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Enabling poor rural people
to overcome poverty

**Annual Report on Results and Impact
of IFAD Operations Evaluated in 2008**

Office of Evaluation

Evaluation Committee — Fifty-ninth Session
Rome, 9 October 2009

For: **Review**

Note to Evaluation Committee members

This document is submitted for review by the Evaluation Committee.

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Abbreviations and acronyms

ARRI	Annual Report on Results and Impact of IFAD Operations
AsDB	Asian Development Bank
AfDB	African Development Bank
CPE	country programme evaluation
COSOP	country strategic opportunities programme
EBRD	European Bank for Reconstruction and Development
ESA	environmental and social assessment
M&E	monitoring and evaluation
NRE	natural resources and the environment
OE	Office of Evaluation
UNOPS	United Nations Office for Project Services

Executive summary

1. This is the seventh Annual Report on Results and Impact of IFAD Operations (ARRI) prepared by the Office of Evaluation (OE). It presents a synthesis of the main results and impact from evaluations conducted by OE in 2008. As in past editions and as agreed with the Executive Board, the ARRI also includes dedicated sections on two learning themes: (i) access to markets; and (ii) natural resources and the environment.
2. The seventh ARRI includes three new features. First, in addition to providing an account of the results achieved based on the evaluations undertaken in 2008, the ARRI analyses the three-year moving averages, starting from 2002, of the performance of IFAD operations. The use of moving averages allows for the assessment of trends in performance over time, and also rectifies any biases that may result from the sample of projects evaluated, which are not chosen on a random basis.
3. Second, it contains a quality-at-entry review. The main aim of this section is to assess the extent to which IFAD management is learning from previous operations and addressing the key areas of challenge identified in this and past ARRIs in new activities financed by the Fund. This section also serves to develop the ARRI one step further, by providing an assessment of recently approved activities, in addition to the traditional account of past operations.
4. The third aspect is that the 2009 ARRI is built on evaluations undertaken in line with the provisions contained in the new evaluation manual, which was considered by the Evaluation Committee¹ in December 2008. One change in the ARRI – in accordance with the new manual – is the reduction in the number of domains covered by rural poverty impact criteria from nine to five. Another change brought about by the new manual is a more comprehensive definition of relevance.
5. Included in chapter VII is a brief review of the ARRI itself. In preparing this seventh edition, OE undertook a comparative analysis of annual reports similar to the ARRI produced by evaluation outfits in other development organizations. The main aim of this review is to identify features that might be of interest to IFAD for inclusion in the ARRI in the future.
6. **Evaluation findings related to performance.** The evaluations conducted in 2008 show that the two most important evaluation criteria, project performance and overall project achievements, are moderately satisfactory or better for the overwhelming majority (82 per cent) of IFAD-funded projects and programmes. This is a remarkable achievement, broadly similar to those reported in last year's document.
7. The results with regard to sustainability are encouraging, with 73 per cent of projects evaluated considered moderately satisfactory or better, compared to a low 40 per cent in 2002. Sustainability has improved steadily over the past few years. If similar trends are maintained in the future, the Fund will soon meet the sustainability targets set in IFAD's Action Plan for Improving its Development Effectiveness.² Efforts to promote sustainability should continue, since about 50 per cent of the projects evaluated in 2008 were considered only moderately satisfactory by this criterion.
8. One hundred per cent of the projects evaluated were rated moderately satisfactory or better in terms of innovation. This is also a laudable achievement and illustrates the efforts and resources devoted since the early 2000s to promoting pro-poor innovations. At the same time, it should be pointed out that IFAD's approach to replication and scaling up has been unsystematic and has not received as much attention as needed. While future evaluations and ARRIs will continue to review

¹ The manual may be downloaded from http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf

² Eighty per cent of projects evaluated would be moderately satisfactory or better for sustainability.

performance in innovation, they will also more comprehensively assess replication and scaling up, which is the ultimate test of IFAD's capacity to promote pro-poor innovations.

9. Performance on promoting rural poverty impact has been very good, with 91 per cent of the projects rated moderately satisfactory or better. This is most evident with respect to human and social capital and empowerment, as well as in institutions and policies, followed by food security and agricultural productivity, and household income and assets.
10. As mentioned, this year for the first time the ARRI includes the calculation of moving averages using the entire ARRI data set since 2002. The three-year moving average analysis reveals, on the whole, a steady upward trend in results across all but a few evaluation criteria. This upward trend is further corroborated by the analysis of project performance by date of loan effectiveness, which confirms the hypothesis raised in past ARRIs that more recent projects and programmes perform better than older generation operations. These positive trends merit emphasis, and reflect the considerable efforts by the institution to implement far-reaching reforms and renewal over the past decade.
11. One of the new features of this year's ARRI – the quality-at-entry review – shows that on the whole IFAD is adequately incorporating lessons learned and good practices from past experiences into new strategies and projects. This is significant as it means that the Fund is redressing weaknesses found in past operations and further developing its comparative advantage and specialization. The review did however reveal the need for greater efforts to consolidate IFAD's country presence, strengthen implementation support, and define more accurately the human resources, time and skills for policy dialogue and knowledge management.
12. Benchmarking against other agencies illustrates that IFAD's project performance is largely similar to that of the World Bank's agriculture and rural development portfolio globally. The relevance and efficiency of IFAD-funded projects are better than those of the African Development Bank (AfDB) and IFAD's project performance and sustainability overall continue to be better than those of the Asian Development Bank (AsDB).
13. The overwhelmingly positive results should not lead to complacency. There are three specific areas that require attention in moving forward:
 - (i) The **efficiency of IFAD-funded projects** is low across the board, especially as compared to performance on other evaluation criteria (apart from natural resources and the environment). Improvements in efficiency are expected also to contribute to enhancements in IFAD's own performance, which remains unsatisfactory in one of every three projects financed. This is therefore an area that needs to be tackled head on;
 - (ii) **Government performance** is increasingly emerging as a key determinant to achieving sustainable results in reducing rural poverty. Many countries, especially the fragile states, "bottom billion" countries and those with low country policy and institutional assessment (CPIA) scores, have generally weaker institutional capacity and policy frameworks than other countries. Government performance, particularly in these countries, warrants deeper attention in the future; past efforts to enhance performance (e.g. through the Action Plan) have been oriented mainly towards improving IFAD's own development effectiveness. Of course governments themselves are primarily responsible for taking key actions to improve results on the ground; and
 - (iii) **Performance in sub-Saharan Africa** is relatively poor, especially as compared to the other three regions covered by IFAD operations. This may be explained by the challenging context and the heterogeneity of countries in sub-Saharan Africa. For instance, most IFAD operations in this region are in low-income countries that fall within the third and fifth CPIA quintiles. A large number of countries in sub-Saharan Africa have relatively weak government

capacity, knowledge institutions and national statistic systems, which limits their capacity to formulate and implement effective pro-poor policies. It also acts as a constraint on the formulation of country strategic opportunities programmes (COSOPs) and project design, as well as supervision and implementation support. This points to the need for more comprehensive analytic work and skills, as well as resources to generate the knowledge required. In-depth analytic work would also help improve IFAD's engagement in policy dialogue. Partnerships with other institutions can help fill the gap, but partnerships alone will not suffice, and in-house capacity will need to be built as well. The ARRI therefore raises the issue of whether a more highly differentiated approach should be taken by the IFAD management in allocating resources to countries with a more complex context in sub-Saharan Africa and elsewhere, rather than follow the "one size fits all" approach. This would endow such countries with the required resources to conduct more effective COSOP formulation, project design, and supervision and implementation support in the future. The IFAD management may also wish to establish a special financing facility for this purpose devoted to sub-Saharan Africa.

14. Despite the improvements in results, the ARRI found that a large proportion of projects evaluated in 2008 were only moderately satisfactory, with only a minority deemed completely satisfactory or better. Therefore, there is scope for further improvement overall, especially in IFAD's own performance, environment and natural resources management, and project efficiency as mentioned above.
15. Performance in natural resources and the environment remains relatively poor. In fact, it is the worst performing evaluation criterion, with more than 70 per cent of projects evaluated in 2008 showing a moderately unsatisfactory performance or worse. Moreover, the performance of IFAD-supported projects in institutions and policies, although it has improved markedly, has been modest over the period 2002-2008 as a whole.

Evaluation findings related to learning

16. **Access to markets** was one of the learning themes in this year's ARRI. Improved access to markets by the rural poor is essential for long-term poverty reduction. While past performance has been mixed, IFAD is now moving in the right direction. There is a more systematic and focused approach to market access and value chain analysis than in the past, and more examples of innovative practice. However, the fact remains that constraints to improving market access are enormous and there are no easy solutions. Five priority areas are identified for IFAD: understand value chains better; diversify approaches to rural financial services; innovate more widely; work on partnerships and policy; and share knowledge.
17. **Natural resources management and environment.** Performance in environment and natural resources management is widely acknowledged to be relatively poor. Most IFAD-funded projects have succeeded in "avoiding environmental harm". They have been less successful at "doing environmental good" on a larger scale. Many other agencies have a similar experience. IFAD has already taken very significant steps to improve its performance in this area, such as introducing procedures for environmental and social assessments. However, evaluation experience at IFAD and elsewhere suggests that these will not be sufficient in themselves. Five additional actions need to be considered (see paragraphs 160 and 162). Two of these concern climate change, which is rightly seen as enormously important for IFAD. However, it is important that this priority strengthens, rather than detracts from, action to improve environment and natural resources management performance more generally.
18. **Recommendations.** The Executive Board is invited to adopt the following recommendations:

- IFAD management should implement the recommendations to improve performance in the two learning themes covered by the 2009 ARRI, namely promoting access to markets, and natural resources and the environment. The specific recommendations related to these themes – which were proposed in consultation with the management – are included in paragraphs 143, 160 and 162;
- The Board agreed in December 2008 that OE should treat the weaker impact areas – institutions and policies, and social capital and empowerment – as learning themes in developing the 2010 ARRI. However, given the improvements in these areas (see table 3 and figure 3 of the main report) and the fact that the efficiency of IFAD-supported projects is emerging as one of the weakest performing evaluation criteria, requiring management attention, it is recommended that the efficiency of IFAD-supported projects be the only learning theme for the 2010 ARRI;
- OE will pay special attention to monitoring progress on performance in the two impact domains relating to institutions and policies, and human and social capital and empowerment. Accordingly, as and when required, OE will treat them as learning themes in future ARRIs; and
- IFAD management should reconsider its current allocation approach for conducting analytic work for COSOP development and project preparation. It should also consider developing a differentiated approach to the allocation of resources for supervision and implementation support. This new approach should aim to provide the additional resources required for effective analytic work, and assign staff according to their skills, experience and competencies to the countries with the lowest CPIA scores - including fragile states and “bottom billion” countries. This would ensure better COSOPs, project design, and supervision and implementation support in the future.

Annual Report on Results and Impact of IFAD Operations evaluated in 2008

I. Introduction

1. This is the seventh Annual Report on the Results and Impact of IFAD's Operations (ARRI) produced by the Office of Evaluation (OE).¹ The ARRI consolidates and synthesizes the results and impact of IFAD operations based on a cohort of project, country programme and corporate-level evaluations conducted in the previous year. This year's ARRI (the 2009 ARRI) synthesizes the results from 11 projects evaluated by OE in 2008.
2. As in the past, the objective of the ARRI is twofold: (i) to present a synthesis of performance based on a common evaluation methodology; 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 ARRI is the IFAD management and staff, the Evaluation Committee and the Executive Board, it is also of importance to the wider development community because of the systemic issues it raises in relation to sustainable agriculture and rural development.
3. The ARRI was first produced in 2003 based on a common evaluation methodology. The evaluation ratings that have informed the previous editions of the ARRI are stored in a dedicated database, which also includes basic data on each project assessed.² The ratings from project evaluations undertaken each year are added to the same database, so that the total number of cumulative records in the database increases each year. At present, the database includes ratings from 96 project evaluations undertaken by OE, which is a large enough sample to enable the division to conduct a meaningful range of statistical analyses across the entire data set.³
4. The presentation of data in this ARRI differs from that of previous years in three respects. First, in addition to providing an account of the results achieved based on the evaluations undertaken in 2008, the ARRI analyses the three-year moving averages starting from 2002 of the performance of IFAD operations. Using a three-year moving average allows for the assessment of trends in performance over time, and also overcomes any biases that may result from the sample of projects evaluated, which are not chosen on a random basis. The reasons for introducing a three-year moving average are explained in paragraphs 35 and 36.
5. The second new feature is a section that contains a quality-at-entry review of recently adopted results-based country strategic opportunities programmes (COSOPs) and newly designed projects in selected countries where evaluations were undertaken in 2008. The main aim of the quality-at-entry review is to assess the extent to which the management is learning from previous operations and addressing the key areas of challenges in new activities financed by IFAD.
6. The third new aspect is that the 2009 ARRI is built on evaluations based on the new evaluation manual, which was considered by the Evaluation Committee⁴ in December 2008. The manual builds on past OE experience, international evaluation standards and best practice,⁵ and takes into account developments at IFAD, for

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

² These include date of approval, effectiveness and closing, lending terms, the sub-sector categorization of the project by IFAD management (i.e. project type), the geographic region, etc.

³ For example, the performance of IFAD operations by year of loan approval and effectiveness can be analysed using the database.

⁴ The manual may be downloaded from http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf

⁵ For example, the manual builds on the United Nations Evaluation Group's Norms and Standards, the Evaluation Cooperation Group's Good Practice Standards for Country Strategy and Programme Evaluations, and the OECD/DAC Principles on Evaluation.

instance new policies and strategies adopted, or changes to the Fund's operating model. One change in the ARRI, as a result of the introduction of the new manual, is the reduction in the number of domains included in rural poverty impact criteria from nine to five (see section B in chapter III; annex II contains explanations of the five impact domains and other evaluation criteria used in the ARRI). Another change brought about by the new manual is a more comprehensive definition of relevance. In the past, relevance was assessed by evaluating whether COSOP or project objectives were aligned with a country's own agriculture policies, IFAD policies and priorities, and the needs of the rural poor. The new definition for relevance includes not only a review of the alignment of objectives as in the past, but also an assessment of the internal logic and strategy adopted by the project to meet its objectives. For example, this entails determining whether the design of a project defined the correct component mix and selected appropriate institutional arrangements to achieve project objectives. The application of the new definition will allow for a more comprehensive understanding of COSOP or project relevance.

7. Included in chapter VII is a brief review of the ARRI itself. In agreement with the Evaluation Committee and the Board, several new features have been introduced over time since the ARRI was first produced in 2003. For example, the report now includes a comparison (i.e. benchmarking) of the performance of IFAD operations with selected other development organizations. It devotes greater attention to analysing the proximate causes of performance (understanding the why factor), as this is critical for deriving lessons and best practices to improve future policies, strategies, and projects and programmes. In preparing this seventh edition, OE undertook a comparative analysis of similar annual reports produced by evaluation outfits in other development organizations. The aim of this review was to identify features that might be of interest to IFAD for inclusion in the ARRI in the future.
8. In terms of structure, the 2009 ARRI is largely similar to previous editions of the document. Chapters II and III synthesize the main evaluation findings from the project, country and corporate-level evaluations carried out in 2008. Chapter IV contains the quality-at-entry review. Chapter V presents an analysis of the consolidated evaluation data from all 96 projects evaluated since 2002. Chapter VI presents the ARRI contribution to learning, which as agreed with the Executive Board in 2008 covers the themes of access to markets, and environment and natural resources. Chapter VII presents the review of the ARRI mentioned in the previous paragraph, and the conclusions and recommendations are contained in chapter VIII.

II. Projects and programmes evaluated

9. Table 1 provides an overview of the evaluations that form the basis of the 2009 ARRI. A total of 11 projects have been evaluated. The overall cost of these operations was US\$481 million, of which IFAD contributed US\$201 million (42 per cent). The project objectives are summarized in annex III.

Table 1
Evaluations undertaken in 2008

Type	Country/ region	Title	Executive Board approval date	Project completion date	IFAD loan ^a (US\$ million)	Total project costs ^a (US\$ million)
Corporate-level evaluations	Africa	AfDB and IFAD Policies and Operations in Agriculture and Rural Development in Africa: A Joint Evaluation				
	Nigeria ^b	Katsina State Agricultural and Community Development Project	December 1990	December 2000	12.2	28.8
		Sokoto State Agricultural and Rural Development Project	September 1992	December 2000	9.6	17.2
Country programme evaluations		Community Based Agricultural and Rural Development Programme	September 2001	March 2010	29.9	101.6
		Roots and Tuber Expansion Programme	December 1999	September 2009	23.0	36.1
	Sudan ^b	North Kordofan Rural Development Project	April 1999	June 2008	10.5	23.7
		South Kordofan Rural Development Project	September 2000	March 2011	18.0	39.6
	China	Qinling Mountain Area Poverty Alleviation Project	December 1999	September 2007	29.0	106.3
Project interim evaluations	Democratic People's Republic of Korea	Uplands Food Security Project	December 2000	June 2008	24.4	41.8
	Guatemala	Rural Development Programme for Las Verapaces	December 1999	September 2011	15.0	26.0
Project completion evaluations	Argentina	Rural Development Project for the North-Eastern Provinces	April 1996	June 2007	16.5	36.4
	Madagascar	Upper Mandrare Basin Development Project – Phase II	December 2000	September 2008	12.6	23.1
Total					200.7	480.6

^a The IFAD loan and the costs indicated for the two country programme evaluations (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.

^b The projects listed in the next column were individually assessed as part of the Nigeria and Sudan CPEs respectively. They do not constitute a comprehensive list of projects funded by IFAD in the two countries.

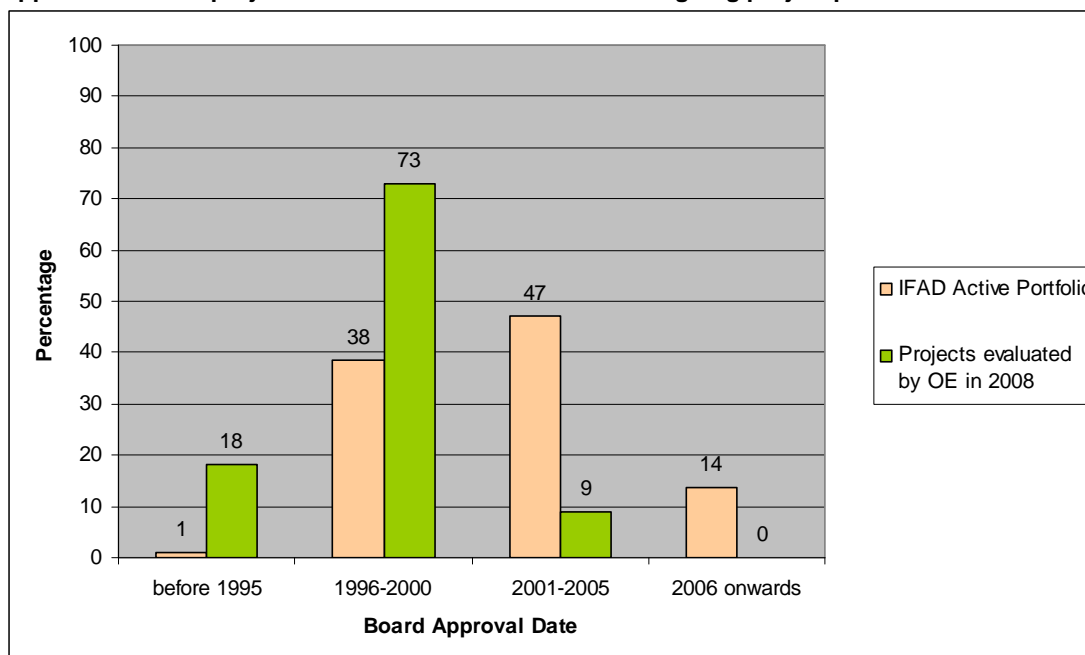
10. As in the World Bank's Annual Review on Development Effectiveness and the Annual Evaluation Review of the Asian Development Bank (AsDB), the focus on completed or near-completed projects means that the evaluations present a somewhat lagged picture of the performance of IFAD operations. Therefore, it is important to exercise caution in drawing general conclusions about the performance of the ongoing portfolio of projects and programmes on the basis of these evaluations.
11. As can be seen from table 1, eight of the 11 projects evaluated as part of this ARRI were approved during the period 1999 to 2001. Two date from the early 1990s and one from the mid-1990s. Two projects closed in 2000, two in 2007 and three in 2008. The remaining four projects are expected to close between 2009 and 2011. This means that majority of the projects evaluated in this ARRI are either ongoing

and still incurring expenditures or were under implementation and incurred expenditures until recently. Hence, it is fair to say that the results reported in the document do not refer to operations financed by IFAD in the remote past. More generally, it is also useful to recall that, through CPEs, OE assesses ongoing and recently designed projects, in addition to completed operations.

12. Furthermore, although they have not yet been evaluated by OE, it could be argued that the performance of part of the ongoing portfolio may be similar to the performance of the operations reported in the ARRI. This is because it is fair to assume that the design and implementation approaches of projects and programmes approved during the same period would broadly contain similar characteristics based on development thinking at the time. Moreover, when new thinking was introduced, the existing portfolio was not always retrofitted across the board to align it to the range of new policies, strategies and processes adopted by the Fund.
13. As further evidence of the above, figure 1 compares the approval dates of the Fund's ongoing portfolio (as at 30 June 2008) with the approval dates of the projects and programmes evaluated in 2008. While the projects and programmes evaluated in 2008 were approved in 2001 or before, about 40 per cent of those in the ongoing portfolio were approved during the same period and are likely to close in the near future as well. In conclusion, the hypothesis put forward is that the performance of about 40 per cent of the ongoing IFAD portfolio may reveal similar results as those projects evaluated in 2008. However, some variations may occur, for example owing to the introduction since 2007 of direct supervision and implementation support, and more recent efforts to strengthen country presence.

Figure 1

Approval dates of projects evaluated in 2008 and IFAD's ongoing project portfolio



Source: Project and Portfolio Management System and Annual Review of Portfolio Performance 2007-2008 (appendix 5)

III. 2008 evaluation findings

14. In order to facilitate the interpretation of results in the ARRI, annexes 1 and 2 provide a schematic overview of the project and CPE methodologies, as well as definitions of the evaluation criteria used by OE.

A. Project performance (relevance, effectiveness and efficiency)

15. This section includes a discussion of project relevance, effectiveness and efficiency, as well as overall project performance. The latter is a very important evaluation criterion,⁶ as it is a composite of three separate evaluation elements. All 11 projects evaluated in 2008 were rated for relevance, effectiveness and efficiency. The results are summarized in table 2 below, which also covers project performance. The three-year moving averages⁷ showing trends in performance across relevance, effectiveness, efficiency and project performance since 2002 are provided in figure 2, at the end of this section.

Table 2

Relevance, effectiveness and efficiency (per cent by rating) – projects evaluated in 2008

Rating		Relevance	Effectiveness	Efficiency	PROJECT PERFORMANCE
6	Highly satisfactory				
5	Satisfactory	46	36	18	18
4	Moderately satisfactory	46	46	36	64
	Total satisfactory	91	82	55	82
3	Moderately Unsatisfactory	9	18	45	18
2	Unsatisfactory				
1	Highly unsatisfactory				
	Total unsatisfactory	9	18	45	18

Note: To avoid the use of decimal points, the percentages in the above table have been rounded off using a consistent method. 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 1 percentage point. This note also applies to tables 3 and 5.

16. As mentioned in paragraph 6, **relevance** is now assessed in terms of both the alignment of project objectives with the policies and priorities of the government, IFAD and the rural poor, and the appropriateness of design (i.e. whether project design features were geared to the achievement of project objectives, for example, in terms of the choice and financial allocation of the various components and the institutional arrangements for execution). As agreed with the Evaluation Committee,⁸ this expanded interpretation of the concept provides a more comprehensive and useful assessment of the relevance of IFAD operations. This new definition was already applied to the evaluations undertaken last year, which is one of the reasons why the results on relevance are slightly less positive than in past ARRIs.
17. All but one of the projects evaluated in 2008 was rated moderately satisfactory or better for relevance. None of the projects were rated highly satisfactory,⁹ which may be attributable to the adoption of a more comprehensive definition of

⁶ The Independent Evaluation Group of the World Bank also combines the assessment 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.

⁷ The Independent Evaluation Group of the World Bank also uses a three-year moving average in its Annual Report on Development Effectiveness, and the Operations Evaluation Department of the Asian Development Bank does the same in its Annual Evaluation Review (See figure 2 of the 2008 Annual Evaluation Review: Lessons from a Decade of ADB Country Assistance Program Evaluations).

⁸ During the dedicated session in December 2008 on the new Evaluation Manual.

⁹ For example, in the 2008 ARRI, 17 per cent of the projects were rated as highly satisfactory for relevance and none moderately unsatisfactory or worse.

relevance (see paragraph 6) and should not be interpreted as a decline in the relevance of IFAD operations.

18. Alignment was a particularly strong point. All the evaluations reported good project alignment with government and IFAD policies, including the main objectives in the respective COSOPs, as well as with the overall rural poverty context. Even more importantly, all the evaluations found that the projects were correctly targeted in areas with high concentrations of poor and marginalized groups, and generally addressed the priority needs of the target area and the rural poor.
19. Two factors contributed to maintaining high relevance during project implementation. First, flexible, participatory approaches that allowed activities to respond to different local needs and priorities were highlighted in five of the evaluations. For example, the demand-driven approach followed in the Qinling Mountain Area Poverty Alleviation Project in China allowed communities to access funds for their highest priority needs. Gender-sensitive approaches were also important to ensure that women were involved and benefited. For example, the design of the Rural Development Programme for Las Verapaces in Guatemala began with an analysis of the situation of women, who were being discriminated against and were at a clear disadvantage relative to men. Determined action by the programme coordination team from the outset ensured that gender was a cross-cutting issue in all activities.
20. The second factor underlying project relevance was the adjustment of design during implementation. Reorientation was particularly important for the Rural Development Project for the North-Eastern Provinces in Argentina. The original design had been relevant to the socio-economic and political context of the mid-1990s, but needed to be reoriented in 2003 in line with the new political and economic context and IFAD's new country strategy. In the case of the Rural Development Programme for Las Verapaces in Guatemala, selecting the Flexible Funding Facility allowed the program to adapt in line with experience, as when it responded to limited success with off-farm rural microenterprises by creating a vocational training project for young people. Good overall consistency between project objectives and the policies of the government and IFAD were maintained in the Upper Mandrare Basin Development Project – Phase II in Madagascar, following adjustments in response to supervision and implementation support missions.
21. While the project designs were generally commended for their participatory and flexible attributes, and for their consistency with stakeholder priorities, a number of design weaknesses were identified that reduced relevance and project achievements. A number of these were technical and specific to particular projects or country programmes. However, three design challenges were reported more than once. These include: (i) inadequate partnerships with cofinanciers and uncertainty about cofinancing arrangements; (ii) inadequate investment in social infrastructure; and (iii) insufficient attention paid to environmental and natural resource issues. The latter issue is discussed in detail in chapter VI.
22. Three evaluations – those of the Upper Mandrare Basin Development Project – Phase II in Madagascar, the South Kordofan Rural Development Project in Sudan, and the Uplands Food Security Project in the Democratic Peoples' Republic of Korea – mentioned poor involvement by cofinanciers. The South Kordofan project depended upon unidentified cofinanciers for significant rural roads components and for priority activities related to water, health and education. Commitments for these components were not secured from partners. The Upper Mandrare project also failed to establish partnerships for social infrastructure. In the Uplands Food Security Project, the expected cofinancier failed to provide food for work in support of the environmental protection component. Among other issues, evaluations (such as the one in North Korea and others) found that projects had been submitted for Board approval based on intentions of cofinancing, rather than on firm agreements between IFAD and the cofinancing agency. This can jeopardize effectiveness in

those cases when the planned cofinancing does not actually materialize following Board approval.

23. Inadequate social infrastructure was criticized in two projects. The lack of planned interventions to address human and animal water needs was considered a design flaw in the North Kordofan Rural Development Project in Sudan. The Upper Mandrare project in Madagascar underprovided for health, education and drinking water, despite the importance of these being highlighted in an earlier interim evaluation by OE, underscoring the need for IFAD to further strengthen the learning loop from evaluation to design.
24. **Effectiveness** is a measure of the actual or likely attainment of project objectives. Eighty two per cent of the projects rated this year were assessed as moderately satisfactory or better. Four projects (36 per cent) were particularly effective: the Upper Mandrare Basin Development Project (Madagascar), the Uplands Food Security Project (Korea), the Qinling Mountain Area Poverty Alleviation Project (China) and the Community Based Agricultural and Rural Development Programme (Nigeria).
25. Of these four projects, the Qinling project in China stands out. Substantial changes in farming systems and practices have resulted in greater land productivity and increased yields; roads and power lines were installed; and village planning and extension services have improved. A major reason for the success of the project was the combination of positive policy changes, a favourable economic context, and the project investments. This enabled all but the most remote households to take advantage of new opportunities.
26. Four factors account for much of the reduced effectiveness observed in other projects or specific components: inadequate analysis and consideration of the country context, implementation delays, poor coordination and weak design. Inadequate consideration of the difficult institutional and policy context in a particular country account for some of the reduced effectiveness in about half of the projects evaluated in 2008. Weak institutional capacity and changing policies were particularly problematic for the projects in Sudan. Implementation delays were observed in the Rural Development Project for the North-Eastern Provinces in Argentina. This was due to the centralized implementation arrangements at design, weak capacity at the provincial level, and a particularly complex and unstable period in Argentina (economically, socially and politically). Implementation delays were also observed in Nigeria due to insufficiently clear institutional arrangements for project execution and delays in counterpart funding for programme implementation. In the Uplands Food Security Project (Korea), delays affected community facilities and environmental activities. In the Qinling project (China), credit activities started late.
27. Poor coordination among implementing partners undermined effectiveness in Sudan and Korea. The Uplands Food Security Project (Korea) was affected by the unavailability of World Food Programme (WFP) and United Nations Development Programme cofinancing, which had been envisaged at the time of project approval. Coordination problems between the project, government ministries and WFP delayed the environmental conservation activities. In the Sudan, coordination problems (partly due to an unsatisfactory decentralization process) affected the overall effectiveness of IFAD operations.
28. Design weaknesses contributed to reduced project effectiveness in Sudan, Nigeria and Korea. Both North Kordofan and South Kordofan projects in Sudan were spread over a wide range of activities in a very large geographical area. Overly optimistic targets were combined with insufficient inputs, as was the case with natural resources management in the North Kordofan project. An overly ambitious design in relation to the resources available also reduced the effectiveness of the Roots and Tuber Expansion Programme in Nigeria. In Korea, there were flaws in the design of the main crop production component, mainly owing to the lack of

involvement by project stakeholders and other local expertise at the design stage. Project design also underestimated the communication challenges between IFAD and the various government agencies involved, including the project management staff themselves.

29. Project **efficiency** is a measure of how economically resources and inputs (funds, expertise, time, etc.) are converted into results. As was the case in the past, the efficiency of IFAD-supported projects was rated lower than either relevance or effectiveness in the 2008 evaluations. Approximately half the projects (45 per cent) were rated moderately unsatisfactory for efficiency.
30. Two projects generated high economic rates of return: Upper Mandrare in Madagascar and Qinling in China. The excellent efficiency of the Madagascar project was attributed to rehabilitating and installing irrigation schemes at lower unit costs and surpassing physical targets (estimated at 120 per cent). Embedding the project within existing government structures was a key factor in the efficiency of the China Qinling project. Project management offices were part and parcel of local government structures, and project processes were largely based on the standard governance requirements of the Government of China.
31. Lower efficiency in other projects was generally the result of one or more of the following factors: design characteristics, programme management and administrative weaknesses. Project design contributed to inefficiency in five instances. The wide regional coverage of the Rural Development Project for the North-Eastern Provinces in Argentina, and related geographical dispersion of beneficiaries, increased the share of administrative costs. The Rural Development Programme for Las Verapaces in Guatemala was dispersed over too many components, as were the North and South Kordofan projects in Sudan. The fact that these components also extended over large, poorly accessible geographic areas made efficient implementation even more difficult in Sudan. The design of the Uplands Food Security Project in Korea was heavily dependent on farm machinery. The lack of maintenance capacity and spare parts for this machinery led to long downtimes and consequently low efficiency.
32. High staff costs meant that up to one fifth of the budget was absorbed by programme management costs in the Las Verapaces programme in Guatemala and the Roots and Tuber Expansion Programme in Nigeria. In the case of the latter, while top-heavy staffing contributed, this can partly be accounted for by the complexity of a national programme that required a management presence (albeit part-time) in each of the 26 states covered by the programme. The Rural Development Project for the North-Eastern Provinces in Argentina faced a similar challenge. The efficiency of the Las Verapaces programme in Guatemala was also impaired by the wholesale change in the programme team towards the end of the project, caused by a change in national government. In Sudan, the high turnover of government staff, the addition of new administrative units, and coordination problems arising from complex governance structures, meant that institutional inefficiency was a major source of poor project performance. Efficiency was also affected by relatively high project management costs¹⁰ in the Katsina State Agricultural and Community Development Project and the Sokoto State Agricultural and Rural Development Project in Nigeria. Management costs as a proportion of total costs were around 30 and 18 per cent respectively in these two projects, compared to an average of 11 per cent in the remaining projects evaluated in 2008.
33. Administrative weaknesses impaired efficiency in Argentina, Guatemala, Korea, Nigeria and Sudan. Administrative procedures for the approval of subprojects were poorly adapted to the needs of different activities in Guatemala, while in Nigeria

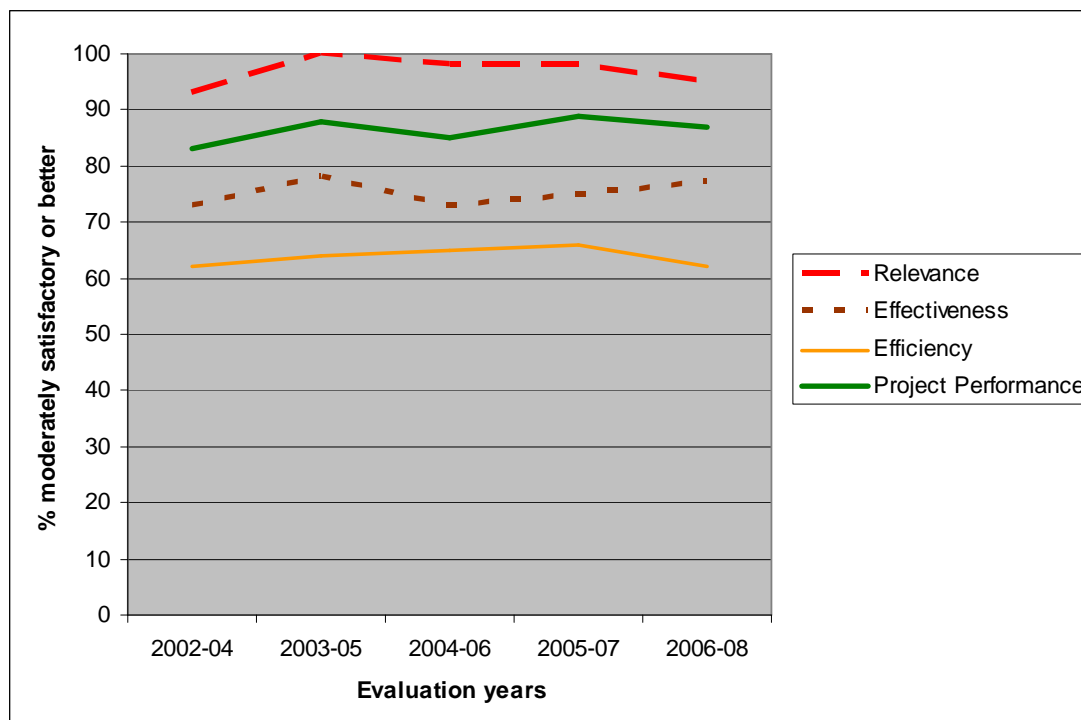
¹⁰ These are costs embedded in the loan for project management purposes. They exclude other management costs incurred by IFAD through its own annual administrative budget in support of project management, such as for supervision and implementation support.

the uncertain and untimely release of funds and failure to allocate counterpart funds reduced efficiency across the board. Delays between loan approval and effectiveness (Nigeria), or in the early part of project implementation (Korea and Argentina), further impinged on efficiency.

34. **Project performance** is based on a combination of the ratings for relevance, effectiveness and efficiency. Eighty two per cent of the 11 projects were rated moderately satisfactory or better. But with just 18 per cent rated satisfactory, and none of the projects rated highly satisfactory, there is no room for complacency.
35. **Three-year moving averages.** In the past two editions, the ARRI has reported on the performance of IFAD operations using the entire independent evaluation data set generated since 2002, when OE adopted and started applying a common methodology for evaluation. Among other issues, the aim of such reporting (referred to as "block analysis") was to discern trends in performance over time, as well as to enhance the reliability of analysis given the relatively small size and non-random nature of the sample of projects evaluated each year. In particular, the ARRI reported on performance across each evaluation criteria using the entire data set (2002-2007).
36. As mentioned in paragraph 4, this year for the first time the ARRI includes an analysis of data using three-year moving averages,¹¹ rather than using the type of block analysis mentioned in paragraph 35. A three-year moving average is calculated by adding evaluation results from three consecutive years and dividing the sum by three. The reason for introducing moving averages is that they produce statistically more valid results than analysing blocks of evaluation ratings, since they smooth out short-term fluctuations and highlight long-term trends.
37. Moving-average data for the period 2002 to 2008 shows that more than 50 per cent of projects have consistently been moderately satisfactory or better for all four criteria (figure 2) over this period. Relevance scores over 90 per cent; effectiveness over 70 per cent; and efficiency over 60 per cent. The 2006-2008 mean is 95 per cent for relevance, 77 per cent for effectiveness and 62 per cent for efficiency. The decline in project performance in the period 2006-2008 can to some extent be explained by the marginal decrease in relevance, which is partly the result of a more comprehensive definition of this criterion in the same time period (see paragraphs 6 and 16). There is also a slight drop in efficiency in the period 2006-2008. This can be explained by the relatively lower number of projects (55 per cent) that were considered moderately satisfactory or better in the 2008 sample, as compared to 67 per cent in 2006 and 2007 combined. Sixty-five per cent of projects evaluated were considered moderately satisfactory or better for efficiency in 2005.
38. One of the main conclusions from this analysis is that the efficiency of IFAD-funded projects gives cause for concern. This is so not only because of the slight reduction during the period 2006-2008, but also because the efficiency of IFAD-funded projects evaluated in 2007 and 2008 is the least satisfactory of the three core performance criteria (relevance, effectiveness and efficiency) that determine overall project performance. In fact, of the four evaluation criteria mapped in figure 2 below, the performance of IFAD-funded projects in terms of efficiency has consistently been the lowest since 2002, and it is an issue that the management realizes warrants attention in the future.

Figure 2
Relevance, effectiveness, efficiency and project performance (2002-2008)

¹¹ In statistics, a moving average is used to analyse a set of data points by creating a series of averages of different subsets from the full data set. A moving average is not a single number but a set of numbers, each of which is the average of the corresponding subset of a larger data set.



Box 1

Key points on relevance, effectiveness, efficiency and project performance

- The **relevance** of projects continues to be highly rated (91 per cent moderately satisfactory or better). Good alignment, participatory approaches and design adjustments during implementation were contributory factors. However, the internal logic and coherence of the project strategy in some cases was lacking, limiting results on the ground.
- **Effectiveness** was moderately satisfactory or better in 82 per cent of projects. Reduced project or component effectiveness was attributed to inadequate analysis and consideration of the context, implementation delays, poor coordination and/or weak design.
- **Efficiency** remains the weakest of the three criteria (45 per cent of projects evaluated were moderately unsatisfactory). Lower project efficiency was generally the result of weaknesses in design, programme management and/or administration.
- Eighty-two per cent of the projects evaluated in 2008 were rated moderately satisfactory or better for **project performance**, which is an overarching evaluation criterion as it is a composite of the scores for relevance, effectiveness and efficiency.
- The three-year moving average data for the period 2002 to date show that more than 50 per cent of projects have consistently been moderately satisfactory or better for all four criteria (relevance, effectiveness, efficiency and project performance).

B. Impact on rural poverty

39. As agreed with the management and the Evaluation Committee in the course of developing the new evaluation manual, the number of impact domains was reduced from nine to five. Impact on rural poverty is therefore now assessed using five impact domains, namely household income and assets; human and social capital and empowerment; food security and agricultural productivity; natural resources and the environment; and institutions and policies. The objective of this reduction is to streamline reporting and facilitate the understanding of key issues in critical thematic areas of priority to the Fund. The new manual also requires OE evaluations to assess the reach (i.e. the number of people benefiting from the operation), depth (the different social groups who have benefited, such as women, tribal people and others) and magnitude of impact (the actual changes observed, such as increased income or food security). With the full roll-out of the evaluation manual in 2009, future ARRIs should also be able to expand their analysis and reporting on these important dimensions of rural poverty impact.

40. Table 3 presents the ratings for each impact domain for the 11 projects evaluated in 2008. As per past practice, the remainder of this section concentrates on examples of particularly strong or weak performance.

Table 3
Impact by domain (per cent by rating) –projects evaluated in 2008

Rating		Household income and assets	Human and social capital and empowerment	Food security and agricultural productivity	Natural resources and environment	Institutions and policies	Rural Poverty Impact
6	Highly satisfactory	9	18	9		18	
5	Satisfactory	36	46	46	9	46	36
4	Moderately satisfactory	36	36	36	18	36	55
Total satisfactory		82	100	91	27	100	91
3	Moderately unsatisfactory	18		9	46		9
2	Unsatisfactory				27		
1	Highly unsatisfactory						
Total unsatisfactory		18	0	9	73	0	9

41. **Household income and assets.** Includes the flow of economic benefits derived from the production and/or sale of goods and services (income); the stock of accumulated land, housing, livestock, tools and equipment (physical assets); and savings and credit (financial assets).
42. Eighty-two per cent of projects were rated as moderately satisfactory or better in 2008 for promoting household income and assets. The most successful projects achieved positive impacts for both income and assets. Monitoring of the Upper Mandrare project in Madagascar recorded increases in per capita cash incomes of over 160 per cent in four years for the special target group of households without land or cattle, or those with very small areas of irrigated land. This increase in income has had a major effect on the state of housing and the stock of household and agricultural equipment.
43. All sample villages covered by the evaluation of the Qinling project in China showed substantial increases in income and assets. Much of the increased income was derived from migratory employment indirectly facilitated by the project. Reductions in the time required for carrying firewood and water increased the time available for work outside the household, and income generated by agricultural improvements was often used to meet travel and other costs required to secure external employment. Commercial-scale farming (cash crops and livestock) has increased as households invest income from migrant work back into agriculture.
44. The CPEs for Sudan and Nigeria found moderately satisfactory improvements in household income and assets overall, but two projects were rated as moderately unsatisfactory: the Roots and Tuber Expansion Programme in Nigeria, and the South Kordofan Rural Development Project in Sudan. In South Kordofan, as in other projects in Sudan, the limited improvement in household financial assets was associated with the weak performance of the rural financial services undertaken by the project. The Roots and Tuber Expansion Programme in Nigeria suffered from the lack of a strong market or commercial approach in programme design. Problems of market access, and the lack of flexible financial services, reinforced the low profitability of cassava processing for small farmer groups and small-scale processors.

45. **Human and social capital and empowerment.** Building capacity among poor people, both collectively (social capital) and individually (human capital), is essential for poverty reduction. The fact that 100 per cent of the projects evaluated in 2008 were rated moderately satisfactory or better for this impact domain is a significant achievement. The Uplands Food Security Project (Korea) increased households' ability to handle economic activities at their own risk and with credit, and also improved the management capacity of cooperative farms. The Las Verapaces programme in Guatemala strengthened social capital by providing community organizations with new management knowledge and by broadening the outlook of communities. Participatory approaches were used effectively to boost local capacities in Madagascar, and to gain the acceptance of communities for the development activities in Sudan.
46. A number of evaluations reported positive impacts on women's empowerment. The Upper Mandrare Basin Development Project – Phase II in Madagascar achieved a marked improvement in women's social and economic status; they are now much more involved in the new dynamics of social and economic development. The Community based Agricultural and Rural Development Programme in Nigeria engaged the religious authorities in facilitating women's involvement. As a result, this and other IFAD-funded programmes in northern Nigeria succeeded in overcoming initial reluctance on the part of Muslim women and increased their representation and involvement in community development.
47. Some shortcomings were noted, however. The experience of the Las Verapaces Programme in Guatemala confirmed the old lesson that building sustainable local capacity requires prolonged support. Of the 158 organizations supported since 2003, only 36 do not need continued support in order to consolidate after project closure. The other risk with "created" local institutions was, as the Sudan CPE observed, a tendency to depend on handouts from projects or governments. The Qinling project in China contributed to an improvement in the overall level of empowerment and social capital. However, the project did not implement a strategic capacity-building approach. For instance, training was ad hoc and more could have been achieved with broader participation at the village level.
48. **Food security and agricultural productivity** is of major importance in terms of IFAD's mandate. Ninety-one per cent of the projects were rated satisfactory for this domain in 2008. Notable improvements were identified in the Qinling project (China), Uplands Food Security Project (Korea), and Rural Development Project for the North-Eastern Provinces (Argentina). The project in Argentina improved the food security of both indigenous peoples and other farmers as a result of the increased production that followed from the dissemination of affordable and appropriate technologies. Improvements in rural financial services played a major role in boosting agricultural and livestock production in both the Uplands Food Security Project and the Qinling project. The latter project also demonstrated the value of other complementary interventions such as training, advisory services and rural infrastructure.
49. The overall impact on agricultural productivity and food security was moderately unsatisfactory in Sudan. While increases in yields were obtained in both the North Kordofan and South Kordofan projects, these gains cannot be considered sustainable in the absence of a sustainable seed supply system. Similarly, while the reliability of cropping has increased in both areas, overall progress on food security has been limited. On the plus side, however, the IFAD-funded programme in Sudan has had a positive impact on the role of women in agriculture and food security. It has contributed to changing attitudes among male farmers, created a sense of solidarity between women groups and men, and increased the participation of women in cash crop (cotton) production.
50. A pronounced impact on sustainable agriculture and food security has yet to be achieved in Nigeria by IFAD-supported projects. Significant yield increases have been recorded for most crops, but the limited emphasis on value-added and sales

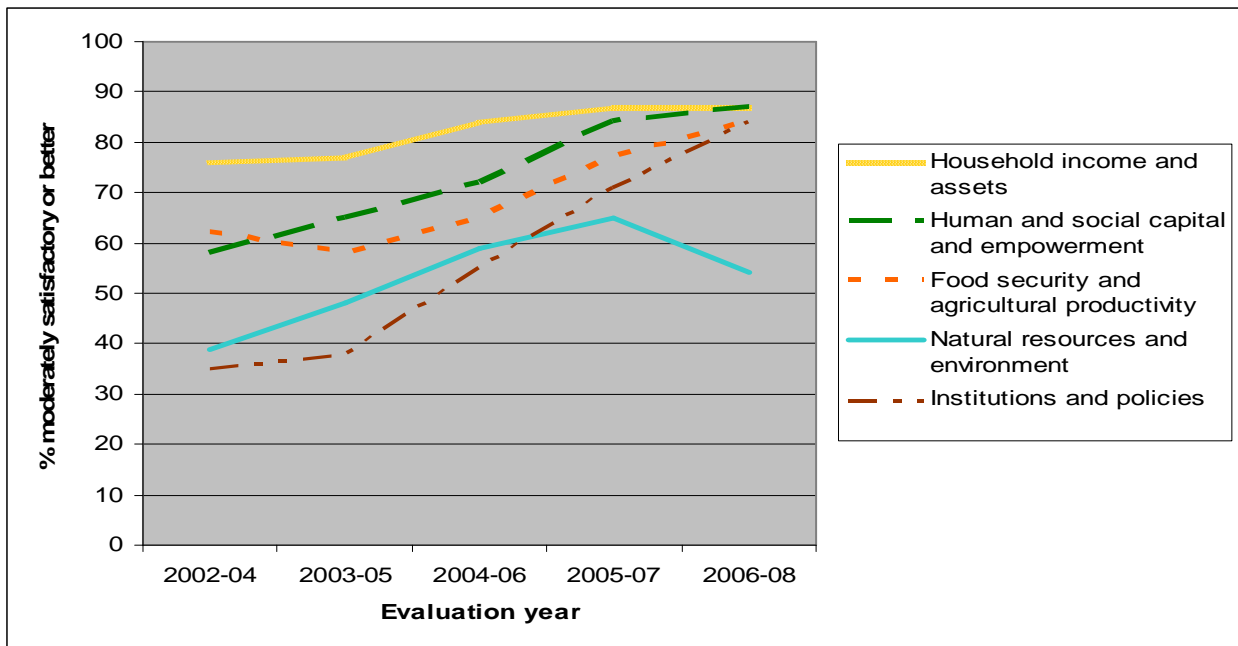
income have prevented expected improvements in food security from being fully achieved.

51. The Upper Mandrare project in Madagascar achieved highly satisfactory increases in rice and horticulture crops production by developing irrigation, improving access to markets, and reducing post-harvest losses. It was, however, less successful in its objective of developing sustainable rainfed agricultural systems. There are still opportunities to improve water management in irrigated areas for better productivity. Rainfed crops and livestock production remain vulnerable to recurrent droughts.
52. The **natural resources and environment (NRE)** impact domain focuses on the extent to which a project or programme contributes to the protection, rehabilitation or depletion of natural resources and the environment. Overall performance in this area has been the lowest of all the impact domains, and was particularly weak in the majority of the projects evaluated in 2008 (27 per cent satisfactory).
53. NRE is one of the learning themes for this year's ARRI, and so the reasons for this poor performance are examined in detail in chapter VI. Only three of the 11 projects were rated moderately satisfactory or better. The Qinling project (China) resulted in natural resources being more effectively utilized and increased forest cover. The Uplands Food Security Project (Korea) planted sufficient woodlots to meet the average annual household fuel wood requirements. But these projects were also criticized. The Qinling project evaluation noted some negative impact on the environment caused by the increasing use of chemical fertilizers and pesticides associated with intensive cash crop and fruit tree production. And the woodlot achievements in the Uplands Food Security Project are a marginal contribution compared to the damage caused by past and continuing encroachment of forest and sloping land.
54. The majority of the evaluations contained various criticisms. In most cases, NRE performance was weak because of insufficient resources, prioritization, or strategic planning relative to the scale of the issues involved. The Upper Mandrare project in Madagascar included an NRE objective and succeeded in increasing environmental awareness. However, activities tended to be ad hoc and demonstrative, and the project lacked a strategic approach to the sustainable management of soil and water resources on hillsides or irrigated areas. Lack of attention to NRE was observed in the Rural Development Project for the North-Eastern Provinces in Argentina) despite being a core project objective. In Sudan, NRE was significantly underfunded considering the magnitude of the problems. Important achievements have been realized through awareness-raising campaigns, but efforts to address forest and rangeland degradation were either modest or unsuccessful.
55. The **institutions and policies** domain covers the contribution of IFAD-supported projects to the strengthening of government institutions at the federal, state or provincial and other levels, as well as the involvement of the private sector. In addition, this domain aims to assess any contributions made by IFAD in promoting pro-poor policies in agriculture and rural development. All 11 of the projects (100 per cent) were rated as having achieved moderately satisfactory or better impact in this domain in 2008.
56. A number of very positive institutional impacts were reported. The Uplands Food Security Project (Korea) helped create a complex, decentralized potato seed production system. Cooperative farms were also able to design and implement their own on-farm trials and community investments. These are positive developments in an otherwise extremely rigid institutional environment. The Nigeria CPE reported the marked success and wider adoption of the Community-Driven Development approach, based on the empowerment, support and upgrading of local institutions at community and local government level. In most cases, this has been followed by improved social or productive service provision.

57. The most significant improvements under the Qinling project in China came in the form of improved cooperation between different partners and from increasing the capabilities of local government institutions. However, there has been little improvement in the extension services supported by the project, which continue to be underfunded, or in the rural credit cooperatives. There was also little policy dialogue on issues related to project design or implementation.
58. There are a few examples of policy impact. The South Kordofan project in Sudan promoted reform in water governance leading to a new water law that gives management rights to rural communities that contribute to the funding of assets. The Rural Development Project for the North-Eastern Provinces (Argentina) encouraged national debate through its national project coordination unit and supported the formulation of specific policies reflecting the importance of family farming at the national level. One far-reaching result was that the project contributed to the creation of the Office of the Under-Secretary for Rural Development and Family Farming within the Secretariat for Agriculture, Livestock, Fisheries and Food in Argentina. However, IFAD does not currently allocate sufficient resources to embark on a more comprehensive engagement in policy dialogue at different levels (local, district and national). Such an undertaking will require important investments in IFAD staff time, financial resources and staff skills and competencies. Grants can help if they are used more strategically in support of IFAD's involvement in policy processes, including those at regional and global level. However, grants alone will not be enough if IFAD is to achieve greater impact on agriculture and rural development policies in partner countries and globally.
59. **Three-year moving averages.** Figure 3 below presents three-year moving averages for ratings on the five impact domains over the period 2002-2008. Two features stand out. One is the clear upward trend in all but one of the impact domains since 2002-2004. Over 80 per cent of projects were rated moderately satisfactory or better in four of the five domains in 2006-2008. Improvement has been particularly marked for human and social capital and empowerment, food security and agricultural productivity, and institutions and policies. There are many reasons for the incremental improvements in these areas. On the whole, for example, greater attention has been devoted to institutional analysis in project design and there has been a growing realization of the importance of promoting pro-poor policies, even though related resources and capacities may not yet be adequate. Better food security and agricultural productivity may be attributable in part to increased attention to market linkages in recent years. Strengthened human and social capital and empowerment are also due to efforts in gender mainstreaming, capacity-building of grass-roots institutions, and wider engagement by NGOs in IFAD operations.
60. The second feature is the much lower current rating for NRE. This impact domain had, until 2005-2007, shown clear improvement. This could be explained in part by the fact that, for the first time in 2002, some attention was devoted to *productive natural resources* in IFAD's strategic framework,¹² even though the focus was on access rather than on improving natural resources and the environment per se. However, the 2006-2008 average is lower, with 54 per cent of projects rated moderately satisfactory or better. One reason for this is the particularly weak NRE ratings for the projects evaluated in 2008, when just 27 per cent of projects were rated moderately satisfactory or better for this domain.

Figure 3
Rural poverty impact domains (2002-08)

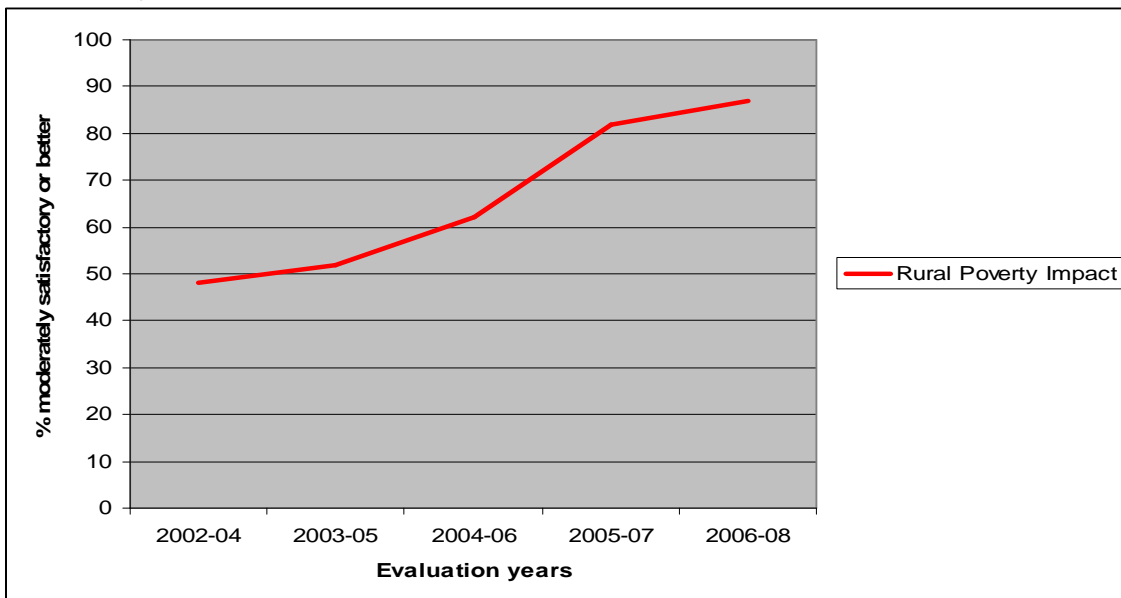
¹² See *Enabling the Rural Poor to Overcome their Poverty: Strategic Framework for IFAD 2002-2006*. IFAD's Strategic Framework covering the period 1998-2000 did not make reference to natural resources and the environment.



C. Overall rural poverty impact

- 61. The overall rural poverty impact rating is derived by aggregating the various ratings discussed in the preceding sections. Data since 2002 shows a significant and steady improvement over time, from an average of 48 per cent in 2002-2004 to 87 per cent rated moderately satisfactory or better in 2006-2008 (see figure 4). The figure for the 2008 projects alone is 91 per cent.

Figure 4
Rural poverty impact (2002-2008)



- 62. Most of the projects were reasonably successful at targeting the poor, and at ensuring that poorer groups benefited. Targeting in the Qinling project (China) was effective. The majority of the villages were amongst the poorest in the project areas, and efforts were made to target the poorest households. However, more remote groups received fewer benefits, and villages with greater planning or lobbying capacity tended to capture more benefits.
- 63. The experience of the Las Verapaces programme in Guatemala was fairly typical. First, although the design differentiated between six different target groups, there

is insufficient data to be able to measure the extent to which each group benefited. Second, more visible results were achieved for those households with the means of production than for those without. Benefiting the extremely poor takes more time and requires different approaches.

64. This reality makes the achievement of the Upper Mandrare Basin Development Project – Phase II in Madagascar even more remarkable. In this project, while household income increased for all social categories, for households without land or cattle, or with only a small amount of irrigated land, average per capita cash income increased by more than twice the average.
65. Gender is an important cross-cutting theme analysed in all evaluations by OE. A dedicated performance and impact study of the Katsina State project in Nigeria indicated that the project had achieved a higher degree of gender equality in project benefits compared with the non-project control group. In the Qinling project (China), the number of women accessing loans increased over the project period, as they received training and as the number of men migrating for work increased. The number of loans taken solely by women increased to 56 per cent by the end of the project. Only one project – the Rural Development Project for the North-Eastern Provinces (Argentina) – achieved disappointing results with respect to gender. Despite promoting a gender approach in its activities, and training teams to build this dimension into project management, the percentage of women as direct beneficiaries and as loan recipients was low.
66. Finally, it is useful to clarify the reason for the observed uptrend in overall rural poverty impact (see figure 4), as compared to the rather flat trend in project performance (see figure 2) – the latter being a composite evaluation criterion based on relevance, effectiveness and efficiency. This difference in trend can be explained, inter alia, by the fact that a project can manifest a relatively low performance in terms of relevance of objectives, or not be efficient in terms of how economically resources and inputs are transformed into results, and simultaneously achieve a high degree of impact. For example, a project can have a positive impact on the livelihoods of the rural poor (e.g. in terms of better incomes or food security), even if the costs of such achievements are relatively high.

Box 2

Key points on rural poverty impact

- All the projects evaluated in 2008 (100 per cent) were rated as moderately satisfactory or better for two impact criteria – **institutions and policies**, and **human and social capital and empowerment**. This is a remarkable achievement, as these are critical areas for achieving lasting impact on poverty. There is however no room for complacency, since further improvements can be achieved across the entirety of the portfolio.
- The majority of projects evaluated in 2008 were rated moderately satisfactory or better for **food security and agricultural productivity**, and for **household income and assets**. With attention now being given to critical aspects of design, such as promoting greater market linkages, better results can be foreseen in the future in these domains.
- **Natural resources and environment** was once again the weakest impact domain, with just 27 per cent of projects rated moderately satisfactory or better in 2008. This is an area where concerted efforts will need to be mobilized in the future to ensure that land, water and forest areas can be managed better to achieve more of an impact on livelihoods.
- **Overall rural poverty impact** (an aggregation of the five impact domains) has shown a steady improvement over time, from an average of 48 per cent in 2002-2004 to 87 per cent moderately satisfactory or better in 2006-2008.
- Most projects were reasonably successful at targeting poorer groups, although those with greater means of production tended to benefit more.

D. Overarching factors

67. OE evaluations assess two overarching factors, namely: (i) sustainability; and (ii) innovation, replication and scaling up. The ratings for the projects evaluated in 2008 are encouraging: 73 per cent satisfactory for sustainability, and 100 per cent satisfactory for innovation (table 4).

Table 4

Sustainability and innovation, replication and scaling up of projects evaluated in 2008

Rating	Percentage	
	Sustainability	Innovation
Highly satisfactory		
Satisfactory	18	55
Moderately satisfactory	55	45
Total satisfactory	73	100
Moderately unsatisfactory	27	
Unsatisfactory		
Highly unsatisfactory		
Total unsatisfactory	27	0

68. **Sustainability** covers the likely continuation of net benefits from the development intervention beyond the end of the project. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life. The 2008 projects present a generally favourable picture of sustainability. However, with 55 per cent of the projects rated only moderately satisfactory in terms of sustainability, the importance of addressing the challenge of sustainability remains. This challenge was highlighted in the 2007 ARRI, which led to the development of a coherent approach to sustainability by the management.¹³
69. Three factors are identified as important in this year's evaluations for ensuring sustainability. These include a focus on grass-root organizations, alignment with existing institutions, and the economic viability of activities.
70. The Las Verapaces Programme in Guatemala prioritized grass-roots organizations, building their capacity to undertake self-management. The Nigeria programme used a similar community-driven development approach to build community groups and organizations. Such approaches make sustainability more likely, but are not a guarantee. Community organizations require continued support over a long period of time. For example, only 36 of 158 organizations supported by the Las Verapaces Programme were considered "consolidated" by 2007. Further support was required, but might not be forthcoming following project completion. The same is true of development committees and resource user associations established by the projects in Sudan.
71. The fragility of organizations created by projects makes it even more important that they are aligned to, and closely linked with, existing institutions. In Sudan, the basis for linking local communities to local and state-level services has been established. In Guatemala, the evaluation highlighted the importance of linking organizations supported by the project more closely with permanent structures and actors in the area. This was built into the design of Qinling project (China). The

¹³ See document REPL.VIII/3/R.3, which was presented to the July 2008 session of the eighth replenishment consultation.

project management structure was aligned with the local government structure from the start. Both these evaluations and the joint African evaluation (see paragraph 100) confirmed that governments have an important role to play in ensuring sustainability, for example by providing post-project funding to cover recurrent costs for maintaining public goods.

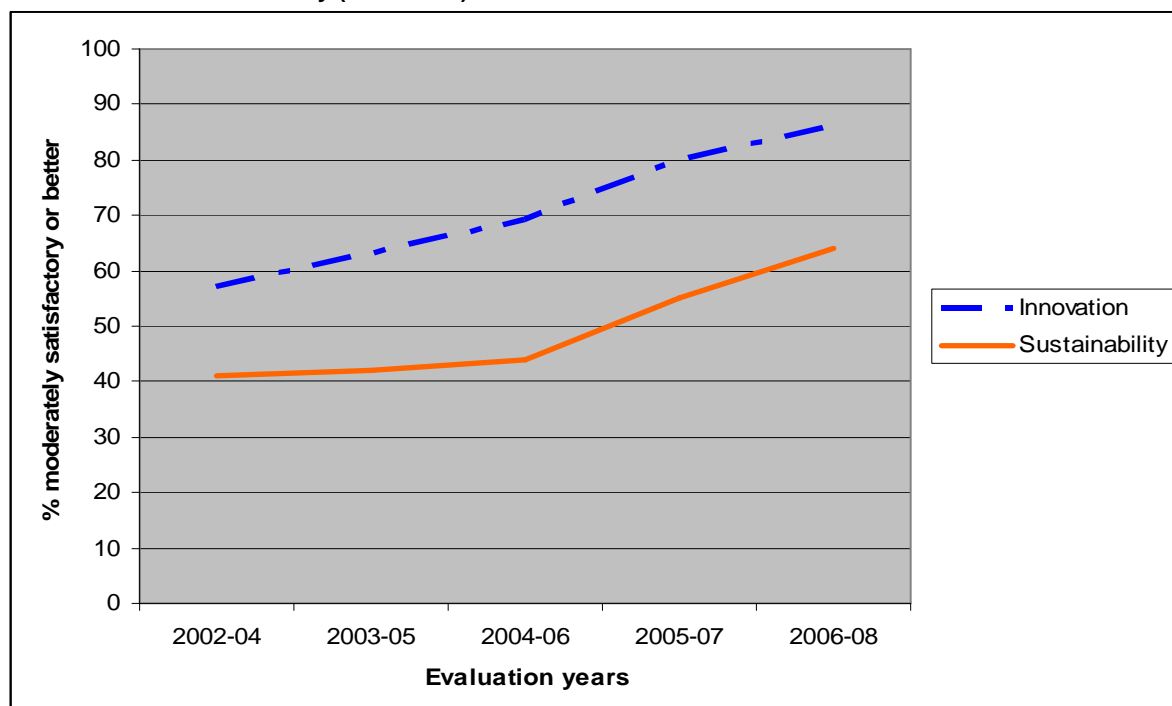
72. A strong focus on grass-roots organizations and permanent institutional arrangements cannot guarantee sustainability if staff and financial resources are inadequate after project closure. This was the case in the Qinling project (China) and in the Rural Development Project for the North-Eastern Provinces (Argentina), despite its strong exit strategy. Ultimately, interventions and infrastructure need to be economically and financially viable and self-supporting if they are to be sustainable. This was not always the case in the projects in Nigeria. The feasibility of the cassava processing technologies being promoted under the Roots and Tuber Expansion Programme Phase 2 is highly uncertain for most small farmer and women groups.
73. **Innovation, replication and scaling up** covers the extent to which IFAD development interventions: (i) have introduced innovative approaches to rural poverty reduction; and (ii) have been (or are likely to be) replicated and scaled up by government authorities, donor organizations, the private sector and other agencies. A corporate-level evaluation of innovation is being undertaken by OE in 2009, which is expected to deepen the analysis on the topic of innovations and generate recommendations to further strengthen IFAD activities in this important area.
74. All the 2008 projects were rated moderately satisfactory or better on promoting innovation. However, the actual achievements were arguably more modest than implied by the 100 per cent satisfactory rating. This may be attributable in part to the fact that evaluations have in the past devoted more attention to assessing the innovative characteristics of IFAD-funded projects funded by IFAD than analysing replication and scaling up. To redress this methodological concern, the new OE Evaluation Manual now clearly includes a set of questions that each evaluation is required to answer on both innovation and replication and scaling up.¹⁴ This in turn will allow future ARRIIs to report on the results across this evaluation criterion in a more disaggregated manner. Taking this approach is deemed critical, as the replication and scaling up of successfully piloted innovations is ultimately the acid test of IFAD's ability to promote pro-poor innovation for sustainable rural poverty reduction.
75. Most of the innovations in the Qinling project (China) were relatively minor, and only some of the innovations proposed in the design were fully implemented. The Uplands Food Security Project (Korea) promoted a few important technical innovations (e.g. crop rotation and potato seed multiplication) that have been replicated outside the cooperative farms directly supported by the project. However, the successful credit model has not been replicated outside the project, and scaling up in general is constrained by the fact that research and development findings were not properly documented and disseminated proactively to this end.
76. Both the Sudan and Nigeria CPEs identified a low level of innovation or replication and scaling up in the agricultural activities of current projects. In Nigeria, the agricultural and NRE ideas have a low potential for scaling up without significant and effective marketing strategies to stimulate supply on a continuous basis. On the other hand, the participatory community-driven development approach is an innovation that has been widely replicated and scaled up, and grant-funded support to the International Institute of Tropical Agriculture led to an innovative research-extension link that promoted the uptake of improved cassava cultivars. The overall conclusion of the Nigeria CPE was that a more systematic and organized effort

¹⁴ These questions will be further elaborated, if and as necessary, building on the results of the ongoing corporate-level evaluation of innovation.

might have ensured even wider replication and scaling up of these and other pro-poor innovations. A number of promising opportunities for innovation were also missed in the Upper Mandrare project in Madagascar. These included the opportunity to introduce strategies and practices better suited to the specific climatic conditions of the zone in order to develop soil and water resources, and the promotion of local communal responsibility.

77. On the whole, as reported in past ARRIs, it can be comfortably argued that due attention is being increasingly devoted during project design to the identification and piloting of innovations. However, evaluations reveal that IFAD is often not playing a systematic role in the replication and scaling up of successful innovations, and that few resources are invested in knowledge management, policy dialogue and partnership building, which are critical ingredients for this purpose. In conclusion, evaluations underline that a systematic and agreed approach to replication and scaling up is generally lacking, and that success stories are often built on individual initiatives and perseverance, rather than on coherent institutionalized efforts and approaches.
78. **Three-year moving averages.** Both of the cross-cutting criteria have improved significantly since 2002-2004 (see figure 5). The percentage of projects rated moderately satisfactory or better for sustainability has increased from an average of 41 per cent in 2002-2004 to an average of 64 per cent in 2006-2008. This is an improvement that needs to be acknowledged, as sustainability is of paramount importance for the usefulness and impact of results achieved on the ground. There are numerous reasons that have contributed to better sustainability, including in particular direct supervision and implementation support, a more permanent country presence, and a streamlined quality enhancement and quality assurance system in the Fund. It is nevertheless advisable to maintain the momentum towards improving sustainability, given the large number of projects still performing at only a moderately satisfactory level. The equivalent figures for innovation, replication and scaling up are 57 per cent in 2002-2004 and 86 per cent in 2006-2008. Improvements in these areas are attributable to many factors, including the introduction of innovation and knowledge management strategies, which have further illustrated IFAD's commitment to promoting innovation.

Figure 5
Innovation and sustainability (2002-2008)



Box 3

Key points on sustainability and innovations

- The percentage of projects rated satisfactory for **sustainability** has increased from an average of 41 per cent in 2002-2004 to an average of 64 per cent in 2006-2008. Sustainability is nevertheless a challenge, given that a large number of projects are still posting moderately satisfactory results in this area. Moreover, it is not only incumbent upon IFAD to improve results in this critical area. Governments also have a major role to play in ensuring sustainability, and they need to be encouraged to devote due attention to ensuring the continuation of benefits after project completion.
- One hundred per cent of projects evaluated in 2008 were rated moderately satisfactory or better for **innovation, replicability and scaling up**. There were more examples of successful innovation than replication and scaling up. In the future, efforts will be made to disaggregate data and reporting in the ARRI between the promotion of innovations and replication/scaling up, given that the latter is ultimately the acid test of IFAD's capacity to promote pro-poor innovations.

E. Performance of partners

79. Each evaluation assesses the performance of IFAD, the Government and, where applicable, cooperating institutions. The performance of individual partners is assessed based on their respective roles and responsibilities in project design, execution, and supervision and implementation support. Collectively, the performance of partners is crucial for achieving results on reducing rural poverty. Evaluations are increasingly revealing that government and IFAD performance in particular are the most critical factors for effectiveness. This is in fact a central finding of the joint evaluation on Africa conducted with the AfDB.
80. Table 5 below shows the specific performance of the different partner types in the 2008 project evaluations. Around two thirds (64 per cent) of the evaluations rate the performance of **IFAD** as moderately satisfactory or better. While this is an encouraging result, it also implies that IFAD's performance in one of every three projects it financed was moderately unsatisfactory or worse. This is a major area of concern, since it is incumbent upon IFAD to improve its own performance.
81. On the positive side, there are two noteworthy aspects that deserve to be highlighted. The first was IFAD's flexibility and responsiveness during project implementation. For example, while the Upper Mandrare project in Madagascar had several shortcomings in the initial design, these were identified and rectified at mid-term review. Similar flexibility and responsiveness was shown during the reorientation of the Rural Development Project for the North-Eastern Provinces in Argentina, and in the second half of the Qinling project in China. In all cases, project performance improved following the respective mid-term reviews. However, waiting for the mid-term review to make necessary adjustments to design can delay effectiveness, and may warrant extensions to project and loan closing dates, which can have implications for project efficiency (e.g. the need to allocate more funds than earlier anticipated for supervision and implementation support during the extension period).
82. The second positive factor was IFAD's contribution to project supervision and especially implementation support, despite the requirement in effect until February 2007, according to the Agreement Establishing the Fund, that IFAD outsource project supervision to cooperating institutions. The Agreement, however, did not prevent IFAD from providing complementary inputs in support of supervision by cooperating institutions. This opportunity was in fact often seized by dynamic divisions and country programme managers. For example, in the Las Verapaces Programme (Guatemala), although not formally responsible for supervision and implementation support,¹⁵ the country programme manager invested substantial resources in visiting the project two or more times a year, and in making external

¹⁵ Which was entrusted to the United Nations Office for Project Services.

consultants available to assist with key implementation issues such as M&E. Direct supervision and implementation support in the North Kordofan project in Sudan worked well, especially in terms of its focus on results and development effectiveness. In three countries (China, Nigeria and Sudan), the IFAD country presence has produced tangible benefits, for example in terms of IFAD's engagement in policy processes, enhancing communication with local partners, knowledge management, building strategic partnerships, and earlier identification of bottlenecks. The country office in China has, among other issues, also shortened the time it takes to receive a response from IFAD. However, pressing challenges remain in the promotion of country presence, such as ensuring a wider integration of country presence staff into IFAD's overall workforce.

83. Evaluations reveal that IFAD performance could be enhanced in three main areas. These include design, response time and implementation support. The Sudan CPE concluded that IFAD performance in design had been mixed. A high dependence on unidentified cofinanciers led to significant implementation delays and a lack of synergy across components. The South Kordofan project had underdesigned and underfunded components that negatively affected project implementation and effectiveness. In the case of the Rural Development Project for the North-Eastern Provinces (Argentina), IFAD did not ensure the necessary level of local participation in design, nor was sufficient consideration given to lessons learned from the previous project.
84. In some projects (e.g., the Rural Development Project for the North-Eastern Provinces, Argentina), IFAD was commended for its ability to respond to changed circumstances by redesigning projects. But it was also criticized for its slow response times in two of the evaluation reports. In Nigeria, IFAD has to share responsibility for the inordinate amount of time taken for project preparation and implementation, and for the lack of urgency and decisiveness in taking action to address project problems (e.g. relating to institutional arrangements in the rural microenterprise development programme). In the Qinling project (China), project staff were critical of the long time required (given their voluminous nature) for preparing documents intended for IFAD, such as dedicated project progress reports and results and impact management reporting. Insufficient implementation support was a negative factor in the Uplands Food Security Project (Korea) and in the earlier generation of projects in Nigeria. In Korea, there was insufficient continuity in the country programme manager. Among other issues, this resulted in a loss of institutional memory and necessitated induction periods for incoming country programme managers, which ultimately affected the pace and quality of execution. In Nigeria, IFAD personnel did not themselves visit the Katsina State and Sokoto State projects¹⁶ sufficiently frequently or follow up on issues effectively, entrusting the cooperating institution to take the lead in any emerging implementation issues, which as mentioned in paragraph 82 is consistent with the Fund's operating model in the past. IFAD's performance in recent projects in Nigeria was rated more favourably, given both the establishment of a country presence and direct supervision and implementation support activities.

¹⁶ Both of these projects closed in 2001.

Table 5
Performance of partners –projects evaluated in 2008

Rating	per cent		
	IFAD	Government	Cooperating institutions
Highly satisfactory			
Satisfactory	27	36	30
Moderately satisfactory	36	27	50
Total satisfactory	64	64	80
Moderately unsatisfactory	36	36	20
Unsatisfactory			
Highly unsatisfactory			
Total unsatisfactory	36	36	20

85. **Government** performance is central to achieving sustainable results on rural poverty. Numerous evaluations in 2008 come to the same conclusion, which is confirmed by a statistical analysis of the entire ARRI database (see paragraph 117). For example, the joint IFAD and AfDB evaluation on agriculture and rural development in Africa emphasizes that governments have a fundamental role to play in establishing a sound policy and institutional environment, inter alia, to enable development projects and programmes to be implemented smoothly and to provide specific services to combat poverty in general and improve food security and incomes in particular. Overall, however, as for IFAD, performance by governments was rated moderately satisfactory or better in two out of three projects. Given that the role of government is increasingly being recognized as the single most important factor for achieving lasting results on rural poverty, the Fund needs to strengthen those of its activities that can contribute to better government performance.
86. The evaluations undertaken in 2008 also noted that the performance of governments and their agencies varied between projects and over time. In the Qinling project (China), the Upper Mandrare project (Madagascar) and the North Kordofan project (Sudan), government institutions were committed and supportive. In the case of the Qinling project, the Government of China provided the required human and financial resources in an effective manner. Performance and coordination among the various ministries and agencies involved was good. Project management teams performed particularly well in three projects in China, Madagascar and Guatemala. In the latter case, the quality and continuity of the management team was identified as one of the main reasons for the project's success. The importance of ensuring continuity in project directors arises in evaluations generally, underscoring that governments need to make more of an effort to ensure continuity of project directors and other staff in project management units, as critical for project delivery and success.
87. The Sudan CPE concluded that government performance has been as satisfactory as could be expected given the capacity constraints, but that harmonization and coordination problems generally had an adverse effect on project management. Performance varied from project to project. In the North Kordofan project, government institutions were strongly committed and contributed to project implementation. In the South Kordofan project, the performance of government institutions was affected by general instability in the administrative structure of South Kordofan. High turnover among senior government officials, together with the lack of counterpart funding, had an adverse effect on project performance.
88. The M&E system was assessed as exemplary in the Upper Mandrare project (Madagascar): it provided a rich database of outputs and impacts, and was as far

as possible harmonized with IFAD's results and impact management system. However, M&E was more frequently found to be weak, as in the Qinling project (China) and all projects except for the Community based Agricultural and rural Development Programme in Nigeria. In the case of the Qinling project, responsibility for the weak M&E system rests largely with IFAD, given its failure to address deficiencies and provide necessary technical support.

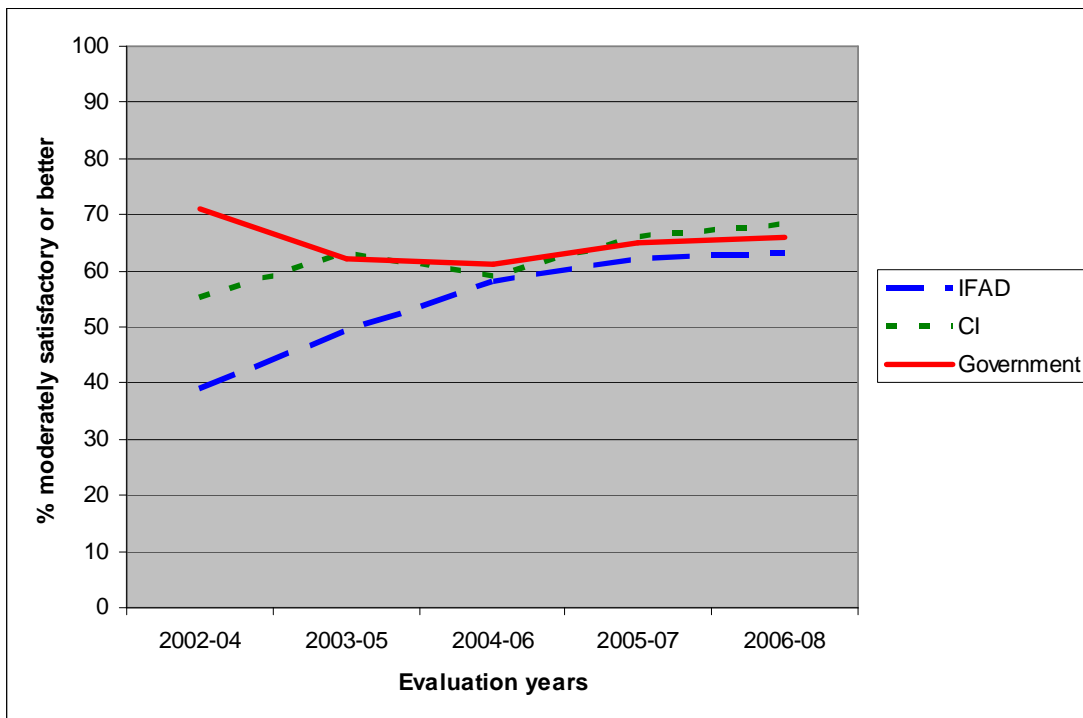
89. In the context of the joint Africa evaluation, one project evaluation in four¹⁷ considered government commitment and ownership particularly strong and an important factor in project effectiveness and sustainability. On the downside, the borrower was criticized in 45 per cent of projects for not providing an optimal enabling political, legal or institutional environment; and in 38 per cent of cases, borrowers were deemed not to have fulfilled all agreements concluded during the project design stage. Evaluations explain weak borrower performance as attributable to the following main factors: (i) inadequacies in the staffing of project management units, coupled with high staff turnover; (ii) inadequate support to, and experience and training of, project staff in participatory planning, procurement procedures and financial management; (iii) slow staff recruitment; (iv) weak institutional support; (v) lack of experience with lenders' procedures; and (vi) ineffectiveness of M&E systems as management instruments.
90. The issue of government performance will be further discussed in section G of this chapter and in chapter V.
91. In line with the provisions of the Policy on Supervision and Implementation Support approved by the Executive Board in December 2006, IFAD is in the process of replacing **cooperating institutions** with direct supervision and implementation support. According to the President's Memorandum on the modification of supervision arrangements presented to the Board in September 2009,¹⁸ as of the end of June 2009, only 18 per cent of ongoing projects were being supervised by cooperating institutions, of which 7 per cent were to be transferred to direct supervision in 2010. Among the regional divisions, the Asia and the Pacific Division had converted all of its projects to direct IFAD supervision and implementation support by December 2007, and the Eastern and Southern Africa Division had done the same by December 2008. Therefore, in line with the Policy on Supervision and Implementation Support, in the near future there will no longer be a need for evaluations to assess performance by cooperating institution, since they will have been phased out of IFAD's operating model.
92. The United Nations Office for Project Services (UNOPS) was the cooperating institution responsible for supervision in six of the 11 projects evaluated in 2008. In most of these, performance was rated moderately satisfactory or better. Supervision missions were regular and reports generally sound. However, performance was moderately unsatisfactory in the case of the Uplands Food Security Project (Korea) due to the sometimes unclear and inconsistent recommendations. The main reason for this was insufficient time for the discussion of findings with project partners and a lack of continuity in the supervision team. The technical composition of supervision teams was also identified as a factor in the CPEs for Nigeria and Sudan. In Sudan, there was insufficient agricultural expertise on the UNOPS review teams, which contributed to the limited attention given to natural resources and range management issues. In Nigeria, despite their large size, World Bank supervision teams did not always contain the right subject matter expertise, and found it hard to obtain either participation or timely responses to mission recommendations from IFAD.
93. **Three-year moving averages.** Figure 6 below shows that the performance of the latter two groups – government and cooperating institutions – has remained broadly constant since 2002-2004. IFAD's performance, on the other hand, shows

¹⁷ From a total sample of 55 projects across IFAD and AfDB analysed by the evaluation team.

¹⁸ <http://www.ifad.org/gbdocs/eb/97/e/EB-2009-97-R-32.pdf>

a clear improvement, from an average of 39 per cent satisfactory in 2002-2004 to 63 per cent satisfactory in 2006-2008. IFAD's performance is now broadly on a par with the other two groups. In this regard, the enhancements made to IFAD's performance in recent years may be attributed largely to the wide-ranging reforms implemented through IFAD's Action Plan for Improving its Development Effectiveness, embarked upon following the completion of the Independent External Evaluation in 2004 and 2005. However, it is essential that reforms be consolidated and momentum maintained, especially if performance on one of every three IFAD-funded projects is to be improved (see paragraph 80). Moreover, it is interesting to note one of the findings of the joint Africa evaluation, i.e. that the majority of reforms embarked within IFAD in recent years have been aimed at improving IFAD's own development effectiveness rather than enhancing government performance - which as mentioned is a crucial factor in ensuring a project's effectiveness and sustainability.

Figure 6
Performance of partners (2002-08)



Box 4

Key points on partner performance

- **IFAD** has shown flexibility in redesigning projects during implementation. Undertaking its own supervision and implementation support and establishment of country presence are two important aspects of IFAD's new operating model that require further development, because they are crucial for promoting innovation, furthering non-lending activities and achieving impact. Moreover, although IFAD's performance shows marked improvement between 2002-2004 and 2006-2008, evaluations reveal that additional attention and resources are required for response time and implementation support.
- The performance of **governments** and their agencies is one of the most critical factors for the success of a project.
- Both IFAD and governments' performance are rated moderately satisfactory or better in only two of every three projects evaluated. This is a cause for concern, given the critical role they play (especially governments) in promoting sustainable agriculture and rural development.
- The performance of **cooperating institutions** was good on the whole, with the proviso that their supervision arrangements need to ensure adequate team continuity between missions and appropriate technical expertise.

F. Overall project achievement

94. Overall project achievement is the overarching evaluation criterion assessed in OE evaluations, based on ratings for project performance (relevance, effectiveness and efficiency), rural poverty impact, sustainability and innovation. Overall project achievement has improved substantially from an average of 66 per cent rated moderately satisfactory or better in 2002-2004 to 85 per cent in 2006-2008 (figure 7 below). For the 11 projects evaluated in 2008, 82 per cent of projects were rated moderately satisfactory or better (table 6 below).

Figure 7

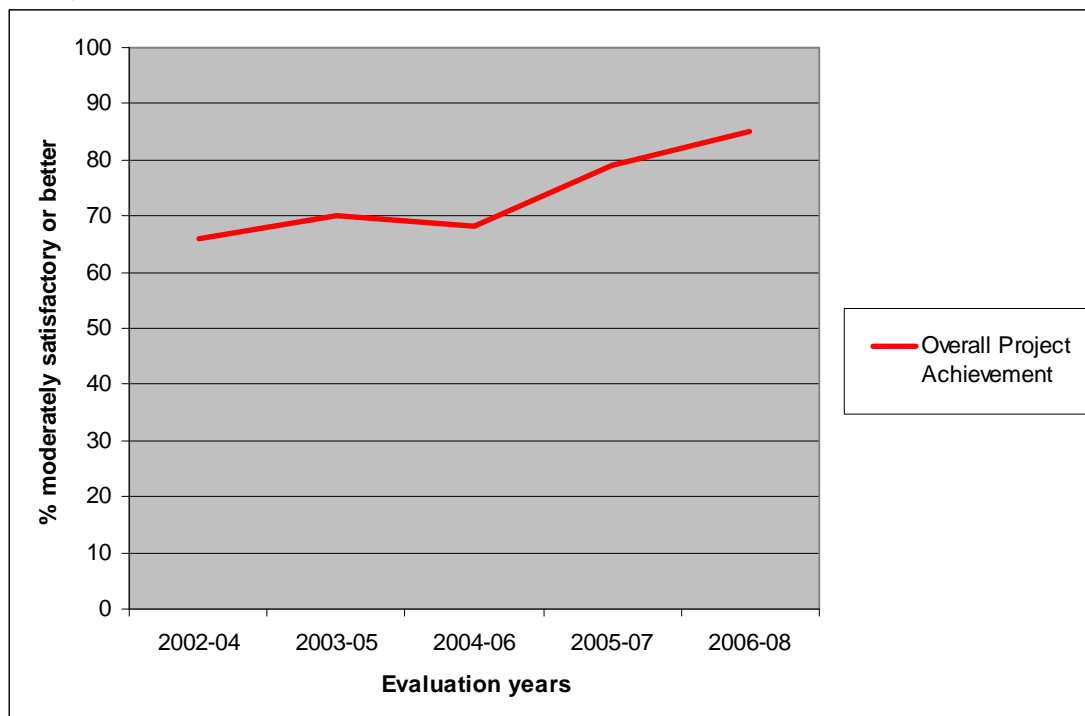
Overall project achievement (2002-2008)

Table 6
Overall project achievement – projects evaluated in 2008

Rating	per cent
Highly satisfactory	
Satisfactory	36
Moderately satisfactory	46
Total satisfactory	82
Moderately unsatisfactory	18
Unsatisfactory	
Highly unsatisfactory	
Total unsatisfactory	18

Box 5

Summary of key points from 2008 project evaluations

- Eighty-two per cent of the projects evaluated in 2008 were rated moderately satisfactory or better for overall project achievement, which is marginally less positive than last year's results for the same criteria. This is partly due to a more rigorous application of and comprehensive definition for relevance.
- However, there is no room for complacency, as there are very few highly satisfactory ratings for any given evaluation criteria across the projects evaluated, and a large number of projects manifest ratings that are only moderately satisfactory.
- The efficiency of IFAD-funded projects globally is an area of concern that warrants being assigned priority in the months to come.
- Overall rural poverty impact has shown a steady improvement over time, and natural resources and environment was once again the weakest impact domain.
- The far-reaching positive results in innovation need to be interpreted with care, especially as there is little evidence of a strategic approach to replication and scaling up.
- Better results can be achieved only if the performance of partners improves, especially that of governments and IFAD, whose performance continues to remain moderately unsatisfactory in one of every three projects evaluated.

G. Selected issues raised by corporate-level and country programme evaluations

95. The 2008 evaluations considered in the ARRI include two CPEs in Africa: Nigeria and Sudan. Findings from the six projects evaluated in these CPEs have been referred to in the previous sections. In addition, the ARRI provides a snapshot of a few of the main findings from the major joint Africa evaluation¹⁹ carried out by OE. The main purpose of this section is to summarize cross-cutting thematic issues that have emerged from the two CPEs and the joint Africa evaluation. These include the importance of agriculture for sustainable development, agricultural innovation, analytic work, partnerships for rural poverty reduction, the role of government, and the challenges of multiple-component projects.

¹⁹ The final report on the joint Africa evaluation will be discussed by the IFAD Executive Board during its ninety-eighth session in December 2009.

96. The joint evaluation reaffirmed the centrality of agriculture in Africa and emphasized that **agricultural growth** is the key to improving overall rural livelihoods and incomes, but also that much of the continent continues to present a challenging and high-risk context. Among other issues, it highlighted that smallholder farmers, women and the private sector each have a major role to play in promoting sustainable agriculture and rural development in Africa. However, the unequal terms of trade facing African small farmers, such as import barriers and agricultural subsidies in developed countries, is a critical feature. The evaluation emphasizes that this needs collective attention if agriculture is to truly become the engine of growth in the continent. The two CPEs came to the same conclusion. However, both CPEs identified a perceived under-emphasis on rainfed agriculture in past IFAD-funded programmes. The Sudan CPE found that the irrigated sector has received most of the investment, while the rainfed crop and livestock sectors – on which most of the rural poor depend for their livelihood - has received the least. Components to strengthen rainfed agricultural services are explicitly present in a minority of ongoing IFAD-assisted projects, while institutional support or community development components are present in all. The Nigeria CPE came to a similar conclusion. That is, IFAD allocated significant resources and efforts towards social development, but did not devote a level of attention to smallholder agricultural activities, including market access, commensurate with their importance to the rural economy.
97. **Agricultural innovation** was identified as an area that has not received sufficient attention. The need to address the low productivity and commercialization of 100 million African smallholders, and the importance of science and technology for increasing that productivity, was highlighted by the joint evaluation. The Sudan CPE concluded that while the programme had been moderately satisfactory with regards to rural financial or institutional innovation, little agricultural innovation had been promoted. In this regard, the evaluation argued for a wider emphasis on agricultural research, as a means for introducing innovative, low-cost and pro-poor technologies. The Nigeria CPE found that IFAD had been reasonably successful in promoting pro-poor innovation, for example by providing grants to the International Institute of Tropical Agriculture for research in developing high-yielding and pest-resistant cassava. However, both evaluations found that the replication and scaling up of successfully piloted innovations was not treated strategically. This is a systemic issue affecting IFAD operations across the board, and the finding is similar to the one from project evaluations undertaken in 2008 (see paragraph 77).
98. The need for better **analytic work** is a recurring theme in the joint Africa evaluation, and also in the two CPEs analysed in the 2009 ARRI. The bottom line is that the Fund has not invested enough in conducting analytic work in the past, for example in terms of subsector analysis in selected areas of concern to IFAD (e.g. livestock, rainfed agriculture systems, rural institutions, etc.), which is essential for the development of new COSOPs and project and programme design as well as for more effective engagement in policy processes. Neither does it have adequate expertise in house for this purpose (e.g. in artisanal fisheries and agronomy). Yet, the evaluations recognize that the solution may not be to develop in-house expertise in all required areas, and that strategic partnerships (such as with the Food and Agriculture Organization of the United Nations - FAO, and others) could fill the gap in this important area. Moreover, the introduction of direct supervision and implementation support and a wider country presence are two positive initiatives. Both can contribute towards developing IFAD's own capabilities to better understand the country context and conduct deeper poverty and subsector analysis. As in the case of policy dialogue (see paragraph 58), enhanced analytic work, whether done internally or in partnership with others, will have resource implications that will need to be considered by the management and the Executive Board. The bottom line is that more comprehensive analytic work is essential for improving project results.

99. **Partnership** is another cross-cutting issue emerging from these three evaluations. The joint Africa evaluation concluded that, in spite of some cofinancing and collaboration on project supervision, partnership between IFAD and AfDB in the past had been limited. For instance, there has been little collaboration in policy matters, knowledge-sharing or development of joint country assistance strategies. Yet, the evaluation also concludes that there is great potential for the two organizations to develop a strategic partnership for the future, building on each agency's comparative advantage. Partnership with government agencies and community-based organizations is generally a strong point in IFAD operations. However, partnership with the private sector has been somewhat limited in the past, in part because IFAD does not have the required instruments to directly engage with the private sector. Likewise, partnerships with some actors within the local governance system - especially local elected bodies and parliamentarians - are also important, as they play a critical role in local decision-making and resource allocation, as well as monitoring and oversight of development activities at the grass-roots level. There are some recent good partnership initiatives with emerging players in agriculture and rural development, such as the Gates Foundation and the Alliance for a Green Revolution in Africa, but efforts will need to be sustained in mobilizing additional resources and developing concrete partnerships on the ground.
100. One of the main findings from the joint evaluation, which is increasingly emerging from other OE evaluations, is that government performance is one of the most important determinants of sustainable rural poverty reduction (see paragraph 85). Government contributions and inputs, for example in terms of overall commitment and resource allocation to agriculture and rural development, project management and the ability to coordinate actions among multiple stakeholders, are fundamental to country strategy formulation and to project and programme design and execution. The joint evaluation also concludes that IFAD has not done enough to support governments in improving their performance, for example, in strengthening institutional capacities, developing project management skills, formulating and implementing coherent pro-poor policies in the agriculture and rural sectors, developing M&E systems, including national statistical capabilities, ensuring private sector engagement, and promoting gender mainstreaming - especially in terms of women's empowerment and economic advancement.
101. Another finding relates to the complexity of **multiple-component projects**. In the past, IFAD has often financed projects with diverse components (e.g. agriculture technology, rural finance, social mobilization, health and education, and community development - all in one operation), as a means of addressing the multifaceted nature of poverty and needs of the rural poor. Often these multiple-component projects suffered from implementation and coordination challenges among the various agencies involved in project execution, thereby limiting effectiveness. This is especially the case when the capacity of the borrower countries is limited. However, in more recent years, as one measure to address the multifaceted nature of poverty, IFAD has financed projects that treat subsectors sequentially, rather than through individual multicomponent projects. For example, in some countries (e.g. Ghana and Tanzania), the Fund first focused on supporting irrigation and technology development with the aim of improving agricultural production and productivity, followed soon thereafter by proactive efforts to promote access to markets. The role of partnerships is also essential in this regard, as IFAD and other development actors can provide complementary support to tackle rural poverty in a more holistic manner.

Box 6

Key points from corporate-level and country programme evaluations

- Investments in agriculture and agricultural growth are key to improving rural livelihoods and incomes.
- Agricultural innovation is critical for enhancing productivity and commercialization of small farmers, and requires more systematic attention, particularly in terms of replication and scaling up.
- IFAD has not invested enough in conducting analytic work in the past, and strategic partnerships are required to fill the gap, in addition to developing in-house capacity. This, however, has resource implications that will need to be addressed by the management and the Board.
- Partnership with government agencies and community-based organizations is generally a strong point in IFAD operations. Partnership with the private sector has been limited in the past.
- Government performance is the single most important determinant for sustainable rural poverty reduction. IFAD has not done enough to support governments to improve their own performance.
- Multiple-component projects were found to suffer from implementation and coordination challenges, leading to reduced effectiveness, especially in cases of limited borrower capacity. In recent years, IFAD has made an effort to overcome such challenges by financing projects that treat subsectors sequentially. Partnerships with other development actors are also essential to address the multifaceted nature of rural poverty.

IV. Quality-at-entry review

102. This is the first time the ARRI has included a quality-at-entry review. OE analysed all 12 new COSOPs²⁰ considered by the Board in 2008 and in April 2009, as well as four newly designed projects in countries where evaluations were undertaken in 2008.²¹ Building on this year's experience, the aim is to expand the quality-at-entry review to include a wider cohort of newly approved projects in future ARRIs. Moreover, efforts will be also made to use some of the indicators and results from the management's own quality enhancement and assurance systems when conducting the ARRI quality-at-entry review in the future.
103. As mentioned in paragraph 5, the prime objective of the quality-at-entry review is to assess and verify - based on a desk review of documents - whether new IFAD strategies and projects incorporate lessons learned and best practices. That is, the focus of the quality-at-entry review is to determine the extent to which IFAD is learning from previous operations, including addressing the key areas of challenges identified in this and past ARRIs in new IFAD-funded activities. It is also intended to take the debate around the ARRI one step further, by expanding its coverage to include ongoing operations (i.e. recently approved strategies and projects), in addition to reviewing past activities. This section is not however intended to provide an assessment of results in terms of effectiveness or efficiency, as the strategies and projects under consideration have only been recently approved and are therefore not mature enough to allow for such an analysis.
104. This chapter will not contain a review of how the management is addressing challenges from past operations in terms of promoting better market access or natural resources management and environmental issues. The quality-at-entry review for these two thematic areas is embedded in chapter VI, which is exclusively devoted to them.

²⁰ These include: Afghanistan, Brazil, Burundi, Ethiopia, Guatemala, Guinea, Haiti, Indonesia, Morocco, Pakistan, Sudan and Viet Nam.

²¹ These include the Dabieshan Area Poverty Reduction Programme (China), the Sustainable Rural Development Programme for the Northern Region (Guatemala), the Southern Sudan Livelihoods Development Project (Sudan) and the Support to Farmers' Professional Organizations and Agricultural Services Project (Madagascar). Second phases of those projects which have undergone interim evaluations in 2008 are not included in this review, since they have not yet been designed by the management.

105. This chapter focuses on systemic and recurrent issues and themes, rather than undertaking an exhaustive quality-at-entry review in all areas of challenge. The following issues have emerged in this and previous ARRI, as areas where past performance was inadequate but are critical for enhancing IFAD's development effectiveness: definition of objectives, country presence, supervision, knowledge management and policy dialogue.
106. The ARRI has repeatedly noted that the effectiveness of past strategies and operations were limited owing to, among other reasons, overly **ambitious objectives** in country strategies and project design. The COSOPs and projects reviewed revealed that good progress has been made on defining fewer and more realistic objectives in country strategies and projects. For example, the Ethiopia COSOP contains three specific objectives relating to natural resources, improved agricultural production technologies and rural finance. The Pakistan COSOP includes two main objectives: strengthening the capacity of the rural poor to participate more effectively in development activities, and promoting productivity enhancements. The Southern Sudan Livelihoods Development Project aims to increase food security and incomes from farm and off-farm activities by supporting community-based development of productive activities and promoting infrastructure. The Support to Farmers' Professional Organizations and Agricultural Services Project in Madagascar has three specific objectives: reinforcing farmers and their organizations, facilitating farmers' access to services, and increasing production by establishing demand-driven financing facilities. There are other similar examples from the cohort of COSOPs and projects reviewed. The revised Board approval format for projects (September 2006) and corresponding project guidelines (December 2007) provide clarity to country programme managers in establishing more coherent project objectives.
107. With regard to **country presence**, the COSOPs reveal that IFAD is increasingly implementing the recommendations contained in the corporate evaluation on the Field Presence Pilot Programme (2007), by outposting a number of country programme managers from headquarters in Rome or establishing a country presence by recruiting national staff. For example, the country programme managers for Sudan, Tanzania and Viet Nam have been outposted to the country, whereas a new country presence employing national experts is being established in Brazil. The proxy country presence in Pakistan will be upgraded to a country office in 2009. Nevertheless, challenges remain, including the need to integrate all resident staff into the organization's staff and employment terms, and greater delegation of authority, especially in cases where country programme managers continue to operate from Rome.
108. In terms of **supervision**, major efforts are being made in all countries to undertake direct supervision and implementation support. This includes terminating contracts with cooperating institutions, where applicable, in ongoing operations. In Burundi, the programme was placed under direct supervision by IFAD as of 2009, and the Haiti country programme was the first to operate under direct supervision in the Latin America and Caribbean Division, an arrangement that has helped improve the performance of projects and programmes. All four newly designed projects reviewed will benefit from direct supervision and implementation support. However, the project documents approved by the Executive Board provide little information about supervision approaches and plans (e.g. frequency of missions or involvement of local institutions). In one case (Madagascar), IFAD is to supervise the project jointly with the cofinanciers, including the European Union, AfDB and the World Bank. Based on previous evaluative evidence, this can be a rather challenging endeavour, especially in terms of coordinating mission schedules and agreeing on issues to be covered in supervision reports. Moreover, evaluations have documented that, in general, while IFAD staff have received ample training in the supervision of fiduciary aspects, more capacity-building will need to be devoted to implementation support. Also, the additional effort by country programme managers in undertaking direct supervision and implementation support will need

to be analysed and considered in developing their individual annual work plans in the future.

109. Following the introduction of IFAD's corporate **knowledge management** strategy in 2007, each COSOP now has a section on knowledge management and communication, with a range of activities in support of the country programme. Among other issues, the Afghanistan COSOP underlines the importance of promoting knowledge-sharing through participation in the programme for Knowledge Networking for Rural Development in Asia/Pacific Region. The Brazil COSOP states that information on IFAD experience in the country will be disseminated by means of newsletters, brochures, internet-based media, IFAD's website and rural poverty portal, and so on. The Burundi, Haiti and Sudan COSOPs speak about the importance of strengthening M&E systems, which are the cornerstone of knowledge management and communication. The Guatemala COSOP recognizes the importance of knowledge management for promoting innovations. The COSOPs do not, however, give much insight into the resources that will be required to operationalize the wide range of activities foreseen. Moreover, few COSOPs reviewed explicitly underlined the importance of knowledge management and policy dialogue in replicating and scaling up innovations.
110. The four projects reviewed also pay attention to knowledge management issues. The projects in China and Sudan will use electronic networks as a platform for sharing knowledge. In Guatemala, training and communication materials will be made available in both indigenous languages and Spanish, according to the targeted audiences, whereas in Madagascar the project's information system will be organized at three levels: national, regional and district. One aspect that would benefit from further elaboration is the role of project-level M&E systems in knowledge management activities, as well as knowledge-sharing systems between IFAD headquarters and the project level.
111. COSOPs such as the one for Morocco clearly identified strategic objectives for **policy dialogue**. However, the strategy is not as clear in terms of the approaches that will be pursued and resources that need to be deployed to achieve the stated objectives. Some other COSOPs (Guinea) outline important issues, such as property rights and funding for agriculture, which merit attention by IFAD in its policy dialogue efforts. However, the Guinea COSOP does not have an operational plan including specific targets or indicators of performance for policy dialogue. The Burundi COSOP, interestingly, links IFAD's policy dialogue efforts in the country to the overall strategic objectives outlined in the COSOP. However, as in the Guinea and Morocco COSOPs, it does not make provisions for time and resource allocation that would be required for the purpose. In the Guatemala and Sudan COSOPs, enhancing pro-poor policy dialogue is one of the three strategic objectives, and milestone indicators are defined in the COSOP results management framework. The COSOPs therefore generally pay sufficient attention to defining the policy agenda to which IFAD plans to contribute in each country. However, it appears that insufficient attention is given to the underlying processes, time and resources required, and the definition of performance indicators and monitoring mechanisms to ensure success in promoting pro-poor policies in agriculture and rural development. Finally, the four projects reviewed each include some policy objectives, although only in one case (Madagascar) does the project have a dedicated component to contribute to national policy-setting on services and apex organizations.

Box 7

Key points from the quality at entry review

- The COSOPs and projects reviewed revealed that good progress has been made on defining fewer and more realistic objectives in country strategies and projects.
- Although IFAD is expanding and strengthening its country presence, some challenges remain, including the delegation of authority and integration of country presence staff into the organization's overall workforce.
- Major efforts are being made in all countries to undertake direct supervision and implementation support. The projects reviewed did not include sufficient information about supervision approaches and plans, and more investments are needed in training to build capacity in implementation support.
- Knowledge management has been given more attention. The level of resources required to operationalize the wide range of activities foreseen needs to be more explicitly outlined in the future.
- Although COSOPs generally pay sufficient attention to defining the policy agenda, insufficient attention is given to the underlying processes, time and resources required, and performance indicators and monitoring mechanisms. The projects reviewed also include policy objectives, but few include specific policy-related components.

V. 2002-2008 Project analysis and benchmarking

112. As mentioned in chapter I, the ARRI database now contains ratings from 96 projects evaluated over the period 2002-2008. This section derives additional findings from the database. The major advantage of using the entire 2002-2008 database – as opposed to just one year's ratings – is the much larger sample of projects included.
113. **Project performance by time period.** The analysis presented in chapter III shows an upward trend in project performance over the evaluation period 2002-2008. That analysis plotted performance against year of evaluation.
114. The 2007 ARRI found that projects having become effective after 31 December 1996 achieved better overall results than those that became effective before that date.²² In order to revalidate this hypothesis using a larger sample of projects evaluated by OE, this section explores trends in performance against the year of project effectiveness. A similar finding was documented in the 2008 ARRI.
115. Figure 8 below charts the average percentage of projects rated moderately satisfactory or better for the three overarching evaluation criteria: overall project achievement, project performance and rural poverty impact. The projects are grouped by three starting periods: 1994 and before, 1995-1999, and 2000 onwards. The chart shows a steady improvement in overall project achievement, a relatively flat trend for project performance, and a marked improvement in rural poverty impact beginning in 2000. Average ratings for each project effectiveness period show a more consistent improvement across all three criteria (table 7 below).
116. First, this analysis confirms the finding of the previous two ARRIs, namely that more recent projects tend to perform better than older generation projects. Improvements in overall project achievement can be attributed in part to better sustainability and innovation ratings over time. Although some improvements have been made in effectiveness, one of the main reasons why project performance has remained largely similar is the consistently high relevance and relatively low efficiency ratings that have characterized IFAD operations in the past. Significant improvements in impact are attributable to a variety of reasons, not least the increased attention paid to this area, including greater focus on results, especially since the Fifth Replenishment of IFAD's Resources in 1999.

²² See table 16 of the ARRI discussed with the Board in December 2007 (document EB 2007/92/R.7).

Figure 8
Performance by date of project effectiveness

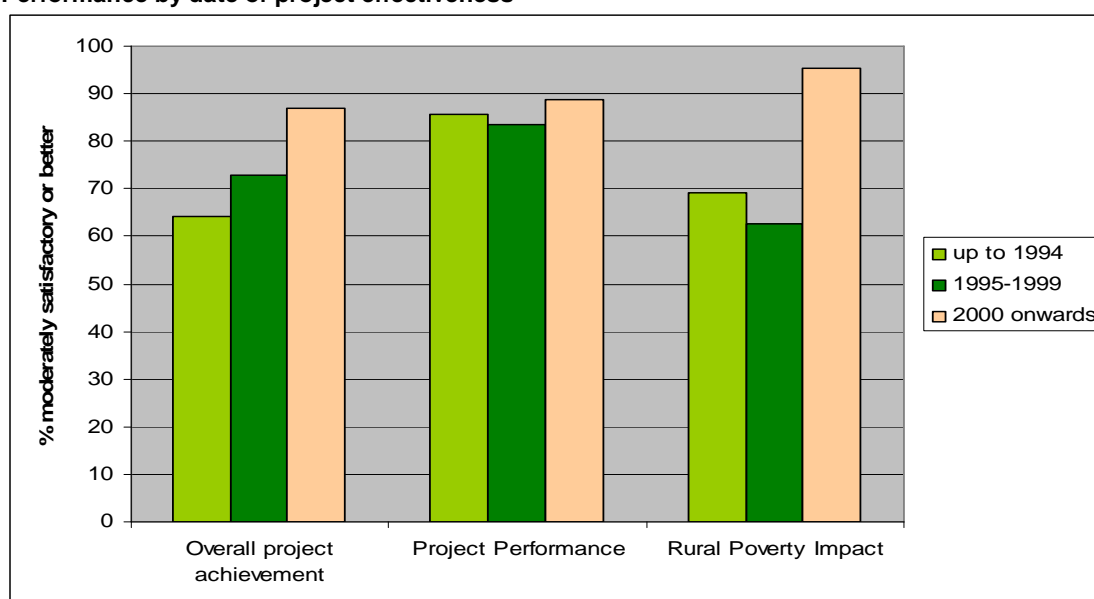


Table 7
Average rating by period of project effectiveness (2002-2008)

Effectiveness period	Overall project achievement		Project performance		Rural poverty impact	
	Number rated	Average rating	Number rated	Average rating	Number rated	Average rating
Up to 1994	14	3.8	14	3.9	13	3.8
1995-99	55	4.1	55	4.3	48	4.0
2000 onwards	23	4.2	27	4.5	21	4.4

117. **Partner and project performance.** The AfDB/IFAD joint evaluation stresses the need for both agencies to improve their own performance. It also underscored the need for the agencies to contribute to improving government performance, which plays a critical role in ensuring sustainable development. The importance of contributing to improved government performance is borne out by an analysis of all project ratings in the entire ARRI database from 2002-2008. The analysis shows a higher correlation of project performance with government performance than with performance by IFAD. Satisfactory project performance is more highly correlated with satisfactory government performance (63 per cent) than with satisfactory IFAD performance (52 per cent). Project effectiveness and overall project achievement is also more strongly correlated with government performance than with IFAD's own performance. The same is true for sustainability: that is, 43 per cent of the projects have a satisfactory rating for both sustainability and government performance, as compared to 32 per cent for IFAD performance and sustainability combined.

Internal and external benchmarking

118. As in past versions, the 2009 edition of the ARRI presents internal and external benchmarking of the performance of IFAD operations.
119. **Internal benchmarking.** Table 8 below compares the average evaluation ratings for the latest three-year period (2006-2008) with the results contained in the 2005 Independent External Evaluation of IFAD, and the targets set in IFAD's Action Plan. All except the rating for relevance are well above the Independent External Evaluation results, and above or within reach of the Action Plan targets.

Sustainability remains the furthest from the ambitious Action Plan target of 80 per cent, but is improving (see figure 5 above).

Table 8
Internal benchmarking (per cent satisfactory)

Evaluation criteria	Independent External Evaluation ²³	2006-2008 evaluations	Action Plan targets ²⁴	
Relevance	100	95	100	
Effectiveness	67	77	80	
Efficiency	45	62	60	
Sustainability	40 ²⁵	64	80	
Innovation ²⁶	55	86	>25	

120. As agreed by the Board in December 2007, the ARRI presents the results for overall project achievement across the five geographic regions covered by IFAD-supported operations (see table 9).²⁷ However, this analysis should not be used as a proxy for comparing the performance of the five Programme Management Department regional divisions, which are responsible for the IFAD operations in the various geographic regions. Among other reasons, the results of projects funded by IFAD are determined by multiple parameters and factors - in particular, the performance of borrowing countries - and not only by the performance of the respective divisions.

Table 9
Comparisons of overall project achievement across geographic regions (2002-2008)

Geographic region	Number of projects evaluated	Percentage of projects in least developed countries ²⁸	Overall project achievement	
			Satisfactory (%)	Unsatisfactory (%)
Asia and Pacific	24	46%	96	4
Latin America and Caribbean	17	6 %	76	24
Near East and North Africa	13	23 %	77	23
East and South Africa	18	94 %	61	39
West and Central Africa	20	65 %	60	40

121. The relatively weaker performance in sub-Saharan Africa may be partly explained by the challenging context and the heterogeneity among countries across the continent, as compared to other regions. For instance, most countries with IFAD

²³ See chapter 2 of the Final Report of the Independent External Evaluation of IFAD of September 2005.

²⁴ These are targets contained in IFAD's Action Plan for Improving its Development Effectiveness, approved by the Executive Board in December 2005.

²⁵ Based on the ratings of 10 projects that were either closed or nearing completion. However, it found that 61 per cent of all projects (18) covered would have a satisfactory impact on sustainability

²⁶ The Independent External Evaluation split the analysis into local and national innovations. The results included in the table refer to local innovations, defined 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.

²⁷ The evaluation ratings for 92 of the 96 projects evaluated between 2002 and 2008 have been used as a basis for this analysis. It has not been possible to use data for all 96 projects evaluated, as it was not possible to assess the overall achievement ratings for four projects.

²⁸ These include countries with low income (GNI per capita under US\$745), low human capital status and high economic vulnerability, as defined by the United Nations Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

- operations in this region are low-income countries and fall within the third and fifth quintiles of the World Bank's Country Policy and Institutional Assessment (CPIA).²⁹
122. The analysis undertaken on the learning theme related to *country context* in the 2008 ARRI revealed that performance in fragile states, "bottom billion" countries³⁰ and those with low CPIA scores, in sub-Saharan Africa and elsewhere, is weaker than in other countries. It found that country context, including institutional capacity, is a major determinant of project success, which is consistent with the findings reported in the World Bank's Annual Report on Development Effectiveness.³¹ For example, results in middle-income countries, which broadly enjoy a better policy, macro-economic and institutional framework, were found to be better than in low-income countries³².
 123. A large number of countries in sub-Saharan Africa are also affected by relatively weak government capacity. Given the lack of effective "knowledge institutions", including national statistic systems, the knowledge gap in the highly heterogeneous agriculture and rural sectors of these countries remains wide. As the joint Africa evaluation revealed, this knowledge and institutional gap severely limits the capacities of many African countries to formulate and implement pro-poor policies in the agriculture and rural development sector.
 124. The importance of context is not a new or surprising finding. The fact that projects tend to be more successful in a better and more supportive context makes intuitive sense. That said, the complexity of the context at the design stage or its evolution during implementation cannot be the rationale for less positive results at project completion. Rather, project design teams should factor in context issues up front (such as weak institutional capabilities, inadequate policies or difficult climate conditions) so as to prepare more realistic projects with achievable objectives. Project strategy should also be fine-tuned as required during implementation in response to major changes in the context. All this points to the need for more comprehensive analytic work and skills, as well as resources to generate the knowledge required. Partnership with other institutions can contribute to filling the gap in analytic work. But partnerships alone will not suffice, and capacities for analytic work will need to be built within the Fund as well.
 125. At IFAD, the complexity of the country context is not normally used as a criterion in determining the allocation of administrative resources. Currently, similar allocations are provided by IFAD for country programme management across the board: on average, US\$50,000 for COSOP development, US\$250,000 for project design and US\$60,000 for supervision and implementation support. This places countries at very different levels of development, for instance China and Sierra Leone, on the same plate. Furthermore, specific staff skills, experience and competencies are required when working in more challenging environments. A number of OE evaluations have highlighted the risk of assigning complex and important countries to relatively junior staff, including associate professional officers.
 126. In view of the foregoing, IFAD management should consider pursuing more of a differentiated approach in the allocation of resources (including staff) to the formulation of COSOPs and projects, as well supervision and implementation support, in countries with complex and difficult contexts (i.e. fragile states,

²⁹ The CPIA assesses the quality of a country's policy and institutional framework. Countries are classified into five quintiles according to four main criteria: (i) economic management; (ii) structural policies; (iii) policies for social inclusion and equity; and (iv) public sector management and institutions. Countries with the best CPIA rating are in the first quintile and those with the worst in the fifth quintile.

³⁰ The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It: Paul Collier (2007). Collier argues that the world is composed of 1 billion rich, 4 billion in countries rapidly developing and converging in living standards on the rich (even if still home to the majority of the world's extremely poor people), and 1 billion in states "falling behind, and often falling apart". The bottom billion countries typically suffer from one or more development traps: (i) conflict trap; (ii) natural resource trap; (iii) landlocked with bad neighbours; and (iv) bad governance in a small country.

³¹ See the Annual Review of Development Effectiveness (ARDE) 2006 of the Independent Evaluation Group of the World Bank.

³² See table 15 of the 2007 ARRI.

“bottom billion” countries, and those with low CPIA scores). A more differentiated approach would enable the Fund to undertake more in-depth analytic work to fill the knowledge gap that generally exists in these countries, as well as devote greater attention to supervision and implementation support to compensate for the existing weak institutional capacity. This would contribute to better implementation and eventually better results. In addition to filling the knowledge and policy gap, analytic work is important as it can inform IFAD’s policy dialogue processes at different levels.

127. The ARRI therefore raises the issue of whether a more differentiated approach should be taken by the management in allocating resources to countries with a more complex and context, rather than follow the current “one size fits all” approach. This would endow the East and South Africa Division and the West and Central Africa Division, as well as countries elsewhere with low CPIA scores, with the required level of resources to conduct more effective COSOP formulation, project design and supervision and implementation support in the future.
128. **External benchmarking** is important as it provides an overview of the performance of IFAD operations as compared to those of other international financial institutions. It also allows IFAD to focus on areas where its performance is comparatively lower (e.g. sustainability in all regions) and learn from the experiences and best practices of counterpart organizations.
129. When interpreting the performance data shown in table 10 below, four aspects of the benchmarking process should be kept in mind: (i) the ARRI benchmarks the performance of IFAD operations only with those organizations with independent evaluation outfits that undertake similar aggregation of their evaluation results and make the data publicly available. This approach allows for more meaningful comparisons in performance; (ii) even though the organizations compared (AfDB, AsDB and the World Bank) broadly follow a similar operating model as IFAD,³³ they invest in a variety of sectors other than agriculture and rural development and their annual programme of work is much larger than IFAD’s; (iii) to the extent that data was publicly available, only the results of the agriculture and rural sector operations of AfDB, AsDB and World Bank have been used in comparing their performance with IFAD; and (iv) even though the comparators apply the same internationally recognized evaluation criteria to evaluate their own operations, there may be differences in the underlying questions asked in the various organizations when assessing and rating each evaluation criterion.
130. The data used in table 10 below has been drawn from the AsDB’s 2008 Annual Evaluation Review and the World Bank’s 2008 Annual Review of Development Effectiveness. The AfDB data are drawn from the analysis specifically conducted in the context of the AfDB and IFAD joint evaluation in Africa, as the AfDB’s Operations Evaluation Department does not yet produce a report similar to the ARRI, Annual Evaluation Review or Annual Review of Development Effectiveness.³⁴

³³ That is, the AfDB, AsDB and World Bank all provide loans and grants for poverty reduction.

³⁴ It is fair to acknowledge that the independent evaluation department of the European Bank for Reconstruction and Development (EBRD) also produces an annual report similar to the ARRI, but it has not been used in the ARRI because the EBRD does not invest in the agriculture and rural sectors of developing countries.

Table 10

Benchmarking against other financial institutions (percentage of projects³⁵ rated moderately satisfactory or better)

	IFAD (evaluated 2002-08)	World Bank ³⁶ (Exit 2003-7)	Asian Development Bank ³⁷ (Approved 1990s)	African Development Bank
Project performance - worldwide	85	83 ³⁸	N/A	N/A
Project success rate (project performance and sustainability combined) in Asia and Pacific	83	82 ³⁹	47 ⁴⁰	N/A
Sustainability – worldwide	51	78 ⁴¹	N/A	N/A
Sustainability – Africa	39 ⁴²	40 ⁴³	N/A	35 ⁴⁴
Project performance in Africa ⁴⁵				
Relevance	89	N/A	N/A	71
Effectiveness	61			63
Efficiency	61			52

131. Several conclusions can be drawn from table 10. First, although it has improved in recent years, the sustainability of IFAD operations is an area that requires further work. This is not a new finding; it has been raised repeatedly in past ARRIs. Second, the sustainability of evaluated operations of three major multilateral players (AfDB, IFAD and the World Bank) in agriculture in Africa is similar and well below expectations. IFAD has in recent years taken steps to redress weaknesses in this area (e.g. by defining more realistic objectives through a rigorous quality assurance system), including developing an *approach to sustainability* to provide further guidance to staff and others.⁴⁶ Third, the project success rate of IFAD and World Bank operations in Asia and the Pacific appear to be similar at first glance. However, it is possible that IFAD's success rate in Asia and the Pacific is better than the World Bank's, since the World Bank data in table 10 includes its operations evaluated in various other sectors (such as infrastructure and transport), where better results have traditionally been achieved in the past compared to the agriculture and rural sectors. Fourth, the success rate of IFAD operations is better than the AsDB's, and their relevance and efficiency are better than the AfDB's.

Box 8**Key points on 2002-2008 project analysis and benchmarking**

³⁵ The projects considered are broadly comparable in terms of implementation period.

³⁶ 2008 Annual Review of Development Effectiveness, table A.3, World Bank

³⁷ 2008 Annual Evaluation Review, Table A.4.1, AsDB

³⁸ This figure refers to the project performance (known as *outcomes* in the Bank) for agriculture and rural sector operations in all regions.

³⁹ This includes operations across all sectors (not merely agriculture and rural development operations)

⁴⁰ Project success at the AsDB is a composite of relevance, effectiveness, efficiency and sustainability. This figure refers to agriculture and rural sector operations.

⁴¹ Sustainability – worldwide – agriculture and rural development (percentage likely or better)

⁴² Data from AfDB/IFAD Joint Evaluation Interim Report

⁴³ This figure is taken from the World Bank's IEG Review (2007) of Bank's Assistance to Agriculture in Sub-Saharan Africa.

⁴⁴ Data from AfDB/IFAD Joint Evaluation Interim Report

⁴⁵ Data from AfDB/IFAD Joint Evaluation Interim Report

⁴⁶ This approach was discussed with member states during the Consultation on the Eighth Replenishment of IFAD's Resources (document REPL.VIII/3/R.3).

- An analysis of project performance by date of project effectiveness shows that performance on more recent projects tend to be more satisfactory than older generation operations. This further validates the same hypothesis contained in the past two ARRI's.
- Satisfactory project performance and sustainability are more highly correlated with satisfactory government performance than with IFAD performance.
- Around one half of IFAD-supported projects were both effective and likely to be sustainable.
- Overall project achievement in sub-Saharan Africa is relatively lower than in IFAD-supported operations in other regions. This points to the need for continued concerted efforts and the allocation of greater resources by the management in sub-Saharan Africa, in order to analyse context issues in COSOP formulation and project design as well as for supervision and implementation support.
- The project performance of IFAD operations is more or less the same as the World Bank's agriculture and rural sector operations. IFAD-funded project sustainability results are not as good, although they have been improving in recent years. The relevance and efficiency of IFAD-funded projects are better than the AfDB's, and its project success rate is significantly better than the AsDB's.

VI. Learning issues

132. As a contribution to learning and as agreed with the Executive Board in December 2008, this year's ARRI examines two topics of importance to IFAD's development effectiveness in more detail. These are: (i) access to markets; and (ii) natural resources and the environment. This section has been prepared following a review of OE evaluation reports, consultations with IFAD management and staff in the Programme Management Department and other organizational units, as well as a review of selected literature available in the public domain. It has also been informed by two in-house learning workshops with IFAD staff and others on the two topics. The work on market access has greatly benefited from collaboration with the Trade and Markets Division of FAO. Staff from FAO's Investment Centre, the Trade and Markets Division, and the Environment, Climate Change and Bio-energy Division took an active part in the aforementioned workshops.

A. Access to markets

133. It is widely recognized by IFAD and other development actors that improved access to markets by the rural poor is an essential ingredient for long-term poverty reduction. However, improving market access is one of the most challenging development tasks, an area where the performance of IFAD operations has been weak in the past. It is therefore perhaps not surprising that last year's ARRI identified market access as an area in which IFAD-supported projects and programmes need to be improved.

Definitions and context

134. Market access by poor farmers depends upon a **complex** set of conditions involving production technology, transport infrastructure and the coordination of multiple activities, including rural finance, input supply, and marketing and processing activities. In much of the world, these activities need to be sustained in the context of markets that are often volatile and unpredictable. And in some countries, where the law cannot be trusted to uphold contracts, the resulting challenges often deter the private sector from making investments needed to link rural producers with urban markets. In places where private agribusiness is more developed, poor producers often struggle to compete with larger producers and face unfavourable prices due to a lack of bargaining power, high transaction costs and difficulties meeting quality standards.

135. Markets exist at many **different levels** (village, small urban, major urban, regional, international). Access to larger markets is particularly difficult for the rural poor but offers the greatest potential rewards and can act as a driver of growth in the local economy through multiplier effects. Market opportunities depend upon the areas in which the poor live and how these areas relate economically and geographically to the wider economy. The opportunities also depend upon the wider economy itself – national income levels, degree of urbanization and rural infrastructure development, literacy rates, links with the global economy, the government's role in the economy, and the extent to which formal and informal institutions create an enabling environment for private-sector investment. The places in which IFAD's target beneficiaries live vary enormously in terms of the above criteria.
136. Although the focus here is on input and output markets relating to agriculture, it is important not to neglect labour markets and the skills needed for employment, either in rural areas themselves or through urban migration.

Evaluation findings

137. Past evaluations of project and programme performance in relation to market access highlight a number of explanations for weaknesses in this area. They are to some extent related and include one, or a combination, of the following:
- **Not an explicit objective.** In many past COSOPs and projects, market access was simply not a major objective and components seeking to address it were therefore not part of project design. Objectives relating to food security, agriculture production and meeting other basic needs were often the main priority. It can perhaps be argued that meeting these objectives provides a foundation on which to build more commercially-focused strategies in subsequent stages of the rural development process, as was highlighted in the Mali CPE.
 - **Low-potential areas.** Projects are often located in areas with relatively little commercial potential, where attempts to facilitate market access (if any) never stood much chance of success. This is particularly the case in remote and less fertile regions, especially in sub-Saharan Africa.
 - **Partial approach.** Among those projects that did explicitly address marketing issues, many only addressed some of the constraints to market access, either through lack of insight or lack of resources. Thus, while there may have been support for roads, market infrastructure, processing activities or market information, for example, these initiatives were not enough to create an impact.
 - **Neglecting demand.** In many production-orientated projects there was little evidence of serious attempts at the project design stage to analyse the potential demand for production surpluses, who would buy them, and which markets would absorb them. When projects have succeeded in generating surpluses, this has sometimes created problems with oversupply. For example, in designing the Kagera Agricultural and Environmental Management Project in Tanzania, no clear strategy was put in place to address issues of marketing. The resulting increases in banana production led to surpluses that pushed down market prices.
138. Not all projects performed poorly in terms of their impact on market access. There have been success stories too.
- **Roads.** Investment in roads (mainly feeder roads rather than major trunk roads) has long been a feature of IFAD-funded projects and a means of improving access to both input and output markets. High transport costs are often a major barrier to market access and private-sector development, especially (as highlighted by the Joint Africa Evaluation) in sub-Saharan Africa. In some cases, roads alone are enough to create a major impact on market

access, but most require the underlying supply and demand conditions at either end of the roads to be favourable.

- **Value chain/market linkages.** Although many projects gave relatively little attention to marketing issues, some recent projects adopted a more comprehensive value chain/market linkages approach, giving much greater attention to market demand and the institutions and stakeholders needed to link producers with the market. Projects that have adopted this approach have generally had more impact on market access than those focusing exclusively on food security and basic livelihood assets.
 - **Country context.** However, the differential impact also needs to be understood in terms of the country context. Thus, with a few exceptions, more market-oriented projects are concentrated in regions with larger, more accessible domestic markets where basic livelihood assets are already more developed (e.g. in Latin America and parts of Eastern and Central Europe). The least market-oriented projects are evident in countries where markets are thinnest and where food security is more precarious (e.g. in the countries of the Sahel.)
139. The evaluation findings discussed in paragraph 137 relate mainly to projects designed in the 1990s, when sustainable livelihoods and community-driven development approaches left little room for commercially-focused projects. This situation has now changed, reflecting a significant move within IFAD and other agencies towards value chain approaches and private-sector development. Support for commercially-oriented production, improved marketing and private-sector involvement is identified as a strategic objective in most of the COSOPs produced over the last two or three years, and a value chain element is now present in half of all projects.⁴⁷ Moreover, this applies not only to middle-income countries, but to poorer ones too. For example, many IFAD-assisted projects in sub-Saharan Africa now focus on increasing the commercial competitiveness of specific agricultural subsectors where smallholders are involved.
140. IFAD's 2005 Private Sector Development and Partnership Strategy has been influential in relation to market access. It states that IFAD will "support or partner with those private-sector operators that can provide improved income-generating opportunities for IFAD's target group" (EB 2005/84/R.4/Rev.1, paragraph 7). For commodities that are important to small farmers, it highlights a commitment to addressing constraints throughout the value chain and not just those at the farmer end.

Improving market access

141. The constraints to improving access to markets for the rural poor are enormous, and there are no quick solutions. IFAD is moving in the right direction, but its resources are limited and, like other donors and governments, it faces the difficult job of selecting which constraints to focus on and determining whether there is an optimal sequence for addressing them. To some extent, the solution to donor and government resource constraints lies in better coordination between donors, effective leveraging of private-sector finance, and stronger partnerships with government and other local organizations. With different actors or partners specializing in those parts of the value chain where they have the most experience, synergies may be achieved that will reduce the cost of achieving specific market access results.
142. However, focusing on market access in the face of resource constraints can create difficult trade-offs in terms of poverty targeting (as acknowledged in the 2007-2008 Annual Review of Portfolio Performance). The trade-off is often between developing commodity value chains in high potential areas and the need to tackle poverty in remote areas with limited potential for promoting market access. Similar trade-offs exist between focusing on the immediate needs of the most deprived

⁴⁷ According to PMD's 2007-2008 Annual Review of Portfolio Performance

members of a particular community and the needs of those who have greater commercial potential. The former often lack the skills and resources required for commercial production and participation in producer groups, and the agribusiness sector is often reluctant to do business with them. However, in the longer term, more progressive farmers may contribute more to developing the local economy.

Box 9

Key findings on market access from the workshop with IFAD staff

- There is now a more systematic and focused approach to market access and value chain analysis than existed in the past. The design of projects approved over the last few years is quite different from those covered by completion evaluations to date.
- Partnerships with the private sector and other development agencies are important, but can be difficult to forge. IFAD needs to develop better models for working with the private sector, developing public-private sector partnership and working with other international organizations.
- There is a need for more flexible and diversified financing instruments, such as lending to the private sector. Conventional instruments limit what IFAD can do in addressing value chain constraints, especially those that lie beyond the farm, such as the financing constraints faced by larger operators whose activities poor people may depend upon for farm inputs and for marketing and processing services.
- Government policy is important in shaping market opportunities and constraints. Policy dialogue is vital and, although IFAD's ability to influence policy may be limited, it needs to generate a better understanding of how policy can affect project outcomes.
- The trade-offs between targeting the poor and commercializing production are a concern, but can be addressed by a more in-depth analysis of poor people's needs, the use of social safety nets, and by equipping the poor with the skills needed to access labour markets.

143. Looking to the future, five priority areas can be identified for IFAD:

- **Understand value chains.** Different value chains require different approaches, and a thorough analysis of value chain constraints is necessary to identify and realize opportunities for the poor.
- **Diversify approaches to rural financial services.** IFAD's most recent Rural Finance Policy provides scope for addressing the financial constraints throughout the value chain (and not just at the farm level). In practice, however, lending instruments remain insufficiently flexible – there is a need for greater diversity.
- **Innovate.** The most innovative projects in relation to rural finance have been in Eastern Europe.⁴⁸ There is clearly a need for innovative approaches in poorer countries as well. It is important to learn lessons from these new approaches, to understand what works and what doesn't and how in the future such instruments can be improved and replicated elsewhere.
- **Work on partnerships and policy.** The successful application of innovations, as well as private-sector development generally, depends upon effective partnerships between different development actors. Public-private partnerships are particularly important. IFAD can help broker these partnerships, but the instruments, mechanisms and models need to be further refined.
- **Share knowledge.** Sharing knowledge and experience of market access initiatives, both within IFAD and beyond, is particularly crucial in parts of the world where markets are less developed and market-oriented interventions are still in their infancy.

⁴⁸ Supported by IFAD's Initiative for Mainstreaming Innovation (IMI)

B. Natural resources and the environment

144. The NRE impact area has consistently been rated as one of the weakest in IFAD-funded projects evaluated since 2002. Over the same period, the threat posed by climate change to the natural resources on which poor rural people depend has become much more evident. IFAD has responded, and is committed to respond further, to this challenge. New environmental and social assessment (ESA) procedures were issued as a President's Bulletin in December 2008 and presented to the Board in April 2009. New elements of the ESA procedures include, amongst others, the introduction of strategic environment assessments at the time of COSOP development, increased focus on social issues, focus on challenges such as climate change and desertification, innovative financing mechanisms such as ecosystem markets, strategic partnerships and maximizing local and global environmental opportunities. The Global Environment Facility unit was established in 2004, and in 2008 was renamed the Global Environment and Climate Change Unit to reflect an extended mandate.⁴⁹ A policy on environment and natural resources, together with a climate change strategy, will be produced as a follow-up to the Eighth Replenishment of IFAD's resources in the near future.

Definition and background

145. The NRE impact domain has two distinguishing features. The first is its breadth and diversity. The concept of environment includes the very wide range of physical (air, water, land and the built environment) and biological (animals, plants and microbes) conditions and circumstances that support or otherwise affect life and livelihoods.⁵⁰ Natural resources management covers an equally wide range of activities and resources: water, land, fisheries, soil, rangeland, forests and wildlife.
146. The second feature is the way in which this domain incorporates both "avoid harm" (negative) and "do good" (positive) agendas. Much of the environmental debate and assessment has been focused around avoiding or mitigating the environmental damage associated with economic growth and development. IFAD is one of the few agencies where the positive agenda of improving natural resource management has also figured prominently.⁵¹ But even for IFAD, the "avoid harm" agenda has had a significant presence, the implications of which will be explored below.
147. One issue for IFAD is the fact that agriculture, and particularly modern agriculture, is not automatically green. The expansion of agriculture nearly always results in the conversion of habitat and the loss of biodiversity. The intensification of agriculture usually involves increased inputs of energy, fertilizer, pesticides and other chemicals. These features, and the large areas of land involved, make agriculture a very significant contributor to climate change.
148. The increasing profile of climate change is also an issue. Because of its high political and public profile, there is a tendency to single out climate change as a separate environmental issue, or even as the most important environmental issue. This has implications for how NRE is addressed more generally.
149. Although IFAD has funded, and continues to fund, a wide range of NRE investments, accurate data on the volume and distribution of such investments are not easily found. However, data from the Project Portfolio Management System (PPMS) suggest that the value of NRE activities, which remains more or less constant in cash terms, is declining in relative and real terms.

Evaluation findings

⁴⁹ Part of the extended mandate is to promote adaptation and mitigation activities in IFAD's country portfolios and other climate change initiatives, as well as facilitate technical dialogue with the United Nations Framework Convention on Climate Change Secretariat on operational matters.

⁵⁰ Some definitions also include the complex of social and cultural condition affecting the nature of an individual or community.

⁵¹ For example, the projects evaluated by OE since 2002 included investment in improved rangeland management, sand dune stabilization, afforestation, forest management and rehabilitation, marine protected areas, organic farming practices, integrated pest management, soil and water conservation, land rehabilitation and improved cooking stoves.

150. The relatively weak performance within the NRE impact domain noted in the ARRIs each year since 2002, as well as in the Independent External Evaluation of 2005, is corroborated by the three most recent Annual Reviews of Portfolio Performance (ARPPs). There have nevertheless been a significant number of successful NRE components and projects. These successes have generally been in projects where NRE issues were specifically and substantially addressed during design and implementation, and in more favourable institutional contexts.
151. The weaknesses observed in projects rated as unsatisfactory for NRE are of two types. First, there are projects where NRE risks or opportunities were overlooked or not adequately addressed. In some cases there were classic negative environmental impacts associated with project activities: groundwater depletion, fuelwood exploitation, grazing pressure or pesticide use. These negative impacts point to weaknesses in environmental assessment during design and supervision. In other cases, projects were criticized for failing to address major NRE issues affecting long-term sustainability, such as catchment protection, cultivation on steep slopes or forest encroachment.
152. These findings suggest that both environmental assessment and the prioritization of NRE issues within project design and implementation need improvement. However, they should not be interpreted as implying that all projects must address NRE issues. Some of the NRE omissions mentioned above were genuine oversights that should be less likely with improved ESA procedures. In other cases, the omissions resulted from choices made during design in balancing development priorities, financial resources and the potential for a significant contribution. Some NRE issues are simply too large, long-term and complex to be substantially addressed by IFAD-supported programmes. As in the case of negative externalities (such as overgrazing resulting from increased livestock numbers), the important point is that such choices and trade-offs need to be explicitly identified during project design, appraisal and approval.
153. Second, in some projects NRE components have not been as successful as planned. In some cases these were minor NRE components that were not accorded sufficient priority during design and implementation. The need for long-term action to solve NRE problems often makes the immediate investment of time and resources less attractive for programme beneficiaries and staff. Components with more immediate benefits tend to take priority.
154. But there are also a number of projects where major NRE components have not been successful. Examples include rangeland management, sand dune stabilization and catchment management. In most cases the lack of success can be traced to inadequate design. As mentioned, many NRE issues are socially complex, long-term, policy-influenced, large-scale undertakings. Some NRE improvements – such as common property resource management – require new institutions to be sustained if long-term benefits are to be realized. They often involve changing property rights and the balance of costs and benefits for individuals, communities and governments. Such issues are not well addressed by relatively small, local projects of short duration that do not match the scale and complexity of the issues involved. The net result is that, even when prioritized, NRE initiatives are often difficult to design and implement in a technically, economically and socially sound and sustainable manner. Careful design and realism are key.
155. Evaluation studies from other multilateral and bilateral agencies contain relevant findings for IFAD. The main lessons are as follows:
- **Gap between policy priority and practice.** A high policy priority attached to environmental issues is no guarantee of implementation priority or systematic integration.
 - **More success with avoiding harm than doing good.** Most agencies have been more successful in treating the environment in terms of risks to be avoided

or managed than as a development opportunity or a prerequisite for sustainable poverty reduction.

- **External constraints to NRE action.** Demand, commitment, understanding and institutional capacity among partners and beneficiaries is often limited. Immediate poverty reduction, understandably, is the priority.
- **Internal constraints to mainstreaming NRE.** These include competing priorities, and insufficient staff and skills. Both internal and external constraints need to be recognized and addressed.

156. The broad similarity of these findings in evaluation studies covering a range of development agencies from the 1990s to the present day suggest that the challenge of improving performance in this area is formidable. Possible solutions include making environment a central pillar in all project, programme and policy analysis and approval; improved environmental targets, M&E and follow-up; and enhancing skills and support for programme staff.

Box 10

Key findings on NRE from the workshop with IFAD staff

- IFAD needs the new NRE policy as a guideline on this core concern. The policy should address, among other things, the possible conflict between supporting more intensive agriculture, environmental sustainability and climate change.
- IFAD-funded projects tend to be constrained in time and scale, and are often focused on the Ministry of Agriculture. Achieving NRE results on a broader scale requires a wider set of partnerships and effective policy engagement.
- Undertaking strategic environmental assessments, and engaging with borrower governments on NRE issues, is a key part of COSOP formulation.
- More staff and resources are required for NRE analytical work during design, appraisal and supervision. Consideration should be given to a central NRE helpdesk and/or regional NRE staff.
- Climate change does not change IFAD's priority (poverty reduction) or mandate, but it is a threat multiplier. Other NRE challenges will either be unchanged or exacerbated.
- IFAD needs a single, overarching NRE policy that includes, and is strongly driven by, climate change. A linked climate change strategy (including alternative scenarios) should follow from that NRE policy.

Improving NRE performance

157. It is widely acknowledged that IFAD's past performance in this area has been mixed. Most, though not all, IFAD-funded projects have succeeded in avoiding environmental harm. More significantly, except for local soil and water conservation and community forest management, IFAD has not been particularly successful at doing environmental good on a larger scale. IFAD is not alone in this.
158. IFAD has already taken very significant steps in recent years to improve its NRE performance, some of which have been mentioned above (paragraph 144). It is too early to assess whether the new ESA procedures, the initiatives to improve portfolio performance generally, and the new policy priority attached to NRE and climate change will significantly improve NRE results in IFAD-funded programmes.⁵² However, evaluation experience from IFAD and elsewhere suggests that new policies and procedures will not be sufficient in themselves.
159. Experience shows that issues gain traction within an organization only when they demonstrably matter; when addressing them aligns with other major priorities and

⁵² While all eight of the COSOPs presented to the Executive Board in December 2007 and April 2008 address issues of climate change in the country-specific context, there was no evidence that recent changes have yet fed through to the projects approved by the Executive Board in 2008. As in previous years, the majority of these do not have specific ENRM components, generally use the term "sustainable" to mean institutionally and financially sustainable, and have Category B environmental classification as they are judged not likely to have any significant negative environmental impact. However, there are projects with innovative environment and resource management components.

institutional incentives; when they can be, and are, effectively managed; and when they are adequately resourced. The new policy now in train should raise the profile of NRE within IFAD. However, the evidence suggests that it will not be enough. Limited borrower and beneficiary demand, competing priorities and incentives, and limited staff and financial resources will work against real change.

160. Three actions should be considered while the management prepares the NRE policy for presentation to the Board:
- The new NRE policy should be accompanied by implementation guidelines. These should include clear and measurable performance targets and benchmarks, a budget for additional staff and financial resources, and differentiated decision-making tools and financial instruments.
 - PMD should prepare an annual report on policy implementation for consideration by the Executive Board as part of the management's regular reporting on policies (e.g. the IFAD Policy on Engagement with Indigenous Peoples).
 - An analysis of NRE opportunities and risks should be a central and mandatory component of certain COSOP, loan and grant proposals.
161. The issue of climate change is rightly seen as enormously important for IFAD, and certainly warrants the separate strategy currently proposed. There are, however, arguments for and against treating climate change as a separate priority issue. Previous experience with both the environment and gender suggests that separation is not the best way forward, but equally that mainstreaming and internalization within both IFAD and borrower countries is a challenge. It will also be important to ensure that increased attention to climate strengthens, rather than detracts from, attention to NRE more generally.
162. Two additional actions should be considered:
- The new NRE policy should encompass climate change. The climate change strategy should follow from the overarching NRE policy.
 - The NRE policy, NRE implementation guidelines and climate change strategy should be prepared by the same team, or by teams with overlapping membership under a single coordinator.

VII. Reviewing the ARRI

163. The ARRI was first produced in 2003. It followed from a recommendation in the Plan of Action (2000-2002) that OE should produce a systematic overview of the results and impacts of IFAD's operations, based on the evaluations it undertakes each year. The production of the ARRI was also enshrined in the Evaluation Policy approved by the Executive Board in April 2003.
164. The first ARRI provided a synthesis of 10 individual project evaluations carried out in 2002, structured around the then new Methodological Framework for Project Evaluation introduced in that year. It provided, for the first time, a critical and multidimensional overview of the performance of IFAD-supported projects across all regions. The ARRI has evolved since then, not least in its greater emphasis on learning. Two learning themes, benchmarking internally and against other agencies, and some analysis of all the project evaluation findings since 2002, were included from 2007 onwards. The main findings from CPEs and corporate-level evaluations are also included in the document in the past few years.
165. There have been several changes in IFAD since the introduction of the ARRI in 2003. For instance, the Fund has a new operating model, with country programmes now considered as the main unit of account rather than individual investment projects. Since 2007, IFAD undertakes its own supervision and implementation support. There also have been changes in the Fund's independent and self-evaluation systems. OE introduced a new evaluation manual in 2008, and self-

evaluation system now provides an increasingly reliable assessment through performance management.

166. Given that seven editions of the ARRI have been produced thus far, it was deemed useful to reflect on the structure and content of the ARRI, so that the document can continue to play an instrumental role in promoting accountability and learning for IFAD and its Governing Bodies, and for the development community as a whole. The following paragraphs therefore contain a number of suggestions, for the Board's consideration, of new features that could be introduced in forthcoming editions of the document. The suggestions have been developed based on the evolution of the Fund in the past years, as well as best practices followed by other development organizations in producing similar reports.
167. More specifically, the table below outlines the ARRI-type reports from other multilateral development banks that were considered by OE to embody best practices that could be followed in future ARRIs. It is important to note that no other United Nations agency produces a document similar to the ARRI:⁵³

Asian Development Bank	Annual Evaluation Review
European Bank for Reconstruction and Development (EBRD)	Annual Evaluation Overview Report
World Bank	Annual Review of Development Effectiveness

168. The above-mentioned annual reviews prepared by independent evaluation offices contain a mix of elements. All of them contain a review of project performance over time, and two contained an in-depth assessment of a particular theme. For the AsDB, the thematic section for 2009 will cover experience in the transport sector. For the World Bank, last year's theme was global public goods. Both the World Bank and the EBRD documents contain a comparison of independent and self-evaluation ratings. The AsDB and EBRD reviews include a synthesis of findings from all evaluations carried out during the year.
169. One difference between the ARRI and the AsDB and World Bank review relates to the balance between the review of performance and general evaluation findings, and the in-depth assessment of a particular learning theme. About half of the World Bank and AsDB documents discuss a single learning theme in depth. This enables them to focus on one critical theme each year and invest the required time and resources. The proportion of the ARRI taken up by two learning themes is relatively less, as compared to the space devoted to one learning issue in the World Bank and AsDB documents.
170. OE undertook a review of the key features of comparable documents of other international financial institutions. It also examined the structure and contents of the seven ARRIs produced thus far, including this edition. Building on this analysis, and taking into account developments within IFAD (see paragraph 165 above), as well as the requirements of IFAD and its Governing Bodies in terms of reporting on results based on independent evaluations, future editions of the ARRI as of 2010 will also contain the following additional four features:
- Devote greater attention to learning. This implies focusing on a single learning theme, rather than two themes as in the past. This will allow for more in-depth analysis and generation of lessons learned and best practices to improve IFAD policies, strategies and operations;

⁵³ AfDB's evaluation office is in the process of producing a development effectiveness report. IADB produced a development effectiveness report in 2002, but none since.

- Expand the quality-at-entry review to include a wider cohort of projects and programmes approved during the previous year, in addition to a review of all new COSOPs adopted during the year;
- Given the growing emphasis on country programmes and a systematic CPE methodology, include ratings from CPEs in the ARRI. This would provide an overview of country-level performance, and include reporting on the results related to non-lending activities and performance of the COSOP, as well as the overall IFAD-government partnership; and
- Devote greater attention to the why factor, which is a methodological fundamental enshrined in the new evaluation manual. OE now pays special attention to analysing the proximate causes of performance in all its evaluations. Paying more attention to the why factor in individual evaluations should also provide the basis for a more comprehensive treatment of proximate causes in future ARRIs. This is central to generating the insights and lessons necessary to improve IFAD's overall development effectiveness.

VIII. Conclusions and recommendations

Conclusions

171. In terms of results, evaluation findings from projects assessed in 2008 highlight that project performance and overall project achievement – the two most important evaluation criteria – are moderately satisfactory or better for the overwhelming majority of IFAD-funded projects and programmes. Performance on promoting innovation is excellent and sustainability, a core area where past performance has been weak, improved considerably.
172. On another encouraging note, there is a steady upwards trend in results across all but a few evaluation criteria since 2002. This improvement is further corroborated by the analysis of project performance by date of loan effectiveness, which confirms the hypothesis raised in past ARRIs that more recent projects and programmes perform better than older generation operations. These achievements are worth emphasizing, and may be attributed to IFAD's far-reaching reforms and renewal over the past decade.
173. Furthermore, one of the new features of this year's ARRI – the quality-at-entry review – reveals that on the whole IFAD is adequately incorporating lessons learned and best practices from past experiences into new strategies and projects. This is significant, in that it enables the Fund to redress weaknesses found in past operations and to further develop its comparative advantages. The review did however point to the need to consolidate country presence, strengthen implementation support, and define more accurately the resources, time and skills needed for policy dialogue and knowledge management.
174. There remain some specific areas that require consistent attention and resources by IFAD management in the near future, if IFAD is to strengthen its contribution to improving food security and incomes and reducing rural poverty globally in a sustainable manner. The ARRI this year identifies three areas that require priority attention. These include: (i) poor efficiency in IFAD-supported projects generally; (ii) the centrality of government performance; and (iii) relatively low performance in sub-Saharan Africa.
175. As indicated, both evaluations undertaken in 2008 and trends in performance since 2002 illustrate that the **efficiency** of IFAD-funded projects globally is a cause for concern. A number of new processes have been introduced to streamline country strategy formulation and project design and implementation, which have largely been aimed at improving development results in general, rather than on specifically finding ways to lower the cost of delivering results. A focus on improving the efficiency of IFAD-funded projects is also likely to contribute to improving IFAD's own performance (less administrative resources, such as supervision and

implementation support, will be needed if projects are more efficient), which continues to remain moderately unsatisfactory in one of every three projects financed.

176. The joint Africa evaluation and other studies have highlighted **government performance** as one of the most important factors in making a lasting impact on rural poverty. Governments are critical for promoting a pro-poor policy environment and for putting in place capable institutions that can deliver the requisite services and support for agriculture and rural development. However, many countries, especially fragile states, “bottom billion” countries and those with low CPIA scores, have weaker institutional capacity and policy frameworks. It appears that the Fund has not yet invested sufficiently in strengthening government performance, as most of the reforms under the IFAD Action Plan have been oriented towards improving its own performance. Governments unquestionably make a real difference in fostering an enabling environment for multiple partners (including the private sector, civil society, NGOs and others) to operate and contribute effectively to rural poverty reduction efforts. Governments themselves are primarily responsible for taking key actions during design and implementation to enhance effectiveness, such as ensuring timely availability of counterpart funds and project audits, effective M&E, and ensuring the continuity of project directors in IFAD-financed operations – which has been identified as an important area for project delivery and success.
177. Individual OE evaluations and the overall analysis undertaken in this and previous ARRIIs reveal lower performance in **sub-Saharan Africa** (West and Central, and East and Southern Africa) than in the other three geographic regions covered by IFAD operations. However, the performance of IFAD operations is comparable to that of agriculture and rural sector operations by other major multilateral development banks on the continent. The relatively weaker performance in this region may be explained by the challenging context and the heterogeneity among countries in sub-Saharan Africa. For instance, most IFAD operations in this region are in low-income countries with rankings in the third and fifth quintiles of the World Bank’s CPIA indicator. In particular, a large number of countries in sub-Saharan Africa have relatively weak government capacity, knowledge institutions and national statistic systems, which limits their ability to formulate and implement pro-poor policies in the agriculture and rural sector. This also constrains COSOP formulation and project design, and supervision and implementation support.
178. However, the complexity of the context at the design stage or its evolution during implementation cannot be the rationale for less positive results at project completion. Rather, project design teams should factor in context issues up front so as to prepare COSOPs and projects with more realistic objectives. This points to the need for more comprehensive analytic work and skills, and resources to generate the knowledge required. In-depth analytic work would also contribute to improving IFAD’s engagement in policy dialogue. Although partnerships with other institutions can help fill the analytic work gap, in-house capacity is needed as well.
179. At IFAD, the complexity of the country context is not normally used as a criterion for determining the allocation of administrative resources. IFAD should take a more differentiated approach in allocating resources to countries with a more complex context, rather than following the current one-size-fits-all approach. This would enable countries in sub-Saharan Africa and elsewhere with low CPIA scores to formulate better COSOPs and projects, as well as improve supervision and implementation support. Specific staff skills, experience and competencies are also required for working in more challenging environments. Finally, the IFAD management may wish to establish a special financing facility for the purpose devoted to sub-Saharan Africa.
180. In addition to the above three areas that need attention, and despite the generally favourable results reported in the ARRI, there is no room for complacency. A large proportion of projects evaluated in 2008 were only moderately satisfactory, while

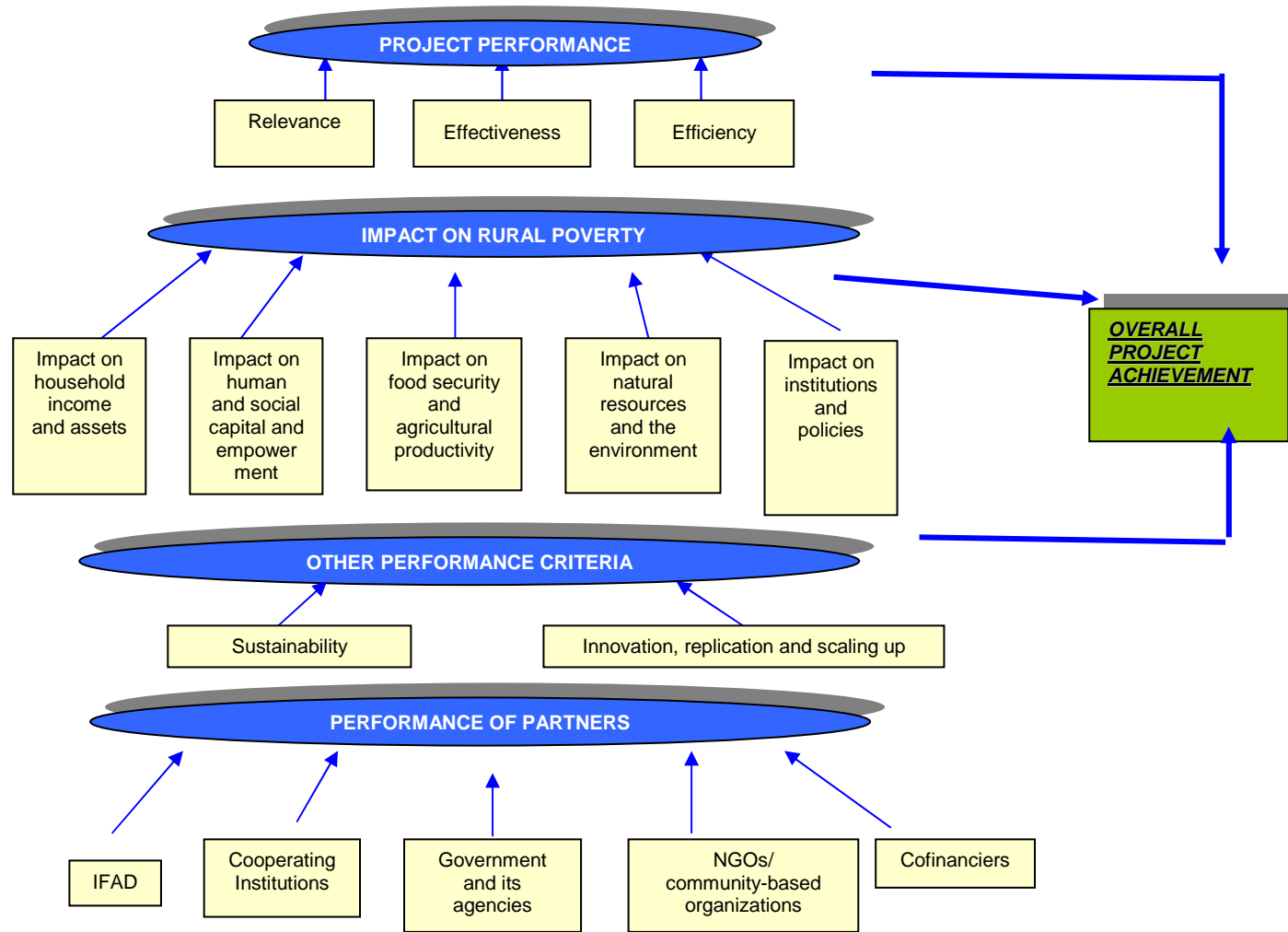
only a minority were found completely satisfactory or better. Therefore, there is scope for further improvement overall, especially in IFAD's own performance, in environment and natural resources management, and in project efficiency as mentioned.

181. Sustainability results are encouraging, with 73 per cent of projects considered moderately satisfactory or better, compared to a low 40 per cent in 2002. Efforts to promote sustainability should continue, however, since more than 50 per cent of the projects evaluated in 2008 were considered only moderately satisfactory by this criterion.
182. As noted, performance on environment and natural resources management is widely acknowledged to be relatively poor. Most IFAD-funded projects have succeeded in avoiding environmental harm. They have been less successful at doing environmental good on a larger scale. Many other agencies have a similar experience. IFAD has already taken very significant steps to improve its performance in this area, such as adopting procedures for environmental and social assessments. However, evaluation experience from IFAD and elsewhere suggest that these will not be sufficient in themselves. Climate change is also rightly seen as enormously important for IFAD. However, it is important that this strengthens, rather than detracts from, action to improve environment and natural resources management performance more generally.

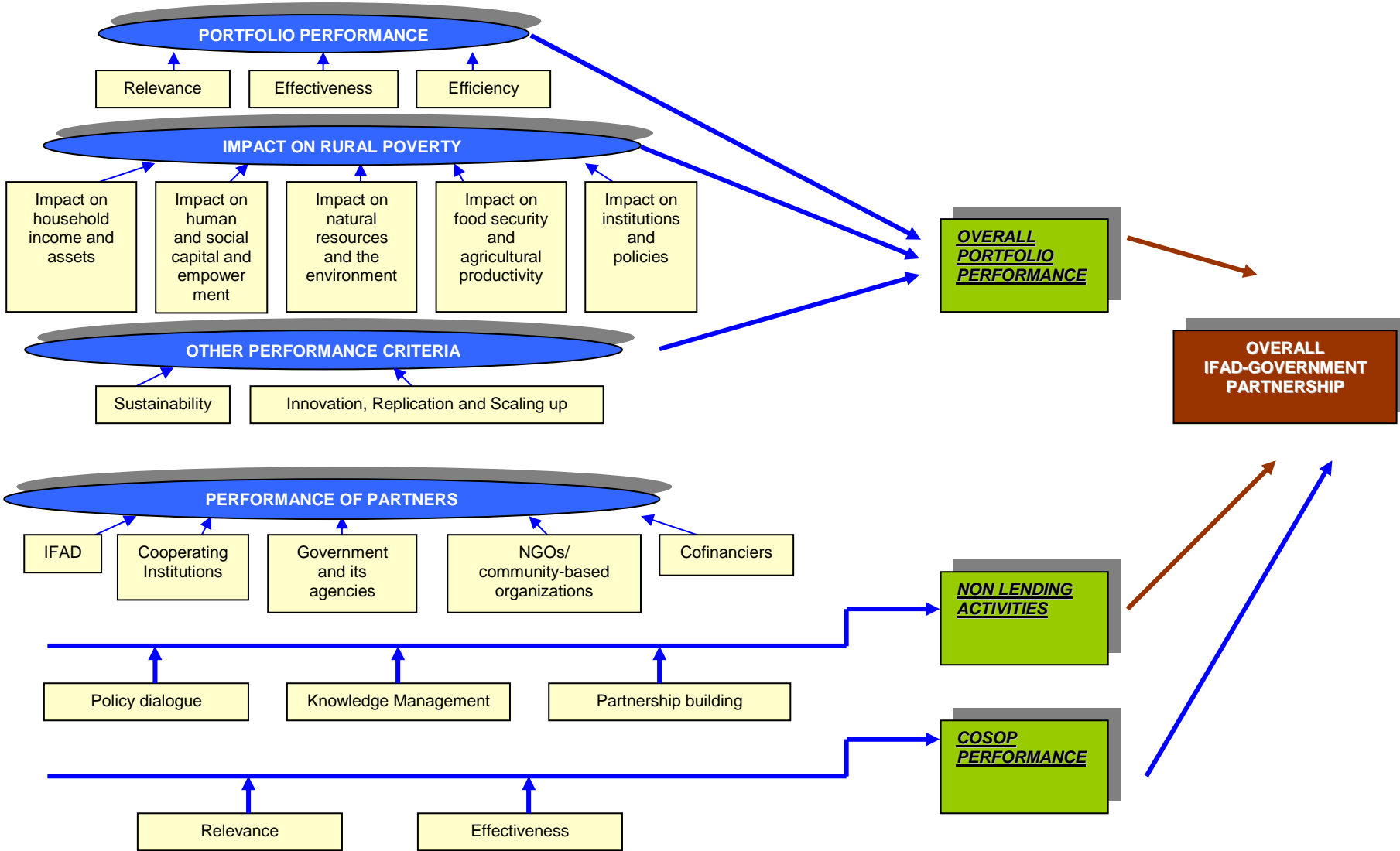
Recommendations

183. The Executive Board is invited to adopt the following recommendations:
 - IFAD Management should implement the recommendations to improve performance in the two learning themes covered by the 2009 ARRI, namely promoting access to markets, and natural resources and the environment. The specific recommendations related to these themes – which were formulated in consultation with IFAD management – are included in paragraphs 143, 160 and 162;
 - The Board agreed in December 2008 that OE should treat the weaker impact areas – institutions and policies, and social capital and empowerment – as learning themes in developing the 2010 ARRI. However, given the emerging improvements in these areas (see table 3 and figure 3 of the main report) and the fact that efficiency is now the weakest performing evaluation criterion, requiring management attention, it is recommended that the efficiency of IFAD-supported projects be the only learning theme for the 2010 ARRI;
 - OE will pay special attention to monitoring progress on performance in the two impact domains on institutions and policies, and human and social capital and empowerment. Accordingly, as and when required, OE will treat them as learning themes in future ARRIs; and
 - IFAD management should reconsider its current allocation approach for conducting analytic work for COSOP development and project preparation. It should also consider developing a differentiated approach to the allocation of resources for supervision and implementation support. This new approach should aim to provide the additional resources required for effective analytic work and assign staff according to their skills, experience and competencies to the countries with the lowest CPIA scores - including fragile states and "bottom billion" countries. This would ensure better COSOPs, project design, and supervision and implementation support in the future.

Project Evaluation Methodology



Country programme evaluation methodology



Definition of evaluation criteria used by the office of evaluation

<i>Criteria</i>	<i>Definition^a</i>
Project performance	
<ul style="list-style-type: none"> • Relevance 	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project coherence in achieving its objectives.
<ul style="list-style-type: none"> • Effectiveness 	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
<ul style="list-style-type: none"> • Efficiency 	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
Rural poverty impact⁵⁶	
	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.
<ul style="list-style-type: none"> • Household income and assets 	Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value.
<ul style="list-style-type: none"> • Human and social capital and empowerment 	Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grassroots organizations and institutions, and the poor's individual and collective capacity.
<ul style="list-style-type: none"> • Food security and agricultural productivity 	Changes in food security relate to availability, access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields.
<ul style="list-style-type: none"> • Natural resources and the environment 	The focus on natural resources and the environment involves assessing the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resources and the environment.
<ul style="list-style-type: none"> • Institutions and policies 	The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.
Other performance criteria	
<ul style="list-style-type: none"> • Sustainability 	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.
<ul style="list-style-type: none"> • Promotion of pro-poor innovation, replication and scaling up 	The extent to which IFAD development interventions have: (i) introduced innovative approaches to rural poverty reduction; and (ii) the extent to which these interventions have been (or are likely to be) replicated and scaled up by government authorities, donor organizations, the private sector and others agencies.
Overall project achievement	
	This provides an overarching assessment of the project, drawing upon the analysis made under the various evaluation criteria cited above.
Performance of partners	
<ul style="list-style-type: none"> • IFAD • Government • Cooperating institution • NGO/CBO 	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.

^a These definitions have been taken from the OECD/DAC *Glossary of Key Terms in Evaluation and Results-Based Management* and from the Methodological Framework for Project Evaluation as agreed upon with the Evaluation Committee in September 2003.

⁵⁶ It is important to underline that the new manual also deals with the "lack of intervention". That is, no specific intervention may have been foreseen or intended with respect to one or more of the five impact domains. In spite of this, if positive or negative changes are detected and can be attributed in whole or in part to the project, a rating should be assigned to the particular impact domain. On the other hand, if no changes are detected and no intervention was foreseen or intended, then no rating (or the mention "not applicable") is assigned.

Objectives of country programmes and individual projects evaluated

Objectives of country strategies

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

- (i) **Nigeria.** The 2001 COSOP was the first formal strategic planning document developed by IFAD in the country. The three main elements of the 2001 COSOP are:
 - a. Policy advocacy in agriculture and rural development for pro-poor reforms and improved local governance;
 - b. Development of effective rural institutions;
 - c. Productivity and natural resource management;
 Major strategic thrusts are: empowering core target groups and community-based organizations to generate higher on- and off-farm incomes; supporting expansion of access to information, communication, infrastructure and technologies; and improving access by the poor to financial and social services.
- (ii) **Sudan.** The 2002 COSOP proposed three main strategic thrusts
 - a. Support the livelihood strategies of the target groups by improving the productive capacity of households, by promoting an enabling institutional environment, and by giving a prominent place to livestock development;
 - b. Empower men and women to fully participate in the development process, by promoting decentralization, empowerment of the rural poor, women's access to decision making at local level and women's self-help groups;
 - c. Promote good local governance, by introducing grassroots processes leading to self-reliance, sustainable natural resources management models, and improved accountability and gender equality as crucial elements in the resolution of civil conflicts.

Objectives of projects and programmes

<i>Country and project/programme names</i>	<i>Objectives</i>
Argentina Rural Development Project for the North-Eastern Provinces	The project's general objective would be to improve the quality of life of the target population by increasing family income from agricultural and non-agricultural productive activities, diversifying production and promoting technical change and increased productivity. This would be accomplished through the provision of training, technology transfer, the promotion and strengthening of small producers' organizations, and the provision of financial services. Both the supply and demand for services would be strengthened, creating a link between the rural poor and the support services.
China Qinling Mountain Area Poverty Alleviation Project	The goal of the project is to enable food and income security for vulnerable rural households living in an environment with degraded natural resources. The project's objective is to achieve a sustainable increase in productive capacity, both on-farm and off-farm, and to offer increased access to economic and social resources, including education, health, sanitation and social networks. A more stable lifestyle will mitigate the devastating effects of recurring natural disasters on the beneficiary population.
Democratic People's Republic of Korea Uplands Food Security Project	The overall objective of the project is to develop and demonstrate balanced, sustainable and replicable cropping systems, coupled with environment management, with a view to achieving higher and more secure production and incomes in the cooperative farms. To achieve this, the project will seek to improve: land use and crop rotations; the supply of high quality seed, especially potato seed; micro-catchment planning; fuelwood plantations and erosion control measures; the provision of rural credit; processing of farm outputs to add value to crop production; opportunities for cooperative communities to improve local infrastructure and services; and the capacity of the government and cooperative farms to implement projects effectively.

Guatemala Rural Development Programme for Las Verapaces	The general objective of the programme is to reduce rural poverty among peasants who live in a very fragile natural resource environment in the poorest municipalities of the Las Verapaces Department. The specific objectives of the programme will be to: (a) increase peasant incomes through the promotion and support of agricultural and non-agricultural income-generating activities; (b) promote and consolidate peasants' organizations in order to strengthen local institutions; (c) improve access by the rural population to rural financial services; (d) introduce and implement a gender-sensitive approach to all programme activities; (e) improve and preserve the natural resource base for future generation by implementing sustainable natural resource conservation practices; and (f) foster the integration of rural communities into the mainstream of the national economy
Madagascar Upper Mandrare Basin Development Project – Phase II	The overall objective of the project is to increase the agricultural and non-agricultural incomes of the rural population in the project area, in particular for the most vulnerable groups, to improve their general living conditions and to contribute to food security in the southern region of the country. This will be achieved through five intermediate objectives: (a) fostering local development planning and implementation capacities targeting primarily grassroots farmer organizations whose initiatives constitute the core element of the project; (b) supporting local initiatives directed at increasing crop and animal production and diversification of income-generating sources; (c) promoting the development of sustainable resource management systems; (d) opening the project area by removing local infrastructure constraints thereby enabling improved access to markets and a reduction of transaction costs; and (e) facilitating access to financial services by the rural population.

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. Likewise, the Overall Achievement of each project represents a combination of Project Performance, Rural Poverty Impact, Innovations, and Sustainability.

2. It is important to emphasize that the aggregate ratings are not the mathematical average of the percentage of projects in each sub-category. In Table 1 below, the percentage of projects rated as Highly Satisfactory for the Summary Criteria is not the average of the percentages for criteria A, B and C. Although 10 per cent of projects rated Highly Satisfactory (rating 6) for Criteria A, no projects warranted an overall rating of Highly Satisfactory for the Summary Criteria. This also explains why, for example, 10 per cent of projects rated as Highly Unsatisfactory (rating 1), no projects were rated as Highly Unsatisfactory overall for the Summary Criteria. The Highly Unsatisfactory ratings for Criteria B in the 10 per cent of projects 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

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

The summary table in the 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. 60 per cent of projects were individually rated as 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 as Satisfactory and Unsatisfactory by criteria

Evaluation Criteria	(per cent)	
	Satisfactory (4-6)	Unsatisfactory (1-3)
A	60	40
B	60	40
C	50	50
SUMMARY	60	40