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Investing in rural people

## **People's Republic of China Country programme evaluation Report of the senior independent advisor**

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**For: Information**

## Comments of the senior independent adviser on the final China country programme evaluation report

1. **Overview.** China is one of the largest recipients of IFAD assistance. Since the approval of its first loan in 1981, IFAD financed 27 agriculture and rural development projects within the country, representing a total cost of US\$1.94 billion. IFAD's financial contribution amounts to US\$775 million. The country programme is managed by a Rome-based country programme manager, and by the IFAD country office established in Beijing in 2005. The CPE has a good coverage of the portfolio: it includes about 50% of the number of projects approved by IFAD for China representing more than 55% of the total IFAD loan amount. This CPE is particularly significant to IFAD and its member countries for ample reasons. These include China's historical transformation over the last few decades, the associated rapid quantitative and qualitative socio-economic shifts that brought China to the rank of upper Middle Income Countries (MICs), its fast emerging role in International Development Assistance and the inspiration that the Chinese model is providing for developing Countries worldwide. Another reason is that, this is the first CPE undertaken by IOE in China since the Fund's first engagement in 1981. Over the years the GOC enhanced its engagement with IFAD at various levels including increased financial contributions to the replenishments processes and various analytical engagements. As such the CPE provides a first time opportunity for IFAD's governing bodies to review a comprehensive assessment of IFAD-China's partnership. Lessons learnt from this Evaluation will not only be of crucial importance for IFAD - China future cooperation, but they would provide guidance in shaping IFAD's partnership with MICs member countries and low income countries alike.
2. **A challenging CPE of high quality.** The China CPE is more challenging than other recent CPEs. IOE's CPEs normally cover a ten year period of IFAD's engagement in the country and includes assessment of two COSOPs periods and 6-8 projects. The China CPEs encompasses a period of 15 years and assesses the design features and performance of 13 projects. This expanded choice, while adding challenges to the Evaluation team, was no doubt the right one for which IOE has to be commended. This wide coverage enabled the evaluation to: (a) trace and assess the strategic and operational orientation of three distinct partnership periods between China and IFAD (1999-2005, 2006-2010, and 2011-2015) each with its specific characteristics reflected in three consecutive COSOPs, (b) include in the assessment projects belonging to three different generations, thus allowing better representation of the total project cohort, comparative analysis and lessons learnt, and (c) gauge more accurately the impact of GOC efforts in promoting economic growth and poverty reduction, the associated changes in rural areas hence the most effective pattern of future partnership between China and IFAD. The three above mentioned important aspects have been illustrated very clearly in the CPE Report.
3. The CPE report was produced by a highly qualified and well selected team of international and national evaluation consultants. The team received excellent guidance and support from IOE. It produced a comprehensive and very well written Report. The line of reasoning is clear, the analysis is rigorous and the conclusions and recommendation follow logically from the analysis. The report emphasizes the positive contribution of IFAD's partnership with China and articulates the ability of the partnership to flexibly adapt the nature of the interventions to accommodate China's rapid economic growth and the changing socio-economic conditions in the rural areas. The Report also highlights the challenges faced by the programme, the way they were dealt with and illustrates the emerging challenges and means to address them. It proposes very valid and useful recommendations to guide the

forthcoming COSOP, taking into consideration the changing international role of China as an upper MIC.

4. **The Evaluation methodology and process** have been well articulated in the CPE's concise and clear Approach Paper which has been reviewed and approved by partners and stakeholders in IFAD and China. These and the overall objectives of the China CPE are fully in line with IFAD's Evaluation Policy (2011) and IOE Evaluation Manual (2009). The methodological approach adopted by the CPE is very adequate to achieve its set objectives. The approach includes the analysis and assessment of three mutually reinforcing pillars of IFAD-GOC partnership: (a) the project portfolio, (b) non-lending activities, and (c) COSOPs. The CPE assessed thoroughly these three pillars individually, and skilfully examined the synergies between them. Their performance has been rated against IOE's evaluation criteria on a scale of 1 to 6. Based on these assessments, the CPE generated an *overall achievement* rating for the IFAD-Government partnership. The CPE provided an elaborate evaluation framework which cites the main questions the team have asked to generate evaluation conclusions. The data and information that have been tapped to generate the responses are comprehensive with multiple avenues for triangulation among different sources of data.
5. The evaluation process was thorough and complied fully with the Evaluation policy. It consists of five phases: preparatory phase; desk review; country work; report writing; and communication and dissemination including a CPE workshop in-country. Successive versions of the CPE report were reviewed and discussed in various internal forums including IOE's peer reviews, review by the Senior Independent Adviser as well as close interaction with the regional division concerned and the stakeholders in China. As the Senior Independent advisor I had the opportunity to review and comment on evaluation background documents and several iterations of the CPE report, and to discuss them with team members. I am very satisfied with the final outcome. In compliance with the Evaluation Policy and Manual, the CPE drew on earlier project evaluations and completion assessment by IOE in China, a Country Portfolio Review undertaken by APR in 2011 and two self-assessments reports by the APR and the Chinese partners.
6. **Exceptional Portfolio Performance: What lessons can IFAD learn?** The CPE provides in Chapter IV very good and insightful evaluative judgment in analyzing portfolio performance. Overall portfolio assessment is rated very favorably. Indeed as table 10 demonstrates, the performance rating of the portfolio is by far superior to that of all IFAD projects and those in the APR. This stellar performance needs to be further studied in depth (a special exercise to this effect) and lessons learnt from such experience extracted for the benefits of IFAD interventions elsewhere (perhaps in the Insights series of IOE). I would like to mention below two issues in relation to Portfolio Performance for IFAD consideration.
7. **Scaling Up:** Despite the identification of some cases of scaling up at local level, overall performance of scaling up has been the lowest rated criterion in portfolio performance (moderately unsatisfactory-3) by both the CPE and the CPR. The main reasons given is the insufficiency of project budgets to assess the potential and feasibility of scaling up successful innovations, the understandable interest of sub-national government to keep project resources within its boundaries and the absence of a national technical partner which can capture innovation at local level, assess it and promote it more widely. It is encouraging that both IFAD and GOC have expressed a clear priority to strengthen this aspect. The inclusion of scaling up in the CPE recommendation for next COSOP is most welcome.
8. Scaling up should become a **"Mission Critical for IFAD/China partnership"** for the sake of broadening the poverty impact of the relatively limited IFAD lending to China. To this effect scaling up should be planned and implemented methodically and be clearly linked to the identification of successful innovations, and innovative approaches. The CPE concluded that, in the past, innovations developed

sporadically in a dissipated manner during implementation without a clear plan for scaling up. IFAD/GOC may wish to define jointly a focused innovation agenda related to critical issues in poverty reduction with concrete approaches and strategies for scaling up successes. Following **IOE's CLE of Innovation and scaling up (2010)** IFAD's PMD developed clear guidelines for scaling up successful innovations, linked to the knowledge management function. It is advisable that this approach is integrated in the new COSOP and subsequent project design and implementation, with adequate resources for the purpose. Grants resources, if available, can be used to assist in achieving the concrete objectives in this regard. It might be appropriate to issue some guidance to operational staff in the ICO to pursue this agenda effectively during supervision. Scaling up will also require more investments in knowledge management and more engagement with partners at national level and international partners.

9. Considering the 13 projects included in the CPE, but also over the full cohort of 26 projects since 1981, quite a few projects were implemented successively in the same regions e.g. Yunna, Hunan, Sichuan, Xinjiang, Shanxi, Jilian, Guangxi, etc. The CPE could have benefited from some further analysis of the reason for this: whether there were elements of large scale scaling up of successful approaches, what were they, and whether it is possible to benefit from the lessons learnt there in strengthening scaling up efforts in the future. This could be done in the context of preparation work for the new COSOP.
10. **Rural Finance.** The CPE finds that effectiveness in the area of rural finance has been mixed. This is surprising given the vast and successful experience of Rural Finance in other countries in the APR. The explanation given relates to inadequacies of the institutions in charge in the early period, and the transformation of those used in later period to cater for larger more commercially oriented activities. Issues related to whether IFAD had tried to introduce best practices in rural finance or influence existing institutions to do so, for example through exchange visits to other countries in APR, could be equally important. It might be useful to undertake, jointly with Chinese partners, a focused study on the prospects for introducing appropriate rural finance systems to identify constraints and potential in this sub-sector in preparation for the new COSOP. It is also encouraging to read that IFAD has approved in 2013 a USD 1.1 million grant to document "Best Practices of Sustainable Models of Pro-Poor Rural Financial Services in Developing Countries". This will no doubt contribute in the future to enrich the IFAD programme in China with successful experiences in rural finance elsewhere.
11. **Non-Lending activities.** The CPE concludes that the performance of non-lending activities (knowledge management, policy dialogue and partnership-building) has been overall moderately satisfactory (rated 4). Among the component of non-lending activities the CPE finds that policy dialogue has not been an explicit area of focus in the country programme. IFAD has attempted to undertake policy dialogue with local governments, using IFAD-supported projects as the platform, but on the whole, IFAD has focussed mostly on area-based projects at the provincial level. Its engagement with Government or other donors in policy development has been limited at the national level, partly due to the absence of the permanent presence of the IFAD CPM in China. The CPE rated policy dialogue as moderately unsatisfactory (3); the lowest among the non-lending components. This finding is not significantly different from findings of most other CPEs, except perhaps for some countries in the LAC Region. In this regard inter regional exchange of experience is called for. It will be useful to investigate how can the China-IFAD partnership benefit from the experience of LAC especially in using grants for promoting evidence based policy dialogue and institutional innovations (see for example the Grant entitled "Policy Processes for Large Scale Impact, for the Latin American Center for Rural Development, to facilitate evidence based policy dialogue in Mexico, El Salvador, Colombia and Ecuador" (phase 2 approved in April 2013).

12. **Assessment of the Government-IFAD partnership.** Overall, IFAD/GOC partnership (consisting of the project portfolio, non-lending activities, and COSOP) is assessed as satisfactory (5) by the CPE. It is worth noting that IOE has conducted more than 20 CPEs in the last five years in various countries in all geographic regions covered by IFAD operations. China is one of the very few countries where IOE has assessed the overall partnership between IFAD and the country to be satisfactory. IFAD and the GOC have to be highly commended for this outstanding performance.
13. **Conclusions and Recommendations: Targeting.** Overall, the approach proposed makes much sense, but few issues must be flagged: a) there are too many legs for the approach proposed; and while this ensure comprehensiveness and flexibility in reaching the poor it runs the risk of spreading IFAD's interventions thinly and losing the focus and concentration needed for efficiency, innovations and visible impact; b) it is crucial to keep an eye on the changing socio-economic context to ensure continuous relevance; for example the observed trend in increasing wage rate and the consequent possible relocation of foreign investments to cheaper countries may result in return migration and re-population of the once deserted villages. Remittances and accumulated savings will thus have to play a role in rebuilding these communities; and c) on a more general level, rural poverty levels have been reduced dramatically and it has become more challenging to eradicate remaining poverty pockets. Past impressive figures on the rural poor whom IFAD projects helped to escape poverty are now more difficult to obtain and increasingly the numbers are likely to be attributed more to government's agricultural subsidy, welfare programs as well as off-farm income and remittances.
14. **South-South and triangle cooperation.** South- South and triangular Cooperation are cost effective means to share development solutions and enhance capacities in developing countries. Global demand for such solutions is at all-time high. As mentioned above (para1) the spectacular success of china in achieving economic growth and lifting its people out of poverty is an inspiration for many countries. The success of the IFAD-China partnership encompasses no doubt valuable transferable development solutions to other countries. With its long experience in rural poverty reduction IFAD is very well positioned to play a facilitating role in triangular cooperation for the exchange and sharing of development solutions between China and developing countries member states and vice versa. One of IFADS's major Rome partners (FAO) has a well-established South-South cooperation programme. China has put a high priority on such cooperation as indicated by its very active involvement in the IFAD's grant programme on south-south cooperation, as well as its pledge of USD 50 million in October 2014 to FAO in support of this Cooperation. The CPE recommendation to promote such cooperation and to explore the opportunities for establishing within IFAD a dedicated facility to this effect is a rational way forward. Cooperation with Rome based agencies can also be explored.
15. **Strengthening IFAD's country office.** The CPE recommendations to strengthen the IFAD country office and to out-post the CPM are the right way forward. I fully support the CPE's questioning of the IFAD's Asia and Pacific Region strategic choice in this context.
16. **Addressing environmental pressures and Climate Change.** While fully recognized in the report text, the CPE recommendations are somewhat short on these important dimensions. Due to the alarming proportion of these issues promoting sustainable agriculture practices and climate change mitigation and adaptation should be embedded in all IFAD interventions in the agriculture sector.

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