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Enabling poor rural people
to overcome poverty

Response of IFAD Management to the Annual Report on Results and Impact of IFAD Operations evaluated in 2009

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Abbreviations and acronyms

ARRI	Annual Report on Results and Impact
IOE	IFAD Office of Evaluation
RIDE	Report on IFAD's Development Effectiveness
RMF	Results Measurement Framework

Response of IFAD Management to the Annual Report on Results and Impact of IFAD Operations evaluated in 2009

I. Introduction

1. In recent years, IFAD Management has laid significant emphasis on upgrading its project self-assessment systems by establishing: (i) an arms-length quality assessment of projects and country strategic opportunities programmes (COSOPs) before presentation to the Executive Board; (ii) more rigorous project implementation support enabled by the assumption of project supervision by IFAD; and (iii) review of the performance of **all** projects completed during the review period. These instruments allow IFAD Management to undertake a thorough review of the performance of its portfolio and to report on this performance to the Board through the Report on IFAD's Development Effectiveness (RIDE). The RIDE uses the corporate Results Measurement Framework (RMF) approved by the Executive Board in September 2009. The RIDE also acts as a principal vehicle for IFAD Management to report on its response to the Annual Report on Results and Impact of IFAD Operations (ARRI).
2. In light of the above, the present note focuses on comparing the findings of the ARRI with the results obtained from self-evaluation reports (project completion reports), and it also addresses some of the broader performance-related issues identified in the 2010 ARRI report.
3. This year's ARRI has introduced a number of new features. First, it bases its conclusions and recommendations on the data set derived by pooling the sample evaluations undertaken over three years and using three-year moving averages to discern trends. This methodological improvement to a large extent addresses the issue raised in the past by IFAD Management of the limited sample size of the evaluations included in any one given year.¹ Second, this year's ARRI has analysed country programme evaluations separately and has assessed IFAD's performance against non-lending activities – policy dialogue, knowledge management and partnership-building. Third, despite the difficulty in finding relevant evaluation literature (paragraph 206) and constraints in tapping into relevant data (paragraph 204), the section on this year's learning theme (i.e. efficiency) makes some pertinent remarks on comparators' as well as IFAD's performance in terms of the economic efficiency of IFAD-assisted projects and the institutional efficiency of IFAD itself.
4. IFAD Management welcomes the new features introduced in the ARRI and broadly endorses the findings and recommendations made therein. IFAD Management would also like to report to the Executive Board that the relationship between IFAD Management and the IFAD Office of Evaluation (IOE) has improved significantly in recent years. As a result, there is a wider sharing of knowledge. As reported to the Executive Board in September through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), IOE's recommendations are tracked and followed up rigorously by Management.
5. In interpreting these results, however, the Executive Board may wish to consider the following:

¹ Please see Response of IFAD Management to the Annual Report on Results and Impact of IFAD Operations evaluated in 2006 (EB 2007/92/R.7/Add.1), paragraphs 2 and 3. Even with a much larger sample set, World Bank's Independent Evaluation Group reports "noise in the annual data, year-to-year variation not representative of any particular trend ... and three-year averages [giving] a more complete picture" (World Bank, Annual Review of Development Effectiveness, 2009).

- (a) As presented in table 1 of the ARRI, the 17 projects evaluated in 2009 were approved by IFAD's Executive Board between April 1995 and December 2001, with an "average" approval date of mid-1999.² Over half of these projects were completed between 2004 and 2008: they therefore did not benefit from IFAD's new operating model, including a new design process, arms-length quality assurance, direct supervision and country presence.
- (b) IOE evaluates projects using a set of standard criteria, irrespective of the specific objectives of the projects. While some of these criteria, such as policy dialogue, partnership-building and knowledge management, may be relevant from the perspective of the current development ethos, they were not necessarily known at the time of project design. This is especially true for the projects designed in the mid- to late-1990s when policy impact and partnership-building were rarely, if ever, mentioned as expected project outcomes. Similarly, few projects aimed at bringing changes against **all** five impact domains. The introduction of these criteria for evaluating projects is relevant for the more recently designed projects, but holds projects designed over a decade ago to standards developed only recently. It makes the achievement of higher ratings very difficult and a highly satisfactory rating highly improbable.³

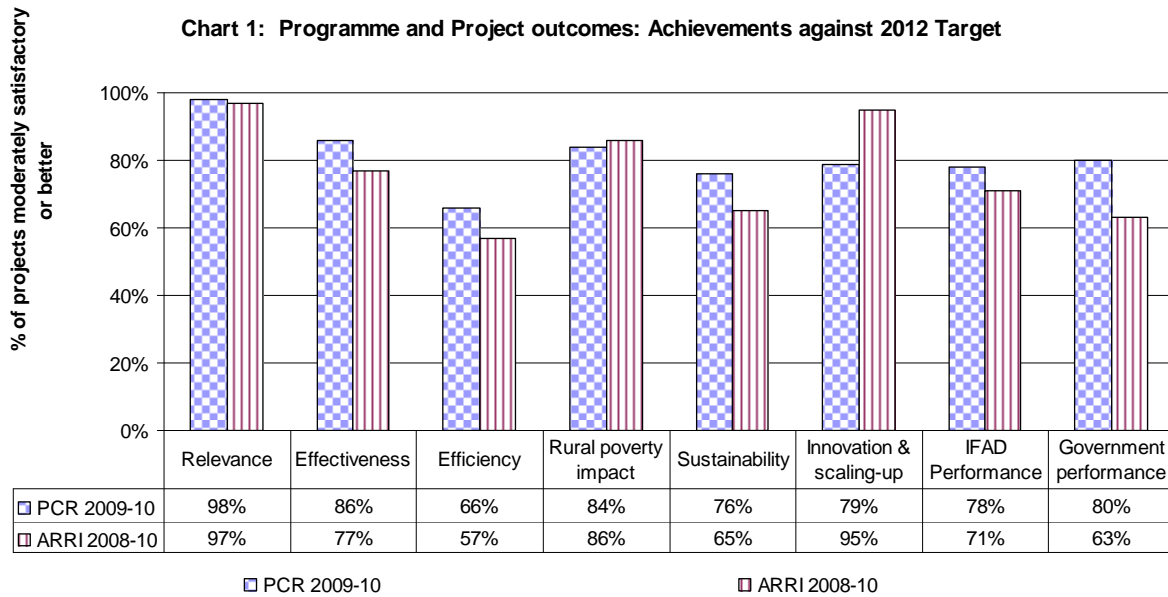
II. Variance between the results reported by independent and self-evaluation systems

- 6. As part of the portfolio performance review, IFAD Management has undertaken completion reviews of the results and impact of IFAD projects using two-year moving averages. These projects represent the universe of the projects completed – about 50 to 52 on a two-year basis. Since the evaluative criteria and ratings used in this assessment are the same as those used by IOE, these results, with certain caveats,⁴ are directly comparable with those generated by the independent evaluations carried out by IOE.
- 7. As can be seen in the chart below, IFAD Management's self-assessment of 50 completed projects reviewed in 2009 and 2010 shows very similar results to those of the ARRI, in particular with respect to relevance and rural poverty impact. Concerning government performance, effectiveness and sustainability, Management's self-assessment shows more positive outcomes, whereas, on innovation, independent evaluation shows a much higher performance.

² The mean and median of this sample for Executive Board approval is May 1999 and December 1999. For completion date, the respective dates are August 2008 and June 2008.

³ It is noteworthy that not a single project has been rated highly satisfactory by IOE in the last three years (ARRI 2010, paragraph 23). This is largely because projects cannot satisfy all of the criteria **now used by IOE to evaluate projects**.

⁴ Two factors need to be considered in interpreting the results. First, the project completion report (PCR) uses results of the completed portfolio only, whereas the ARRI uses ongoing projects as well. Second, ARRI's are based on a sample, whereas the PCR review is based on the universe of all completed projects; consequently ARRI and the PCR do not use the same set of projects.



8. Some difference in the selected evaluation indicators are of a technical nature: the projects assessed by Management belong to a later period – the bulk of these were approved during 1999 and 2000. As a result, some 28 per cent of them benefited from IFAD’s direct supervision, at least in the last few years of the project life. As their completion date is more recent, these projects have also benefited from IFAD’s expanded country presence. But even in Management’s self-assessment, some of the objectives against which completed projects are evaluated were not known at the time of project design.

III. Overall performance and areas requiring further attention

9. In terms of trends, self-evaluation data confirm the ARRI’s finding that “performance has improved over time in a number of areas”. It also supports the ARRI’s explanation that the improved performance is “a reflection of the concerted efforts by the Fund in the recent past towards strengthening its development effectiveness” (paragraph 213). IFAD Management has noted IOE’s conclusion that “the performance of past IFAD-supported operations ... is on the whole merely moderately satisfactory” (paragraph 212) and acknowledges that the results shown by the PCRs tend to confirm this finding. It would also like to state, however, that the evaluation criteria and ratings adopted by IOE as well as by IFAD Management now closely resemble those being used by other international financial institutions (IFIs) – in terms both of setting targets and of measuring the indicators.
10. IFAD Management also endorses the finding that “the performance of IFAD-funded projects is somewhat better than the agriculture sector operations of other multilateral development organizations” (paragraph 214). While external benchmarking needs to be interpreted cautiously, it does provide insights. The following table may shed some light on the respective performance of the agriculture sector projects funded by the World Bank and those funded by IFAD.

Performance of projects rated satisfactory, 2002-2008
(In percentages)

<i>Institution</i>	<i>Number of projects</i>	<i>Overall outcome/ project performance</i>	<i>Sustainability</i>	<i>Borrower performance</i>	<i>Quality-at-entry</i>
World Bank	26	65	56	64	71
IFAD	99	80	49	63	88*

* / Quality assurance in IFAD started in 2008 only, and the figure shown represents 78 projects assessed by June 2010. It represents an average of four composite indicators, namely effectiveness, sustainability, innovativeness and rural poverty impact.

Source: IFAD, ARRI, various years; World Bank, Independent Evaluation Group, Growth and Productivity in Agriculture and Agribusiness, conference edition, 2010.

11. IFAD Management also notes the ARRI's findings concerning the relatively weak performance of the borrowing Governments. With respect to IFAD's performance, while acknowledging the need for further improvement, IFAD Management would like to clarify that, according to the ARRI, there has been consistent improvement in this indicator over the years, and more recently IFAD's performance has been better than that of either the Governments or the cooperating institutions. As the implementation of the new operating model progresses, IFAD Management expects further improvements in IFAD's performance.
12. In terms of the efficiency of IFAD-funded projects, IFAD Management concurs with the ARRI finding that performance remains weak. Management has also noted the ARRI findings that: (i) there is a general decline in the use of (economic) cost-benefit analyses in all major IFIs including IFAD; (ii) weaknesses persist in the way efficiency is assessed by various donor agencies; and (iii) there is a very limited treatment of efficiency in the evaluation literature. IFAD Management recognizes the need for enhancing the institutional efficiency of IFAD. It has identified indicators for measuring performance and has set targets (see the RMF).
13. It is also important to recognize that IFAD not only faces diseconomies of scale as noted in the ARRI, but also difficult trade-offs. For example, IFAD's approach of serving the most remote and difficult areas and reaching hitherto unreached target groups contributes to making its operations more costly than if it only funded projects in higher-potential areas. This also affects the financial costs IFAD incurs in designing and supervising these projects. Similarly, while IFAD's emphasis on innovation may produce better impact in the longer run, in the shorter run, it introduces more risks, which may potentially reduce benefits. In this light, it becomes critically important for IOE to factor in these variables in completing the corporate-level evaluation of efficiency next year.
14. Sustainability of the benefits of IFAD-funded projects improved from a low base of 44 per cent of the projects being moderately satisfactory or better in 2004-2006 to 65 per cent in 2007-2009. While self-evaluation results show better performance, IFAD Management is committed to improving its performance further. This can be achieved, in part, by strengthening performance related to environmental sustainability, another area that the ARRI finds is in need of improvement. The adoption and implementation of a policy for natural resource management and the environment would help improve IFAD's performance in this area. Such a policy is currently being developed and will be submitted to the Executive Board in due course. Regarding innovation, with 95 per cent of the projects evaluated by IOE receiving a moderately satisfactory or better rating, IFAD Management considers the performance on innovation satisfactory. On scaling up, as noted by the 2010 ARRI, Management is working towards adopting systematic approaches and pathways, and expects the results to become visible in coming years as IFAD moves to scale up successes.
15. With respect to the recommendation related to IFAD's current RMF, it is important to note that while the RMF did not specifically set targets for the thematic areas, or

constituent elements of rural poverty impact, IFAD Management measures and reports on their performance to the Executive Board through the RIDE. Similarly, performance against all indicators is measured using a six-point scale, as is the case with the ARRI. This was indeed the approach that the RIDE took last year. With respect to government performance, IFAD tracks this indicator as part of the project completion process, as does the ARRI. IFAD Management, however, considers it inappropriate to set a target against this indicator.

16. IFAD Management has noted the modest performance reported in this year's ARRI for policy dialogue and partnership-building, and the moderately unsatisfactory performance in knowledge management. Management appreciates the effort made by IOE in including these areas for evaluation. In interpreting those findings, however, it is important to consider that they are based on a sample of only 11 country programme evaluations, six of which were completed between 2006 and 2008, and that these country evaluations included a significant number of projects designed in the 1990s. As a result, the ratings presented are unlikely to represent the current portfolio. All of the projects and country strategies were designed before approval of the IFAD Strategy for Knowledge Management. Second, as noted in the ARRI (paragraph 118), the COSOPs evaluated had little or no coverage of (nor had they set any targets for) non-lending activities. However, Management finds a significant part of the recommendations relevant and will make efforts to use these for improving IFAD's non-lending operations.
17. Concerning the recommendation that IFAD Management should organize a learning workshop for developing the Fund's capacity-building strategy and that the Fund should support Governments and their agencies in ensuring a wider and more effective contribution in the design and implementation of IFAD-funded operations, IFAD Management agrees. It would also like to state, however, that this aspect has not been well covered by evaluations and thus the conclusions and recommendations can only be tentative. Second, given the resources available, IFAD has necessarily to limit its ambition in terms of the number of institutions it can support or the degree of support it can offer these institutions.
18. Subject to the caveats mentioned in paragraph 15 above, IFAD Management considers the recommendations related to RMF relevant and will address these when a new RMF is developed for the Ninth Replenishment Consultation. Management will revise the structure of the RIDE following Board approval of a new RMF. Management also finds the recommendation related to sub-Saharan Africa pertinent and relevant, and will keep it in view when preparing the PRISMA for 2011 for submission to the Executive Board. Finally, the recommendation for selecting supervision and implementation support as a learning theme for 2011 is timely and is endorsed by Management.