



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Consultation on the Sixth Replenishment of IFAD's Resources – Third Session**  
Rome, 2-3 July 2002

**EXTERNAL REVIEW OF THE RESULTS AND IMPACT OF IFAD OPERATIONS**

1. At its First Session, the Consultation on the Sixth Replenishment of IFAD's Resources reviewed a proposal by the convenors of the three Lists to have the results and impact of IFAD operations reviewed by a team of experts as input to the replenishment deliberations. The proposal, as set out in document REPL.VI/1/R.4, was subsequently approved by the Consultation.
2. At the same session, the Consultation also approved the composition of the team that would undertake the external review and its terms of reference, as contained in document REPL.VI/1/R.7.
3. The present document contains the Report of the External Review Team, headed by Mr Niels Dabelstein, for the Consultation's consideration.



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Enclosure

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11 June, 2002

Dear Mr Båge,

It is my pleasure to submit to you the Report of the External Review of the Results and Impact of IFAD Operations, with the request that it be made available to the Consultation on the Sixth Replenishment of IFAD's Resources in accordance with the Terms of Reference REPL.VI/1/R.7 of 21 February 2002. I express the hope of all members of the External Review Team that the observations on IFAD's strengths and weaknesses contained in the report will constructively inform the Consultation.

In our opinion, the relevance of IFAD within the global effort of the international community - in poverty reduction in general and rural poverty reduction in particular - is not in doubt. IFAD has considerable experience and expertise in combating rural poverty. It must continue to maintain the clear niche position in which it has acquired its comparative advantage.

Our participation in this review has been instructive and stimulating, and we thank you and the Consultation for the confidence expressed in selecting us for this task. Our work would not have been possible without the ready and rapid cooperation extended to us by IFAD staff in Rome and their partners in the four countries we visited. We sincerely appreciate their support. Most of all we are grateful to those rural poor who provided us with their perspectives and opinions. It is to them and their future that we respectfully dedicate this report.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nils Dabelstein', written over a horizontal line.

Nils Dabelstein  
Chairperson,  
External Review Team



**EXTERNAL REVIEW OF THE RESULTS AND IMPACT OF IFAD OPERATIONS**

**REPORT OF THE EXTERNAL REVIEW TEAM**

**19 June 2002**



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## ABBREVIATIONS AND ACRONYMS

CBO	Community-Based Organization
CI	Cooperating Institution
COSOP	Country Strategic Opportunities Paper
CDF	Comprehensive Development Framework
CPM	Country Portfolio Manager (of IFAD)
ERT	External Review Team
IFI	International Financial Institution
MDB	Multilateral Development Bank
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
OE	Office of Evaluation and Studies (of IFAD)
PCR	Project Completion Report
PD	Programme Management Department (of IFAD)
PRSP	Poverty-Reduction Strategy Paper
SHG	Self-Help Group
UNDAF	United Nations Development Assistance Framework
UNOPS	United Nations Office for Project Services



## PREFACE

The First Session of the Consultation on the Sixth Replenishment of IFAD's Resources, held on 21 February 2002, approved the proposal for an External Review of the Results and Impact of IFAD Operations. According to the Terms of Reference (reproduced in Annex I), "the objective of the external review will be to report on (a) the results and impact achieved by IFAD-supported operations, and (b) the recently established methodologies and processes for assessing the results and impact of IFAD-supported projects and other changes introduced to enhance IFAD's focus on results".

The External Review Team (ERT) comprised the following people drawn from evaluation departments of development agencies and from among IFAD Evaluation Committee members representing the three Lists:

*Chair:* Mr Niels Dabelstein, Head of the Evaluation Secretariat, Danish International Development Assistance, and Chairman of the Working Party on Aid Evaluation of the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC);

*Vice-Chair:* Mr Victor Hugo Morales Melendez, Chairman of the IFAD Evaluation Committee and member from Mexico;

Mr Adnan Bashir Khan, former member of the IFAD Evaluation Committee from Pakistan;

Mr Lothar Caviezel, Executive Director for Switzerland and member of the IFAD Evaluation Committee;

Mr Osvaldo Feinstein, Manager, Operations Evaluation Department, the World Bank;

Professor Gabriel Lombin, member of the IFAD Evaluation Committee from Nigeria; and

Mr Rob van den Berg, Director, Policy and Operations Evaluation Department, Dutch Ministry of Foreign Affairs.

The team began with a two-day workshop on 14-15 February 2002, with a view to presenting a realistic proposal to the First Session of the Consultation. This had special importance in the light of IFAD management's intent, fully supported by the First Session of the Consultation, to have the report of the review ready for consideration at the Third Session of the Consultation planned for 2-3 July 2002.

The consultants engaged to assist the ERT included Mr Hans Wyss, head of the consultant team, Mr Ian Jones and Ms Govind Kelkar. They participated in the initial workshop and subsequently began their review of documents and discussions with a broad spectrum of managers and staff at IFAD in February. In March and April, ERT members and consultants made field visits to nine IFAD-financed projects in four countries on four continents. During these visits the field teams held discussions with government ministers, senior officials, project managers and as many project beneficiaries as possible, as well as with many partners, public and private, international and national, with whom IFAD is cooperating. The ERT is grateful for the cooperation and the many thoughtful discussions with this large group.

The ERT met on 15-17 May to discuss a first draft of the report, which the consultants had prepared on the basis of findings from the country and project visits, the review of documentation made available by IFAD and the many discussions held in Rome and in the field. The ERT revised and agreed on the report, which it forwarded to IFAD management for comments. The team met with IFAD management on 3 June.

ERT members and consultants received excellent cooperation from IFAD. They wish to express their appreciation in particular to the Fund's President, Mr Lennart Båge, the heads of the Programme Management Department and of its divisions, the country portfolio managers and evaluation officers responsible for the countries/projects reviewed, the head and staff of the External Affairs Department, the Controller, and many others, especially the management and staff of the Office of Evaluation and Studies, without whose support the review would not have been feasible.



## MAIN CONCLUSIONS

This review is based on documents covering a broad range of IFAD operations, with emphasis on those prepared by IFAD's Office of Evaluation and Studies. The External Review Team focused its work on ten countries in the five regions, interviewed IFAD staff and partners, and visited four of the countries. Field visits generally confirmed the findings and deepened insights gained from the documents.

1. IFAD is charged with the exclusive and specific mandate, unique among international financial institutions (IFIs), of combating rural poverty. It has acquired considerable experience, expertise and comparative advantage in this area.

2. The review confirmed that IFAD has predominantly targeted its financial and policy-dialogue interventions at the most disadvantaged populations of the world's rural areas, whether marginalized economically, ecologically or socially. The Fund has drawn attention to the particular situation of women, who lack access to resources and bear much of the work burden in these areas. Its activities have also addressed poverty reduction through reconstruction in post-conflict situations.

3. There are clear indications that IFAD has made direct and indirect contributions to achieving the Millennium Development Goals of eradicating extreme poverty and hunger, promoting gender equality and empowering women, and ensuring environmental sustainability. It has done so partly through the results of its operations and partly through the demonstration of innovative approaches replicated by others. The review also found clear indications among IFAD-funded projects of impact in poverty reduction. Such impact, where documented, was associated with food production and security and various forms of asset formation, whether social, physical or financial.

4. IFAD has demonstrated that sustainable rural poverty reduction depends on enabling beneficiaries to build their capacities in ways that allow them to be owners of the projects. This elevates their self-esteem and dignity, empowering them to articulate their needs and preferences as full partners in the development process. The Fund has built this participatory approach with growing success throughout the projects it funds. Given the many different country contexts among its borrowers, this approach has yielded varying results – including some outstanding ones.

5. By promoting the development of local institutions that allow the rural poor to function more effectively, IFAD has contributed to the formation of social capital in rural areas. Networks have been established linking the rural poor among themselves and with institutions that can support them, with an emphasis on developing their productive capacities in agricultural and non-farm rural economic activities. Increasingly, non-governmental organizations and community-based organizations partners have assisted in creating institutional structures and reduced dependency where government services could not perform alone.

6. Another area of strength found by the review was the consistent recognition of – and sometimes single focus of IFAD-funded projects on – natural resource management. The potential impact has been greatly enhanced by participatory methods involving the rural poor affected.

7. In its broad range of activities, IFAD has promoted some widely recognized innovations, e.g. in microfinance, soil and water conservation, water users' associations, self-help groups and various forms of partnership-building. IFAD has also successfully promoted the use of local knowledge and materials. However, innovations have taken place without a systematic approach. There is a need to discuss the balance between innovation/demonstration/replicability on the one hand and broad-coverage service

delivery through tested and trusted mechanisms on the other. The External Review Team recommends an emphasis on the former. This balance has implications for IFAD's organizational modus operandi.

8. IFAD has often successfully engaged in policy dialogue with governments and other partners on project-related or wider sector and macro policy implications arising from its project experience. The strength of this kind of policy dialogue has been its grounding in real local issues in need of resolution. The Fund, by its very nature and capacity, has been rather less involved in dialogue on the setting of overall policy frameworks. However, it is being increasingly invited to participate at this level by governments and other partners, e.g. with respect to the formulation of poverty-reduction strategy papers, and is developing its own instruments for doing so. At the same time, the scope for the Fund to shape rather than just inform policy dialogue at this higher level is directly related to the relative size of its contribution in any given country. This suggests that greater impact by the Fund upon policy development will depend on its ability to forge partnerships with other stakeholders and to bear the associated costs of building those partnerships, e.g. through greater country presence.

9. The review found areas in which project performance could have been – and ought to be – stronger. First, sustainability of benefits has been less than expected when loans were approved. This is not entirely surprising given the often very difficult project context – with physical, institutional, human and/or financial limitations – and the often experimental nature of the projects. Second, monitoring at the project level and, partly as a consequence, supervision still show considerable weakness.

10. IFAD has recently made some promising progress in the development of analytical tools for impact assessment, a challenge faced by all development organizations. It could also develop an analytical framework to capture the costs and benefits associated with innovative approaches, institution-building and the creation of social capital, rather than relying on traditional analytical tools such as economic rate of return. Moreover, IFAD should further sharpen its knowledge management to facilitate the dissemination, both internally and externally, of lessons learned from its experience and to increase its visibility.

11. The External Review Team considers that improvement in these areas will depend on a strong culture of attention to performance, results and impact (rather than approval, disbursement and input), strengthened incentives for innovation, demonstration and replicability, and rigorous monitoring and supervision arrangements.

12. Finally, the review recognizes a need for IFAD to strengthen its closeness to the field. It notes that the Fund is reviewing the issues of both implementation support/supervision and country presence.

13. Demand for assistance to the large populations of the rural poor will continue for decades to come, leading to the question: will IFAD be able to play the role of premier international financial and developmental institution in its field – in which its partners look for continued and increased leadership? This depends largely on sustained progress in the areas discussed in this report. The team is also aware that this will only be possible if IFAD has at its disposal the necessary financial and human resources. IFAD is not unlike any living organism: if it is to carry out well its multidimensional tasks, it will need sufficient and continued nourishment that enables it to sustain the scope and quality of work its partners expect.



# I. INTRODUCTION

## A. Background

1. IFAD's evolving role during the 1990s and the beginning of the first decade of the 21<sup>st</sup> century, the period on which the External Review Team (ERT) focused, must be reviewed in the context in which the institution has functioned. During the 1980s the multilateral development banks (MDBs), traditionally the main channels of donor resources for agricultural development, shifted their attention and resources to structural adjustment and policy reform. This left IFAD almost alone in addressing directly the complex development problems of the often hungry and malnourished rural poor. IFAD's compass had been set much more narrowly than for any other international financial institution (IFIs). Consequently, its development focus was not diverted to macroeconomic and non-rural concerns, though IFAD had to take these into account whenever relevant to the rural poor. IFAD was the beneficiary of the policy reforms to the extent that these strengthened support for rural development. During this period IFAD also began to appreciate fully the importance for its interactions with many partners of being the almost sole 'representation' of the rural poor.

2. During the 1990s, donors increasingly rediscovered their poverty concerns, directly and through the MDBs, including for the rural poor. However, this turnaround was not a return to earlier periods. First, MDBs had moved to a preference for sector/wholesale and programmatic lending, with limited direct funding at the retail level. Second, the shifts in attention and the evolution in lending instruments meant that their staff expertise on rural poverty, and on agriculture as a whole, had diminished.

3. Another contextual factor that IFAD faced was increased stringency in the volume of official development assistance (ODA) during the 1990s and into the early years of the 21<sup>st</sup> century. This constraint affected not only IFAD's own replenishments and its operating budget, which was kept very tight despite the many and increasing claims made on IFAD for contributions related to its growing know-how. It also resulted in rising fees charged by cooperating institutions (CIs) for their services in supervising IFAD-funded projects, reflecting an increased cost-consciousness among CIs. A report on IFAD in 1994<sup>1</sup> noted: "as the Fund's resources and project loans decreased, the service charges of those organizations...increased. The result: the 'lean' institution created in 1976 took on the appearance of yet another bureaucratically expensive organization". Since then, there has been an important evolution: IFAD has seen a significant increase in loan/grant approvals (from an average of USD 314 million in 1991-93 to an average of USD 446 million in 1999-2001) – though a much smaller increment in terms of the number of new loans – with virtually no change in operating expenses<sup>2</sup>.

4. Against the background of these diverse major trends<sup>3</sup> affecting the institution, the present review seeks to throw light on IFAD's effectiveness in terms of the results and impact of its activities, its first and foremost objective, and of the effects that may be discerned with regard to various new processes introduced by the Fund since the late 1990s.

5. IFAD's uninterrupted focus on rural poverty reduction has resulted in a good deal of learning and an evolution of its operations. Throughout, the Fund has explored, designed and piloted on-the-ground

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<sup>1</sup> Report of the Rapid External Assessment of the International Fund for Agricultural Development, Rome, July 1994, page 1.

<sup>2</sup> Data derived from: IFAD, *Annual Report 2001*, Table 2: IFAD at a Glance, 1978-2001.

<sup>3</sup> Another contextual change relates to the declining returns on IFAD's liquid assets (a source of income in support of its budget) resulting from the changing conditions in capital and money markets. This is a subject that the ERT has not been charged to review.



new approaches to address rural poverty more effectively. The initial projects (often developed with MDBs) were normally based on a complementary set of infrastructure investment, agriculture credit and technical packages. The latter were provided mostly through government-run extension services. This model gave way to new approaches, better adapted to sustainable economic and social development in rural areas. Both project content and processes evolved. Already in the early stages, projects went beyond agricultural production/income generation and involved other activities offering new opportunities for the rural poor. Attention focused on full participation of the rural poor in project formulation and implementation. There was a broader recognition of gender issues and institutional change, especially regarding the effectiveness of government services for the rural poor. The evolution of IFAD's gender approach since the early 1990s reflects its increasing understanding of women's contribution to food security and the links between poverty and gender inequality.

## B. Methodology

6. The ERT recognized from the beginning that its task would be extremely ambitious, given the constraints in time and resources, including the availability of evaluative documentation. The team noted that its task was a *review* and not an assessment. Indeed, the terms of reference (TOR) specified that the work would not include an "independent validation through original research (including at the field level) or a review of documentation underlying such reports". Rather, the review would synthesize results and impact as documented in available evaluative reports, and might comment on their utility, quality and internal consistency. Within this framework, the ERT agreed on the following parameters to render the task feasible:

- a sample of ten countries would be selected, based on (a) the availability of evaluation reports prepared during the past five years, especially country program evaluations, and (b) a geographic balance with a mix of small and large countries, including at least one country with a post-conflict situation;
- within this group of ten countries, four would be selected for field visits, again with as broad a distribution across regions as possible (it was physically impossible for the team to carry out field visits in all of IFAD's five regional divisions within the allotted time).

7. This selection process resulted in the following list of countries (countries that were visited are shown in boldface):

Western and Central Africa:	<b>Ghana</b> , Mauritania
Eastern and Southern Africa:	United Republic of Tanzania, Zambia
Asia and the Pacific:	<b>India</b> , Viet Nam
Latin America and the Caribbean:	El Salvador, <b>Peru</b>
Near East and North Africa:	<b>Armenia</b> , Syria

8. For each of these countries, the team reviewed (a) evaluation reports prepared by IFAD's Office of Evaluation and Studies (OE), and (b) relevant country-related documents (normally a country strategic opportunities paper (COSOP), the most recent portfolio reviews, reports and recommendations of the President, and appraisal, supervision and project completion reports). Reports were reviewed covering a period of about five years – if there were especially relevant documents from the earlier 1990s, these were also considered.

9. Each consultant reviewed the documentation for at least three countries, participated with ERT members in field visits (Annex II), held discussions with the respective country portfolio manager (CPM) and prepared a brief country note on his or her findings. These notes were submitted to the countries concerned for comment before they were considered at the ERT meeting of May 15-17, except for one note that was sent out subsequently. When the ERT met with IFAD management on June 3, responses had been received from four countries. To ensure a common base for these country-specific reviews, a checklist was followed of the relevant factors for measuring results and impact<sup>4</sup>. The field visits covered a total of nine projects, varying from one to four per country.

10. As recognized from the outset, this appeared the only realistic approach for the ERT. It had limitations in that it cannot claim full representativeness for IFAD's results and impact. Nevertheless, the sample covers a broad spectrum of the diverse development situations that IFAD faces and enabled the team to draw relevant qualitative conclusions. The ERT was also aware from the beginning that even for the selected countries, the number of OE evaluation reports was small, the evaluation methodology used by OE in the past was essentially of a qualitative nature, and project-level monitoring and evaluation (M&E) systems were weak. Thus the opportunities for obtaining quantitative results were minimal. Within these limitations, the goal of the ERT was therefore to review and illuminate IFAD achievements through a balanced and broadly based sample of documents and team observations in the field. The field visits generally confirmed the findings and deepened insights gained from the documents.

11. In addition, the consultants reviewed the relevant IFAD strategy documents of recent years as well as available non-country-specific evaluation documents prepared by OE. Most importantly throughout the review, ERT members and the consultants had many opportunities to discuss points covered in these reports and other subjects pertaining to the review. This process provided them with the benefit of the varying perspectives of IFAD's numerous stakeholders.

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<sup>4</sup> These factors are detailed in the next chapter.

## II. RESULTS AND IMPACT OF IFAD ACTIVITIES

12. Foremost among the Fund's activities stands its funding of projects to assist the rural poor in improving their productivity and well being. Project financing is frequently helped by a leveraging of IFAD's own funds through cofinancing. The relevance of IFAD is in turn greatly affected by the prospects for project sustainability and replicability. The development and application of new approaches to lift rural populations out of the poverty cycle is a test of IFAD's leadership in addressing rural poverty. The effective capturing and dissemination of the growing knowledge on rural poverty and ways of addressing it under varying circumstances is the final step in this leadership role.

13. IFAD has been able to underpin its lending programme through its ability to extend grants. Moreover, as recognized forcefully in the IFAD V: Plan of Action (2000-2002), beyond extending loans and grants, it aims to attain its goal of improving the well-being of the rural poor through advocating policy change and strategic partnership with other donors, governments, non-governmental organizations (NGOs) and civil-society organizations working with the rural poor at the grass-roots level.

14. The ERT addressed foremost the results and impact of activities related to IFAD-funded projects. For this purpose it adopted the evaluation framework recently developed by OE. This framework consists of the following elements: first, it captures the various dimensions of the projects' rural poverty impact, and second, it establishes criteria to assess project performance and the performance of partners.

### A. Rural Poverty Impact

15. **Impact on physical and financial assets of the rural poor.** In both respects, the ERT found a number of encouraging, often quantitative results, although not comparable nor amenable to aggregation. As to physical assets, the impact has taken many forms, reflecting the large variety of investments carried out under IFAD-funded projects. Access to basic resources such as land and water by the rural poor who formerly had neither was found in a few projects. For example, in the Mauritania Maghama Improved Flood Recession Farming Project on the Senegal River, IFAD insisted on including landless workers among the direct project beneficiaries. Improvements at the community level included irrigation works and small infrastructure, community buildings and markets. In this case and more generally, the ERT noted that many community-owned physical assets require maintenance to ensure a continued flow of benefits. It observed that the prospect for such maintenance is greatly enhanced by the participation of the rural poor in the initial decision-making on the investment, in the execution of the work and in the sharing of eventual benefits.

16. Impact in terms of increased/changed physical assets at the family level through on and off-farm improvements was evident throughout the projects reviewed, again taking many forms: small irrigation works, terracing, sheds for animals, fishing boats and nets, and tree-planting for fruit or firewood. Derocking of fields, the main activity in four of the five IFAD-financed projects in Syria, has impacted favourably on crop production and household food security. An interesting finding regarding a preferred physical impact of a project emerges from the Peru Management of Natural Resources in the Southern Highlands Project, in which the rural poor, empowered to decide on their investment priorities, frequently chose betterment in housing, including sanitary conditions, as the top priority. Overall, among the projects reviewed, impact in terms of physical asset changes appeared to have come relatively close to the intentions of the projects, though not without occasional problems of cost (in most cases reducing the volume of investment from the originally planned level in the absence of additional resources) and even of quality of works. Information on the subsequent maintenance of these physical assets was less positively conclusive.

17. A particularly interesting finding for the ERT was the development of financial assets. Some successful efforts were reported in the area of rural microfinance, especially through the mainly women-centred self-help groups (SHGs) in India, with generally excellent debt-service performance. This aspect has been called the single most important innovation that IFAD has introduced in that country. A more recent microfinance intervention for women's associations in the southern highlands in Peru also appeared successful. The ERT field visit observed that, through lending and trading activities and the formation of small individual savings, initially minuscule amounts had grown, within a few years, into multiples. Linkages of SHGs with either commercial banks (in turn connected with a well-functioning rural banking system) or with an emerging system of financial intermediaries/federations and/or women's banks (already existing in some Indian states such as Gujarat and Tamil Nadu) are providing a critical contribution to the long-term institution-building of SHGs.

18. **Impact on human assets.** The ERT found that IFAD interventions address human assets mainly in an indirect way. The Fund has generally made efforts to ensure that improved basic education and health services reach the poor in project areas. For their financing, IFAD has normally relied on the respective government departments and sometimes NGOs. However in India, IFAD has fostered women-centred primary health and community-managed school systems. Under many projects, potable water supply and sanitary conditions at the community and family levels have been improved and are reported to have resulted in betterment of health conditions among project beneficiaries.

19. In spite of the mandate to take “into consideration...the importance of improving the nutritional level of the poorest populations...”<sup>5</sup>, the ERT found only few references to child nutritional status. The ERT visits also did not encounter any systematic nutritional measurement (even of a simple anthropometric nature)<sup>6</sup>. On the other hand, the projects visited did not appear to face acute hunger situations.

20. The contributions to human asset formation under IFAD-funded projects have come from two sources: first, the direct capacity-building that has resulted from information and knowledge brought to project beneficiaries through technical expertise. This has been particularly effective when such services are determined by demand and paid for by the rural poor themselves (as has been the case under two projects in Peru's southern highlands). In many other cases, government extension services, even though mainly supply driven, added in various degrees to human asset formation. Other capacity-building has come about through training in basic financial accounting, especially under projects with rural microcredit/finance components.

21. Second, there have been the indirect contributions through which ‘people empowerment’, discussed next, resulted in greater independence and self-respect. This has led in some India projects to the recognition of the importance of educating girls, and has thus added impetus to human asset formation in a traditionally neglected area.

22. Even where favourable results were obtained under IFAD-funded projects, the ERT field visits found that some rural poor continue to suffer from the debilitation of alcoholism, domestic and other violence – areas in which some NGOs may be able to act as partners. Indeed, in India, some SHGs have been reported to be already tackling these issues.

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<sup>5</sup> Agreement Establishing the International Fund for Agricultural Development, Article 2.

<sup>6</sup> The ERT noted that the 1998 country programme evaluation (CPE) for Nepal contained a significant study on the subject and that IFAD followed up this study with an international workshop in September 2001 in Fiuggi.

23. **Impact on social capital and “people empowerment”.** The ERT found some of the most impressive innovations – and impact – in the creation of social capital and people empowerment. True, there has been a general recognition that the more decision-making is performed by people affected by a development activity, the greater their sense of ownership and the better the prospects for an effective use of resources. The project activities reviewed provide strong evidence that IFAD has taken advantage of numerous opportunities to build social capital; indeed, rural people’s organizations have been encouraged in a majority of the projects reviewed. IFAD has made commendable efforts towards increasing the self-help capacity of local communities, while also seeking to decentralize traditional government services so as to bring decision-making close to the people in the project area. However, the varying degrees of progress made in this area in the different countries reviewed clearly indicate that cultural traditions and current government policies are critical determinants in the effectiveness and speed with which IFAD is able to introduce more participatory approaches in project formulation and implementation. A related question was more difficult to answer, i.e. to what extent have differences within IFAD’s regional divisions and among CPMs affected the Fund’s different experience in different countries. For instance, Syria and Viet Nam, followed by the four African countries covered by the review, appear more on the dependency/nominal-participation end of the spectrum, and Armenia more in the middle, while participation appears more advanced in El Salvador, India and Peru.

24. The development of social capital has been associated frequently with the development of locally rooted community-based organizations (CBOs), often with the involvement of national and at times international NGOs. This evolution has helped in some cases in the transformation of NGOs into effective service providers, sometimes replacing less flexible government services. However, great variance among CBOs has been reported, with the danger of a good number not being able to survive beyond the support provided by a project, raising questions as to their real base (and their sustainability).

25. A significant change in people empowerment took place in Peru when the former state-owned and -run extension service was abolished on government economic-policy grounds in the early 1990s, and IFAD helped the Government develop a project under which poor farmers engaged technical services themselves. This substantially reduced the cost of technical services. However, only a small part of the formerly inadequately serviced rural poor were able to get funding from IFAD or the national treasury under the new arrangements. For those benefiting, the empowerment was palpable. At the same time, the rural poor greatly improved their access to information and markets. Notwithstanding the success in this case, the ERT field visit observed significant differences in the degree to which social capital development and people empowerment evolved among different communities. Moreover, even under such a dramatic change, empowerment cannot be isolated from the broader context of government support (e.g. access to low-cost transportation or education) and government policies affecting the economic and social well-being of a project area.

26. The review found an outstanding IFAD contribution to social capital building in the context of a series of projects financed in El Salvador in a difficult post-conflict situation. IFAD followed up the 1992 peace agreement with a series of rural reconstruction projects. These projects carefully nurtured an initially hesitant process of conflict resolution. The process eventually appears to have been an important factor in mending a torn social fabric within the context of rural reconstruction and development. Similar efforts in post-conflict resolution were reported for some African countries, where, however, disruptions in IFAD’s ability to disburse to active projects reduced the Fund’s capacity to perform as effectively as it did in El Salvador. A different kind of local conflict resolution was achieved in India, where the

responsiveness of IFAD-supported initiatives to critical local development concerns helped dissipate the rationale for insurgency.

27. A major dimension of IFAD's efforts at improving social capital and people empowerment was found in the attention given to gender equality. The review noted some elements of promoting such equality in all the projects reviewed. Among these, there were some highly successful examples, but also some in which insufficient attention was paid to gender aspects, which resulted in less than full impact. The India Tamil Nadu Women's Development Project may serve as an example of the former: beyond the economic betterment, including through women-centred SHGs, there was an increase in women's mobility, more effective interaction with officials, an increase in women's intra-household decision-making powers, most prominently in the areas of children's health and use of household assets. Social benefits of women's SHGs were reported also for Maharashtra, western India, and Mewat, northern India. In the Andhra Pradesh project, women's SHGs even took up contracts for constructing minor irrigation works and school buildings. Where these SHGs formed clusters, the cluster-level organizations embraced various social issues and began to take on the functions of NGOs, facilitating the development of new groups. On the other hand, during implementation of the Ghana Upper-East Region Land Conservation and Smallholder Rehabilitation Project, it became evident that women's limited access to land and to credit were constraints that were being inadequately addressed. Under the follow-up project (Phase II), gender specialists form part of the provincial and district management teams, and specific actions are being taken to assure equitable access of women to irrigable land following dam rehabilitation. Limitations on women's access to the full range of project benefits were also reported in Viet Nam and the United Republic of Tanzania<sup>7</sup>.

28. Regarding the Fund's role in gender mainstreaming, there appeared to have been important variances in the acceptability of IFAD's advice, reflecting local governmental and cultural factors. Nevertheless, the ERT noted that even in countries that have found it difficult in the past to unleash the often-underestimated energies of an improved gender equality – for the well-being of the rural poor – IFAD succeeded in engaging in dialogue and pilot action. This has been the case in countries as diverse as Mauritania, Syria, the United Republic of Tanzania and Viet Nam. To its credit, IFAD recognized early in its efforts towards gender equality that it was not a matter of providing incentives to women only (e.g. on asset ownership and access to credit), but rather of bringing both genders into a dialogue to improve their respective contributions to rural development. Such a programme of joint workshops was found in El Salvador. In the southern highlands of Peru, the ERT field visit learned that with the increased involvement of women in community meetings, women's associations had branched off to become independent legal entities and had taken on a new responsibility – microfinance.

29. Notwithstanding the Fund's successes in progress towards gender equality under many IFAD-financed projects covered by this review, there remains much to be done in this area. The foremost is that gender mainstreaming is still often seen in terms of the "active involvement of women" in various income-generating activities. But integration into the mainstream also needs to include ownership of assets, control over income, participation in household and community management, the instruments for which are rarely discussed. There remains much room for women to advance beyond microfinance, e.g. women's marketing; training of women in new agricultural and other technologies, livestock management, literacy, and accounting and management skills; gender sensitization of project staff, participating NGOs, government officials and local leaders; and, at the broader level, overcoming cultural constraints and sanctions. Progress in these areas requires continued IFAD leadership, close cooperation with partners with relevant experience and the systematic use of its own experience regarding these issues.

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<sup>7</sup> A similar experience in Bangladesh was also brought to the ERT's attention.

30. **Impact on food security (production, income and consumption).** Food production, food security and income generation by the rural poor were the primary objective in establishing IFAD; improving the nutritional level of the poor population, as noted, was a second. Indeed, most projects that the ERT reviewed have a main component to improve agricultural production (including livestock and, more rarely, fisheries). This production objective is always associated with some degree of improvement in technology, often with some change in product mix and, at times, an increase in the area under production.

31. The OE evaluation reports made available for projects in the ten selected countries exhibit less information on production, income and consumption – and comparisons with the ex-ante assessments contained in appraisal reports – than one might expect. This is due mainly to weaknesses in the M&E systems in place at the project level. Where evaluation reports contain an adequate degree of information, projects, on the whole, show significant production increases, but evaluation reports frequently note that expectations at the time of project appraisal were overly optimistic when it came to projected yields. The review suggests that it would be worthwhile for IFAD to examine more fully the reasons for this over-optimism, in order to introduce a greater sense of realism in the projections. Such an examination may also need to address whether the on-farm trials designed into many projects to help increase yields were being carried out and, if so, with what effectiveness.

32. As to the role of technology improvement, the projects reviewed suggest a wide range of results, from fully effective (seed in Armenia) to apparently little impact (on-farm storage in Zambia, livestock in Ghana). The context needs to be kept in mind: a high proportion of IFAD beneficiaries live in harsh agro-ecological zones, a major factor in their poverty and food insecurity. Indeed, without their traditional competency, many of these poor agriculturalists and pastoralists could not survive. Adopting new production technologies/practices under these severe conditions often includes unacceptably high risks for already marginalized farmers. And there remain significant shortages of improved crops and animals. Thus the scope for achieving greater food security or incomes through intensification from improved agricultural technology is often very circumscribed. Even where technology improvements are known, the physical, institutional and economic environment may not be suitable for their application.

33. Intensification is often associated with infrastructure development, irrigation being the classic example. Not all irrigation developments have been successful, as IFAD – and others – can attest. The Mauritania Gorgol and small-scale irrigation projects (I and II) of the 1980s are examples of poor results, while the Armenia Irrigation Rehabilitation Project illustrates that irrigation rehabilitation can do a great deal for food security. In this case, no improved technology was introduced and cropping patterns have not changed. (At the same time, the Government is of the view that, given climatic and population/land ratios, Armenia cannot produce food as cheaply as Iran or Turkey just over its borders). Similarly in northern Ghana, dam rehabilitation has resulted in increased production and food security through dry-season cropping, again with conventional technologies. On the other hand, improvements in the health of livestock and cross-breeding of local stock were noted in the Peru southern highlands projects. In summary, among the projects reviewed, technology transfer per se was rarely found as a top factor in IFAD's impact on rural poverty, though this finding should be viewed against the progress noted in the next section on "Impact on the environment and common-resource base".

34. Given the constraints on technology transfer, extensification was the option that on a small scale was reported under some projects. However, given the potential for conflict in the transfer of resources (land, water and forest), major extensification was rare in the cases reviewed<sup>8</sup>.

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<sup>8</sup> Successes were reported in opening up access for poor people to forest products in Nepal.

35. Where the constraints on intensification and extensification are seen as too difficult to tackle, the alternative is off-farm income generation for the rural poor through agro-processing, crafts and trade – often linked to microfinance as working capital. It neither involves large-scale investment in physical production nor poses an immediately perceptible threat to prevailing property/resource allocation. Since the 1980s IFAD has clearly recognized the need and opportunities for support to non-farm economic activities as a key element in rural poverty reduction. Indeed, most projects that the team reviewed contain small or even major elements of non-farm production and income generation. One project visited in Peru, the Development of the Puno-Cusco Corridor Project, seeks to improve rural income entirely through microindustry/artisan enterprises, only part of which are dependent on direct inputs from agricultural production. The project appears an appropriate response to addressing serious rural poverty in an area in which, given the natural resources (altitudes of over 3 000 metres and often over 4 000), there are serious limits to the intensive use of land.

36. **Impact on the environment and common-resource base.** Many IFAD projects deal with improving the natural resource base of the rural economy. Among the approaches that IFAD has pursued is the promotion of:

- changes in agricultural production by increasing in-terrace wet-rice cultivation of higher variety crops or by moving to horticulture with higher per hectare productivity, thereby reducing pressure on forest cover for direct income (India tribal development projects<sup>9</sup>);
- investment in engineering and vegetative structure (bunds and afforestation) to reduce soil erosion and improve moisture retention (the United Republic of Tanzania Agricultural and Environmental Management Project and India Orissa Tribal Development Project<sup>10</sup>);
- regeneration of pastures through closed access for an initial period and subsequently controlled management by the community, with rotating access to designated families (Peru Management of Natural Resources in the Southern Highlands Project).

37. IFAD recognized early that institutional factors are critical in obtaining the expected results. Thus the increases in terrace production did not necessarily lead to setting aside currently used forestland, because the cost of labour, especially that of women, was very low. Thus there was insufficient incentive to improve forest cover. The engineering solutions suffered from tenure problems and from situations in which the increase in productivity took too long to be attractive to poor farmers. Regeneration of pastures, in turn, required protection from incursions by animals from adjacent communities.

38. In summary, effectiveness in addressing environmental issues was found to be most demanding at the institutional/regulatory level. Vice versa, experience with projects that addressed institutional problems (Armenia Irrigation Rehabilitation Project<sup>11</sup>) indicates that improvements in resource management cannot be achieved in isolation from supplementary investment and income at the household level.

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<sup>9</sup> A similar situation was reported under the China Yunnan-Simao Minorities Area Agriculture Development Project and the Wulin Mountains Minority-Areas Development Project.

<sup>10</sup> A similar situation was reported under the Indonesia East Java Rainfed Agriculture Project.

<sup>11</sup> A similar experience was reported under The Philippines Visayas Communal Irrigation and Participatory Project.



39. The ERT also found a ‘pure’ environmental project in Mauritania, the Banc d’Arguin Protected Area Management Project. It was designed to help a very poor artisanal fishing community in a national park improve its livelihood. Unlike in most projects, here the institutional parameters for natural resource management had been clearly established and enabled the project largely to succeed. However, this project requires continued post-completion financial support, which it obtains from environmental protection groups committed to maintaining this internationally important resource.

40. **Impact on institutions, policies and regulatory framework.** In the light of the countries and projects reviewed by the team, IFAD’s impact on changes in institutions, policies and regulations appears to have increased over the past decade. This is quite evident at the project level. From the first generation of projects through the 1980s, IFAD had learned about the negative effect of some poor government services as well of laws and regulations affecting the rural poor. It has not hesitated since to seek changes as part of new projects. More often than not such a change needed at the project level has spilled over into policy dialogue and action at the national level. Thus in the Mauritania Maghama project, the intended access to land and water for the landless poor led to new legal provisions. In the same country, IFAD’s intervention resulted in a new organization of local associations and cooperatives, including those for rural finance.

41. Through its focus on effectiveness-on-the-ground in projects, IFAD has contributed to decentralization in project agencies. Sometimes this has run squarely against traditionally centralized government organizations. Thus in Peru, the first project designed to move decision-making overwhelmingly to project units in the field was clearly resisted by central project management.

42. A good number of IFAD-funded projects, including some reviewed by the team, reflect IFAD’s efforts to build up water users’ associations (WUAs). These bring the irrigation beneficiaries together for an effective shaping of arrangements for operating and maintaining irrigation parameters. This is a particularly challenging effort when, for the first time, rural poor are being offered an opportunity to influence water use and the pricing to cover the cost of such water systems. Limits to the success of WUAs under IFAD-funded projects were recently documented by OE in its Thematic Study on Water Users’ Associations in IFAD Projects, January 2001.

43. **Sustainability.** Sustainability was a recurrent concern in most projects the team reviewed. Concerns were voiced with regard to the sustainability of agricultural credit components jeopardized by low repayments (e.g. in El Salvador, Ghana, Syria and Zambia), inadequate protection against inflation (e.g. Peru: Cuzco Arequipa Highlands Rural Development Project) and cost-recovery mechanisms, including water charges in irrigation schemes. For the projects covered under the review, the long-term viability of the credit component was an exception, unlike microfinance programmes, for which sustainability so far appears to have been very good<sup>12</sup>. The more general concern regarding sustainability

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<sup>12</sup> Rural microfinance found in India and Peru under the projects reviewed is exemplified by SHGs and women’s associations that collectively own their funds. They work directly through their members in the use of the group’s fund, with individual savings, interest and other earnings accumulating within the fund. A second, NGO-based approach is exemplified by the Grameen Bank in Bangladesh, with which IFAD was closely associated from its earliest days, and other similar NGOs. Financing is provided by donors and commercial banks, but owned by the NGO, which lends funds to the microcredit and savings groups. The review did not encounter the latter type of microfinance institution in the ten countries covered.

has been a too-early retreat by IFAD from a project before it stands sufficiently on its own feet, especially in institutional and capacity terms (analogous to the “infant industry protection” rationale). This may be the result of weaknesses in new CBOs and other institutions. But there is also a concern that production and income would not rise above a critical level that would prevent project beneficiaries from falling back into the poverty-cycle. More broadly, the dynamics of people moving out of and into poverty tends to be more complex and unforeseeable, given the many risks to which rural poor people are exposed.

44. Extension of support to CBOs and beneficiaries not able to stand fully on their own on project completion appears to require more attention for a number of projects during implementation. While formally this is left to the borrower or a related government or state entity, broader support may have to be organized as part of an exit strategy that is agreed well before IFAD’s funding comes to an end. This is particularly important because while funding is likely to be one of or possibly the most pressing constraint, for sustainability, social transformation is likely to be the crucial element. Such social transformation may be supported best by qualified NGOs in addition to government social services.

45. In a smaller country like El Salvador, IFAD’s presence may benefit from the interactions among a series of projects. One project may become, or will be viewed locally, as a model even after closing. IFAD’s 100% concentration of lending for projects in the southern highlands of Peru for over 15 years may provide similar long-term demonstration benefits – and perhaps not less important, learning for IFAD – that support project sustainability. The same is unlikely to be the case in a large country, or where projects have been distributed over much of the country, unless specific successes become more widely known, as was the case for SHGs in India.

46. Whatever the intra-country demonstration and continuity benefits, the ERT believes that in every project sustainability should be viewed against a critical assessment of the time needed for beneficiaries – and their supporting institutions – to make sufficient progress towards independence (within the context of prevailing and prospective government and private services in their area). This may well require, in some cases, a more extended implementation period.

47. As MDBs and other development assistance agencies have frequently pointed out in the light of their experience, there tends to be much value in the longer-term association, particularly with entities in developing countries that deal with complex and deep-seated social issues. IFAD’s situation differs to some extent in the sense that its projects are relatively small and more of a pilot nature. Thus the Fund will continue to face the difficult task of bridging the long-term development nature of many IFAD-funded projects with a relatively short association with these projects.

48. **Innovation<sup>13</sup> and replicability.** For IFAD to play its role as a catalyst in rural development, it has to demonstrate a willingness and intent to innovate, but also a capacity to assist in guiding a project idea

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<sup>13</sup> The Draft Agreement at Completion Point of the Evaluation of IFAD’s Capacity as a Promoter of Replicable Innovation cites a decision by IFAD senior management that “Innovation at IFAD is understood as a process by which IFAD, together with its partners, facilitates the development of improved and cost effective ways to deal with problems/opportunities faced by the rural poor through the projects and programmes it supports, and promotes their replication and scaling up. These encompass institutional and technological approaches as well as pro-poor policies and partnerships.” page 3, paragraph 1, box.

to the point that it is found replicable by government and other partners. This is not likely unless the latter consider the project eventually sustainable.

49. On innovation, the ERT found many instances in which IFAD has taken a commendable leadership role in devising new approaches. Among the innovations encountered in the review, the most salient ones related to building on local, grass-roots institutions and SHGs and finding improved ways to organize and empower the rural poor.

50. Given IFAD's unique position as a small, specialized IFI – the explorer, the test pilot, in search of new approaches on a relatively small scale – replicability is the final test. Some will say that getting an IFAD-funded project replicated by others (preferably on a larger scale) is part of IFAD's *raison d'être*. Ideally, replication is done by other rural poor under the demonstration effect of a project and does not require promotion by other organizations, whether public or private. But replication is not the same as copying a particular experience. First, there will always be some learning – indeed this is the reason for the piloting that IFAD is expected to do – even if the project were to be replicated under rather similar circumstances. Replication through (almost) identical projects is rare. On the other hand, the team found some cases where the best experience of an IFAD project was replicated. This has been true in India through various initiatives that build on the IFAD-tested SHG microfinance experience. It has been the case in Peru, where the World Bank uses a similar model of extending funding to farmers (generally better integrated into the market economy than the IFAD-supported rural poor) to contract technical services.

51. There is the potential for replication across IFAD. This appears to happen primarily within a country division that has similar contexts. It occurs in the same countries when a proven approach is applied in similar areas or a similar field. There is a danger, however, that replication takes the character of a follow-up project that helps to sustain an earlier project – that is of course not what was meant by replicability.

52. **Summing up rural poverty impact.** Among the eight dimensions through which this section has attempted to review the results and impact of IFAD-funded projects, there appear to be considerable variances in effectiveness. While recognizing the limitations of the review, the ERT found IFAD to have shown the most promising impact in its innovative approach to social capital and people empowerment, including the attention given to the rights of women in rural development. The Fund's impact in a post-conflict case (El Salvador) in rebuilding the social fabric in the project areas merits special mention. Similarly, IFAD has made major contributions to microfinance in rural areas. Results on physical assets and food security are also important though less outstanding. Considerable confidence appears to have been built up in various partners that IFAD-funded projects, especially the outstanding features, are well worth replication. This would also appear to be a sign of confidence in the eventual sustainability of these projects. The greatest challenge that IFAD will face in the years ahead is not only to ensure the sustainability of these gains among IFAD-funded projects but also to obtain an increased level of replicability.

## **B. Performance of Projects**

53. Under the guiding framework introduced in late 2001, IFAD uses three basic criteria to assess the performance of a project intervention: relevance of objectives; effectiveness in achieving stated objectives; and the efficiency with which the project was carried out. These criteria are widely recognized in the evaluation profession as capturing the essence of project performance. The evaluation reports available to the ERT, whether interim or completion evaluations, did not present the systematic approach

that IFAD now wishes to pursue. Moreover, there has been no rating system in place, as is now intended under the new framework, though an effort was made in completion evaluation reports to reach a conclusion as to whether project performance was satisfactory or not. This conclusion was at times couched in qualifications that made comparison of such conclusions difficult.

54. Given the small number of evaluative reports available and the difficulties in comparing their findings, the present review has focused on one area of project performance, namely on relevance when it comes to the targeting of the population selected under IFAD-funded projects. The review confirmed that IFAD has predominantly targeted its interventions, both financial and through policy dialogue, on the most disadvantaged populations of the world's rural areas, whether economically, ecologically or socially marginalized, e.g. indigenous peoples, the landless and rural women. The team noted that COSOPs emphasized the poverty dimension in the strategic selection of intended projects. This was then elaborated in much greater detail in the project documents, mainly the appraisal report. However, the information base for determining where the poorest rural population lives at times left something to be desired (e.g. in Syria) and thereby undermined the reliability of the intended targeting. In some countries, notably the United Republic of Tanzania and Zambia, targeting has been affected by a marked shift in strategic thinking about effective rural poverty reduction. After 1998, targeting has been based not so much upon direct support to the most disadvantaged, but upon the expectation that rural poverty reduction is best achieved in the long term through structural change by which successful farmers, through their individual access to credit, are enabled to expand their production and income further, while 'unsuccessful' farmers that are further marginalized become rural wage-labour or gradually leave agriculture. This change in targeting has led to changes in intervention and geographic coverage, drawing on the experience of previous interventions. At issue is the balance between deploying resources in pursuit of the undoubted, necessary benefits of growth in rural areas and addressing the needs of the most disadvantaged.

55. With the introduction of the COSOP document, IFAD has provided its decision-making bodies with a considerably strengthened basis for setting individual projects into a broader country context (though more limited efforts had already been made earlier through special programming missions). This has probably contributed to the apparently high relevance of projects in terms of both the country context and IFAD's own strategic directions. The preparation of the COSOP has also enabled IFAD to have a more informed dialogue with the government and many other partners on past achievements and future priorities.

56. Assessing project effectiveness, or the achievement of project objectives, has been the main focus of evaluation reports. The review suggests that in this area the ERT's task was not without problems. Where there were well-defined project objectives and a clear distinction of the measurement of inputs, outputs, (immediate) results and (eventual) impact, this clearly helped the OE in the preparation of its evaluation reports. This was not always the case. Moreover, the quality of monitoring and evaluation was found to vary significantly, and on the whole could clearly have been stronger (an experience reportedly shared with other IFIs).

57. As to project efficiency, most of the projects reviewed include some benefits and related costs that are difficult to quantify, whether in the areas of human asset formation, a project's effects on social capital and empowerment, or in the building up of institutions and changes in policies. IFAD needs to develop an analytical framework that captures the costs and benefits associated with innovative approaches, institution building and the creation of social capital, rather than relying on traditional analytical tools such as the economic rate of return.

### C. Performance of Partners

58. After a relatively short period in the 1970s and early 1980s when IFAD relied largely on project preparation and supervision by MDBs, it has since taken a clear lead role in helping borrowers and their partners in the development of most IFAD-funded projects. This evolving role of IFAD, the changing nature of the projects it is funding, together with the changes in the role of IFAD's partners, have all affected the demands on and the performance of partners. Consequently, the types of partnership range from contractual to informal relationships.

59. **Cooperating institutions (CIs).** Except for an experiment with direct supervision of 15 projects (which IFAD decided to undertake in 1997 and which it has committed to assess later in 2002), IFAD relies on CIs to supervise the projects it finances. In large part this is done through specialized services provided by the United Nations Office for Project Services (UNOPS), the remainder through various multilateral funding agencies. The ERT found that this system has worked unevenly across the different projects for which evaluation reports were available and/or that were visited under the review. On the whole the disbursement and procurement function has worked well, though, in the view of some borrowers, with some undue delays. The more challenging area for CIs was the provision of technical and institutional/policy advice during project implementation. There have been wide variations in this part of the supervision, ranging from highly positive (e.g. in various projects in India) to rather negative (e.g. as reported by OE and during the field visit in Peru). Among the factors cited for the differences in performance were distance/closeness of the supervising entity to the project and continuity in staffing, but primarily the capacity of supervisory personnel.

60. This is an important matter for the Fund, since, under IFAD financed projects, borrowers have every right to expect more than simply access to a loan account opened by an IFI. Innovation in project design is not limited to what happens during project preparation, but also to the challenges faced during implementation. This becomes even more important as IFAD's role goes beyond project financing and entails an effective policy dialogue with government. Observations from IFAD staff suggest that variances across different supervision teams affected borrowers' views of IFAD. Additionally, these variances impact the work of IFAD staff and determine the efforts required for follow-up and resolution of issues.

61. The review could not cover the relative strengths of CIs in adequate detail within its limited time frame and resources. However, the ERT did note one aspect: for budgetary reasons, the resources that IFAD puts into supervision through the CIs have been tightened to the point that the supervision of most IFAD-funded projects is done through only one full supervision mission per year, plus the normal project administration over the course of the year. This is clearly less than what most MDBs do. For instance, the World Bank normally carries out two or more missions per year and provides considerable project administration inputs from field offices. The forthcoming OE evaluation of IFAD approaches to supervision may touch on this aspect.

62. **Government and its agencies.** Given the undertakings reflected in IFAD loan agreements, the performance of the borrowing government and its agencies responsible for executing a project will be decisive in terms of ownership and management. The ERT found in its review of evaluative documents – and probably even more so during the face-to-face discussions in the field – that governments wish to play a highly positive role in the development and implementation of IFAD-funded projects. This, however, is not always automatic. Weaknesses in government services have been reported in some cases, e.g. in the selection of project staffing – a matter that IFAD clearly cannot overcome alone. In others,

when IFAD-funded projects are being used to introduce changes in institutions, including in decentralizing and delegating responsibilities traditionally held in the capital, resistance has at times been evident. IFAD staff have played an important role, as have CIs, in correcting such situations.

63. **Private partners (NGOs, CBOs and other private-sector entities).** The role of private partners in IFAD-funded projects has undergone major change as some project services or even the entire execution of projects (e.g. the India Livelihood Security Project for Earthquake-Affected Rural Households in Gujarat) have been provided by NGOs. This growing partnership with NGOs occurs in parallel with IFAD's shift towards participatory and community-based approaches and a more substantive involvement of women. Moreover, it appears that many innovations associated with current IFAD project approaches have resulted from interaction with NGOs.

64. IFAD and its partner NGOs/CBOs were found to have addressed two areas rather well: institution of women-centred rural finance systems for the poor, and of community-based natural-resource management systems. The second area is more complex, because it involves less-uniform community groups than women's associations and depends on an effective participatory preparation of local planning, subsequent management and implementation. Participatory planning requires a careful recognition of the extent of local knowledge and information. Some excellent progress in this respect was found in the Peru Management of Natural Resources Project.

65. In some projects, major NGOs have performed services that are normally provided by contractors. As with the latter, there have been mixed results, as for example in the Southern Province Household Food Security Programme and Smallholder Irrigation and Water Use Programme in Zambia. As a result of economic reforms in many member countries, much public-sector marketing and input supply structure has been dismantled. The rural poor have depended increasingly on private-sector services – and on technical services in the more limited cases where state extension services have been abolished. These situations have created new challenges for poor farmers in particular, and thus for IFAD. Many projects include efforts to improve marketing skills, especially for women. Cooperatives for the purchase of inputs and for marketing appear to have been few.

66. **Cofinanciers.** IFAD has consistently sought to enlarge the pool of financial resources that, in association with its own funding, would help finance projects for the rural poor. The effort in this respect has been significant and consistent. The success appears to have been more varied. Overall, cofinancing remains a major supplement to IFAD funding, adding about another 60% in the last two years to what IFAD lent. Annual variations in multilateral and bilateral cofinancing have been large, with the former continuing to provide, on average, about four to five times the level of the latter. A number of projects reviewed showed IFAD 'going it alone'. Incentives to encourage cofinancing from MDBs tend to be low, e.g. strategic gains that build on IFAD's comparative advantage have to be set against additional administrative complexity. Given the changes in the broader context of IFAD's special role referred to in the Introduction, it appears that the renewed interest in the rural poor since the mid-1990s has helped IFAD find cofinanciers. The review also found, in India and the United Republic of Tanzania, that in the view of the generally more decentralized bilateral development agencies, cofinancing was made more difficult by the lack of an IFAD field presence. Potential cofinanciers felt that at times IFAD presented cofinancing proposals too late for meaningful participation. In addition to IFAD and cofinanciers, the recipient government is the other partner whose policy on cofinancing may vary. Moreover, cofinancing may result from 'special situations'. For instance, the peace agreement in El Salvador in 1992 opened the way to very significant European Union and some other cofinancing. That situation – with multiple cofinancing vs. IFAD funding – created its own implementation problems and required a major IFAD

effort to help overcome a serious crisis between competing project managers. In most of the cases reviewed, however, cofinancing has been beneficial.

67. Cofinancing has been found to offer excellent opportunities for cooperation between financiers that are prepared to assist the rural sector. It facilitates a dialogue and resolution of differences in approaches, with the full involvement of the respective parties. Coordination with other financiers funding projects in the same sector/area without cofinancing is more difficult. Such coordination is particularly relevant where complex institutional and policy issues prevail and need to be addressed. There is no alternative to dialogue and coordination, based on careful analysis, where financing is made available from institutions that view a situation from different angles. This appears to have been the case in Armenia, where IFAD's approach was oriented towards generally smaller projects with specific poverty targets, while the perspective of the World Bank, which also lent to the irrigation sector, was reported to focus more on sector efficiency and production. Cofinancing appears to require careful consideration of the complementarities and divergences of priorities, approach and procedure between IFAD and other agencies. This observation on cofinancing takes into account the views expressed by both multilateral and bilateral development agencies.

68. **Beneficiaries**<sup>14</sup>. The performance of project beneficiaries is critical to the success of projects – and for their sustainability, it is paramount. Evaluation reports tend to be explicit on beneficiary performance. They recognize fully, for instance, the already-cited critical contributions made by women-centred SHGs in India, or the dynamic element introduced by some women's associations in Peru. Many lessons have emerged from the variances in beneficiary performance. The review suggests that IFAD could do more in terms of making beneficiaries 'spokespeople' for IFAD in successful cases (as in the El Salvador multimedia Letters from Chalatenango) and as sources of learning for IFAD where the intended beneficiaries did not perform as expected.

69. **IFAD**. IFAD's performance appears to have been strongest in two aspects: (a) linking project selection to past experience with IFAD-funded projects and to country strategy as delineated in COSOPs, and (b) facilitating stakeholder participation in project formulation. Moreover, the introduction of the logical framework has strengthened the clarity of purpose and the means to achieve stated objectives. The review found that project design and appraisal documentation tend to leave a desirable flexibility for adjustment in project implementation. However, this is probably a factor in the relatively slow start-up of project implementation that characterizes many IFAD-funded projects. The learning and feedback during implementation is no doubt hampered by the CI system and depends, like many other performance factors, on the initiative – and the apparently frequent overload – of the CPMs. Moreover, the review of documents has pointed to a need to strengthen the M&E system under IFAD-financed projects (clearly defining the inputs, outputs and results/impact to be monitored). Finally, one area for which the ERT did not have sufficient data, namely the audits of borrower/executing agency accounts, may also require further attention, not only in terms of a review of such accounts by CIs (to IFAD's satisfaction), but by taking action, including with regard to disbursements if found necessary.

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<sup>14</sup> The new guiding framework does not provide for a separate category of assessment for beneficiaries. See comment under "Impact evaluation methodology" in the next chapter.

### III. PROGRESS UNDER IMPROVED PROCESSES

#### A. Introduction

70. In recent years, IFAD has introduced a number of changes to its modus operandi with the objective of improving results and enhancing impact. These changes were expressed in the IFAD V: Plan of Action (2000-2002) that emerged from the process related to the Fifth Replenishment. IFAD management has periodically informed the Governing Council through progress reports. The ERT was asked to review the progress made under the Fund's implementation of the plan. The review of country/project documents and field visits provided an admittedly very limited insight into the actions taken – though of course not in any evaluation reports on past operations preceding the plan.

71. The team noted the evolution of the strategic issues covered in the Plan of Action under its four headings:

- general policy objectives;
- objectives relating to specific approaches and impact;
- complementary and replication objectives; and
- objectives relating to use of resources.

72. During its review of documents and the field visits, the ERT observed the incremental nature of much that the plan seeks to obtain. This is already evident in the way the plan states the recommendations under the above headings to achieve the respective objectives: “improve effectiveness of Fund approach to...poverty alleviation”, “build on Fund's comparative advantage [in]...policy dialogue”, “improve impact assessment”, “document innovative features”, “forge more strategic partnerships”, etc. True, there are some more-specific elements that are new, but, except under the “objectives relating to use of resources”, these are not for major categories. Thus the Plan of Action, as expressed in its own words, is a reinforcement of IFAD's evolving strategic directions.

73. A further sharpening of the context for IFAD strategies is evident from the *Strategic Framework for IFAD 2002-2006* submitted to the Seventy-Fourth Session of the Executive Board in December 2001. After assessing the situation of the rural poor in a changing world as well as IFAD's strengths, it sets forth three strategic objectives:

- strengthening the capacity of the rural poor and their organizations;
- improving equitable access to productive natural resources and technology;
- increasing access to financial assets and markets;

and closes with an emphasis on enhancing IFAD's catalytic impact – both in the field and in the international community.

74. Here again, the language is incremental, but at the same time it is more focused and seeking to achieve greater clarity on IFAD's goals, building on its strengths.

75. As evident from the findings reported in the previous chapter, the ERT was impressed by IFAD's efforts at country/project levels to introduce innovative approaches. The single most important factor seems to have been the latitude given to country divisions and, more specifically, CPMs that has enabled them to explore new avenues, through dialogue with governments and eventual project beneficiaries, and



to make IFAD responsive to new opportunities. This was the case in El Salvador, regarding post-conflict resolution in the context of rural reconstruction/rehabilitation; in Peru, when the first Fujimori administration abolished the traditional government extension service and there was a need for alternative approaches; or in India, when addressing women's lack of access to resources. The latitude given to CPMs could not be expected to have yielded consistently favourable results. But the process has significantly enabled them to push practice ahead of prescribed strategy at any given moment and affect its subsequent development. This important interaction between strategy and practice will have to be given continuous attention, so that strategy helps bring IFAD's successes to more poor people, while at the same time IFAD stimulates innovations that will enable its strategies to evolve further.

## **B. Policy Dialogue and Partnership**

76. **At the strategic level.** Within its limited time and travel, the ERT used the field visits to seek the views of as many stakeholders as possible, not only regarding the specific projects visited but also IFAD's role in policy shaping and partnership. Stakeholders included governments, United Nations agencies, CIs, NGOs and other civil-society organizations, and beneficiaries.

77. But the review lacked opportunities for discussions with donors and international development agencies at their headquarters, i.e. where their own institutional strategies are being developed and adapted over time. Thus, as to the measures that IFAD has taken relative to its policy dialogue and strategy development and that of other stakeholders, the review was based almost entirely on exchanges held with representatives of such agencies during field visits.

78. First and foremost, the review found that IFAD's activities were widely known among the immediate partners. The Fund's role was clearly appreciated for its unique focus on the rural poor. In this context, among IFAD's recent efforts, the *Rural Poverty Report 2001* was found of particular interest for future strategy development. There may have been questions on some aspects (e.g. why not more specificity on the nutritional situation, given the Fund's mandate in this area?), but the assessment and many of the conclusions were found helpful. The report seems to have provided a useful opportunity for exchanges among people interested in rural development. The question may be raised as to whether this document could evolve into a periodic assessment in which IFAD takes the lead but also gets greater input and support from other agencies.

79. Given the clear recognition of IFAD's knowledge of the development issues surrounding the rural poor, there are important expectations that IFAD participate in, and contribute to, poverty-reduction strategy paper (PRSP) and Comprehensive Development Framework/United Nations Development Assistance Framework (CDF/UNDAF ) processes. These activities will offer opportunities to IFAD to demonstrate its specialized capabilities in effectively addressing rural poverty. This will have significant implications for IFAD's future in-country presence – and for its budget.

80. The second area in which IFAD's contribution to partnership was most frequently mentioned was its innovative capacity. An image of IFAD as an institution that explores new approaches and is open to change was widely held among borrowing governments and NGOs, perhaps even more than in development agencies. Among the latter, voices were heard suggesting that IFAD's claims as to innovation and its impact may be overstated, particularly when it comes to broader impact (e.g. on a continent) that could only be demonstrated through large-scale replication of the relatively small IFAD-funded operations. Thus it seems important that IFAD-specific innovations become better known among interested partners – after having been carefully evaluated – beyond the individual country/project context.

81. An observation coming from one CI was that the CI partnership had been seriously affected by IFAD's budget crunch and had resulted in a substantially lower number of such CI-supervised projects. At the same time, this change was seen as having opened the opportunity for a more strategic partnership, unencumbered by the day-to-day problems of a CI relationship. But it also meant that IFAD and CIs should have periodic interchanges on the substantive content of the strategic partnership and be ready to discuss areas in which different perspectives may justify different approaches.

82. **At the country level.** The discussions held in Peru with some twenty agencies reflected both an extraordinary concentration of effort by the ERT on this aspect (made possible by the larger than usual team that visited that country) and the unique IFAD local presence, with the CPM being stationed in Lima (though he covers some other Latin American countries as well). The findings may provide some pointers for the future. IFAD clearly has a strong standing among its many partners. First among them, the Government left no doubt that it wished IFAD to play a key role in facilitating rural policy dialogue and strategy development. This facilitation should be directed both to coordination within the Government and among country donors/partners interested in rural poverty reduction. Second, the major innovation introduced in the early 1990s – to move from a supply-driven state extension service to a community-demand-driven system for technical services under an IFAD-funded project – impressed all partners and gave IFAD a widely accepted leadership role in addressing rural poverty in the populated southern highlands.

83. Nevertheless, despite the in-country presence and a highly proactive CPM, IFAD's visibility in Peru still appeared low to many partners. In volume, the IFAD programme pales in comparison with the other, bigger financial agencies. Carefully selected knowledge-sharing by IFAD and equally carefully selected dissemination of such knowledge, with special relevance to the country (exit workshops, brief and highly readable notes), would be widely appreciated. The other field visits to major IFAD borrowers, i.e. to India and Ghana, suggested that an in-country presence would be needed for closer policy dialogue and partnership than is now possible with a broader range of public and private agents involved in rural poverty reduction. The ERT was aware that the subject of an IFAD country-presence had been the subject of many discussions (as recently as February 2002 within the Evaluation Committee). These have included the alternative forms such a presence may take (cooperative arrangements with other partners, secondments to partners, etc.). In the light of its own findings, the ERT believes that such a country presence, on a selective basis, merits the Fund's careful further consideration.

84. COSOPs have developed into what is widely recognized as a useful instrument for a thorough discussion both inside IFAD and with the main partners in the country concerned. The ERT noted considerable benefits flowing from the process of COSOP preparation. The one area that could be strengthened, at least in some countries, is a more differentiated recognition, in past experience, of what has been working well and what not so well. Greater attention is suggested, in particular, to experience with project sustainability and to what precisely have been IFAD-related cases of replicability, incorporating the views of those who decided upon such replication. Country programme evaluations and the roundtable workshops that follow them appeared to make a highly desirable contribution on two levels. First, they provided a forum for policy dialogue with the government concerned and other partners, during which the strategic thrusts of the COSOP could be fed in, as in Syria, and, second, for ventilation and possible remedying of implementation issues that affected IFAD effectiveness, as in Mauritania.

85. **At the project level.** A point that IFAD staff raised frequently with the team was that their strength in taking up policy issues with governments was at the project level. Whether it was a question of access to water, land ownership for landless people, land titling, etc., staff felt that it was in the context of an

IFAD-funded project that they had a strong basis for addressing substantive issues, leading to dialogue and eventual policy changes at the national level.

86. It was also at the project level that there was no ambiguity about IFAD's partnership with beneficiaries. Indeed, the participatory approaches that the review found in most of the more recent projects helped to underpin an early partnership, starting out in the project preparation phase. Through these interactions IFAD has been able to develop a thorough understanding of the roles of different beneficiaries, not least the roles of women and special support to enable them to become fully effective partners in successful project implementation.

87. Finally, partnership at the project level has been critical in IFAD's search for cofinancing. During its initial period, IFAD was essentially a cofinancier with other multilateral development financing institutions. This has changed completely. As the Fund now initiates virtually all IFAD-funded projects, cofinancing depends on IFAD's effective search for funding partners. Thus there remains a constant need to nourish the partnership with IFIs as cofinanciers, even where the CI aspect is given less attention (see paragraph 66). The more IFAD is able to demonstrate leadership in effectively addressing rural poverty, the greater its recognition as a strategic partner – and no doubt a greater ease in finding cofinanciers, especially when it comes to MDBs.

### C. IFAD-Specific Approaches to Enhancing Impact

88. **Innovation and innovativeness.** The present review, including the field visits, confirmed that despite the challenges faced by the Fund due to its small size and distance from the field, it has succeeded in creating notable innovations in some of its projects. This is particularly true with regard to building social capital through support to the organization and empowerment of the rural poor, notably marginal farmers, the landless, indigenous people and women. The 2001/2002 OE evaluation of IFAD's capacity to promote replicable innovation made a number of recommendations in this respect. The evaluation examined areas in which the Fund has a promising niche for promoting replicable innovation, in terms of both approaches and technologies. It also reflected on the finding from a survey among IFAD staff that the institution, in its processes and structures, lacked support for innovation and that innovation in this situation takes place in a decentralized fashion.

89. The Evaluation Committee reviewed the OE study in February 2002 and agreed that the role of management was crucial in promoting innovation; it suggested that yearly assessments of staff should include innovation as an appraisal factor. The committee urged that senior management and the Executive Board take up the findings of the OE study and that they give practical follow-up. The ERT endorses these recommendations and wishes to confirm that, in its view, innovation has dimensions both of organizational culture and of individuals. It noted that many of the CPMs have been in their positions for long periods, enabling them to become thoroughly familiar with the country/ies concerned. Given the limited prospects for moving up in the hierarchy, it would appear useful that more opportunities be made available, and planning instituted, for staff rotation that offers both an effective transfer of knowledge across countries and regions and an exposure to new challenges.

90. **Scaling up, replicability and leverage.** This has turned out to be a priority subject of the present review. Indeed, as evident from the preceding chapter, the ERT did not believe it would be possible to consider the Fund's impact without a scaling up and replication of a significant part of IFAD-funded projects. In the cases found, the demonstrated success of new approaches and the ability to convey to partners the (net) benefits of such interventions have been critical. The processes instituted under the Plan of Action to make IFAD more effective in this area recognize these elements.

91. **Knowledge management.** The translation into reality of its goal to become a ‘knowledge organization on rural poverty’ (with a well-functioning knowledge management system), which was formulated in 1995, has not come easily to IFAD. There has been ad hoc participation in international knowledge conferences, the setting up of websites and databases, and the establishment of pilot thematic groups. By 2000, an interdepartmental working group had examined ways and means of introducing or strengthening knowledge collection, storage and sharing within IFAD and with outside partners. The IFAD V: Plan of Action (2000-2002) asked for operational guidelines by the spring of 2002 to facilitate documentation of innovations and the sharing of lessons learned. These were not yet available for the present review.

92. The ERT welcomes this effort – though a less hesitant approach might have been indicated. The review confirmed both a rich IFAD experience that merits broader conveyance and recognition and the desirability of a quicker, more responsive system of knowledge exchange with the outside world to address rural poverty.

#### **D. Improved Impact Assessment**

93. **Monitoring and evaluation at the project level.** Strong monitoring followed by rigorous independent evaluation are the basic building blocks for assuring quality control and maximizing results and impact. However, at present, M&E often begins only at the implementation phase and projects have started out without an adequate base line. This makes it difficult, if not impossible, to assess a project’s impact. The more recent projects, as presented in the President’s and appraisal reports, show a greater emphasis on the M&E system, and at times specific M&E components. However, the record on improvements in M&E is still to be established: the most recent completion evaluation reports seen by the present review do not evidence particularly strong M&E systems. The Fund evidently recognizes the problem. OE has prepared *Managing for Impact in Rural Development – A Guide for Project M&E*, which was the subject of a workshop in Rome, in October 2001, attended by various stakeholders including project directors, CIs and donors. OE and the Programme Management Department (PD) are jointly customizing the guide for use in the different geographic regions covered by the Fund. It will be distributed to IFAD-financed projects in the coming months, and thus its potential beneficial effects on project management and M&E cannot yet be seen.

94. IFAD has taken significant steps to set up regional networks of technical assistance, including the sharing of knowledge for M&E. These are reported to be in their early stages. The field visit in Peru provided an opportunity to see the Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean (PREVAL), the first of these networks, established under an IFAD grant for the development of M&E capacities in projects financed by the Fund. The ERT supports the further development of such networks, but also suggests that the Fund leave no doubt with CIs that their effectiveness in supporting and ensuring the success of M&E during project implementation will be an explicit, major measure in performance assessment.

95. **Annual progress report on the project portfolio.** The most recent report prepared by PD for the Seventy-Fifth Session of the Executive Board held in April 2002 showed a welcome evolution of this instrument. In particular, its focus had shifted from earlier reports that addressed mainly implementation issues, towards an attention to current and prospective project impact, although the assessment of implementation problems do remain, and should, a principal objective of the report. Moreover, the reporting on findings of project completion reports (PCRs) was a commendable addition.

96. The ERT noted that underlying the progress report is a major effort by the regional divisions to assess the state of the portfolio for each country and every project. This information on the state of project implementation and the issues faced on the various projects was invaluable for the team's field visits and for the countries covered by desk studies, though variances remained in the scope and depth of these portfolio assessments that ought to be reduced in the future.

97. The PCR findings, which the April 2002 Progress Report on the Project Portfolio summarized extensively, might in the future be presented in a matrix format. This would show the factors underlying the success, or lack thereof, on the critical issues identified in the various PCRs. This could strengthen the analysis of and distinction between the more and the less critical factors. As experience with PCRs will increase substantially in the next few years, it may be helpful to present some multi-year findings in order to broaden and firm up lessons learned, giving special attention to the critical aspects of scaling up and replicability. Such an effort may offer opportunities for some quantitative analysis with an assessment of aggregate results.

98. **Impact evaluation methodology.** OE has made major strides in developing a systematic impact evaluation methodology for its evaluations, particularly the completion evaluations. It has built this effort on IFAD's particular experience, while also drawing on the evaluation practices of others, mainly the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) and the MDBs. The fact that the ERT used the draft guiding framework in chapter II of the present review indicates its general recognition of the usefulness of this new framework.

99. The ERT particularly welcomes the careful attention given to the underlying factors and information needed to assess a project's rural poverty impact. This reflects a major effort towards development of the measurement needed for an assessment of IFAD's development impact. It also puts a great burden, correctly in the view of the team, on the establishment and functioning of M&E systems. In the past, these have been the Achilles heel because of the lack of critical performance data, resulting in incomplete and thus not fully reliable impact assessments. True, the verdict on the effectiveness of the draft framework is still out, since it is to be applied only from 2002 onward. Thus the team has not seen any project evaluation report for the ten selected countries that was prepared on the basis of the new guidelines.

100. The ERT noted that the framework draws the attention of evaluators to the problem of aggregation of ratings and the issues faced by the Fund because of its relatively small number of projects. Nevertheless, as IFAD experience with evaluations under the new guidelines grows, OE may find it useful to develop some aggregate feedback to IFAD management and the Executive Board.

101. **Dissemination, learning and utilization of information from improved impact assessment.** As the IFAD V: Plan of Action (2000-2002) itself makes clear, progress on this subject is tied to IFAD's efforts to bring the institution's knowledge management 'up to speed'. The ERT supports the pursuit of the proposed actions. It also sees an opportunity here for stimulating innovative approaches, in particular to make IFAD's major achievements accessible to a wider and fully relevant public. The Letters from Chalatenango (El Salvador) – especially the video version – may be a model.

## IV. OUTLOOK

102. The world's poor have remained concentrated in rural areas. Some 75% of them work and live there. Notwithstanding expected progress in income, some 50% are projected to still do so by 2035.<sup>15</sup> The Declaration of the Millennium Summit resolved that the proportion of the world's poor (rural and urban) be halved by 2015. The effort needed to achieve even this limited prospect will be enormous when viewed against the realities of the recent past: looking only at rural poverty, the rate of poverty reduction will have to be a multiple of what was achieved during the 1990s (for Africa alone the rate of poverty reduction will have to be six times the actual rate during that decade).

103. IFAD's experience has demonstrated that sustained rural poverty reduction depends on the poor seizing responsibility for their own development, but also that it is their partnership with government, NGOs and development institutions that promotes the conditions for them to work themselves out of the traditional poverty cycle. The role of IFAD has been that of a catalyst in understanding rural poverty, including the link with gender inequality, and in developing new approaches at the field level while contributing greatly to the rural poverty debate. In the view of the ERT, this role should be at least as important in the foreseeable future as it has been in the past.

104. The questions before the ERT related to the Fund's performance as evidenced by the results and impact of IFAD-supported activities. The team concludes that for the projects covered by the review, there was significant impact in some areas. Overall, the Fund left its mark both directly and indirectly in helping the mandated target group, the rural poor in its borrowing countries. A question remains: were the costs of achieving these results too high? or rather low? especially when compared with other IFIs? This question is beyond the scope of the present study. It is also very difficult to answer, since major factors affecting inputs/outputs and sustainable impact are hard to quantify: eventual sustainable success depends on a social transformation that frequently is not completed at the time IFAD closes a loan account.

105. For IFAD to continue, or even strengthen, the leadership role it has taken in the fight against rural poverty, the ERT believes that priority attention must be directed to the following main areas. Most of these are included the IFAD V: Plan of Action (2000-2002) and the *Strategic Framework for IFAD 2002-2006*. In the light of its findings, the ERT sees a virtuous cycle of an increased IFAD contribution, above all through emphasizing innovation that yields sustainable results. As long as there is successful innovation, IFAD will be able to sustain its leadership in the two areas that are vital to its future: shaping strategy and influencing partnership, and knowledge management.

106. **Innovation and sustainability.** Given IFAD's mandate as a development financing institution with a clear sectoral focus, it has a unique pioneer role in its defined field that can only be sustained with a continuous and eventually successful quest for innovation. This may range from entirely new approaches and techniques to the practical adaptation of existing ones to new situations. The participatory methods that IFAD has used may be expected to result in a dialogue with the principal project-related partners that makes the institution fully responsive to the needs of the rural poor.

107. The ERT welcomes the attention IFAD has given to innovation and urges a thorough follow-up to the recent OE study on the subject. Innovation can only be successful when its impact yields long-term benefits. Otherwise, it could even be counterproductive. This puts a special burden on ensuring that feedback mechanisms, as simple and focused as possible, are in place and functioning for eventual recognition. On technical as well as social issues, this tends to be best achieved through an independent

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<sup>15</sup> These figures are taken from the IFAD's *Rural Poverty Report 2001*.

peer review system. Innovation emerges from human capabilities and a supportive institutional environment. Marked contributions to innovation by any person, or group of persons, should therefore be highly recognized. When such innovation has its origin within IFAD – or through its staff interaction with partners – it is clearly up to the Fund to ensure proper recognition of its staff. Proven decentralized incentives should be encouraged even more. At the same time, however, a shift in incentives seems to be needed with regard to clear signals from the centre. As some staff noted in interviews during the present review, the only unambiguous, quantified incentive signal that management and the Board have given and for which there is close monitoring is the number and amount of loans approved.

108. IFAD has used its uniquely focused role in addressing rural poverty to encompass an increasingly wide spectrum of socio-economic factors that determine the well-being of the rural poor. As the discussion of unfinished business regarding gender mainstreaming showed (under “Impact on social capital and ‘people empowerment’” in chapter II), there remain important opportunities for improved gender relations (already pursued with some success in Asia and the Pacific and Latin America and the Caribbean) through ascertaining, possibly most importantly, that women have full access to and ownership of physical and financial assets. The empowerment and uplifting of rural poor communities, often still dominated by centralized government structures and large landowners supported by government, remains a critical area in search of innovative approaches. Agrotechnical innovations have yet to overcome important gaps in the technical packages, especially those for rainfed agriculture. In the recent OE study on the subject, the listing of the fields of opportunities for innovations gives a good summary of the breadth of the challenges for innovation.

109. **Strategy and partnership.** The ERT strongly supports the efforts that IFAD is undertaking or planning to strengthen its strategic role in the international context of assisting the self-realization of the rural poor. The *Rural Poverty Report 2001* and the underlying and complementary regional assessments were important steps towards gaining strength. (The fact that the latter were developed further into regional strategies is seen as particularly helpful in bridging the broad institutional strategies and the country-specific COSOPs). The ERT encourages IFAD to develop this leadership role further through periodically throwing a fresh light on new developments relevant to the rural poor – without necessarily advocating another annual report in competition with larger international institutions that have developed their ‘flagships’. IFAD’s leadership ought to be of critical importance for the PRSP and CDF/UNDAF exercises, though selectivity appears called for, especially in countries in which the additional knowledge that the Fund can convey is marginal.

110. **Knowledge management.** The rich experience available within IFAD, partially reflected in a wide range of material made available internally and/or externally, still needs to be brought into a knowledge management system. This is not so much a mechanical transmission belt for documentation. It is also more than simply increased dissemination of an improved evaluation system. IFAD needs to make full use, first, of its many knowledge-creation activities, while bringing in relevant external knowledge on rural development. Second, the Fund needs to have storage through its own data and knowledge bases, and with direct linkages into external data, so as not to duplicate what is available from others. In order to play its role in strategy and partnership, careful attention will be needed to the dissemination of knowledge. Influencing partners through these selected dissemination activities will eventually be the test of IFAD leadership in its field.

111. The ERT believes that knowledge management needs additional attention, with monitorable indicators of progress in the three areas indicated and involvement of the Fund’s management. This attention should cover the full range of activities from knowledge generation to its dissemination – so as to make IFAD the premier institution influencing the thinking and activities for overcoming rural poverty.

112. **Looking ahead.** The relevance of IFAD within the global effort of the international community in poverty reduction in general, and rural poverty reduction in particular, is not in doubt. But it must continue to maintain the clear niche in which it has acquired a unique comparative advantage. Demand for assistance to the large populations of the rural poor will continue for decades to come, leading to the question: will IFAD be able to play the role of premier international financial and development institution in its field – in which its partners look for continued and increased leadership? This depends largely on sustained progress in the areas discussed in this report. The team is also aware that this will only be possible if IFAD has at its disposal the necessary financial and human resources. IFAD is not unlike any living organism: if it is to carry out well its multidimensional tasks, it will need sufficient and continued nourishment that enables it to sustain the scope and quality of work its partners expect.





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**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Consultation on the Sixth Replenishment of IFAD's Resources – First Session**

Rome, 21 February 2002

**EXTERNAL REVIEW OF THE RESULTS AND IMPACT OF IFAD OPERATIONS**

**TERMS OF REFERENCE**

**A. Background**

1. At the meeting of the convenors of the three Lists held on 15 January 2002, it was proposed that the results and impact of IFAD operations be reviewed by a team of external experts as an input to the Sixth Replenishment of IFAD's Resources. The convenors underlined that this external review should not impinge on the scheduled date of completion of the Sixth Replenishment in 2002. For this purpose it was decided that the external review's report be discussed during the third session of the Sixth Replenishment meeting in July.
2. Assessing the impact and results of the Fund's operations has been a priority in IFAD for quite some time. However, IFAD has only recently put in place a comprehensive system for assessing and consolidating the results and impact of the operations it supports. In 2000 a number of measures were put in place, such as the new format for project completion reports and a revamped process for progress reporting on the project portfolio (which includes greater links between project performance and impact). Similarly, following a specific objective of the Plan of Action 2000-2002, in 2001 IFAD developed: (a) the New Methodology for Impact Evaluation, which will allow better, more consistent and consolidated impact assessment of a number of projects in the future and (b) a Practical Guide for Monitoring and Evaluation (M&E) at the Project Level, as part of a series of measures that aim to improve the quality and effectiveness of M&E in IFAD-supported projects.
3. The present document outlines how the task of undertaking and reporting on the outcome of the external review will be approached.

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## **B. Objectives**

4. The objective of the external review will be to report on (a) the results and impact achieved by IFAD-supported operations, and (b) the recently established methodologies and processes for assessing the results and impact of IFAD-supported projects and other changes introduced to enhance IFAD's focus on results.

## **C. Scope of the Review**

5. Given the very limited time period during which the external review is to be carried out, it will be necessary to be selective in delineating the scope of the review. This will set limits in particular regarding resource/time-consuming field investigations and other efforts to carry out independent validations.

6. In accordance with these objectives, the review covers the two interlinked areas related to the assessment of IFAD's results and impact and the processes designed to ensure that these results are being achieved. It will be based on review of documents, interviews with IFAD staff and partners and visits to a limited number of countries.

### **Review of Results and Impact**

7. The universe of evaluative reports available in IFAD consists of the following:

- (a) Programme Management Department ('self-assessment') reports, covering virtually all IFAD operational activities
  - Progress reports on the project portfolio
  - Supervision reports and mid-term reviews
  - Project completion reports
  - Country portfolio reviews
  - Impact assessments/case studies
  
- (b) Reports by the Office of Evaluation and Studies ('independent evaluation'), covering selected areas of IFAD operations
  - Corporate evaluations
  - Thematic evaluations
  - Country programme evaluations
  - Interim evaluations
  - Completion evaluations
  - Mid-term evaluations

The review will focus on reports issued since the beginning of 2000, but will also address relevant earlier reports.

8. Given the tight schedule, the review will select relevant reports from the foregoing universe. It will focus on eight to ten countries, reflecting the geographic distribution of IFAD-assisted activities and for which a significant information basis is available.

9. Consistent with the foregoing, the review will synthesize results and impact as documented in available evaluative reports and comment on utility, quality and internal consistency, though without independent validation through original research (including at the field level) or review of the documentation underlying such reports.



## Review of Improved Processes

10. During the last two to three years, IFAD has introduced a number of changes to its modus operandi with the objective of improving results and enhancing impact. These changes have flowed primarily from processes connected with the Fifth Replenishment and their operational expression in the Plan of Action. Notwithstanding the recentness of these initiatives, the external review proposes to examine these in the interests of being fully and properly up to date in its assessment. This will be done with a view to determining to what extent IFAD has indeed changed its operations in line with the Plan of Action and ascertaining whether or not there are discernible trends in the direction of attaining the objective of these initiatives. The focus will be on three areas: policy dialogue and partnership; IFAD-specific approaches to impact enhancement; and improved impact assessment.

11. With regard to the area of policy dialogue and partnership, the review will examine:

- (a) at the strategic level, measures taken affecting the relationship between IFAD policy and strategy development and that of other stakeholders, including, *inter alia*, governments, United Nations agencies, cooperating institutions, non-governmental organizations (NGOs), civil-society organizations and beneficiaries, and the roles of country strategic opportunities papers (COSOPs), participation in poverty-reduction strategy papers (PRSPs); and participation in the Comprehensive Development Framework/United Nations Development Assistance Framework (CDF/UNDAF) processes and other policy processes;
- (b) at the country level, what measures have been taken to link performance assessment with country resource allocation; and
- (c) at the project level, the extent and modalities of stakeholder involvement.

12. With regard to the area of IFAD-specific approaches to enhancing impact, the review will examine progress made with respect to the following key issues:

- (a) innovation and innovativeness;
- (b) scaling up, replicability and leverage; and
- (c) knowledge management.

13. With regard to the area of improved impact assessment, the review will examine progress made with respect to:

- (a) monitoring and evaluation at the project level;
- (b) annual portfolio progress report of the Programme Management Department;
- (c) impact evaluation methodology by the Office of Evaluation and Studies; and
- (d) dissemination, learning, and utilization of information from improved impact assessment.

14. The review's findings, conclusions and recommendations in these areas will be based upon assessment of the relevant documentation, interviews with appropriate IFAD staff, and selected field visits.



## D. External Review Team

15. The External Review Team will be composed of the following people drawn from evaluation departments of development agencies as well as IFAD Evaluation Committee members, who represent the three Lists:

- Chairman: Mr Niels Dabelstein, head of Evaluation Secretariat, Danish International Development Assistance, and Chairman of the Development Assistance Committee (DAC) Working Party on Aid Evaluation.
- Vice-Chairman: Mr Víctor Hugo Morales Meléndez, chairman of the Evaluation Committee and member from Mexico.
- Mr Adnan Bashir Khan, former member of the Evaluation Committee from Pakistan.
- Mr Lothar Caviezel, Executive Director for Switzerland and member of the Evaluation Committee.
- Mr Osvaldo Feinstein, manager, Operations Evaluation Department, World Bank.
- Prof Gabriel Lombin, member of the Evaluation Committee from Nigeria.
- Mr Rob van den Berg, director, Policy and Operations Evaluation Department, Dutch Ministry of Foreign Affairs.

16. The Office of Evaluation and Studies will act as secretariat for the External Review Team. The team will work independently and have unrestricted access to IFAD staff and documents as required.

17. The External Review Team will avail itself of the services of the following three consultants, to be recruited for this purpose:

- Mr Ian Jones, a freelance consultant in rural social and economic analysis, with emphasis on the structure and causes of poverty, target-group definition, gender and development, decentralization and local institution-building. He has worked principally with the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and IFAD.
- Ms Govind Kelkar, a freelance consultant in agricultural development, rural poverty-alleviation strategy and gender mainstreaming. She has worked with various international development organizations and the Asian Institute of Technology in Thailand.
- Mr Hans Wyss will head the team of consultants. He is a former World Bank director and was involved, *inter alia*, in the preparation of the study on “Harmonization of Operations Evaluation among Multilateral Development Banks” in 1998-99 and “The Assessment of IFAD Project Supervision Arrangements and Preparation of Proposals for their Management” in 1996.

18. The consultants will work in accordance with terms of reference set forth by the External Review Team and submit their report to the team. They will work closely with the team through electronic means as well as field visits and meetings.



## Timing and Calendar

19. The work of the External Review Team should be completed in time to submit its report for review at the third session of the Sixth Replenishment of IFAD's Resources. The box below summarizes the tentative calendar of events leading up to a full discussion of the external review report on 2-3 July 2002.

**14-15 February:** meeting of External Review Team and consultants in Rome to review and finalize the approach paper, terms of reference, etc., and in particular determine the key questions and issues to be addressed by the review and the selection of documents.

**21 February:** presentation by the team of the terms of reference of the external review to the first session of IFAD's Sixth Replenishment.

**16 February-6 May:** review of documents, joint consultants/team field visit, discussions with IFAD staff and partner agencies, writing of report and teleconsultation with review team.

**7 May:** dispatch of draft report to the team.

**15-17 May:** meeting of the team in Rome to discuss and finalize the report.

**20-27 May:** preparation of final draft and editing of the report.

**27 May:** dispatch of the report to IFAD management.

**3 June:** meeting in Rome with IFAD management.

**3-7 June:** finalization of the report.

**7 June:** IFAD management to provide independent response to be attached as an annex to the external review report.

**7 June:** dispatch of the final report to the IFAD secretariat for translation.

**10-18 June:** translation into the four official IFAD languages.

**19 June:** dispatch to participants of the replenishment session.

**2-3 July:** presentation of the report by the External Review Team and discussion of the report at the third session of the Sixth IFAD Replenishment.

## ANNEX II

## LIST OF COUNTRIES/PROJECTS VISITED

Country	Project	Visiting Team
Armenia	North-West Agricultural Services Project (NWASP). Completed. OE Completion Evaluation. Dec.2001	Victor Hugo Morales Melendez (ERT) Ian Jones (consultant)
Ghana	Rural Enterprises Project (REP). Advanced Implementation. OE Interim Eval. July 2000  Root and Tuber Improvement Programme. Advanced Implementation. Mid-Term Review, March 2001 (World Bank/IFAD)  Village Infrastructure Programme. Advanced Implementation. Mid-Term Review, May 2001 (World Bank/IFAD)  Upper-East Region Land Conservation and Smallholder Rehabilitation Project, Phase II. Beginning Implementation	Rob van den Berg (ERT) Ian Jones (consultant)
India	Mewat Area Development Project (Haryana State), Advanced Implementation  Maharashtra Rural Credit Project. Advanced Implementation (Closing in 2002)	Lothar Caviezel (ERT) Govind Kelkar (consultant)
Peru	Management of Natural Resources in the Southern Highlands Project. OE Interim Evaluation under preparation (Closing in 2002)  Development of the Puno-Cusco Corridor Project Beginning Implementation	Osvaldo Feinstein (ERT) <sup>1</sup> Gabriel Lombin (ERT) Hans Wyss (consultant)

<sup>1</sup> Conducted interviews in Lima while others visited projects, thus maximizing coverage of mission

