Response of IFAD Management to the 2017 Annual Report on Results and Impact of IFAD Operations

Note to Executive Board representatives

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<th>Technical questions:</th>
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For: Review
Response of IFAD Management to the 2017 Annual Report on Results and Impact of IFAD Operations

I. Introduction
1. IFAD Management welcomes the Independent Office of Evaluation of IFAD's (IOE) 2017 Annual Report on Results and Impact of IFAD Operations (ARRI) evaluated in 2016. This is the first ARRI for the Tenth Replenishment of IFAD's Resources (IFAD10) period, and Management would like to express its appreciation to IOE for an informative and comprehensive report.
2. Management appreciates the opportunity to respond to the recommendations and suggestions contained in the report. The in-house learning event that gave staff an added opportunity to comment on the report prior to its finalization was also appreciated.
3. Management believes that the ARRI, along with the Report on IFAD's Development Effectiveness (RIDE) and the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), are important accountability, learning and transparency tools to increase the effectiveness, credibility and relevance of IFAD's operations.

II. Performance trends
4. Management is particularly pleased to note that trends in the performance of IFAD's operations are aligned between the ARRI and the RIDE. This is also a reflection of the increasing robustness of IFAD's self-evaluation methods and processes. In particular, the self and independent analyses of criteria for the RIDE and the ARRI both point to IFAD's high performance in certain domains such as scaling up, gender, IFAD's performance as a partner and rural poverty impact. However, during the same review period, both self and independent evaluations note that efficiency, sustainability and natural resource management remain the weakest performing criteria.
5. As recognized by the ARRI, the projects included in the ARRI analysis are those completed through 2015 – some designed over 10 years ago – whereas a number of key management reforms have been introduced and operationalized since then. The full impact of the reforms introduced by Management will be reflected in portfolio performance through evaluations of the newer portfolio in future editions of the ARRI.
6. The ARRI notes that from 2007 to 2015, 75.3 per cent of the ratings from PCRVs and PPEs are moderately satisfactory (4) or better and 26.2 per cent are satisfactory or better. Additionally, Management is pleased to see that the 2017 ARRI finds lessons and scope the strongest performing criteria in PCRVs – and particularly the improved performance of lessons from 91.4 per cent rated moderately satisfactory or better in 2011-2013 to 94.2 per cent during 2013-2015.
7. On country programmes, Management notes the relatively weaker performance in non-lending activities as shown in the ARRI, particularly in partnership-building and policy dialogue. Consistent efforts are being made to improve performance in these areas, for instance by the recent issuance of a toolkit for strengthening policy engagement at the country level, and development of the Smallholder and Small and Medium-Sized Enterprise Investment Finance Fund (SIF) for enhanced partnership with the private sector.
8. However, as stated in the ARRI, IFAD's performance on scaling up and as a partner remain the highest as assessed by IOE. The report goes on to mention that scaling up is interlinked with performance in non-lending activities. Thus, Management
would have liked to see a deeper analysis on the divergence between the two seemingly interlinked sets of ratings.

III. Moving beyond moderately satisfactory

9. Management is committed to improving performance to satisfactory and beyond. In order to do so, it has refined its approach, as defined in the paper on the business model for IFAD11, to more effectively transform resources into development results. The new business model elaborates IFAD's greater focus on doing development differently, with the goal of achieving greater impact on the ground and striving for better operational efficiency and effectiveness. In addition, there are the number of initiatives already in place, including: activities under IFAD's Development Effectiveness Framework (DEF); the new initiative on Operational Excellence for Results (OPEX); and establishment of task-based teams working on specific reform areas, including reviewing the design process, non-lending activities, South-South and Triangular Cooperation (SSTC) and targeting.

IV. Methodology and process

10. Management would like to reiterate its concerns raised for last year's ARRI with regard to methodology. Management maintains that IOE should disentangle the project completion report validation (PCRV), project performance evaluation (PPE) and impact evaluation data sets in future ARRIIs, as the amount of time and resources and the evaluation methodology and processes for the three types of products remain very different. To clarify, PCRVs are based entirely on a desk review, while PPEs and impact evaluations use more in-depth methodologies and primary data collection in partner countries. This would lead to a more homogeneous analysis of the dataset and would also make it more credible and comparable with the RIDE, which uses only project completion report ratings for corporate reporting on project performance.

11. Moreover, Management encourages IOE to take into consideration Management's follow-up on key recurrent issues as reported in the PRISMA and the RIDE, prior to finalizing the ARRI. Management believes that the ARRI is critical to the organization's improvement and learning, and would like to use it as an opportunity to reflect on strategic issues with concrete recommendations that add value, beyond those made in other evaluation products for which Management has provided sufficient responses and follow-up actions.
V. Recommendations to Management

12. Management welcomes and appreciates the streamlined recommendations in the 2017 ARRI.

13. Management’s detailed responses to the disentangled recommendations are provided below. Management looks forward to working with IOE through the upcoming second part of the harmonization agreement to further streamline the packaging of recommendations to ensure effective and adequate internalization.

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<th>IOE recommendation</th>
<th>Management response</th>
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<td>1. Ensure that consolidation of IFAD9 achievements does not result in stagnation in IFAD10 and beyond.</td>
<td>Agreed. Management has taken many steps to ensure that performance of IFAD operations does not stagnate in IFAD10 or beyond. In addition to IFAD’s refined approach, as defined in the paper on the business model for IFAD11, a number of initiatives are under implementation: the DEF – with a number of activities, including reforming the RIMS, launching the Operational Results Management System, launching the Centres for Learning on Evaluation and Results (CLEAR) initiative, etc. – and a focus on improving operational efficiency through the initiative on OPEX, launched in 2017 by the President together with others. These are expected to improve performance of IFAD operations for the remainder of IFAD10 and beyond. Additionally, cross-divisional task teams have been set up to develop action plans for IFAD on youth, the private sector/rural finance, SSTC and reviewing and improving IFAD’s project design. The design task team is expected to finalize an action plan for reform of the design process by the end of 2017. Moreover, a disbursement study was conducted internally and a disbursement action plan developed to improve the disbursement process and the gap between design and implementation. Finally, IFAD’s corporate Results Measurement Framework has been converted from a results measurement to a results management instrument, to enable the organization to manage for better performance.</td>
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<td>1.1 This entails a holistic approach that improves articulation between the COSOP and the project pipeline, and reduces the gap between project design and implementation through the greater involvement of government afforded by a more-decentralized IFAD.</td>
<td>Agreed. Management can set satisfactory or better targets for IFAD11 in areas of strength such as relevance, gender equality and women’s empowerment, and innovation and scaling up to lift performance above the current plateau.</td>
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<td>1.2 To initiate this paradigm shift, Management can set satisfactory or better targets for IFAD11 in areas of strength such as relevance, gender equality and women’s empowerment, and innovation and scaling up to lift performance above the current plateau.</td>
<td>Agreed. Management agrees that IFAD should aim for satisfactory or better performance in all criteria and is carefully monitoring IFAD’s development effectiveness based on disaggregated data on performance ratings through corporate performance reports linked to the medium-term plan. While Management strives to improve the performance of the portfolio to satisfactory and above, it would like to maintain the thresholds for targets to reflect the percentage of projects rated moderately satisfactory or better (4) for external reporting. Management believes that this is also in line with the practice of other IFIs and multilateral development banks through their results frameworks. Notwithstanding this, Management provides a disaggregated analysis showing satisfactory and above performance for all project performance criteria in the 2017 RIDE under RMF level 2.</td>
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<td>2. Adopt transformative approaches that address the root causes of gender inequality and discrimination if IFAD is to contribute substantially to meeting the SDG of “leaving no one behind”.</td>
<td>Agreed. Management believes that this recommendation in the ARRI mirrors the recommendation made in the evaluation synthesis report (ESR) on gender equality and women’s empowerment completed in 2017. Management agreed to the recommendations made in the ESR and provided substantial follow-up actions. While Management is committed to</td>
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indicators to monitor them throughout the project cycle. internalizing the recommendations, it believes that showing progress against them requires time and thus repeating the recommendation in the ARRI in the same year as the ESR does not necessarily add value.

As indicated in the ARRI, one of the areas of IFAD's strengths is progress in gender mainstreaming and positive results achieved in empowering poor rural women in its operations. In line with the Sustainable Development Goals agenda, IFAD set targets not only to increase the proportion of projects in which gender issues are mainstreamed, but also to make interventions more transformative. Under IFAD10, it is suggested that 15 per cent of projects should be gender transformative and 90 per cent of projects rated as partial gender mainstreaming (moderately satisfactory, 4) or better on completion.

In addition, IFAD’s new core indicators allow projects to capture progress against the three objectives of the gender policy (economic empowerment, voice and decision-making, and workload) by ensuring sex-disaggregation of indicators at individual and head-of-household levels.

Key elements of the Women's Empowerment in Agriculture Index (WEAI) are being considered in the design of the IFAD9 and IFAD10 impact assessment initiative. The WEAI enables measuring the empowerment of women engaged in agriculture and can provide elements for monitoring the impact of gender transformative theories of change.

### 3. Systematize the three non-lending activities – knowledge management, partnership and policy engagement – to unlock their potential to scale up country programme results.

#### 3.1 Objectives for non-lending activities

| **Agreed.** Management agrees with the need to systematize the non-lending activities in the portfolio. To this end, the results frameworks for COSOPs and the logframes for projects require specific output and outcome level indicators for non-lending activities where relevant, contributing to the overall goal and objectives of the country programme and project. These indicators are tracked throughout the project cycle and reported in COSOP results and completion reviews and in project completion reports. Furthermore, alongside lending activities, non-lending activities are an integral part of IFAD’s holistic approach and enhanced business model for achieving impact at scale. This is especially important for IFAD’s refined engagement strategy in MICs. More systematic attention and resources will be devoted to non-lending activities in the future, including by improving staff incentives and accountability for results. The proposed IFAD11 corporate Results Management Framework will include dedicated indicators to monitor and report on progress in non-lending activities, based on more robust data collection systems and assessment methodologies. This is a further reflection of the increased importance attributed to non-lending activities in promoting sustainable and inclusive rural transformation. |
| Non-lending activities must be formulated more selectively, and with clear internal linkages between the activities and the resources needed to undertake them. Non-lending activities must be integrated into country programmes and related processes (such as supervision, country programme review and rural-sector performance assessment). |

#### 3.2 Technical and advisory support

| **Agreed.** Management agrees that it is important for country teams to draw on relevant IFAD divisions for support to non-lending activities. This is particularly important to ensure a link between the global/corporate approach and the country-level work being done in non-lending activities. The relevant divisions in IFAD – including the Partnership and Resource Mobilization Office (PRM), Global Engagement, Knowledge and Strategy Division (GKS) and the policy desk in the Policy and Technical Advisory Division (PTA), among others – are working on this and are already providing support to country teams through their participation in design/supervision and completion missions, as relevant, and through developing tools to assist country teams in better embedding non-lending activities into their portfolios. |
| Technical and advisory support must be provided to country programme managers by relevant IFAD divisions, including those outside the Programme Management Department. |
4. Improve data granularity for selected strategic criteria to better monitor performance and enhance intervention approaches.

4.1 Given the heightened focus on mainstreaming adaptation to climate change (CC) in IFAD10, supported by its separation from environment and natural resources management, there is a need to collect more tailored evidence to demonstrate achievements. Technological advancements, including in geospatial information and remote sensing, may provide cost-efficient opportunities for improved data quality. **Agreed.** Strengthening self-assessment and impact measurement remains a key element of IFAD’s environment and natural resource management and CC interventions. IFAD will aim to exploit new opportunities within its portfolio to further develop the evidence base on the benefits and contributions of ENRM and climate resilience to poverty reduction. This will be done by capitalizing on advances in geospatial technologies and through global databases. ENRM and CC indicators will also be fully integrated into IFAD operational procedures and guidelines, including monitoring of and reporting the on Social, Environmental and Climate Assessment Procedures of IFAD (SECAP).

Moreover, IFAD Management is already working on systematizing the use of information and communications technologies (ICTs) in projects for data collection, analysis and reporting, as well as for leveraging ICTs for promoting rural transformation.

4.2 Central to IFAD’s mandate, food security requires special attention to ensure that agricultural productivity leads to improved food security for IFAD’s target groups. This requires including metrics of food security in the formulation of country strategies and project design and in their monitoring. **Agreed.** Management agrees that food security and agricultural productivity are central to IFAD’s mandate. In fact, two of the indicators at the impact level being captured by IFAD’s rigorous impact assessment initiative measure food security. Moreover, although IOE does not rate the subdomains for agricultural productivity and food security, but instead gives a consolidated rating for rural poverty impact, Management will continue to rate agricultural productivity and food security in project completion reports. In order to substantiate and justify the ratings provided, projects are required to include data to demonstrate progress made by the project’s interventions on these subdomains. Through rigorous review processes, Management ensures that sufficient data are available for agricultural productivity and food security.

5. Extend greater differentiation in financial management and fiduciary requirements to long-term national capacity improvement.

5.1 In the short to medium term, IFAD must further differentiate fiduciary requirements based on the country context and risk profile. This requires an enhanced ex ante assessment of procurement risks at country, sector and agency levels, in return for a better-tailored approach to fiduciary requirements, notably for procurement. IFAD should continue to provide enhanced supervision and implementation support during project start-up and for projects deemed “at risk” or in countries with fragile situations. This can be fostered by strengthening the capacity of IFAD Country Offices and subregional hubs. **Agreed.** IFAD recognizes that strengthening the effectiveness and efficiency of project procurement processes is a major priority. An internal Project Procurement Community of Practice was established in early 2017 to define the main priorities for advancing IFAD’s agenda in this area, and a senior project procurement expert has been engaged to support its elaboration and implementation. Key elements of the agenda include: review of IFAD’s project procurement oversight architecture and identification of options to strengthen it; introduction of a risk-based approach to oversight of project procurement; enhancing the technical capacity for procurement among IFAD and project staff.

5.2 In the long term, the goal is to contribute to strengthening financial management and procurement capacities of implementing agencies, possibly with the support of IFAD grants. **Agreed.** Management agrees that strengthening and building country capacity in financial management and procurement is vital. Management will explore ways to use the grants window to develop programmes similar to the CLEAR initiative to systematically build in-country capacity in these areas. Learning from the roll-out of CLEAR will be important in informing the scaling up of that approach to other fields, including financial management and procurement.

5.3 Depending on the country context, and in collaboration with other partners, IFAD may **Disagree.** While Management agrees that a continuous project management unit would support implementation of IFAD projects, this would go against development theory and
support establishing permanent project management units responsible for all externally funded interventions in a specific sector or subsector. the principles and processes for achieving the objectives of Agenda 2030 and the SDGs. In fact, to ensure sustainability in the long run, there is a drive to move away from the PMU model to a more integrated approach with greater country ownership and responsibility. In addition, decisions to have permanent PMUs lie with governments and are not mandated by IFAD. The Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008), the Busan Partnership for Effective Development Agenda (2011) and Agenda 2030 all brought to the forefront the need for countries to maximize their ownership over their development agenda, and for donors to align with national priorities, processes and structures rather than establishing parallel structures for aid delivery. To that effect, Management has appreciated a number of cases in which some governments have been able to set up more structured multiprogramme country delivery mechanisms, which appears to be a better approach. Thus, while Management believes that a strengthened and consistent unit within the government structure would be beneficial in supporting overall programme delivery, parallel permanent project management units may not serve to promote long-term development in countries. Nevertheless, in the long run, Management remains committed to supporting and building national capacities to deliver effective and efficient programmes.

VI. Learning theme

14. Management welcomes the learning theme on targeting for the 2018 ARRI and takes note of the need to strengthen poverty targeting. It believes that this is timely in light of the internal review exercise of policies and strategies that also highlighted the need to update IFAD’s policy on "targeting – reaching the rural poor". Management will benefit from IOE’s analysis of this theme.