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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 2011

Note to Evaluation Committee members

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For: Review

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Abbreviations and acronyms

ARRI	Annual Report on Results and Impact of IFAD Operations
CPM	country programme manager
IFI	international financial institution
IOE	Independent Office of Evaluation of IFAD
PCR	project completion report
PCRV	project completion report validation
PMD	Programme Management Department
PPA	project performance assessments
RIDE	Report on IFAD's Development Effectiveness

Response of IFAD Management to the Annual Report on Results and Impact of IFAD Operations evaluated in 2011

I. Introduction

1. In line with the decisions taken by the Executive Board in September 2004 and reconfirmed by the Revised IFAD Evaluation Policy (document EB/2011/102/R.7/Rev.1, paragraph 54), this document presents IFAD Management's written response to the Annual Report on Results and Impact of IFAD Operations (ARRI) evaluated in 2011 (document EC 2012/74/W.P.3).

II. Methodological issues

2. This year's ARRI sample consists of 24 projects: 16 projects reported through 15 project completion reports (PCRs)¹ after due validation through the project completion report validation (PCRv) or the project performance assessment (PPA) process; and 8 projects assessed under two country programme evaluations – Jordan and Uganda. The inclusion of PCRs has allowed the Independent Office of Evaluation of IFAD (IOE) to enlarge the size of the sample that underpins ARRI findings and thus increase the overall robustness of these findings. This has contributed to addressing Management's concern that the trend analyses contained in past ARRIs, using data exclusively from the independent evaluations, were not reliable given the small and non-random nature of the sample.
3. When considering the data presented in this year's ARRI, it is important to note that the projects comprising any given year's ARRI sample are not a true "cohort": they have significantly different statistical characteristics (e.g. in terms of entry and completion dates) and thus are not representative of any specific category of project. This makes trend analysis risky and unreliable.
4. Annex I illustrates this point. Almost half of the projects in the 2012 ARRI sample (45 per cent) were approved in or before 1999 and about 20 per cent were approved in or after 2004. Over 40 per cent were completed in or before 2009 and about 16 per cent are ongoing. The "older generation" projects² and some of the ongoing projects that have not yet achieved their outcome-level objectives³ have reported lower performance and have thus contributed to the significantly lower overall performance in 2011.
5. In light of the above, IFAD Management feels that it would be of greater benefit if:
 - (a) Comparisons were made by grouping together 4- to 5-year data and by using appreciably distinct time frames;
 - (b) The projects selected in any given year had, to the extent possible, similar project initiation (design and approval) and completion dates; and
 - (c) The ARRI included projects completed and reviewed more recently, which would be generally in line with the universe included in the Report on IFAD's Development Effectiveness (RIDE) of that year.
6. In addition, some discussion of the project sample included in any given year would give the reader a better perspective on the data being presented.

¹ Two projects had a joint PCR.

² For example, in Jordan, the National Programme for Rangeland Rehabilitation and Development - Phase I, and the Agricultural Resource Management Project in the Governorates of Karak and Tafilat; and in Grenada, the Rural Enterprise Project.

³ This could include, in Uganda, the Rural Financial Services Programme; and in Jordan, the Agricultural Resource Management Project – Phase II.

III. Evaluation findings

A. PCR document quality

7. This year's ARRI continues to report on systemic issues and to identify lessons emerging from the PCRVs and the PPAs. While thanking IOE for the effort that this has required, IFAD Management would like make the following comments.
8. On variability in PCR quality, it is important to note that the project completion process is led by the borrowing/recipient Member States, and that the outputs in the form of PCRs remain their product (General Conditions for Agricultural Development Financing, article 8.04). IFAD's current operating model accords highest priority to respecting country ownership of the development process and to building national capacities, including for evaluations. IFAD will therefore pay greater attention to helping build government capacity in this respect.
9. As communicated through the Management response to last year's ARRI, the quality of project-level monitoring and evaluation (M&E), although improving, remains weak. This weakness will continue to affect the quality not only of PCRs but also of the evaluations undertaken by IOE. The PCR process alone, however, cannot bring about radical changes in the quality of M&E.
10. As part of the effort to facilitate knowledge-sharing, IFAD Management has posted 150 project completion digests and corresponding PCRs and performance ratings.⁴ In line with the IFAD Policy on the Disclosure of Documents, these are accessible not only to IFAD staff but also to the general public.
11. Beginning with the current PCR review cycle, prior to being posted, the PCR digest and the ratings assigned are shared with the concerned country programme manager (CPM), who is requested to comment and make suggestions on these outcomes. In addition, the PCRV and PPA guidelines are being upgraded to allow for the increased participation of country programme management teams in the PCR review and rating process.
12. In reviewing the PCRs, the Programme Management Department (PMD) front office uses the project supervision reports but validates them against Results and Impact Management System (RIMS) reports. It then calculates the divergence between the PCR ratings and the last project status report ratings, assigned by the supervision mission.
13. In terms of document management, PMD has given high priority to the Project Life File system, through which all relevant project documents are assembled in an "electronic home".

B. Comparative performance of the projects evaluated and reviewed

14. The methodological issues highlighted above have significant bearings on the results reported in this year's ARRI. First, it should be noted that the sample sizes of the early ARRIs were small – for example, 10 or fewer projects per year between 2002 and 2004 (annex II). Furthermore, sample sizes have varied significantly over the years – ranging from 9 to 40 projects per year. More importantly, the samples were selected on a non-random basis. As a result of these factors, performance as reported by the ARRI swings significantly from year to year.⁵ This is particularly so for impact domains related to project effectiveness, poverty impact, sustainability, innovation/scaling-up and IFAD performance (see table in annex III recreated using annual historical performance against key indicators reported in ARRIs).

⁴ This is consistent with the commitment made under the Action plan for strengthening the self-evaluation system (EB 2011/103/R.6), paragraph 34.

⁵ Measured as a coefficient of variation (standard deviation divided by the mean multiplied by 100 per cent).

15. In contrast, performance reported through the PCRs shows much less variation (annex III). This is explained at least in part by the fact that these ratings are based on the entire universe of the projects completed in a given review period.⁶
16. The above requires that the performance trend analyses presented in the ARRI are interpreted with a high level of caution.
17. With respect to the relative performance of various impact domains, in particular the domains that are performing relatively weakly, it is noteworthy that the findings of the self-evaluation and the independent evaluation systems generally coincide. This is shown by the relatively low level of "disconnect" between the figures presented in the ARRI and those in the RIDE (see ARRI, paragraph 24).
18. The level of disconnect, however, has increased in recent years with the introduction of PCRVs, in particular after IFAD Management started sharing its ratings prior to IOE's validation exercise. In this light, IFAD may have to revert back to the system of independent ratings by IOE without reference to the IFAD Management ratings. The ratings database can be shared at the completion of the review cycle for comparison purposes. Such a "blind rating" is being applied by PMD for all PCRs reviewed since last year. The results thus obtained are generally more robust.
19. IFAD Management agrees with this year's ARRI's contention that country context is a major determinant of project performance (paragraph 41). The analyses undertaken in that light (paragraph 42-45) are welcome. In interpreting the results presented, however, the following factors need to be considered carefully:
 - (a) The sample sizes for fragile states (23 projects) and upper-middle-income countries (16 projects) are too small, especially in view of the fact that these projects were reviewed over the course of a decade and initiated and completed over an even longer time frame; and
 - (b) Even in countries that are considered "non-fragile", IFAD operates with target groups in areas that are characterized by fragility (e.g. weak institutions, widespread social discontent and unrest, lack of basic physical infrastructure, etc.). The formal classification obtained by applying the Harmonized List of Fragile Situations may therefore not lead to an accurate analysis.
20. In undertaking the proposed learning theme on different country categories in next year's ARRI (paragraph 46), IOE may find the above considerations of significant value.

C. Country programme performance

21. IFAD Management has noted ARRI's conclusion that "IFAD has generally good partnerships ... (and) ... is highly appreciated." It agrees that PMD too needs to step up its knowledge management efforts and would like IOE to note that annual portfolio reviews, learning fairs, meetings with project managers, and the posting of 150 project completion digests and corresponding PCRs and performance ratings are notable knowledge management achievements. With regard to the proposed discussion on country strategic opportunities programme (COSOP) completion review validations (paragraph 56), however, IFAD Management has serious reservations as IFAD is constrained in these exercises by significant resource limitations when compared with other international financial institutions (IFIs) (paragraph 25 below).
22. On country presence, in particular with respect to the outposting of CPMs (paragraph 58), a number of decisions have been taken in the past year that will

⁶ IFAD Management's self-evaluation, including through PCRs, does not take samples and thus covers the entire universe.

help contain costs (IFAD Country Presence Policy – Update) and IOE may like to refer to those changes.

D. Selected project and programme issues

23. IFAD Management takes note of the five selected issues that IOE considers to be important challenges. Of these, most are of high relevance to IFAD, and issues such as efficiency are being subjected to a full-fledged corporate-level evaluation. Understandably, for want of space, the discussion has been kept at a fairly general level and the findings and recommendations are of a generic nature. In this light, IOE may wish to consider limiting the project and programme issues selected to a maximum of two – as is the practice with learning themes in past ARRIIs – and dealing with these in detail and with greater contextualization.

E. Learning theme – policy dialogue

24. Country-level policy dialogue is a major concern. Since policy dialogue relates to establishing the policy and institutional framework for transforming effective approaches into broad, multistakeholder initiatives, it will be an important factor in the success of the scaling-up strategy in achieving expanded impact targets. IFAD has in the past principally focused on policy issues bearing on projects, and the success of projects with this emphasis compared with others without suggests that these efforts have been effective. In this regard, a retrospective review that spans 10 years does not capture the increased attention paid to this issue in recent years, and it is worth noting that there are many examples not only of successful project-related policy changes, but also of the integration of project-related changes into the broader policy and institutional framework in the specific areas of IFAD's engagement.
25. The question remains of what model of engagement in policy dialogue is relevant for IFAD. The ARRI dwells at length upon the World Bank approach, without, however, demonstrating that the much higher level of policy dialogue has been effective, particularly in the agricultural sector. Clearly, IFAD cannot hope to emulate the World Bank. The sheer size of its financing resources guarantees the World Bank a place at the policy table that IFAD cannot usually aspire to. Moreover, the World Bank, through its own resources and through substantial trust funds, supports its policy engagement with a high level of expenditure devoted mainly to undertaking economic and sector analyses. IFAD cannot match this expenditure.
26. IFAD has sought to develop and implement an approach that is more cost-effective, more economical and, at the same time, more broad-based. It is supporting greater policy engagement through decentralization and the outposting of CPMs. It has been narrowing its focus to engage with the truly strategic issues in smallholder development. And it has been broadening its partnerships. The ARRI points to the need for policy partnerships with other IFIs – whose engagement with smallholder-related issues has been rather marginal in most cases (hence limiting the scope for effective partnerships). It overlooks a different set of partnerships that IFAD has been assiduously developing – with organizations of poor people themselves. In effect, a central element of IFAD's strategy to improve the policy environment for smallholder development has been to strengthen the capacity of poor people's organizations to participate in policy processes at local and national levels – including farmers' organizations (both national and regional), self-help groups and community organizations. The World Bank's model is **not** IFAD's model. The objective is not to have IFAD speak on behalf of smallholders, but for smallholders themselves to have a bigger voice. This vital element of IFAD's strategy is not recognized in the ARRI, which, therefore, offers a very incomplete picture of IFAD's engagements and accomplishments.
27. Nonetheless, IFAD staff do have an important role in policy dialogue, not least because inclusion of smallholder organizations in policy dialogue is very uneven across the country systems in which IFAD operates. As IFAD's increasingly

decentralized staff move towards the greater policy engagement required by the scaling-up strategy, they need support. This is one of the reasons that the Office of Strategy and Knowledge Management was created in IFAD: to provide analysis of the policy dimensions of emerging issues; to bring to bear knowledge about best practice; and to help articulate analysis and knowledge into the policy work of IFAD staff and their country-level partners. The strength of multi-year retrospectives in evaluation is that the limitations of an extremely small sample base of cases examined are overcome. The weakness is that it is a poor instrument for recognizing change – unless findings are stratified by “age”, which, however, reveals again the limits of the sample size. IFAD welcomes IOE’s emphasis on the importance of policy dialogue – clearly defined and within a sustainable model. Management looks forward to working with IOE in exploring how IFAD can respond to the true demand of the developing countries with which IFAD works (demand that the ARRI – within an essentially supply-side commentary – did not analyse), i.e. for collaboration rather than didacticism, and for building the capacities of local stakeholders to effectively address policy issues themselves.

F. Benchmarking

28. IFAD Management appreciates IOE’s efforts in benchmarking IFAD’s performance with that of other IFIs, which, while involving “challenges” with respect to “comparable data”, is “important to IFAD”. It also notes that the performance of IFAD-assisted operations is “considerably better than [the Asian Development Bank] in the Asia and Pacific region for the period 2000-2011, and broadly similar to World Bank operations globally” (paragraph 135). The report also notes that, as per previous years’ data, IFAD’s performance has been considerably better than that of the African Development Bank. This indicates that IFAD-assisted operations are conducted in line with the best standards in the sector.
29. For reasons cited above (paragraph 14), IFAD Management would consider only the pooled sample over 2000-2011 and would avoid comparing performance over different time periods – whether for external or internal benchmarking. Performance analyses across geographical regions give some interesting insights (paragraph 141-142). Care should be taken, however, in view of the necessarily reduced regional sample size and the wide-ranging time frames within which these projects were designed and implemented.

IV. Recommendations

30. Of the seven recommendations made in the 2012 ARRI (paragraph 155), IFAD Management supports the following:
 - (a) The 2013 ARRI should have two learning themes: (i) examination of particularly successful and unsuccessful projects in different country categories, with a special emphasis on fragile states and middle-income countries; and (ii) a deeper analysis of the role of governments;
 - (b) IFAD Management should pay special attention to further improving the quality and usefulness of PCRs;
 - (c) A dedicated slot should be allocated at the first session of future replenishment consultations, starting from the Tenth Replenishment in 2014, for IOE to present the most recent ARRI available at the time; and
 - (d) Implementation of the above recommendations should be followed up through the President’s Report on the Implementation Status of Evaluation.
31. Of the above, (b), (c) and (d) have been or are being implemented by IFAD Management and as such are not new recommendations. Similarly, concerning the recommendation that future ARRIs should track, and report on performance in, “those evaluation criteria” (i.e. relevance, effectiveness, efficiency and government

performance), IFAD Management feels that this is in line with the current practice and the provisions of the Evaluation Manual and thus is not a new recommendation.

32. With respect to the issues discussed in paragraphs 111 and 117 and the ARRI recommendation that these should be addressed to improve performance in policy dialogue at the country level, IFAD Management would suggest that IOE take note of Management's response contained in section III.E (paragraphs 24–27) above.
33. Concerning the recommendation that the ARRI should be considered one of the first agenda items at the Executive Board's December sessions prior to Board discussions on the Fund's annual programme of loans and grants and administrative budget for the subsequent year, IFAD Management would like to reflect on this further. In the event that this recommendation is agreed, both the ARRI and the RIDE will be presented to the Board prior to the discussion on the Fund's annual programme of loans and grants and administrative budget.

Entry and completion cohort for the ARRI 2010-2012

A. Board approval

Year project approved	ARRI 2010		ARRI 2011		ARRI 2012		Total (three-year cohort)	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
1993		0	1	3		0	1	1
1994		0		0		0		0
1995	1	6		0	1	4	2	2
1996	2	12		0	1	4	3	4
1997	3	18	2	5	1	4	6	7
1998		0	2	5	2	8	4	5
1999	3	18	4	10	6	25	13	16
2000	4	24	10	25	1	4	15	19
2001	4	24	3	8	3	13	10	12
2002		0	7	18	2	8	9	11
2003		0	4	10	2	8	6	7
2004		0	2	5	2	8	4	5
2005		0	3	8	1	4	4	5
2006		0	2	5	1	4	3	4
2007		0		0	1	4	1	1
Total	17	100	40	100	24	100	81	100

B. Loan effectiveness

Year project became effective	ARRI 2010		ARRI 2011		ARRI 2012		Total (three-year cohort)	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
1994		0	1	3		0	1	1
1995	1	6		0		0	1	1
1996		0		0	1	4	1	1
1997		0		0		0		0
1998	3	18	2	5	3	13	8	10
1999	2	12	1	3	1	4	4	5
2000		0	6	15	2	8	8	10
2001	4	24	7	18	4	17	15	19
2002	5	29	4	10	3	13	12	15
2003	2	12	5	13	3	13	10	12
2004		0	6	15	2	8	8	10
2005		0	2	5	2	8	4	5
2006		0	3	8	1	4	4	5
2007		0	3	8	1	4	4	5
2008		0		0	1	4	1	1
Total	17	100	40	100	24	100	81	100

C. Project completion

<i>Year project completed/ to be completed</i>	<i>ARRI 2010</i>		<i>ARRI 2011</i>		<i>ARRI 2012</i>		<i>Total (three-year cohort)</i>	
	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
2004	1	6		0		0	1	1
2005	1	6	2	5	1	4	4	5
2006	3	18		0		0	3	4
2007	1	6	3	8	1	4	5	6
2008	3	18	4	10	2	8	9	11
2009	2	12	13	33	6	25	21	26
2010	1	6	4	10	8	33	13	16
2011	3	18	6	15	1	4	10	12
2012	1	6	4	10		0	5	6
2013		0	2	5	2	8	4	5
2014		0	1	3	1	4	2	2
2015		0	1	3	1	4	2	2
2016	1	6		0		0	1	1
Total	17	100	40	100	24	96	81	99

Annual performance shown by independent evaluation and reported in ARRI

<i>Impact domains</i>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Mean (2002- 2011)	Standard deviation (2002- 2011)	Coefficient of variation (2002-2011)
Number of projects included in ARRI	10	10	9	32	15	12	11	17	40	24			
Relevance	80	90	99	100	93	100	91	100	93	83	93	7	8
Effectiveness	60	70	67	78	67	83	82	65	85	63	72	9	13
Efficiency	50	50	55	59	73	58	55	59	58	54	57	7	11
Poverty Impact	50	50	48	na	80	91	91	75	85	71	71	18	25
Sustainability	40	50	33	40	53	67	73	56	73	54	54	14	26
Innovation/scaling up	50	40	56	77	67	91	100	94	74	63	71	20	28
IFAD performance	60	33	56	58	60	67	64	81	88	79	65	16	24
Government performance	60	70	56	61	67	67	64	53	68	71	64	6	9
Overall achievement	50	70	55	81	73	100	82	76	85	71	74	14	19

Note: The recreated dataset may have variation limited to 1-2 percentage points due largely to rounding.

Annual performance shown by self-evaluation and reported in RIDE

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Average (2005- 2011)	Standard deviation (2005- 2011)	Coefficient of variation (2005-2011)
Number of PCRs reviewed	25	27	25	24	25	24	22			
Relevance	96	81	91	96	100	96	95	94	6	7
Effectiveness	72	78	88	83	88	71	91	82	8	10
Efficiency	60	68	68	67	68	71	68	67	3	5
Poverty Impact		70	88	79	92	75	95	83	10	12
Sustainability	48	63	75	71	80	67	71	68	10	15
Innovation/scaling up	56	62	75	65	88	88	91	75	14	19
IFAD performance	78	58	92	86	71	75	91	79	12	15
Government performance	67	59	68	83	76	71	77	72	8	11
Overall achievement	68	70	88	79	92	75	91	80	10	12

Note: The 2011/12 sample (covered in RIDE in 2012) included 22 assessments but 23 projects: two projects in Honduras had a joint PCR.