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Enabling poor rural people
to overcome poverty

Comments of the Independent Office of Evaluation of IFAD on the Report on IFAD's Development Effectiveness

Note to Evaluation Committee members

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Note to Executive Board representatives

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For: Review

Comments of the Independent Office of Evaluation of IFAD on the Report on IFAD's Development Effectiveness

1. **Background.** In line with the Terms of Reference and Rules of Procedure of the Evaluation Committee and decision taken by the Executive Board at its December 2006 session, this document contains the comments of the Independent Office of Evaluation of IFAD (IOE) on the 2011 Report on IFAD's Development Effectiveness (RIDE). As per past practice, these comments will be considered by the Evaluation Committee – at its seventieth session – and thereafter by the Board in December 2011.
2. **Report structure.** The 2011 edition of the RIDE is structured differently from previous years. The 2010 edition provided an overview of the Fund's performance against the five levels of indicators of the Results Measurement Framework (RMF) for the Eighth Replenishment period (2010-2012). The 2011 RIDE reports on performance against two major yardsticks: the rolling Medium-term Plan (MTP) and the RMF. Reporting against both the MTP and the RMF demonstrates achievements with respect to expected results and also the means by which these results will materialize over a rolling three-year period, namely: (i) increasing project and financial assistance; (ii) improving the quality of development operations; (iii) stimulating effective policy dialogue; (iv) building an effective and efficient institutional platform; (v) reforming human resources management; and (vi) raising efficiency. IOE welcomes this evolution in structure as it presents IFAD's achievements in a more holistic manner. To consolidate reporting to the Board and to clearly illustrate what has been achieved and what remains to be confronted (see paragraph 7), future reports would benefit from including sections dedicated to the implementation and achievements of the forthcoming Private-Sector Strategy and Policy on Gender Equality and Women's Empowerment.
3. **Comments on achievements under the MTP.** The RIDE states that IFAD is on track to delivering a record volume of loan and grant financing and to attracting a record volume of cofinancing. The anticipated volume of loans and grants for 2011 is US\$1 billion with a cofinancing ratio of 2.0 compared to 1.1 at the same point during the Consultation on the Seventh Replenishment of IFAD's Resources. This means that in 2011 IFAD attracted, on average, US\$2 of domestic contributions and international cofinancing for each US\$1 of IFAD financing. This is a substantial achievement, and it would have been useful for the report to have differentiated between domestic contributions and international cofinancing, and undertaken an analysis of the factors determining the expansion of each type of cofinancing in the various groups of countries, future potential and challenges faced.
4. The RIDE states (in paragraph 26) that due to the urgent need for expanded investment in smallholder agriculture, a key objective in 2011 has been expansion of IFAD's financial mobilization partnerships, in the form of both project-specific cofinancing and broad cofinancing arrangements. However, the RIDE provides no information about IFAD's approach or successes in building these partnerships. The Annual Report on Results and Impact of IFAD Operations (ARRI) 2011 concludes that while partnerships with governments, NGOs and civil society are strong, those with international financial institutions and other multilateral and bilateral organizations (for project financing) at the country level, remain generally weak. While recognizing the challenges associated with designing and implementing cofinanced projects, the ARRI stresses that these should not preclude further efforts in this area. It also argues for other forms of partnerships with multilateral development banks and other development organizations in areas such as analytic work, knowledge management and policy dialogue. Furthermore, in relation to partnership with governments, the 2011 ARRI suggests that coherent guidelines are needed to assist staff in generating adequate levels of counterpart funding from governments in line with the level of country development. In this context,

IOE welcomes the information that Management plans to present a new partnership strategy in April 2012 (RIDE, table 2, page 8).

5. The RIDE notes correctly (paragraph 3) that given changing global realities, smallholder agriculture needs innovative approaches if it is to satisfy demand for food and fuel, and maximize its contribution to growth. The corporate-level evaluation of IFAD's capacity to promote innovation and scaling-up concluded that IFAD has devoted relatively less attention to innovation in agriculture technology than to innovative socio-economic and institutional approaches. It also found that the results of IFAD's grant financing to develop innovative agriculture technology have not found their way easily into investment projects supported by IFAD. The evaluation recommended that IFAD: (i) devote more attention to developing innovative low-cost agriculture technology that promotes agricultural productivity growth and food security; and (ii) ensure better links between IFAD's support to agricultural research and the investment programmes it funds. IOE calls for the RIDE to report more explicitly on IFAD's achievements in this regard, under both the MTP and the RMF.
6. The RIDE notes (paragraph 12) the relatively modest growth in the number of projects under implementation and suggests two reasons: first, projects are being implemented faster with fewer time overruns; and second, the average project size is gradually increasing within the limits allowed by the performance-based allocation system (PBAS) (a 32 per cent increase between 2011 and 2008). While this is considered a welcome development, the increased size (indicating for example wider geographical coverage and/or multi-component interventions) may have important implications that the RIDE does not address, such as increases in project development costs and project management and project supervision costs as well as more pressure on the capacity of borrowing countries.
7. In the same section (paragraph 20), the RIDE cites the further expansion of country presence as a major route for enhancing country partnership and mobilizing more national staff to improve the quality of development operations. While recognizing the importance of mobilizing national staff, numerous IOE evaluations have stressed the need for more outposting of country programme managers (CPMs) from headquarters to achieve a greater impact on rural poverty.
8. On the theme of effective dialogue, the RIDE – similar to the ARRI – notes that IFAD is making useful contributions to policy dialogue on key global and regional forums. The RIDE states that national policy dialogue is crucial for the success of the scaling-up agenda, which is "mission-critical" for IFAD. However, at the national level, IFAD's contribution to policy and strategy development remains an area of challenge. The ARRI 2011 concludes that for both policy dialogue and partnership building, close to two thirds of the country programmes are moderately satisfactory, implying that there is room for improvement. It also stresses that it is imperative for IFAD to enhance its role and participation in national policy dialogue, and that CPMs should be given adequate space in their work plans, along with the resources and training to make a more effective contribution. It is important to note that policy dialogue will be "a learning theme" in next year's ARRI, and that a corporate-level evaluation on the topic will be undertaken in 2013–2014.
9. The RIDE states that significant progress was achieved in strategic workforce planning in 2010-2011 as part of the MTP recommended reform of human resources management. IOE welcomes this progress, in particular the increased staff rotation as a way to improve staff performance. The RIDE states that in the past year, some 45 staff members have been rotated, including a number of directors, and that significant resources have also been devoted to staff training with a focus on project and programme management, with potential implications for organizational efficiency and development effectiveness. The RIDE does not mention the extent to which IFAD's Professional staff have benefited from rotation

or whether part of the training programme was targeted at the rotation of Professional staff.

10. In assessing progress in institutional efficiency the RIDE argues that the Fund has surpassed the efficiency targets set for IFAD8 in three indicators: the proportion of the workforce assigned to programmes; the time needed for processing of withdrawal applications and the efficiency ratio measured as a ratio of budgeted administrative cost to the planned Programme of Loans and Grants (projected to reach 12 per cent in 2012, surpassing the target of 13.5 per cent). IOE fully endorses the higher efficiency achieved under the first two indicators but maintains that a more accurate measure of institutional efficiency is the ratio of actual expenditures per US\$1 of loans and grants disbursed. This issue was raised by IOE in its comments on the 2010 RIDE but has not been taken into consideration.
11. **Comments on performance against RMF indicators for the Eighth Replenishment period (2010-2012).** Section III reviews the Fund's achievements against the objectives and measures established in the RMF, according to the five RMF levels (i.e. level 1: macro outcome; level 2: country programme and project outcomes; level 3: country programme and project outputs; level 4: IFAD country programme, project design and implementation support; and level 5: institutional management and efficiency). Regarding level 2 results, which are derived from IFAD's self-evaluation processes based on project completion reports (PCRs), it is worth noting that both the RIDE and the ARRI report low disconnect between independent and self-evaluation data, with an average difference of only -0.2 between the ratings of the PCRs and those of IOE evaluations. This reflects the increasing rigour of IFAD's self-evaluation and the efforts to harmonize the methodologies used in self-evaluation and independent evaluation. These efforts culminated in the signature of a revised harmonization agreement between the Programme Management Department and IOE in February 2011. Most of the stipulated areas for harmonization have been implemented in 2011 and others are soon to be introduced.
12. IOE commends PMD for these efforts. The self-evaluation methodology applied for the 2011 RIDE adopted the same evaluation criteria, the same rating scale and the same five impact domains used by IOE; and added a sixth domain relating to access to markets. In 2010, together with IFAD Management, IOE developed key questions for assessing gender equality and women's empowerment, climate change (as part of the natural resources and environment impact domain), and scaling up (as part of the innovation and scaling-up criterion). These have been integrated into PMD's self-evaluation methodology through the guiding evaluation questions used by the PCRs. Assessing and reporting on the performance of non-lending activities (knowledge management, partnership-building and policy dialogue) will be included in the guidelines for completion review of country strategic opportunity programmes, currently under preparation. This progress has gone a long way in narrowing the differences between the results of self-evaluation and independent evaluations. However, further harmonization could be achieved by disaggregating results reporting in the RIDE (table 5 and 6) into the categories "moderately satisfactory", "satisfactory" and "highly satisfactory" as per the practice in the ARRI.
13. The RIDE concludes that PCR quality has notably improved between 2006 and 2011 and provides useful analysis of their strengths and weaknesses (annex I, appendix 3). Project Completion Reports Validations (PCRVs) were introduced by IOE in 2010 and are used for the first time by the ARRI this year. The 2011 ARRI discussed some initial lessons regarding PCRs quality and processes, which should be taken into consideration in future RIDEs. These are: (i) considerable variation in the quality of PCR documents from project to project; (ii) inconsistent interpretation of the definition of various evaluation criteria and their application; (iii) frequent perception of the PCR as a mandatory output to fulfill the provisions

of the IFAD-Government financing agreement, rather than as a vehicle for promoting accountability and learning; (iv) weak project-level monitoring and evaluation systems failing to provide a robust source of data for PCRs; improving the quality of these systems remains a priority; (v) limited structured opportunities within PMD for sharing and documenting experiences and good practices in the process of preparing PCRs; and (vi) support and coaching provided by the CPM in recipient countries generally lead to better quality PCRs, but considerable variation in level of effort invested by CPMs in providing guidance in this regard.

14. The RIDE shows considerable optimism in the interpretation of level 2 country programme and project outcomes, and in its assertion (paragraph 76) that “the RMF targets will be met”. This statement is not supported by the data provided in tables 5 and 6 of the RIDE, or by the 2011 ARRI conclusions. While IFAD is indeed progressing well on the criteria of relevance, gender equality, and innovation and learning, there is still considerable scope for improvement on the other criteria. In particular, performance on effectiveness shows a clear decline from RMF baseline level and shows no improvement even when two sets of three-year averages are used (table 6). The RIDE does not provide an analysis for this modest performance. Efficiency improved only marginally, and from a low level. The RIDE assertion that effectiveness, rural poverty impact and efficiency are “within reasonable distance of the 2012 targets” is somewhat overstated. There is still some way to go in one year.
15. The 2011 ARRI concludes that since 2002, between 40-50 per cent of the projects were rated as only moderately satisfactory for effectiveness. There is therefore scope for improvement on this criterion, especially in expanding the number of projects that are satisfactory or highly satisfactory. Selected lessons derived by the ARRI regarding enhancing project effectiveness include the need for: (i) realistic design, clear institutional arrangements and local capacity-building; (ii) adequate logical frameworks and SMART (specific, measurable, attainable, realistic and timely) indicators – without which the monitoring and measurement of effectiveness are difficult; (iii) well-kept project records and well-designed field surveys to estimate the extent of effectiveness; and (iv) timely deployment and quality of project management teams to ensure good project implementation and effectiveness.
16. Project efficiency is another area of weakness highlighted by the RIDE and the ARRI. There are many interpretations of the causes of low project efficiency, and its implications for sustainability are of great concern. As RIDE justly argues, if project efficiency is limited in terms of the generation of financial and economic benefits to smallholders and governments, then it is unlikely that the changes that projects promote – and their costs – will be sustained by project partners when these become their exclusive responsibility. However, IFAD’s new approach of dealing with farming as a business entails a radically changed view of costs and benefits in the smallholder economy. IOE welcomes the RIDE conclusion that, at the operational level, IFAD will retrain its operations staff in financial and economic analysis and insist on higher standards in this area during the quality enhancement and assurance processes. Nevertheless, the issue of low project efficiency is likely to be a continuing challenge for IFAD in the immediate future. IOE is currently undertaking a corporate-level evaluation on efficiency. One of the objectives is to develop approaches, requirements and indicators to improve the assessment and achievement of programme and institutional efficiency. On completion of the evaluation, the level-5 indicators of IFAD’s institutional management and efficiency (table 9) will need to be revisited.