverse services – such as knowledge on rural poverty from other countries, facilitation in promoting south-south cooperation and the promotion of pro-poor innovations – in addition to the Fund's financial resources. There has been discussion in IFAD of the need to strengthen its role as a knowledge broker in the area of rural poverty by facilitating the transfer of analysis and experience among countries. This is an important topic that merits closer review.<sup>17</sup>

120. In recent years, IFAD has taken a number of steps to strengthen its efforts to analyse and review country context through COSOPs and to increase its country presence and its role in supervision. These should result in improvements in future project performance in fragile states. However, a number of additional steps seem warranted. First, IFAD currently allocates the same amount of resources for project design and supervision, regardless of country context. It is recommended that allocations should recognize the additional investment required to understand the country context and supervise and provide implementation support in fragile states. IFAD needs to review its internal approaches to this group of countries to ensure that they provide adequate assurance of effective use of any additional budget resources provided for these purposes.
121. Moreover, country strategy and project design need to be assessed by IFAD's internal quality enhancement and quality assurance processes, using indicators specific to MICs and to fragile states. Finally, where IFAD enters into cofinancing arrangements with other donors, it needs to work with the various cofinanciers involved to align their procurement procedures, so as to not overburden the project management staff or line departments responsible for execution.

## **B. Project-level monitoring and evaluation**

122. Effective monitoring and evaluation has long been recognized as key to effective project management.<sup>18</sup> Recent years have seen increasing efforts to strengthen M&E systems more widely as a result of an increased emphasis both on development results and on strengthening government-wide M&E systems as part of a general adoption of improved public-sector management tools.
123. Last year's ARRI report identified the performance of M&E systems as a recurrent weakness in IFAD-supported projects and programmes. While IFAD has made, and is making,<sup>19</sup> a significant effort in this area, weak M&E has been a characteristic of many IFAD-assisted projects, which is indeed a challenge most other development agencies are also grappling with. The focus of this learning section is on **project-level M&E systems**, rather than on corporate (IFAD), country-level or government-wide M&E.

### **Definition and context**

124. The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD)<sup>20</sup> defines "monitoring" as a continuing function that uses the systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of progress in and achievement of objectives and of progress in the use of allocated funds. "Evaluation" is the systematic assessment of an ongoing or completed project, programme or policy, its design, implementation and results. Monitoring and evaluation are distinct yet complementary activities.

<sup>17</sup> IFAD Management will also present a paper on its role in MICs during the October 2008 session of the Eighth Replenishment.

<sup>18</sup> IFAD, Office of Evaluation. 2002. *Managing for impact in rural development: A guide for project M&E*. Rome. The guide regards the M&E system as the heart of managing for impact. This means adapting the project to respond to changing circumstances and increased understanding so that it may achieve its intended results.

<sup>19</sup> An initiative will be undertaken by OE, in close partnership with PMD, to strengthen project-level M&E systems.

<sup>20</sup> OECD/DAC, Glossary of Key Terms in Evaluation and Results-Based Management, Paris, 2002.

Monitoring provides the ongoing "what, where and for whom?" Evaluation provides the periodic "why?" and "so what?". The combined value of M&E lies in the information it provides about the performance of a project or programme: what works, what does not, and why. It is central both to effective management of the project and to its wider governance.

125. M&E has evolved over the past two decades. Traditional M&E had a project implementation focus and an emphasis on inputs and outputs. Today, a complete, results-based M&E system needs to identify, track and analyse performance at all levels of the logical framework. This emphasis shift from activities to the goal and purpose level of project intervention<sup>21</sup> requires moving beyond relatively easily available and internal information systems. It implies identifying reliable feedback mechanisms from beneficiaries, establishing partnerships with researchers and/or technical experts, solving methodological issues related to the measurement of project results, etc. These all have significant capacity implications in contexts where data availability and capacity are thin.

### Evaluation findings

126. Concern about weak M&E systems in IFAD-financed projects has been a recurrent theme of evaluations. In 2005 the IEE reported that IFAD had a poor record of data collection and self-evaluation, and weak arrangements for project M&E. This was judged to have affected the learning of lessons and knowledge management.
127. Recurrent criticisms in IFAD evaluations include:
- *Limited scope.* The most frequent criticism of M&E systems in IFAD-supported projects relates to the type of information included in the system (what to monitor). Most IFAD-supported projects collect and process information on project activities (output level). The *average* IFAD project does not provide information on results achieved at the impact level.
  - *Excessive complexity.* In the Pakistan CPE, cases were reported of contradictory logical frameworks combined with arbitrary and irrelevant indicators. In Belize, two different logical frameworks were generated, which increased confusion and complexity. The 2007 ARRI report also found unworkable M&E systems with numerous indicators and reporting requirements.
  - *Low data quality.* In Albania (MADP), inaccuracies were found in data collected by water users' associations. Data provided by the project itself were generally robust.
  - *Weak institutional capacity.* IFAD projects are often undertaken in remote areas in which the competencies of agencies tend to be weaker. Continuous, focused support by IFAD is required to address project management competencies in all processes related to M&E (data collection, analysis, reporting, etc.).

#### Success factors for effective M&E systems

- ✓ political will and appropriate organizational arrangements within PMUs;
- ✓ involvement and motivation of project stakeholders to participate;
- ✓ conceptual and operational clarity of the project and assumption of change;
- ✓ simple, gradual and flexible system;
- ✓ use of tools appropriate to needs and capacities;
- ✓ forums for feedback and use of information by multiple actors;
- ✓ usefulness of information generated by M&E;
- ✓ consider external consultants not only as experts, but also as facilitators and trainers.

Source: PREVAL<sup>22</sup> (2008).

<sup>21</sup> As defined in the glossary of *A guide for project M&E*, the results achieved at the level of purpose in a project hierarchy of results are part of impact.

- *Inadequate resources.* Lack of adequate financial resources affected the performance of M&E. The Ethiopia CPE found that project appraisal documents made limited provision for systematic baseline and subsequent beneficiary surveys. The budget implications of baseline surveys and the setting up and management of M&E were systematically underestimated.
- *Lack of baseline surveys.* In one project in Ethiopia, the baseline survey was carried out 2-3 years after project start-up. This, combined with the fact that it was not designed to take into account specific project activities, rendered it of limited use in M&E of project performance.
- *Lack of use.* The WMCIP in the Philippines was characterized by a well-functioning M&E system. However, the evaluation found that M&E initiatives were not integrated with project operations to guide the adjustment of strategies and/or delivery mechanisms. As a result, they were not very useful to project management.

## Box 9

**Lessons for improving M&E systems at the project level**

- M&E must matter. If it doesn't matter, it won't happen. Real **demand** must exist or be created. This in turn depends on strong incentives for accountability and learning, and on ensuring that M&E information is relevant to stakeholders. Influential individual and institutional champions are required.
- M&E is intrinsically challenging and requires a level of **technical capacity** often unavailable in developing countries. The challenge is greater in poorer countries and in post-conflict situations. Related capacity development processes should be partial, incremental, long term, extended beyond technical skills and tailored to the particular context.
- M&E systems, as well, need to be pragmatically tailored to the specific context, capacity and requirements. This generally means "**keep it simple**".

128. There are examples of IFAD-supported projects with sound M&E systems. These include WMCIP in the Philippines, the Participatory Irrigation Development Programme in the United Republic of Tanzania and PNGT2 in Burkina Faso. It is also important to recognize the initiatives that have been undertaken – and continue – to strengthen the performance of M&E systems in IFAD financed-projects. These include corporate-level (e.g. *A guide for project M&E*, mentioned previously), regional-level<sup>23</sup> and a number of project-level initiatives. Moreover, during last few years, several activities at corporate, regional and project levels have been undertaken to mainstream the Results and Impact Management System (RIMS).<sup>24</sup>

<sup>22</sup> The Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean (PREVAL) is an IFAD grant-funded programme.

<sup>23</sup> These include PREVAL; the regional Programme for Capacity-Building in Managing for Results and Impact (CaMaRI) in the Near East and North Africa; the Programme to Support IFAD-funded Projects' Monitoring and Evaluation Systems in the Western and Central Africa Region; the Regional Programme for Strengthening Management for Impact (SMIP) in Eastern and Southern Africa; and the Monitoring and Evaluation Capacity-Building Initiative for Projects in the Asia and the Pacific Region.

<sup>24</sup> This system was designed in September 2003 and is the framework adopted by IFAD for measuring and reporting the results of its financed projects (see document EB 2003/80/R.6).



## Box 10

**Findings on project-level M&E from the 2008 workshop with IFAD staff**

- Creating and sustaining the demand for M&E in developing countries is key, but difficult. M&E needs to be seen as part and parcel of results-focused management, not as a separate process.
- While not primarily a technical problem, lessons can be learned from what works and does not work. IFAD needs to aim for modest incremental improvements and to focus on establishing simple, minimal systems with strong participation by beneficiaries and tailored to the context.
- IFAD needs to work with its partners to shift the centre of M&E gravity, and ownership, to developing countries. While donor demand is a reality, this should be secondary.

**Improving project-level M&E**

129. It is recognized within IFAD that achieving effective and useful project-level M&E remains frustratingly difficult in many situations. But it is also recognized that this is not a problem specific to IFAD, nor is it always intractable. There are successful experiences from which to learn. OE is embarking on an institution-wide initiative on project-level M&E in cooperation with PMD. Thus the conclusions presented here are of an interim nature and will be used as input towards the more comprehensive initiative on this topic.
130. The first conclusion regarding project-level M&E is that increasing the demand at all levels is key. The adequacy or otherwise of M&E needs to matter and to have consequences. It is not a technical problem that can be solved by improving the supply of M&E alone. Stronger M&E will only emerge when and where there are stronger and aligned interests in managing for results, and in accounting for those results. Thus IFAD efforts to strengthen M&E need to be taken forward as part of efforts involving all stakeholders to achieve more effective and aligned management for agreed results.
131. The second conclusion is that, although not primarily a technical issue, there are a number of lessons that can and should be taken into account in designing project-level M&E systems. They need to be designed for the particular context, taking into account the skills available and management demands on the primary stakeholders. Where accountability and management are weak, IFAD's expectations should be realistic. Ensuring the reliable and systematic monitoring of inputs and outputs, including simple systems for gathering feedback from beneficiaries on the quality of services, may be a good enough ambition. Efforts to build systems and capacities should be modest and incremental.
132. Finally, it is important that IFAD's efforts to improve M&E are consistent with, and ideally part of, wider efforts to improve M&E capacities. As a signatory to the *Paris declaration on aid effectiveness*, IFAD is committed "to rely, as far as possible, on partner countries result-oriented reporting and monitoring frameworks" and to "work together [with partner countries and other donors] in a participatory approach to strengthen country capacity and demand for results-based management". These principles and commitments should be explicitly taken into account when considering IFAD's own demands for M&E information (such as in RIMS), and in its approach and operations to strengthen M&E capacity more widely. Obstacles to introducing and improving results-based culture and management cannot be addressed in isolation. IFAD needs to play a more active role in seeking and promoting global and national partnerships for strengthening M&E demand.

**VII. Conclusions and recommendations****A. Conclusions**

133. In continuation of the practice initiated last year, and in addition to providing the usual account of the Fund's results achieved in a single year (2007) and over a six-year period (2002-2007), this year's report also paid particular attention to learning

through in-depth analysis of two areas of concern to IFAD operations: country context and project-level monitoring and evaluation systems. The treatment of these two areas was agreed on with the Executive Board during its ninety-second session in December 2007 and is part of wider, ongoing reflections and debate on these topics within the Fund.

134. In terms of results, evaluation findings from the projects assessed in 2007 reveal an encouragingly positive picture of the Fund's operations. In fact, for the first time since production of the first ARRI report in 2003, all projects evaluated manifested satisfactory results in two of the most important evaluation criteria, namely project performance and overall project achievement.<sup>25</sup> This is a noteworthy achievement that deserves to be highlighted.
135. In addition, 91 per cent of the projects evaluated demonstrated satisfactory results in rural poverty impact, with strong performance in promoting physical assets and agricultural productivity. Moreover, there have been marked improvements in the 2007 sample with regard to sustainability, which has been unsatisfactory in the past. Sustainability was satisfactory in 67 per cent of projects evaluated in 2007, as compared to only 40 per cent in 2002. The results in promoting pro-poor innovations are quite good – particularly in introducing low-cost technologies, gender mainstreaming and pro-poor institutional arrangements.
136. Following the practice introduced last year, this edition also includes an analysis of the entire ARRI data set for six years<sup>26</sup> from 2002-2007 (see section V). It also presents data according to three two-year blocks (2002-2003, 2004-2005 and 2006-2007). This analysis reveals that performance is improving over time in most evaluation criteria, with the exception of government and cooperating institution performance, where a trend is hard to discern. The results over the period 2006-2007 are also better than at the time of the IEE in 2004-2005.
137. Benchmarking against two other agencies reveals that IFAD's project performance appears slightly better in comparison with the World Bank's agriculture and rural development portfolio. Similarly, taken together, IFAD's project performance and sustainability are significantly better than the Asian Development Bank's in the Asia and the Pacific region.
138. In sum, the trends in performance and impact are indeed promising, even though this cannot be substantiated 100 per cent by statistical evidence, given limitations in the data set.<sup>27</sup> However, the overall findings in the 2008 report are confirmed by three mutually reinforcing analyses: (i) results of the evaluations undertaken in 2007; (ii) analysis of the three two-year blocks of ARRI data; and (iii) findings in this and last year's reports that recent operations tend to perform better than older ones. Taken together, it can reasonably be concluded that IFAD's development effectiveness is improving, and even stronger results can be expected in the future when the Action Plan reforms are fully implemented.
139. However, this positive performance should not lead to complacency. Five areas are identified in the ARRI report in which improvements can be achieved:
  - Numerous projects showing positive results are only moderately satisfactory. Performance can be further strengthened, particularly in efficiency, given the relatively low score of this indicator overall.
  - While there have been significant improvements in the sustainability of IFAD operations in 2006 and 2007, the results and experiences of the Asian Development Bank and World Bank (where sustainability results were weak in

<sup>25</sup> Project performance is a composite of the relevance, effectiveness and efficiency criteria. (This parallels the outcome evaluation criteria used by the Independent Evaluation Group of the World Bank.) Overall project achievement is based on the ratings for relevance, effectiveness, efficiency, rural poverty impact, sustainability and innovation, and replication and scaling up.

<sup>26</sup> The ARRI sample currently contains evaluation ratings for 85 IFAD-funded projects.

<sup>27</sup> See paragraph 6.

the late 1990s) demonstrate that IFAD performance in this area can be further improved with appropriate efforts in the near future.

- The importance of impact on promoting access to markets, including private-sector engagement, and on the environment and natural resources cannot be overemphasized. Both domains need improvement if sustainable development in rural areas is to be ensured.
- While performance in introducing innovative approaches has been good, more can be done to ensure their systematic replication and scaling up by others. Towards this end, more attention needs to be devoted in country programmes to policy dialogue, partnership-building and knowledge management, as they are essential dimensions of IFAD's innovation promotion process.
- The performance of partners (IFAD, governments and cooperating institutions) is satisfactory in two out of three projects. This is an area in which improvements are critical and possible, as the performance of the respective partners is broadly within their own realms.

140. This year's report also focuses on two learning themes: the importance of country context to the better development effectiveness of IFAD operations, and project-level M&E systems. With regard to the former, the analysis finds that comprehensive understanding of country context is particularly crucial to the design of realistic and appropriate country strategies and projects. In a number of cases, evaluations noted that weak designs reflected insufficient knowledge of country conditions, including rural poverty circumstances and national and subsector policies and plans for agriculture and rural development. This limitation is partly due to a past IFAD operating model, one which did not foresee the undertaking by the Fund of direct supervision and implementation support or establishment of country presence. According to the evaluations, these elements of the new operating model are fundamental in gaining a deeper undertaking of country context issues, which in turn is expected to contribute to achieving better development effectiveness. Moreover, evaluations point to the importance of ensuring that project objectives at design are realistic and factor in the opportunities and challenges posed by specific country circumstances, and they underline the need for specific approaches to respond to the special circumstances of MICs and fragile states.
141. Project-level M&E systems are increasingly being recognized as important instruments in project management and in promoting accountability and learning. While the emphasis has shifted from input/output monitoring to assessing results at a higher level, on the whole the performance of such systems has not been very good across donor-funded projects and programmes. The Fund has undertaken several useful activities in the past to redress the situation, such as the development of a comprehensive practical guide on M&E at the project level, but evaluations still reveal that more needs to be done, systematically, to achieve an institution-wide improvement in this area. The M&E workshop held with IFAD staff produced important suggestions, which need to be kept in mind in ensuring effective M&E systems in the future – for example, the need to focus on developing simple, easy to use systems with strong beneficiary participation. Building on the results of the workshop, the planned IFAD-wide initiative by OE and PMD on project-level M&E is expected to take a broad-based overview of the opportunities and challenges in enhancing IFAD's performance in this area.

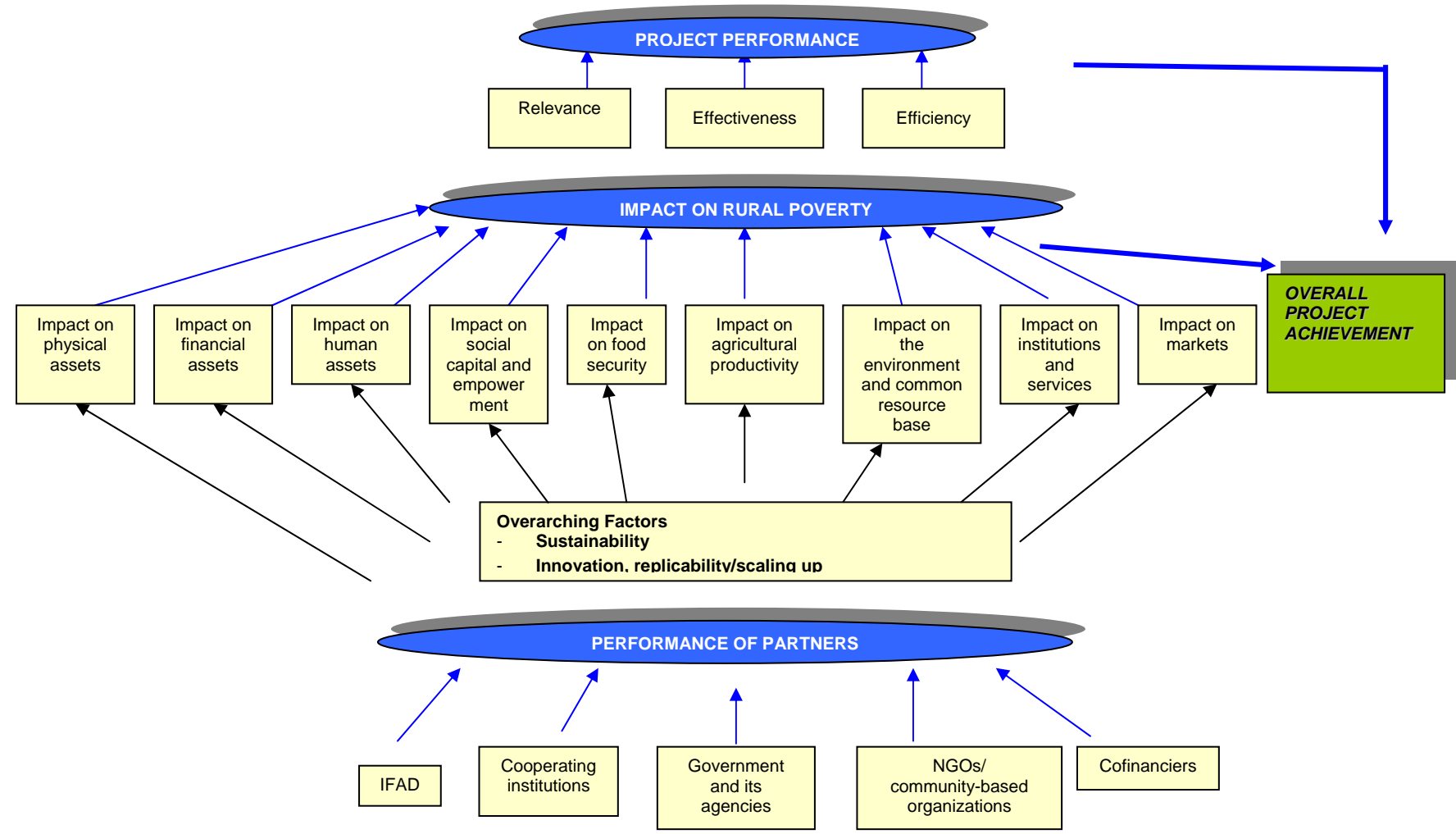
## B. Recommendations

142. The Executive Board is invited to approve the following recommendations:
- (a) In discussing the ARRI report during its session in December 2007, the Board agreed that OE should analyse a selection of **weaker impact areas** (including markets, institutions and the environment) in the 2009 report. In the light of the resources required and the time that IFAD Management and staff need to devote to the process, OE proposes to include dedicated learning sections in next year's report on two of the weakest impact areas.

- (b) The learning themes proposed for the 2009 edition are **access to markets** and the **environment**, as IFAD's performance in these areas is not as good as that in the area of institutions. In this regard, OE proposes to comprehensively analyse IFAD's evaluative evidence and international experience in the two topics, engage IFAD Management and staff in a workshop to discuss possible actions to further improve IFAD's performance in these areas, and bring the results to the attention of the Board.
- (c) It is recommended that other weaker impact areas – **institutions** and **social capital and empowerment** – be taken up as learning themes in the development of the 2010 report.
- (d) It is recommended that OE further analyse those areas requiring improvement, as presented in this ARRI report (e.g. paragraphs 10-14), and propose to the Board, within the context of the 2009 report, a list of learning themes to be treated in future editions.

# Methodological framework for project evaluation

37



## Definition of evaluation criteria

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

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

## Objectives of country programme and individual projects evaluated

### Objectives of country strategies

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

- (i) **Ethiopia.** The 1999 COSOP was process-oriented. It did not present objectives in terms of expected development results, but rather defined the directions and priorities for portfolio development, portfolio management and policy dialogue. The portfolio development priorities are identified as follows:
- rural financial services;
  - small-scale irrigation;
  - agricultural diversification and marketing (including post-harvest handling);
  - pursuit of cofinancing and partnerships with multi- and bilateral agencies, particularly within the above portfolio areas, and for rural water supply and health services.
- (ii) **Pakistan.** According to the 2003 COSOP, the general framework within which IFAD's strategy for Pakistan is set relates to assisting the Government in five main areas:
- agricultural and rural development;
  - women's empowerment;
  - food security and diversification of production;
  - decentralization;
  - access to resources.

### Objectives of projects and programmes

<i>Country and project/programme names</i>	<i>Objectives</i>
Albania  Mountain Areas Development Programme	The overall goal of the programme is to raise the standard of living of poor people in mountain areas through increased agricultural production and productivity, better household food security and nutrition, increased incomes from agricultural and related rural enterprises, and improved infrastructure. Objectives subsumed under this goal include: (a) establishment of an agency for mountain areas development capable of elaborating a resource-efficient development programme for Albania's mountain areas, providing effective technical, financial and managerial support for its realization; (b) establishment, using experience gained under NDRDP and SSIRP, of a sustainable financial institution for the disbursement of credit to rural mountain areas clients, with the characteristics of a purely financial body, operating principally at the wholesale or secondary level as a provider of credit to producer groups and associations, and offering both the Government and other donors a channel for credit targeted to mountain areas; (c) provision of sustainable and equitable use of irrigation water vital to the livelihoods of poor mountain areas farmers; (d) support to farmers in mountain areas in their major agricultural income-generating activity, i.e. livestock production, through the development of improved veterinary services and a sustainable pasture management system; (e) development of a demand-driven extension system that will support farmers and processors in the development of their livestock and crop enterprises; and (f) facilitation of market-oriented agriculture and improved standards of living by alleviating small infrastructure bottlenecks through the construction or rehabilitation of roads and village water supplies.
Belize  Community-Initiated Agriculture and Resource Management Project	The overall objective of the project is to develop the productive potential of sustainable land-use systems and ensure accessible support services to poor smallholder families in the southern region. The specific objectives of the project are to: (a) develop group management and leadership skills with a gender focus in communities and local organizations to generate, formulate and implement small-scale projects, especially related to income-generating activities; (b) strengthen public and private institutions to deliver more effective non-financial services, respecting gender and ethnic diversities and incorporating indigenous knowledge; (c) ensure the provision of financial services and resources



	accessible to poor rural families for agricultural and microenterprise investments; and (d) improve agricultural production systems to make them economically viable and ecologically sustainable, and exploit the opportunities for production diversification, technology supply and market access.
Burkina Faso  Community-Based Rural Development Project	The overall development objective of the project is to reduce poverty and promote sustainable development in rural areas, breaking the spiral of rural poverty characterized by natural resource degradation, reduced production and decreased quality of life. Specific objectives included: (a) improvements in the cost-effectiveness of publicly funded investments at the local level; (b) increased management capacity of beneficiary groups and their institutions; (c) greater absorptive capacity of rural areas; and (d) better access for poor people to productive infrastructure and inputs, social facilities and means to preserve their environment. Aimed at supporting the Government's decentralization policy, the project will follow a holistic, local development approach. Village-level investments will encompass natural resource management (i.e. management of soil and water resources for sustained production) and local development (i.e. provision of infrastructure and services to support production growth and improve living conditions). Emphasis will be placed on the participation and increased empowerment of rural communities in decisions concerning the management and use of natural resources and the identification, implementation and management of village investments.
Pakistan  Dir Area Support Project	The project strategy includes: (i) identification of the target groups and formation of cohesive community and women's organizations; (ii) strengthening line agencies to respond to the needs of the target group; (iii) increasing employment opportunities through training and apprenticeships and through credit to establish microenterprises; (iv) improving rural infrastructure to ensure better access to villages and district markets; and (v) providing village infrastructure to increase incomes (irrigation) and improve living conditions (water supply).
Philippines  Western Mindanao Community Initiatives Project	Objectives: The project's development objective is increased subsistence, cash crop and fishery production for up to 16,000 farm and fishing households in selected areas of Western Mindanao. Strategy: Five institutions will be established; working in parallel, they will be able to deliver advice, services, materials and works to the development sites. The prospective institutions need to work in partnership. Given the nature of the issues in Western Mindanao and the current institutional capacity, no single institution (NGO, private, community, national or local government) will be able to implement and sustain development activities alone. Line agencies are needed to bring technical expertise and NGOs to develop the critical link between formal agencies and target communities. Specialist assistance for development planning and execution, including training, will best be obtained from the private, professional or academic sectors. Local government units are required for programme and project planning, financing, implementation and control at the local level. Community organizations are essential to facilitate participation of target beneficiaries in all aspects of the development process.

## Explanation of aggregated ratings

1. A progressive approach is used to derive the aggregate ratings at each level. For example, individual ratings for relevance, effectiveness and efficiency are first applied by the evaluators for each project. An aggregate rating for project performance – which is a combination of relevance, effectiveness and efficiency – is then applied for each project. Similarly, the overall achievement of each project represents a combination of project performance, rural poverty impact, innovation and sustainability.
2. It is important to emphasize that the aggregate ratings are not the mathematical average of the percentage of projects in each subcategory. In table 1, the percentage of projects rated highly satisfactory for the summary criteria is not the average of the percentages for criteria A, B and C. Although 10 per cent of the projects were rated highly satisfactory (rating 6) for criterion A, no projects warranted an overall rating of highly satisfactory for the summary criteria. This also explains, for example, why, although 10 per cent of the projects were rated highly unsatisfactory (rating 1) for criterion B, no projects were rated highly unsatisfactory overall for the summary criteria. The 10 per cent highly unsatisfactory ratings were outweighed by the more positive ratings for criteria A and C. This led the evaluators to rate these projects as unsatisfactory or better for the summary criteria.

Table 1  
Data table showing percentage of projects in each category

Criteria	Satisfactory			Unsatisfactory			Total
	6	5	4	3	2	1	
	Highly satisfactory	Satisfactory	Moderately satisfactory	Moderately unsatisfactory	Unsatisfactory	Highly unsatisfactory	
A	10	40	10	20	20	0	100
B	0	40	20	20	10	10	100
C	0	30	20	50	0	0	100
Summary	0	40	20	20	20	0	100

3. The summary table in the main text of the report showing the percentage of projects in each category would appear as table 2 below, based on the data in table 1 above. Sixty per cent of projects were individually rated satisfactory (ratings 4-6) for the summary criteria. This is not the average of the satisfactory ratings for criteria A, B and C.

Table 2  
Percentage of projects rated satisfactory and unsatisfactory by criteria

Criteria	(%)	
	Satisfactory (4-6)	Unsatisfactory (1-3)
A	60	40
B	60	40
C	50	50
Summary	60	40

