

Document: EC 2015/87/W.P.3/Add.1/Rev.1  
Agenda: 4  
Date: 11 March 2015  
Distribution: Public  
Original: English

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Investing in rural people

## **IFAD Management's response to the Corporate-level evaluation on IFAD's engagement in fragile and conflict-affected states and situations**

### **Note to Evaluation Committee members**

#### Focal points:

#### Technical questions:

**Brian Baldwin**  
Senior Operations Adviser  
Tel.: +39 06 5459 2377  
e-mail: b.baldwin@ifad.org

#### Dispatch of documentation:

**Deirdre McGrenra**  
Head, Governing Bodies Office  
Tel.: +39 06 5459 2374  
e-mail: gb\_office@ifad.org

Evaluation Committee — Eighty-seventh Session  
Rome, 30 March 2015

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**For: Review**

Document: EB 2015/114/R.4/Add.1  
Agenda: 4(b)  
Date: March 2015  
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### **Note to Executive Board representatives**

#### Focal points:

#### Technical questions:

**Brian Baldwin**  
Senior Operations Adviser  
Tel.: +39 06 5459 2377  
e-mail: b.baldwin@ifad.org

#### Dispatch of documentation:

**Deirdre McGrenra**  
Head, Governing Bodies Office  
Tel.: +39 06 5459 2374  
e-mail: gb\_office@ifad.org

Executive Board — 114<sup>th</sup> Session  
Rome, 22-23 April 2015

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**For: Review**

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# **IFAD Management's response to the Corporate-level evaluation on IFAD's engagement in fragile and conflict-affected situations**

## **A. Introduction**

1. IFAD Management welcomes the opportunity to provide its response to the final Report on the corporate-level evaluation (CLE) on IFAD's engagement in fragile and conflict-affected states and situations (EC 2015/87/W.P.3) in line with the provision of the IFAD Evaluation Policy. Management would like to thank the Independent Office of Evaluation of IFAD (IOE) for having had the opportunity to provide feedback during the course of the evaluation.

## **B. Policy and strategy**

2. IFAD's current approach to defining fragile states reflects IFAD's recognition that there exist fragile countries as well as fragile areas/situations within non-fragile countries. The current classification comprises countries that are classified as such by both partner international financial institutions (IFIs) and the Organisation for Economic Co-operation and Development (OECD). This list overcomes the limitations of using the World Bank Country Policy and Institutional Assessment (CPIA) score-based harmonized IFI classification, which excludes middle-income countries (MICs) and does not take into account sub-national fragility. Moreover, the current IFAD classification of fragile states does not, as reported, tie IFAD to the International Development Association (IDA) policy and resource framework. IFAD takes into account IDA's definition of post-conflict countries only in the context of possible additional resource allocations.
3. The need for a differentiated approach for fragile states has been overstated in the evaluation. IFAD-financed projects often work in remote areas with marginalized communities. Operational conditions in these areas are similar to fragile situations, with weak institutions and governance and poor human development. Given that IFAD works in "fragile conditions" within a country, irrespective of whether the country is classified as a fragile state, the classification of some of the portfolio as "fragile states" could be misleading. It may be more appropriate to recognize the different types of situations where the overriding concern could be conflict, post-conflict, institutional capacity, or governance rather than to try to categorize/strategize by classifications (MICs, lower-income countries, upper-middle-income countries, lower-middle-income countries, fragile, etc.). Rather than conclude that IFAD does not fail to respond to context, the report should recognize and assess how IFAD actually takes into account the specific context in a country/project area, and does not segregate countries simply by global criteria.
4. In that sense, IFAD does not need a different model or framework, or significant additional resources for fragile states – which may in fact draw attention away from equally demanding and complex fragile conditions in non-fragile states. IFAD has been applying quite consistently the concept of fragility to "situations" rather than to "states" and that to some extent has mainstreamed the concept of fragility in the IFAD portfolio.
5. A more nuanced analysis than "fragility and conflict share common root causes and feed off each other" is needed as, in practical terms, the context for IFAD engagement is dramatically different in situations which are fragile but without active conflict, and those where there is active conflict. Recommendations should avoid encouraging steps which conflate fragility and conflict and do not adequately recognize the different approaches required for each.
6. IFAD Management will reassess the suitability of its current classification and explore alternatives, if necessary, in the context of the development of the strategy

for IFAD's work in countries in fragile situations that will be presented to the Executive Board in April 2016, as part of IFAD commitments to the IFAD10 Replenishment process. The strategy will also include any appropriate principles for engagement in fragile and conflict-affected states and subnational situations.

7. Management appreciates the evaluation's recognition that in many countries the current poverty-focused analysis as part of country strategic opportunities programmes (COSOPs) is sufficient. Regarding the recommendation to update this information more frequently, beyond the situational or context analysis undertaken during COSOP and project preparation, while Management agrees in principle, undertaking such analysis would have budget implications that need to be considered. In addition, Management would highlight that it is not the function of a COSOP to assign specific budgets to specific objectives – that type of analysis is more appropriate at programme design.
8. Regarding the inclusion of project concept notes in the COSOP for simultaneous approval by the Operational Strategy and Policy Guidance Committee (OSC), this procedure was introduced for efficiency gains in terms of the internal project review process. Moreover, such projects represent the materialization of the opportunities for IFAD and government collaboration identified in the COSOP itself, at the time the COSOP is developed. This does not preclude the development of other project concepts should the situation in the country change.

### **C. Project and programme design**

9. Management agrees with IOE in that IFAD's mandate is not to solve fragility and conflict and that "Programme design needs to identify where IFAD can engage and where it cannot." However, communities and provinces to be covered within a country are mostly determined by national government policies and priorities, and central governments often specifically request IFAD to intervene in specific areas (as they often do with other international development partners). IFAD needs to maintain this model of responding to borrower needs in line with the Paris Declaration on Aid Effectiveness and the more recent Busan principles<sup>1</sup> and towards enhanced national ownership of development programmes. Any unilateral decision during programme design on whether to engage in a region would run counter to these important principles.
10. Similarly, while Management agrees on the need to address the drivers of fragility and conflict, often related to natural resources access and use (especially land), again this is a decision made ultimately by partner governments, who drive the thematic focus of IFAD interventions. IFAD can and will continue to advocate for interventions that address the root causes of fragility, but the decisions on where to work in a country, with whom to partner and in what thematic areas remains with partner governments. IFAD will continue to partner with local communities, farmers' organizations, women organizations and groups, and local governments, where it has a demonstrated comparative advantage. Where risks are identified, these will continue to be addressed at programme design and included in divisional risk management plans. Management would not agree that, in any respect, operational risks are either avoided or not emphasized (para. 210). Moreover, much of the fragility situations are generated in rural areas, because of rural-urban inequality, rural youth unemployment, poverty, eroding community cohesiveness, polarized societies, etc.; issues which are already encompassed in IFAD's operating model. These approaches are similar to what IFAD does in non-fragile states and is the core of IFAD's operating model. To align itself with a country's strategy, programmes and needs, IFAD therefore takes into account the drivers of conflict and fragility.

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<sup>1</sup> The Busan Partnership for Effective Development Cooperation: Shared principles to achieve common goals. Busan, Korea, 2011.

11. Levels of programme financing remain a function of the performance-based allocation system (PBAS) and IFAD follows the IDA approach of making additional financing available. The percentage of incremental increase is in proportion to the country's post-conflict performance score as calculated by IDA.<sup>2</sup> IFAD has followed the latest IDA 17 changes in this regard and, contrary to the IOE Report, continues to make the additional funding available (which recognizes that post-conflict states have poorer performance parameters while, in many cases, have needs proportionally greater than other countries). Nevertheless, any additional financing over and above established PBAS allocations remains a function of both need and absorptive capacity.

#### **D. Project and programme implementation**

12. Management accepts the recommendation to further pursue strategic partnerships with IFIs and multilateral agencies where complementarities exist and can be leveraged for increased poverty impact. Regarding incentives for staff to work in fragile states, this can be explored, in close consultation with the Human Resources Division, within the context of the forthcoming strategy. Management is aware of the career incentives developed by the World Bank for staff working in fragile and conflict-affected states, and of the positive impact these have had on the effectiveness of World Bank operations. Such incentives however have budget implications and Management will explore possibilities based on its own budgetary availability. Such incentives would be applicable to all outposted staff.
13. As regards the allocation of regional spending on implementation support, regional spending on implementation support is administered by divisional directors based on internal discussion with country programme managers (CPMs) and is already allocated based on country needs. Management would emphasise that supervision and implementation support is a function of needs, as determined by regional divisions in their supervision plans and is not a "pre-determined" allocation. IFAD's budget guidelines focuses on a "results-based approach" and divisions have the authority to make changes as needed, and make specific requests to Management for additional finances on a case-by-case basis. This typifies the country-specific responses that IFAD deploys, using a mix of IFAD staff (country programme officer and headquarters), local consultants and other stakeholders such as civil society. In the case of fragile states, the focus is on risk awareness and management rather than a one size fits all fragile approach or for more resources on fragility "per se".
14. The IFAD Country Presence Strategy (2014-2015)<sup>3</sup> established the procedures and criteria for country offices and includes the criterion of "state fragility" and conflict. Management believes that the Strategy remains valid for all Member States and does not believe that further prioritization of countries affected by fragility and conflict is required, and will continue to report to the Executive Board annually, as agreed, on its implementation.

#### **E. Results Measurement**

15. Planning and resourcing: Management would not agree with the assertion that IFAD's approach to monitoring and evaluation (M&E) is a "one size fits all" approach, but recognizes that M&E is a generic issue across the portfolio and is also a function of local capacity and national processes. Nevertheless, in the context of IFAD/Programme Management Department (PMD) operating in an environment of flat or declining budgets, IFAD has been increasingly nimble and flexible in recent years in responding to M&E requirements in terms of guidelines or handbooks and other guidance from IFAD. This includes updating output and outcome level

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<sup>2</sup> EB 2003/79/C.R.P.3. and EB 2005/85/R.3.

<sup>3</sup> EB 2013/110/R.5.

handbooks, strengthening impact-level guidelines and efforts invested into baseline and completion impact surveys. With regard to more selective evaluation design, this is currently under way – with the Statistics and Studies for Development Division selecting a subsample of projects for in-depth evaluations to cover both representativeness (through random sampling) and learning (through some purposive sampling). Overall, Management will continue to be selective with in-depth evaluations (as per the suggestion for more selective evaluation designs in para 227).<sup>4</sup>

16. The IFAD Results Measurement Framework (RMF) and outcome indicators related to fragility: The evaluation states that there is a major gap in measuring women's empowerment and indicators, and means of measurement need to be established. This is not accurate and does not reflect the comprehensive efforts already undertaken to measure gender equality and women's empowerment. Indicators and assessments on women's empowerment are part of IFAD's results measurement tools at every stage of the project cycle: this includes assessment at project design through the quality enhancement/quality assurance process, assessment during implementation through project status reports (which has specific criteria for gender, with detailed instructions on assessment) and Results and Impact Management System (RIMS) reports (in which all beneficiary-level results are disaggregated by gender) and assessment at completion (with project completion report [PCR] reviews rating project performance on gender as a separate category). Results from these assessments are regularly reported to the Board.
17. As regards the monitoring of empowerment and impact on institutions, these are part of the composite rural poverty impact indicator in the RMF for IFAD9 and the RMF for IFAD10 recently approved by the Governing Council. For years they have been part of the outcome level analysis undertaken by PMD's self-evaluation function in the context of the portfolio review process – both for fragile and non-fragile countries – where PMD reviews and rates completed projects' performance for human empowerment and social capital, as well as impact on institutions and policies. The results of the analysis are reported in the Annual Review of Portfolio Performance (ARPP), and the RIDE presented to the Executive Board. The latest analysis, included in the RIDE 2013-2014 reports that 89 per cent of all projects completed in 2011-2013 performed satisfactorily (4-6 rating) for human empowerment and social capital, and 92 per cent performed satisfactorily for institutions and policies.

## **F. Linking project ratings to evidence**

18. The evaluation states that the quality of information is inadequate to support ratings of projects performance. It is important to bear in mind that in the IFAD context, both PMD and IOE currently build project assessments on the same evidence base for most project evaluations (PCRs and accompanying documents for PCR reviews and for PCR validations). As noted above, lack of evidence is a function of a project's low capacity for coherent, regular data collection and analysis through M&E systems. This is a problem that extends to development and regular government budgeted programmes and projects. IFAD is addressing this, and with great emphasis in recent years, through regularly updated guidance tools. The new PCR guidelines (currently in draft form, to be finalized when IOE's Evaluation Manual is finalized) specifically address the need for different self-evaluation processes to be aligned. Therefore, the project is encouraged while finalizing the project completion report to incorporate findings and lessons from regular M&E

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<sup>4</sup> This is also a criterion that IOE should consider: country or projects should be chosen for in-depth evaluations or programme evaluations with clear criteria that contribute to greater learning and improved program design. Such criteria, and the expected benefits from selected evaluations, should be communicated to Management before initiating evaluations.

processes and impact-level surveys. Results from such initiatives should be clearer in a few years.

19. IFAD is enhancing M&E performance by improving national capacity, sensitizing national governments and project staff to the importance of M&E in project management, ensuring that projects receive clear, but flexible guidance from IFAD. Management contends that the appropriate approach is to sensitize projects to the fact that M&E processes and results are important for the projects and to manage development interventions in their countries. CPMs and all staff engaged in operations advocate for this during project design and implementation support, an effort that is reiterated every year during the RIMS data collection and review process.

## **G. Way forward**

20. **Policy and strategy.** The strategy for IFAD's work in countries in fragile situations to be developed as part of IFAD10 commitments will build on IFAD's experience to date and will provide a single, overarching policy statement that will further clarify IFAD's role and priorities in such countries.
21. **Project and programme design.** Management concurs with these recommendations, which are in line with the country-specific approach IFAD already adopts towards fragile and non-fragile countries. Management will continue to pursue IFAD's engagement in fragile states in its areas of comparative advantage (local communities, lower levels of government, farmer organizations), and will maintain its focus on simplicity of objectives and design, taking into account risk management. It will also continue pursuing alternative and additional sources of financing to further support project design and implementation support.
22. **Project and programme implementation.** Management does not agree with the assertion that budgets are predetermined by project or that budgets can, or should be, broken down by classifications of fragility or conflict. Supervision and implementation support are a function of needs, as determined by regional divisions, in their supervision plans and is not a "pre-determined" allocation. Regional spending on implementation support is administered by divisional directors based on internal discussions with CPMs and is already allocated based on country needs. As noted above, fragility is already prioritized as one of the criteria selected by Management for the establishing of IFAD country offices.
23. **Empowerment of staff.** While Management agrees in principle, the feasibility of the recommendation will be explored in the context of developing the strategy; one of the criteria being budget availability.
24. **Results measurement.** M&E is a generic issue across the portfolio and is one that Management continues to address by providing increasing guidance at project level. The IFAD9 Impact Evaluation Initiative will provide further lessons on M&E that will be incorporated in due course. As regards the RMF for IFAD10, it already includes a gender indicator at Level 2 (outcome level). IFAD also measures impact on human empowerment and social capita, and institutions and policies as part of the composite rural poverty impact indicator for Level 2, for both fragile and non-fragile countries. In IFAD10 IFAD has already committed to providing a breakdown of the rural poverty impact and other RMF indicators for fragile states in the RIDE.