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Results achieved under IFAD VII and directions for results measurement under IFAD VIII

Consultation on the Eighth Replenishment of IFAD's Resources – Third Session Rome, 8-9 July 2008

For: **Review**

Note to Consultation members

This document is submitted for review by the Consultation on the Eighth Replenishment of IFAD Resources.

To make the best use of time available at Consultation sessions, members are invited to contact the following focal point with any technical questions about this document before the session:

Edward Heinemann

Programme Manager Action Plan Secretariat

telephone: +39 06 5459 2398 e-mail: e.heinemann@ifad.org

Queries regarding the dispatch of documentation for this session should be addressed to:

Deirdre McGrenra

Governing Bodies Officer telephone: +39 06 5459 2374 e-mail: d.mcgrenra@ifad.org

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Abbreviations and acronyms

ARRI Annual Report on Results and Impact of IFAD Operations

CMR corporate management result

COSOP country strategic opportunities programme

CPPMS Corporate Planning and Performance Management System

DAC Development Assistance Committee (OECD)

IEE Independent External Evaluation

IFAD VIII Eighth Replenishment of IFAD's resources

IFI international financial institution

KSF key success factor

KPI key performance indicator
MDG Millennium Development Goal
MfDR managing for development results

MFI microfinance institution OE Office of Evaluation

OECD Organisation for Economic Co-operation and Development

PCR project completion report PPR Portfolio Performance Report

RIDE Report on IFAD's Development Effectiveness RIMS Results and Impact Management System

RMF Results Measurement Framework

Executive summary

- 1. Better measurement and reporting of results achieved is a key element of IFAD's efforts to improve its development effectiveness. IFAD achieves, or contributes to, results at four levels: country progress in key development outcomes; IFAD's contributions to those outcomes; the operational effectiveness of its country and project activities; and its organizational effectiveness, i.e. its internal planning, management and monitoring systems, tools and processes. This paper reviews results at all four levels; describes how IFAD measures and manages them; summarizes key improvements in the Fund's performance since the 2005 report of the Independent External Evaluation of IFAD; and outlines IFAD's proposed approach to strengthening its results measurement system for 2010-2012, the period covered by the Eighth Replenishment of IFAD's resources (IFAD VIII) and to continuing to improve its development effectiveness.
- 2. Country progress in key development outcomes. Development outcomes at country level cannot be attributed to any single actor. However, as IFAD's goal is that poor rural people are empowered to overcome poverty, monitoring progress being achieved at the country and global levels relative to this goal is critical for its work. The development outcome indicators relevant to this goal focus on two broad areas. One is performance against the first Millennium Development Goal (MDG 1), the eradication of extreme poverty and hunger by 2015, particularly in the rural areas; the other is macro and agricultural sector performance. Section II reports on progress being achieved in each of these areas, and acknowledges the risks to the gains made posed by climate change and higher food prices.
- 3. **IFAD's contribution to development outcomes.** While success in achieving country-level rural poverty reduction cannot be attributed to IFAD operations alone, IFAD can and must assess its contribution, by considering the outputs and outcomes of its specific operations. The IFAD Strategic Framework 2007-2010 identifies six strategic objectives. These are improving poor rural people's access to: (a) land and water management, (b) agricultural technologies and production services, (c) agricultural markets, (d) rural financial services, (e) off-farm employment and (f) local planning and programming processes. All IFAD country programmes and all IFAD-supported projects are explicitly aimed at achieving one or more of the same strategic objectives. IFAD's Results and Impact Management System (RIMS) is used to aggregate the total outputs and outcomes associated with all ongoing projects under each strategic objective. Project completion reports, now prepared for all IFAD-financed projects, are illustrative of what IFAD tries to achieve throughout its portfolio. Results in these areas are described in section III.
- 4. Progress in enhancing IFAD's operational effectiveness. IFAD's ability to contribute to country-level outcomes depends largely on how it manages its operations to ensure relevance, effectiveness and efficiency. Results and indicators at this level are more closely linked to IFAD's own actions; therefore they are not only monitored, but they are also vital elements of IFAD's system for results management. IFAD's Results Measurement Framework (RMF) relies on six indicators to assess the quality, performance and impact of IFAD country programmes and projects at entry, during implementation and at completion. It will be fully implemented in 2008, but it already provides some data to chart IFAD's progress in improving its operational effectiveness. Using these data, section IV reports on the performance of IFAD's country programmes and IFAD-supported projects. It reviews their quality at entry, during

- implementation and at completion. It also reviews IFAD's performance against its commitments under the Paris Declaration on Aid Effectiveness.
- 5. Progress in improving IFAD's organizational effectiveness. The improvements in operational performance described in section IV have been made possible by a series of new organizational and programming tools, processes and systems, which have been developed and introduced since 2006 under IFAD's Action Plan for Improving its Development Effectiveness. Section V discusses some of the most important initiatives taken to improve IFAD's organizational effectiveness. It focuses particularly on: (a) IFAD's new operating model for project design and implementation support; (b) its work in mainstreaming innovation and knowledge management into its operations; (c) the steps taken towards improved human resource management and alignment; (d) the progress made in implementing results-based planning and management; and (e) the improvements made in IFAD's administrative efficiency.
- 6. **Strengthening results measurement under IFAD's Eighth**Replenishment period. IFAD's results measurement system for the Eighth Replenishment period, described in section VI, will be based firmly on what IFAD has already established and is implementing, while broadening this to make the system more comprehensive. It will cover all the four levels of results described above. Its primary purpose will be to enable IFAD to measure and improve its development effectiveness. The system draws heavily on and contributes to emerging international best practice; it will thus allow continued sharing of experience with other international financial institutions and development agencies.
- 7. The specific indicators to be measured, managed and reported will be finalized in the light of the outcome of the ongoing Consultations, the further development of IFAD's overall strategic approach to rural poverty reduction, and the emerging experience of using the current indicators for management purposes. The finalized indicators and, where appropriate, targets will be presented for the approval of the Executive Board in September 2009, prior to the start of the Eighth Replenishment period.
- 8. Through the Report on IFAD's Development Effectiveness (RIDE), the first edition of which was reviewed by the Executive Board in December 2007, IFAD already reports on its performance in terms of both operational and organizational effectiveness. IFAD proposes to use the RIDE as the basis for reporting against its evolving results measurement system. In 2008, the RIDE will report on all four levels of results for the first time.
- 9. **Issues for guidance.** The Consultation may wish to provide guidance on the following:
 - The overall approach to results measurement at all four levels;
 - The approach to results reporting, through the RIDE;
 - The process for finalizing and approving the indicators and targets, where appropriate, prior to the start of the Eighth Replenishment period; and
 - The inclusion of a framework for the results measurement system in the Report of the Consultation on the Eighth Replenishment of IFAD's Resources.

Results achieved under IFAD VII and directions for results measurement under IFAD VIII

I. Introduction

- 1. IFAD's overarching goal is that poor rural women and men in developing countries are empowered to achieve higher incomes and improved food security. As a way of focusing on measuring its results and achieving its goal, IFAD has adopted a managing for development results (MfDR) approach in its country programmes and projects and within the organization itself. The MfDR approach has underpinned the implementation of IFAD's Action Plan for Improving its Development Effectiveness. Prepared in response to the 2005 Independent External Evaluation (IEE) of IFAD, the Action Plan was approved by the Executive Board in December 2005 as "the principal vehicle for change in IFAD over the Seventh Replenishment period". Better measurement and reporting of results achieved is a key element of IFAD's efforts to improve its development effectiveness.
- 2. The principal foundations of the Fund's current results system are the IFAD Strategic Framework 2007-2010 and its Results Measurement Framework. The former encapsulates IFAD's medium-term development objectives and the thematic areas of its work, while the latter identifies measures to track IFAD's progress towards its objectives, with targets for 2010 agreed with the Executive Board. IFAD's performance is reported annually through the Report on IFAD's Development Effectiveness (RIDE), the first edition of which was reviewed by the Executive Board in December 2007. The RIDE draws on a wide range of sources to report on performance in terms of both development and organizational effectiveness. Among these are the Portfolio Performance Report (PPR) prepared by Management, and the Annual Report on Results and Impact of IFAD Operations (ARRI), prepared by the independent Office of Evaluation (OE). The executive summaries of the RIDE, PPR and ARRI are shown in annexes II, III and IV.
- 3. This report is divided into five main sections. Sections II to V report on both the results measurement system that IFAD has established and the results that IFAD has contributed to and achieved to date. They cover country progress in key development outcomes (section III); IFAD's contributions to development outcomes (section III); its operational effectiveness, in terms of its country programmes and project activities (section IV); and its organizational effectiveness, in terms of its internal planning, management and monitoring systems, tools and processes (section V). Section VI looks to 2010-2012, the period covered by the Eighth Replenishment of IFAD's resources (IFAD VIII), proposing an outline for a comprehensive results measurement system for that period that would bring together, and build upon, the current elements, and allow for fine-tuning, where necessary, to respond to lessons learned.

II. Country progress in key development outcomes (level 1 results)

4. Development outcomes at country level occur beyond the control of any single development agency and are a product of collective action – related to both investments and policies – over sustained periods of time. However, as IFAD has defined its development goal as being that poor rural people are empowered to overcome poverty, monitoring progress being achieved at the country and global levels towards this goal is critical for its work. The development outcome indicators relevant to this goal focus on two broad areas. One is performance against the first Millennium Development Goal (MDG 1), the eradication of extreme poverty and

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hunger by 2015^1 – particularly in rural areas; and the other is macro and agricultural sector performance. Results against selected indicators are shown in annex I.

- 5. Between 1990 and 2004, considerable progress was made in reducing income poverty: the proportion of extremely poor people (those living on less than a dollar a day) dropped from 28 to 19 per cent of all those living in the developing world, while their absolute numbers also fell from 1.25 billion to 970 million. Less progress has been made in reducing food insecurity and child hunger, however: the proportion of undernourished people declined only marginally during the period, from 20 to 17 per cent, and the proportion of underweight children under five from 33 to 27 per cent.
- 6. The global figures mask enormous regional differences. Rapid economic growth in East Asia particularly China has helped reduce the proportion of those living on less than a dollar a day from 30 per cent in 1990 to 9 per cent in 2004. Good progress has been made in South Asia as well: the proportion of people living in poverty has fallen from 43 to 31 per cent, although the proportion of underweight children under five remains unacceptably high at 46 per cent. Other regions saw less progress. In sub-Saharan Africa, the proportion of people living in poverty declined from 47 to 41 per cent; in Latin America, from 10 to 9 per cent; and in Eastern Europe and Central Asia, it actually increased slightly. Without major additional efforts, MDG 1 will not be met in many of the poorest developing countries.
- 7. The challenge is greatest in sub-Saharan Africa. While economic growth rates have averaged over 5 per cent for the last three years, this is not yet resulting in substantially reduced rates of poverty and hunger; the number of people living on less than a dollar a day actually increased by 58 million between 1990 and 2004, reaching around 300 million. Sub-Saharan Africa accounts for 31 per cent of the world's extremely poor a proportion that is increasing as the rest of the world gets richer and for fully three quarters of the world's "ultra poor": 120 million women and men who struggle to live on 50 cents a day or less.
- 8. Although agricultural growth rates are increasing in many countries particularly those in which poverty is most pervasive poverty rates in rural areas remain high, typically higher than in urban areas. Thus global poverty remains overwhelmingly rural, and will continue to do so in the foreseeable future. Three quarters of the extremely poor people in developing countries some 720 million people live in rural areas; ² of these, almost three quarters live either in South Asia (around 330 million) or in sub-Saharan Africa (some 200 million). Child malnutrition too is far higher and more intractable in rural areas. Indeed, in parts of South Asia and sub-Saharan Africa, the absolute numbers of malnourished children have almost certainly increased.
- 9. Two new factors, climate change and higher food prices, threaten to reverse the gains that have been made. They are likely to result in massive uncertainty, upheaval and change for the agricultural sector in many developing countries. They may bring new opportunities for some, but they will also create significant risks and dangers, and may push vast numbers of rural people ever deeper into poverty.

¹ The IFAD Strategic Framework 2007-2010 focuses on MDG 1; however, it is anticipated that IFAD's activities may also contribute to the achievement of other MDGs, particularly MDG 3, to promote gender equality and empower women; MDG 6, to combat HIV/AIDS, malaria and other diseases; and MDG 7, to ensure environmental sustainability.

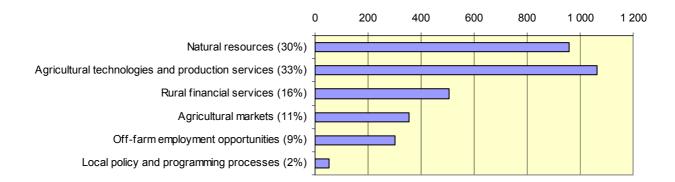
² These figures are projections based on data in S. Chen and M. Ravallion, Absolute Poverty Measures for the Developing World, 1981-2004 (Washington, D.C., World Bank, 2007).

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III. IFAD's contribution to development outcomes (level 2 results)

- 10. Efforts by many actors, including principally national governments and local communities, are required for success in achieving country-level rural poverty reduction. For this reason, such success can never be attributed to IFAD operations alone. IFAD serves as a catalyst, a partner and even a leader in rural poverty reduction; its mission is to be an important contributor to rural poverty reduction on a global scale. As such, however, it needs to be able to assess its contribution by considering the outputs and outcomes of its specific operations.
- 11. The IFAD Strategic Framework 2007-2010 identifies six strategic objectives for the Fund's work. These are improving poor rural people's access to: (a) natural resources land and water; (b) agricultural technologies and production services; (c) rural financial services; (d) agricultural markets; (e) off-farm employment opportunities; and (f) local policy and programming processes. The Strategic Framework provides the parameters for the development of results-based country strategic opportunities programmes (COSOPs). All COSOPs focus on the achievement of a limited number of these strategic objectives; and within the country programmes, all IFAD-supported projects are explicitly aimed at the achievement of one or more of the same strategic objectives.
- 12. Figure 1 below provides an overview of IFAD's total ongoing investment portfolio by strategic objective. Of a total portfolio of US\$3.2 billion (as of end-2007), 33 per cent over US\$1.1 billion is dedicated to projects focused primarily on improving the access of poor rural people to improved agricultural technologies and production services, and strengthening their capacities to take advantage of these. Loans and grants aimed at improving poor rural people's access to, and management of, land and water are worth almost US\$1.0 billion and make up a further 30 per cent of IFAD's total portfolio. The other four strategic objectives improving access to rural financial services, markets, off-farm employment opportunities, and local policy and programming processes (typically decentralization and community-driven development projects) make up the remaining 38 per cent.

Figure 1
Ongoing IFAD loan and grant portfolio (millions of United States dollars), by strategic objective



13. The remainder of this section provides a short review of each of the strategic objectives, supported by selected examples of the outputs and outcomes of IFAD operations. It is based on two main data sources. The first is IFAD's Results and Impact Management System (RIMS), which measures and aggregates results in

terms of project outputs and outcomes, based on data submitted to IFAD by the projects themselves. The RIMS data presented are not of consistent quality across all projects, but taken together they provide estimates of the total outputs and outcomes (those most easily aggregable) associated with all ongoing projects as at December 2006. The data are drawn from the reported results of 105 projects, i.e. just over 50 per cent of the total portfolio.

14. The second data source is the project completion report (PCR), prepared for every IFAD-financed project. The PCRs cited are from those submitted to IFAD between 2006 and 2008, for projects that closed in the 2005-2007 period. The project examples should not be construed as being statistically representative of IFAD activities, but rather as illustrative and reflective of what IFAD tries to achieve throughout its portfolio. They focus principally on the outputs and outcomes achieved, although some also touch on experiences in key areas such as innovation, learning and scaling up, and sustainability.

A. Natural resources

15. IFAD-financed projects in support of this strategic objective improve the access of poor rural people to productive natural resources, the security with which they can use and hold these resources, and the practices they use to manage and conserve them. The projects typically cover areas such as land tenure reform, development and rehabilitation of irrigated lands, soil and water conservation, and community management of common property resources. Project outputs included the construction or rehabilitation of 142,000 ha of irrigated lands, benefiting 139,000 farmers; and the forming or strengthening of over 10,000 farmers' groups – typically water users' associations that enable farmers to play a key role in scheme management and maintenance. Some 69,000 farmers were trained in a range of soil and water conservation measures, resulting in the improvement of 176,000 ha of farmland. About 3.2 million ha of land were held under improved, generally community-led, management of common property resources such as grazing land or forests.

Table 1

Outputs in natural resources

Indicator	Unit	Quantity
Farmers working on rehabilitated/new irrigation schemes	Number	139 000
Irrigation groups formed/strengthened	Number	10 000
Irrigated area developed/rehabilitated	На	142 000
People trained in soil and water conservation measures	Number	69 000
Land improved through soil and water conservation measures	На	176 000
Common property resources sustainably managed	На	3 202 000

- 16. Indigenous peoples represent an important part of IFAD's target group, particularly in Latin America and the Caribbean and Asia and the Pacific. The IFAD-supported Sustainable Development Project by Beni Indigenous People in Bolivia was the first project supported by an international financial institution (IFI) to target Amazonian indigenous peoples directly. Through this highly participatory project, the indigenous people received titles for 1.3 million ha of land. This not only contributed to the conservation of the natural resource base, but it also enhanced communities' ability to negotiate with local and national authorities on the commercial exploitation of forest flora and fauna. Some 157 indigenous communities, or 16,000 people, directly benefited.
- 17. The Agriculture Infrastructure Development Project in Lebanon supported the terracing of land previously used for cereal cultivation. Water retention was improved and run-off reduced. This, plus supplementary irrigation, allowed

5,800 small farmers to change their production systems and cropping patterns, and increase their yields. Five years into the project, they were using 75 per cent of their land for more profitable crops such as vegetables, olives and fruits.

B. Agricultural technologies and production services

18. IFAD-supported projects with a focus on this strategic objective promote the development and dissemination of improved agricultural technologies; the emergence of demand-driven production services; and an improvement in poor farmers' ability to access and use these technologies and services and to hold service providers accountable to them. IFAD-supported projects trained some 3.5 million people, and strengthened, or helped farmers to form, 12,000 agricultural extension groups. Over 1.5 million people were regularly able to access technical advisory services, and one third of them reported increases in yields or production.

Table 2
Outputs in agricultural technologies and production services

Indicator	Unit	Quantity
People trained	Number	3 509 000
Agricultural production groups formed/strengthened	Number	12 000
People accessing technical advisory services	Number	1 508 000
Farmers reporting production/yield increases	Number	544 000
Farmers reporting increased herd sizes	Number	18 000

- 19. Increasing the agricultural productivity of small farmers is a particular priority in sub-Saharan Africa. The extension services component of the Participatory Irrigation Development Programme in the United Republic of Tanzania trained village extension officers in the farmer field school approach. Farmers who had been through a farmers field school then trained other farmers, sharing knowledge and best practice that then translated into increased yields. By programme completion, 71 per cent of the villages covered reported having access to extension services, compared with 40 per cent at start-up. Under the Root and Tuber Improvement Programme in Ghana, farmers increased the area they planted to improved cassava varieties, boosting their yields by over 100 per cent. Farmers' yields of improved sweet potato varieties also increased by 100 per cent compared with the local varieties.
- 20. In Bhutan, through the Second Eastern Zone Agricultural Programme, 23,000 farmers adopted improved agricultural technologies and practices for cereal and vegetable cultivation, resulting in significant increases in yields (between 65 and 77 per cent) and farm productivity. Kitchen gardening was introduced, and at mid-term review 60 per cent of households reported either being food self-sufficient or having a surplus, up from 48 per cent prior to the programme. The lessons learned through the programme made an important contribution to the formulation of Bhutan's Ninth Five-Year Plan.
- 21. IFAD's support to the members of the Consultative Group on International Agricultural Research (CGIAR) has contributed to the substantial results that they have achieved. One of many examples is its support to the Africa Rice Center (WARDA) for their work in developing and disseminating improved rice varieties based on NERICA (New Rice for Africa). With 25 to 250 per cent yield gains, these new varieties offer enormous promise for rice producers in the subregion. WARDA's initial breeding work was supported with the assistance of Japan and the United States; IFAD support enabled WARDA scientists to take the improved rice varieties to farmers' fields. In five major rice-producing countries in West Africa, scientists and farmers worked together to tailor the new rice varieties to farmers' needs. With demand growing rapidly, participatory varietal selection processes are now occurring in 17 West and Central African countries. In Guinea, for example, some 116 farmers

had completed the on-farm trials in 1997; by 2003, some 25,000 small farmers were growing NERICA.

C. Rural financial services

22. IFAD supports the development of a range of financial institutions providing services to poor rural people, and helps build their capacities to access the services and use them productively. Much of IFAD's work has focused on building sustainable institutions, and today 121 IFAD project-supported microfinance institutions (MFIs) report their operational and financial performance on the MIX Market, a global, web-based, microfinance information platform (http://www.mixmarket.org/). The projects also trained about 3,000 MFI and bank staff, and formed or strengthened 24,000 community-level financial institutions such as village savings and credit associations, self-help groups, and savings and credit cooperatives. Membership in these organizations amounted to approximately 200,000 poor rural people – the majority women. IFAD-supported projects as a whole are estimated to have served 1.3 million active borrowers, with an average loan size of US\$480, and 5.5 million savers, with average deposits of US\$200.

Table 3

Outputs in rural financial services

Indicator	Unit	Quantity
Staff trained	Number	2 900
Financial groups formed/strengthened	Number	24 000
People belonging to groups	Number	197 000
Active borrowers	Number	1 329 000
Active savers	Number	5 531 000
Average loan	US\$	480
Average deposit	US\$	200

- 23. The Microfinance and Marketing Project in Benin led to the creation of 100 financial services associations, which enabled more than 42,000 poor rural people to access credit. This allowed them to improve their food security, and with higher incomes (average 62 per cent higher) they were able to improve their housing conditions and to send their children to school (between 1999 and 2005, the school enrolment rate in the project area rose from 35 to 65 per cent). The project also supported the creation of a microfinance unit within the Ministry of Finance and (jointly with the World Bank and the United Nations Development Programme) the establishment of a national microfinance policy.
- 24. The Ha Tinh Rural Development Project in Viet Nam established a credit programme targeted at women. Almost 2,600 savings and credit groups were established, with some 27,000 members, two thirds of whom were poor women. Over 55,000 loans worth US\$5.2 million were disbursed, above all to finance small livestock production. Repayment was virtually 100 per cent. Through the credit programme and other activities, the project contributed significantly to reducing the poverty rate in 137 communes from 46 per cent in 1999 to 15 per cent in 2004.
- 25. The Kenya Women's Finance Trust (KWFT) is an MFI to which IFAD, working closely with the Belgian Survival Fund, has provided substantial technical and financial support. During the 1990s, KWFT grew to be the largest NGO-based MFI in Kenya, with almost 29,000 active members and a high-quality portfolio exceeding US\$3.4 million, issued solely to low-income, mostly rural, women clients. By 2007, it had 139,000 outstanding loans, worth US\$47 million, and had achieved a financial self-sufficiency of 106 per cent. The next steps for KWFT are to convert itself into a deposit-taking MFI, operating under the supervision of the Central Bank of Kenya, and to expand its membership further, to a targeted 250,000 by 2011.

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D. Agricultural markets

26. IFAD-supported projects in this area promote the development of competitive and extensive private-sector-led markets for agricultural inputs and products; and strengthen the capacities of poor rural producers and their organizations to have access to and negotiate with market intermediaries. In this relatively new operational area for IFAD, 11,000 enterprise or marketing groups were formed or strengthened, with a membership of 53,000 people; 800 marketing facilities were rehabilitated or constructed; and 16,000 km of roads were constructed to strengthen rural communities' links to markets.

Table 4

Outputs in agricultural markets

Indicator	Unit	Quantity
Marketing/enterprise groups formed/strengthened	Number	11 000
People belonging to groups	Number	53 000
Marketing facilities constructed/rehabilitated	Number	800
Roads constructed/rehabilitated	Km	16 000

- 27. Under the Rural Development Project for the North-eastern Region in El Salvador, rural producers and San Miguel's municipal authorities worked together to set up weekly markets, managed by the producers' organizations themselves, for a range of agricultural and livestock products. At project completion, the producers had developed commercial relations not only with the informal regional market, but also with a variety of supermarkets. Almost 60,000 people benefited from the project.
- 28. Two programmes in Southern Africa are examples of a new generation of IFAD-supported activities in this area.³ The Smallholder Enterprise and Marketing Programme in Zambia, working with private-sector partners, established a short messaging system (SMS) market information service, which provides up-to-date buying prices for 14 commodities. Two years later, 21,000 smallholder farmers and 150 buyers were using the system. In a user survey, over 80 per cent of farmers reported that the service made it easier to compare prices, find buyers and negotiate better prices, and that they were all more aware of issues of quality, quantity and timing. The service has now been mainstreamed: it is managed by the Zambia National Farmers' Union on behalf of its members, and it is commercially sponsored. A study is currently being carried out to see how the service can be replicated in neighbouring countries.
- 29. The PAMA Support Project in Mozambique has helped develop marketing groups as a way of enabling farmers to improve their access to produce markets. By 2007, the programme had worked with 350 groups, which together had over 11,000 members, a quarter of whom were women. Through intensive business training, group facilitation and literacy training of particular importance to the women members groups are assisted in entering into marketing contracts with local agribusiness companies and in negotiating better prices (up to 11 per cent higher than those paid to non-group members). The programme has also rehabilitated 450 km of access roads, contributing significantly to building local markets: transport availability has improved by over 60 per cent and the average distance to a pick-up point for farmers and traders has declined by 50 per cent.

³ PCRs have not yet been conducted for the Smallholder Enterprise and Marketing Programme in Zambia and the PAMA Support Project in Mozambique. The information provided here is sourced from project progress reports.

E. Off-farm employment opportunities

30. IFAD-supported projects in this area promote the development of off-farm, agro-related microenterprises and small businesses as a basis for enhanced rural growth and employment opportunities for poor rural people. With project support, 75,000 rural microenterprises and small businesses were established/strengthened (while many more income-generating activities were also supported).

Table 5
Outputs in off-farm employment opportunities

Indicator	Unit	Quantity
Enterprises established/strengthened	Number	75 000

31. The Rural Finance and Small Enterprise Development Project in Moldova assisted in the expansion of some 411 microenterprises and small businesses, creating 6,000 jobs and providing commercial services for agricultural production, marketing and processing to an estimated 56,000 farmers. The Rural Women's Development and Empowerment Project in India enabled participants to take up income-generating activities by improving their access to credit, skills training, technology transfer and technical support, and by promoting market linkages. Some 17,700 women's self-help groups were created, 75 per cent of which accessed credit. Participants took up a range of on- and off-farm activities, individually or in groups, which enabled them to increase their incomes by as much as 60 per cent, and to reduce their dependence on wage labour substantially. The project experience triggered changes in the Government's National Women's Empowerment Programme across all 25 states.

F. Local policy and programming processes

32. IFAD-financed projects in this area promote inclusive policy and budgetary processes for agriculture and rural development that give space to poor rural people and also strengthen their capacities to participate effectively in these processes at local and national levels. Projects trained almost 480,000 poor rural people; and some 40,000 village or community groups, with a membership of around 840,000 people, were formed or strengthened. As a result, 12,000 village or community action plans were prepared, and some 15 per cent of them have been included in local government plans.

Table 6
Outputs in local policy and programming processes

Indicator	Unit	Quantity
People trained	Number	478 000
Groups formed/strengthened	Number	40 000
People belonging to groups	Number	842 000
Village/community action plans prepared	Number	12 000
Community action plans included in local government plans	Number	1 800

33. The Village Communities Support Project in Guinea was one of the first community-driven development projects designed and cofinanced by IFAD and the World Bank, providing the basis for a close partnership between the two organizations in West Africa. The project helped the Government implement its decentralization policy by kick-starting a process of transfer of power to local communities. Its main achievement was to build the social capital of rural communities and strengthen their capacities to define their own investment priorities, plan and budget, and interact effectively with government and other development partners. As a result, almost half of the rural development

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communities of Guinea are now capable of establishing local-level development and investment plans.

IV. Progress in enhancing IFAD's operational effectiveness (level 3 results)

- 34. IFAD's ability to contribute to country-level outcomes is in large part dependent on how it manages its operations to ensure relevance, effectiveness and efficiency. While section III provided a summary of the results IFAD-supported projects have achieved, this section provides an assessment of how well those projects have performed. Results and indicators at this level are more closely linked to IFAD's own actions; therefore they are not only monitored, but they are also vital elements of IFAD's system for results management.
- 35. It is at this level that IFAD has made most progress in measuring results to date. This finding originates from the IEE, which measured IFAD's operational effectiveness against a range of indicators. The results contained in that report provided the baseline against which IFAD established a series of targets for improved performance to be achieved under the Action Plan. Progress against these targets, and improvements relative to the performance found by the IEE, are reported to the Executive Board in the RIDE, the executive summary of which forms annex II of this document.
- 36. IFAD's Results Measurement Framework (RMF), approved by the Executive Board in September 2007, relies on six indicators to assess the quality, performance and impact of IFAD country programmes and projects at entry, during implementation and at completion. In line with the methodology used by OE (and by comparable organizations), a six-point scale is used to assess the success of IFAD-supported programmes and projects in achieving the results measured by the indicators. Scores in the 4 to 6 range are considered satisfactory.
- 37. The RMF is a new initiative, and the data collection systems on which it depends are currently being mainstreamed into IFAD's business processes. It will be fully implemented in 2008; nevertheless, it is already possible to provide data to chart IFAD's progress in improving its operational effectiveness. Table 7 provides an overview of the RMF and the results achieved to date.

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⁴ The six indicators measure performance against the IFAD Strategic Framework 2007-2010. They correspond in part to the indicators used to measure progress against the targets of the Action Plan (which predates the Strategic Framework).

Table 7
Assessing operational effectiveness: IFAD's Results Measurement Framework

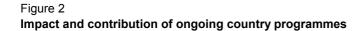
Indicator	Stage in cycle	% moderately satisfactory or better (4 to 6)
Country programme-related indicators		
Percentage of country programmes rated 4 or better for	At entry	-
(projected) contribution to (a) increasing the incomes, (b) improving the food security, and (c) empowering poor	During implementation	85
rural women and men	At completion	-
Percentage of country programmes rated 4 or better for	At entry	-
adherence to aid effectiveness agenda	During implementation	79
	At completion	-
Project-related indicators		
Percentage of projects rated 4 or better for (projected)	At entry	67
effectiveness in one or more thematic areas of engagement	During implementation	88
	At completion	78
Percentage of projects rated 4 or better for (projected)	At entry	76
impact on measurements of poverty among the target group, such as (a) physical and financial assets, (b) food	During implementation	67
security, (c) empowerment, and (d) gender equality	At completion	70
Percentage of projects rated 4 or better for innovation,	At entry	77
learning and/or scaling up	During implementation	80
	At completion	65
Percentage of projects rated 4 or better for sustainability	At entry	61
of benefits	During implementation	77
	At completion	63

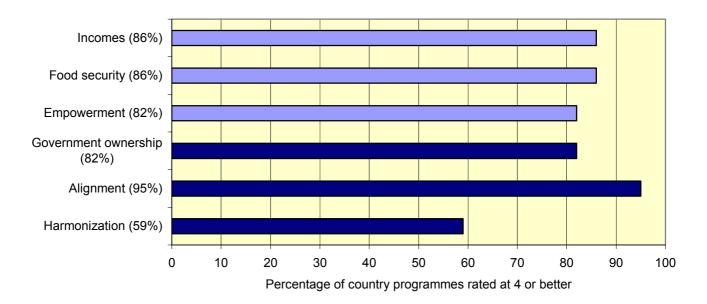
38. The remainder of this section provides a summary of the results achieved to date. Using RMF data, the first two parts focus on IFAD's country programmes and on the projects that the Fund finances within those country programmes. The third part reviews IFAD's results against the partnership commitments of the Paris Declaration on Aid Effectiveness, which shape the context within which country programmes and projects are designed and implemented. The review is supported by data drawn from the 2006 survey on monitoring the Paris Declaration conducted by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC)

A. IFAD country programmes

- 39. **Quality at entry.** Measurement of country programme quality at entry started only in 2008, following the development of a new process for enhancing and assessing COSOP quality, and thus no quantified data are yet available. However, early informal assessments suggest that the results-based COSOPs have, above all, helped to build national ownership of the strategic programme, and to ensure alignment with country priorities and IFAD's strategic objectives. COSOPs have focused attention both on enhancing the performance and impact of the ongoing project portfolio, and on identifying new investment opportunities. They have also helped to promote a country programme approach in which all projects, partnerships and policy dialogue not only work together to create synergies, but also are increasingly harmonized with those of other donors.
- 40. **Quality during implementation.** As part of IFAD's commitment to mutual accountability one of the partnership commitments of the Paris Declaration the Fund has initiated a client and partner survey as a means for obtaining in-country

perceptions on the performance of IFAD's (ongoing) country programmes. The survey was used for the first time in 2008, when it was sent to all countries in which IFAD had an ongoing results-based country programme. In each country, it was sent to a range of stakeholders familiar with IFAD (representatives of government agencies and of the development community, including United Nations agencies, civil society and/or the private sector). Replies were received from 315 respondents from 22 countries.





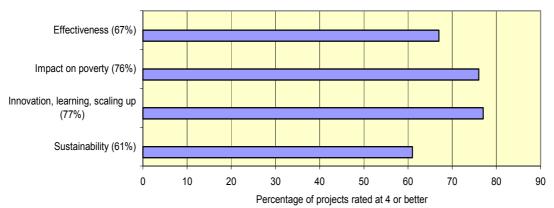
- 41. Eighty-five per cent of those IFAD country programmes were rated 4 or better for their contribution to national efforts to increase poor rural people's incomes (86 per cent), food security (86 per cent) and empowerment (82 per cent). Some 79 per cent were rated 4 or better for their adherence to the aid effectiveness agenda. This composite indicator can be broken down as follows: 82 per cent of IFAD country programmes were rated 4 or better for fostering government ownership and 95 per cent for aligning with national poverty reduction strategies and national policies and procedures; in contrast, only 59 per cent rated 4 or better for contributing to local donor coordination activities and harmonization of IFAD strategies and procedures with other aid agencies in the country a figure explained in large part by the lack of an IFAD presence in most of the countries surveyed.
- 42. **Quality at completion.** Assessment is at present conducted by OE, although from 2011 all country programmes will be assessed by IFAD. Between 2003 and 2006, OE conducted seven country programme evaluations (CPEs). Most of the countries had COSOPs dating from 1998-2000, pre-dating poverty reduction strategy papers, the aid effectiveness agenda, and above all the introduction of the results-based COSOP. They are thus of limited use in assessing the effectiveness of current country programmes. Nevertheless, they provided some valuable lessons, which have contributed to the development of the new approach to COSOPs, including the importance of reaping synergies among projects, investing in lesson-learning and knowledge-sharing, developing strategic partnerships and engaging in high-level policy dialogue. Overall, the CPEs suggest that a results-focused country programme approach precisely the objective of the results-based COSOP is one of the

necessary elements for improving project results and IFAD's development effectiveness.

B. IFAD-supported projects

- 43. **Quality at entry.** During 2007, the quality of project design (quality at entry) was strengthened through a major overhaul of the design process, focused on two main areas: new guidelines for project design and a new quality enhancement system. These, and the related arms-length quality assurance system, are described in more detail in paragraphs 55-57.
- 44. The RMF's measures of project quality at entry rely on the quality assurance system. These data will be available at end-2008, since the system was piloted only in early 2008. Nevertheless, data generated through the quality enhancement system can be used instead, with the important caveat that these represent assessments of project quality **not** at entry, but at a moment in which the design process is still ongoing. In view of this, the quality enhancement system tends to understate project quality at entry, since improvements are made to the project design after the quality enhancement review. Notwithstanding these imperfections, 2007 data show that:
 - Two thirds of the project designs scored 4 or better for expected effectiveness – or achievement of objectives in one or more thematic area of engagement;
 - Over three quarters of the project designs scored 4 or better for expected impact on poverty, and for innovation, learning and/or scaling up – a past area of weakness; and
 - Some 61 per cent of project designs scored 4 or better for expected sustainability of project benefits. (The issue of sustainability is discussed in more detail in paragraph 46.)

Figure 3 **Project quality at entry**



45. **Quality during implementation.** Annual project status reports are used to self-assess performance during implementation. From 2008, they will allow for assessment of project performance relative to the indicators of the RMF. Results for 2006/07 show that 88 per cent of projects scored 4 or better for progress in achieving development objectives (a proxy for effectiveness). About 67 per cent were rated 4 or better for their impact on measurements of poverty, though this was a rating based only on measures of gender focus, which scored 83 per cent, and of beneficiary participation (a proxy for empowerment), which scored 51 per cent. Some 80 per cent of projects scored 4 or better for innovation (although this excluded learning and scaling up) and 77 per cent for sustainability. Recognizing the

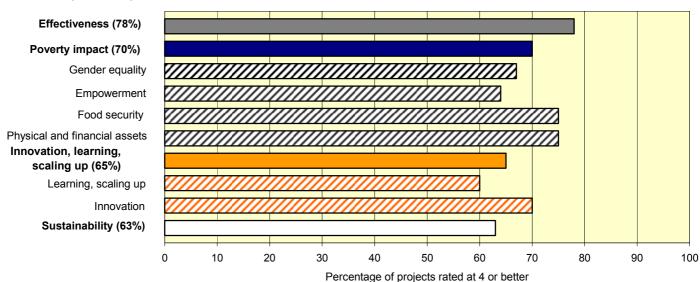
limitations of self-assessment, IFAD has made strengthening systems to report and analyse supervision performance data a priority activity in 2008.

- 46. **Quality at completion.** In 2007, 27 project completion reports (PCRs) were prepared by borrower Governments, following IFAD guidelines for their preparation. These represented all IFAD-financed projects closed between mid-2005 and mid-2006. IFAD assessed the PCRs and found that over 80 per cent scored 4 or better in terms of scope, quality and lessons learned. The project results reported in the PCRs were as follows:
 - 78 per cent of projects scored 4 or better for effectiveness (IEE figure was 67 per cent). Weaknesses arose from problems both in design and implementation, and particularly from inadequately defined project objectives, especially in projects that lacked logical frameworks and verifiable indicators;
 - 70 per cent of projects scored 4 or better for impact on rural poverty. (IEE: 37 per cent). Breaking down the poverty impact into its constituent elements:
 - 75 per cent of projects scored 4 or better for their impact both on physical and financial assets, and on the food security of targeted households.
 - 64 per cent of projects rated at 4 or better for empowerment, an indicator that looks at the capacity of the target group to exert influence in their relations with local and national public authorities and development partners, the role of rural partners in decisionmaking, social cohesion and self-help capacity.
 - 67 per cent of projects scored 4 or better for impact on gender equality.

Although there was an improvement over previous assessments both for empowerment and gender equality, there is clearly a need for continued work in both areas, which will be done through the new operating model (paragraphs 53-59).

Figure 4

Project quality at completion



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• 65 per cent of the projects scored 4 or better for innovation, learning and/or scaling up (IEE: 40 per cent). Projects typically scored higher for innovation (70 per cent scoring 4 or better) than they did for replicability and scaling up of project activities (60 per cent).

• 63 per cent of the projects were rated 4 or better for sustainability of benefits (IEE: 40 per cent). Some projects were rated unsustainable because they could not continue without external funding and assistance; and others were affected by unforeseen changes in the macro or sector environment after project completion. Sustainability of grass-roots institutions promoted by the projects remains a particular concern. Given the importance of improving performance in sustainability, a full paper on the issue is being presented to this session of the Consultation.

C. The partnership commitments of the Paris Declaration on Aid Effectiveness

- 47. As a signatory to the 2005 Paris Declaration, IFAD is committed to fulfilling the partnership commitments upon which the Declaration is founded: country ownership; donor-partner alignment; inter-agency harmonization; managing for results; and mutual accountability. The results-based COSOPs and the new project design process are explicitly intended to improve country ownership, donor alignment and managing for results at the country level.
- 48. At the international level, IFAD has participated actively in the OECD-DAC/IFI Joint Venture on Managing for Development Results,⁵ and it is currently preparing for its participation in the High-level Forum on Aid Effectiveness to be held in Accra, Ghana, in September 2008. Here, it will contribute by sharing its experience in implementing partnership commitments within the rural development context, including the extent to which harmonization and alignment provide an effective platform for addressing the key obstacles confronted by poor rural people.
- 49. In terms of the United Nations reform, the President of IFAD is chair of the Secretary-General's High-level Committee on Programmes and was an ex officio member of the High-level Panel on System-wide Coherence. IFAD is participating actively in all eight country pilots under the One United Nations Initiative, and outposted country programme managers are located in two of these countries. IFAD is also pursuing focused harmonization initiatives with the Food and Agriculture Organization of the United Nations and the World Food Programme, its sister agencies in Rome. Reports on collaboration among the three agencies were provided to the September and December 2007 Executive Board sessions.
- 50. **Monitoring outcomes.** In 2005-2006, the OECD-DAC Working Party on Aid Effectiveness carried out a baseline survey to monitor progress in implementing the partnership commitments of the Paris Declaration in 34 countries. Data are available for IFAD in 23 of these. A follow-up survey is currently being conducted in preparation for the Accra High-level Forum, and IFAD will once again participate. Table 8 provides information for the indicators that apply to donors and compares IFAD with the World Bank, the United Nations group and the total of multilateral and bilateral donors.

⁵ The IFI Working Group on MfDR produces a joint annual report on their own performance and effectiveness though the Common Performance Assessment System (COMPAS). IFAD is using some of the COMPAS indicators for benchmarking its own performance.

The eight "One United Nations" countries are Albania, Cape Verde, Mozambique, Pakistan, Rwanda, the United Republic of Tanzania, Uruguay and Viet Nam; the outposted country programme managers are in the United Republic of Tanzania and Viet Nam.

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Table 8
IFAD results from the 2006 OECD-DAC survey on monitoring the Paris Declaration on Aid Effectiveness^a

Paris indicator ^b	IFAD	World Bank	United Nations	All donors
3. Alignment of aid flows to national priorities: percentage of disbursed aid that goes to the government sector	85	94	36	88
4. Strengthening of capacity through coordinated support: percentage of technical cooperation provided through coordinated country programmes	56	57	44	48
5a. Use of country public financial management (PFM) systems: percentage of aid to government that goes through national PFM systems	53	42	18	40
5b. Use of country procurement systems: percentage of aid to government that uses government procurement systems	70	40	8	39
6. Avoidance of parallel implementation structures: number of parallel project implementation units	32	223	315	1 832
7. Predictability of aid: percentage of aid that is disbursed on schedule	68	68	32	70
9. Use of common arrangements or procedures: percentage of aid that is programme-based (direct budget support, sector-wide approaches, etc.)	24	57	28	43
10a. Joint missions: percentage of donor missions that are coordinated	62	21	30	n/s
10b. Joint country analytic work: percentage of country analytic work that is coordinated		49	63	n/s

^a Based on data available from OECD-DAC and IFAD.

Note: n/s = not specified.

51. Although caution should be exercised in interpreting these data (the follow-up, second survey will be a more significant assessment tool), the results are consistent with the assessments of IFAD country programmes by the Fund's clients and partners (paragraphs 40-41). IFAD gained high scores for aligning its support with national priorities; for using countries' procurement systems; and for the predictability of its support. Its low score on the use of common arrangements or procedures reflects the fact that IFAD works exclusively in the agricultural and rural development sector, where programme-based approaches have had only limited take-up – although in countries where governments have sought to encourage coordinated sector approaches, IFAD has been an active partner.

V. Progress in improving IFAD's organizational effectiveness (level 4 results)

52. Improved operational effectiveness is dependent on enhanced organizational effectiveness – ensuring that all activities undertaken within and by the organization remain aligned with its corporate goals and objectives and focused on development outcomes, with clear accountability for their achievement. Section IV described how IFAD is measuring its results in terms of operational performance, and it summarized some of the key results achieved. These advances have been made possible by a series of new organizational and programming tools, processes and systems, all developed and introduced since 2006 under the Action Plan. This section discusses some of the most important initiatives undertaken in order to improve IFAD's organizational effectiveness.

A. The new operating model

53. IFAD's new operating model, shown below in figure 5, is built on a series of new systems, processes and tools that, taken together, are intended to improve the quality of design and strengthen the implementation and impact of IFAD's country programmes and IFAD-supported projects. The principal ones are outlined below.

b Information is not available for all indicators because of non-response or non-applicability.

Figure 5 **IFAD's new operating model**



- 54. **Results-based country programmes.** A revised framework for results-based COSOPs was approved by the Executive Board in September 2006. Guidelines for developing results-based COSOPs were prepared and distributed, and staff were trained in their application. The results-based COSOP defines a coherent country programme, jointly owned by IFAD and the Member State. It draws from the Strategic Framework to define its priorities and focus its efforts on a limited number of objectives, while supporting the national policy framework for rural poverty reduction. It also identifies expected results and indicators, and defines a process for monitoring, reviewing and reporting over time. By end-2007, the Executive Board had reviewed results-based COSOPs for 17 countries. Formal, quantified assessment of the quality of results-based COSOPs will commence in 2008.
- 55. **Better project design.** Improvements in project design have taken place in two main areas. First, new guidelines for project design were developed and issued to staff. The guidelines, which consider both process and content, promote a focus in the project design on clear and explicit quality standards, called key success factors (KSFs). They are complemented by a series of thematic learning notes, which have been developed to guide IFAD staff and consultants. By end-2007, a total of 22 learning notes had been prepared.
- 56. Second, a new quality enhancement system, involving a strengthened review process during project design, was established. The new features include a focus on the six KSF domains to guide the review process, and the involvement of external experts as well as IFAD staff in the Technical Review Committee meeting. The aim is to focus the Committee on the critical issues and to provide value-adding advice for improvements through the subsequent design stages. Between March (when it was established) and December 2007, the new quality enhancement system was used to review 27 project designs, the first of which was presented to the Executive Board in April 2008.
- 57. These measures have been complemented by a new arm's length quality assurance system to review all projects before Executive Board presentation turning back those not meeting standards if necessary as the last internal check of project quality at entry and readiness. Located in the Office of the Vice-President, the quality assurance system was piloted in February 2008, with a review of three projects that were subsequently submitted to the April 2008 session of the Executive Board.

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58. **Better implementation support.** Following the Executive Board's approval of the new IFAD Policy on Supervision and Implementation Support in December 2006, activities included the release of guidelines for supervision and implementation support; a training programme on direct supervision for all staff concerned; the recruitment in all the regional divisions of portfolio advisors to assist staff in supervision functions; and a review of the legal and fiduciary issues involved in absorbing direct supervision into IFAD's core business. By end-2007, IFAD had taken on responsibility for the direct supervision of 130 new and ongoing projects – over half of the project portfolio – rather than contracting out this function to a cooperating institution.

59. **Country presence.** The evaluation of IFAD's Field Presence Pilot Programme was undertaken by OE, which presented its findings to the Evaluation Committee of the Executive Board in September 2007. The evaluation concludes that country presence is critical if IFAD is to enhance its development effectiveness. These findings were strongly supported by IFAD Management, and the initiative has now been mainstreamed: IFAD has integrated the 15 country presence initiatives into its regular managing and budgeting structure, and is improving its management and support of country presence staff, while developing a medium-term approach to country presence for presentation to the Executive Board in 2009.

B. Innovation and knowledge management

- 60. **Knowledge management.** The IFAD Strategy for Knowledge Management was approved by the Executive Board in April 2007. Its aim is to provide IFAD with a framework and the tools needed for improving its development effectiveness by ensuring that the Fund learns from development practice and improves its systems and capacity for continuous learning and sharing. The strategy is rooted in the organization's core competencies, embedded in its work processes and linked closely to its main products.
- 61. A core group, headed by the Vice-President, is responsible for overseeing and guiding implementation of the strategy. The group has developed a matrix defining expected results, objectives, indicators, means of verification and responsibilities, and it is monitoring the progress being achieved. Among the achievements so far, ongoing projects are gradually being linked to knowledge networks that provide access to good practice and promote peer-to-peer exchange. More knowledge events are being held within IFAD on emerging development issues; and regional communication specialists have been recruited to support the knowledge management agenda at country level. IFAD has also established the Rural Poverty Portal (www.ruralpovertyportal.org), a web-based tool for learning and sharing knowledge on rural poverty reduction.
- 62. **Innovation.** Building on the closely linked Strategy for Knowledge Management, the IFAD Innovation Strategy was approved by the Executive Board in September 2007. Its goal is to ensure that innovation is mainstreamed in existing structures and processes, and thus in country programmes and IFAD-supported projects. A series of activities support innovation through the project and programme cycle and in other IFAD initiatives. A small, dedicated team the Innovation Services Group helps country programme teams access innovation services. The strategy is being supported by the Initiative for Mainstreaming Innovation.⁷
- 63. Critically, innovation and knowledge management have been incorporated into IFAD's core business processes. They are included as issues to be addressed in the new guidelines for project design; they are brought into the quality assurance and enhancement processes as one of the KSF domains; they are included in the new guidelines for project supervision; and through the RMF results in these areas

⁷ Financed through a complementary contribution by the United Kingdom to the Consultation on the Sixth Replenishment of IFAD's Resources.

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are measured and reported for all projects at entry, during implementation and at completion.

C. Human resources management and alignment

- 64. Focused human resources management is essential not only to manage staff and consultant costs, but also to ensure quality and alignment with IFAD's strategic objectives. In early 2007, when the then-new Senior Management team reviewed the progress achieved under the Action Plan, human resources issues were recognized as lagging behind the progress being made in other areas. Since then, a foundation for reforming human resources management has been laid, with, for example, innovative approaches to the assessment of the management team against key leadership competences, and a highly participatory process to develop and agree on the core values of the organization (focus on results, integrity, professionalism, respect).
- 65. In parallel, a human resources framework has been developed for strengthening the management of human resources and aligning them with corporate priorities. This is guided by the Human Resources Strategic Management Committee, chaired by the President. This framework which will evolve into the first people strategy for IFAD provides a clear set of deliverables for aligning human resources with the achievement of IFAD's objectives. It supports the delivery of IFAD's operating model with an emphasis on providing the right skills and knowledge, culture and staff engagement, and organizational structure and profile.
- 66. Included in these deliverables are an ambitious set of learning programmes targeted at strengthening management capability; and for the first time, IFAD is actively managing succession with deep investment in a targeted group deemed to have the potential to be the next generation of directors. The human resources framework also identifies the need to create a more flexible workforce, and work is under way, in discussion with the staff association, to maximize flexibility while retaining staff commitment and motivation. To lead the next phase of human resources reform work, a new human resources director has been recruited.
- 67. Implementation of the human resources framework has started, but much remains to be done, and human resources management and alignment is one of the key areas for further reform during 2008.

D. Results-based planning and management

- 68. The Corporate Planning and Performance Management System (CPPMS) was established in 2006/07 in order to strengthen the links between IFAD's internal performance (not least in mainstreaming and operationalizing the reforms described above) and its development effectiveness. The CPPMS represents, above all, a system for focusing resource use, and managing and monitoring internal performance, relative to IFAD's objectives. It is built upon a set of corporate management results (CMRs) that are derived from the Strategic Framework and reflect improvements IFAD intends to make within the organization in the medium term to achieve its strategic objectives. CMRs serve as a basis for focusing the human and financial resources directly controlled by IFAD on increased programme quality, and ultimately on enhanced development impact. All divisions across the organization are expected to contribute to them, either directly or indirectly. Each CMR has a number of key performance indicators (KPIs) associated with it, through which progress towards the CMR is tracked (see annex V).
- 69. The CPPMS provides the basis for results-based planning and budgeting, and the 2008 programme of work and budget, approved by the Governing Council in February 2008, was structured around overall efficiency, operational focus and distribution of expenses against CMRs. The CMRs are also used for results planning at departmental and divisional levels, and for personal performance plans and assessments. At the same time, they serve for monitoring and managing the results

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achieved. Quarterly management reviews are conducted to assess progress against planned results, identify shortcomings and remedial actions, and review and mitigate risks. The experience to date suggests that the mechanism is gradually helping to build an institutional culture of business planning, performance management and accountability.

70. In 2007, IFAD tracked seven CMRs. The first three looked at organizational performance relative to IFAD's operational processes and systems, the other four at organizational performance relative to its resource management and administrative processes. Reflecting the successful introduction and initial mainstreaming of the various Action Plan-related initiatives referred to above, by the second half of 2007 performance on all seven CMRs was either partially or fully on track. While the need for improved performance was identified under a number of KPIs, there were no major areas of concern.

E. Improved administrative efficiency

71. Building on corporate efforts to streamline administrative processes in 2007 and 2008, IFAD was able to achieve a 4.5 per cent reduction in the administrative budget for 2008, in real terms, permitting a significant shift of resources to operational activities. The net result has been an increase in the proportion of resources devoted to operations – from 57 per cent in 2007 to a projected 61 per cent in 2008 – while at the same time attaining an improvement in the overall efficiency ratio from 16.8 per cent in 2007 to 16.3 per cent in 2008. This was made possible by the results orientation of the 2008 programme of work and budget, which permitted, for the first time, an explicit and transparent basis for assessing and managing alignment.

VI. Proposals for strengthening results measurement under IFAD's Eighth Replenishment period

A. Overview

- 72. In the past two years, IFAD has made considerable progress in establishing better systems to measure, and manage for, results particularly at levels 3 and 4 (operational and organizational effectiveness). Progress has also been made to develop the data collection systems and assure the quality of the data on which they depend. This work will be completed in 2008, making it possible to provide a full picture of the results in terms of both operational and organizational performance in the 2008 RIDE.
- 73. The RIMS provides data on IFAD contributions to country outcomes (level 2). The quality of RIMS reporting is not yet adequate, but it is improving both in terms of the number of projects covered and the quality of the data submitted. The RIMS was established prior to the development of the IFAD Strategic Framework 2007-2010; it therefore needs to be updated to take account of experience to date, to respond to IFAD's current and future reporting needs, and to ensure that it is consistent with the partnership commitments of the Paris Declaration.
- 74. IFAD's contributions to country outcomes is not only determined by the projects it supports; an important dimension of its work is to draw upon its field experience in rural poverty reduction in order to engage in policy dialogue and bring about policy change. It does this both in-country, frequently through existing donor forums for policy dialogue, and at global levels through, for example, its engagement in international policy forums and its support for the Farmers' Forum, an ongoing process of consultation and dialogue among rural producers' organizations, IFAD and governments. IFAD also works to enable poor rural people themselves to engage in policy dialogue and influence rural development policies of immediate importance to

⁸ A new CMR on increased strategic international engagement and partnership (CMR 8) is being reported on in 2008; work is currently ongoing to develop meaningful KPIs.

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them. IFAD is collaborating with partner IFIs and United Nations agencies to develop methodologies that will help it find useful and measurable impact indicators for these outputs and thus take better account of this important dimension of IFAD's work.

- 75. Managing for development results is a priority for IFAD, in its operations and within the organization itself. It is also a concern for many of IFAD's borrowing Member States. IFAD does not have a comparative advantage in supporting statistical capacity-building; nevertheless it can and indeed it does already work with its country-level partners to ensure that national policies for rural poverty reduction, and their associated results measurement systems, focus on the right issues for rural poverty reduction and involve poor rural people themselves. During the Eighth Replenishment period, this will be an important activity under many country programmes.
- 76. All of the IFIs are in the process of building and adjusting their results measurement systems, and they face many common difficulties in, for example, measuring outputs in policy dialogue, or establishing the linkages among different levels of result. IFAD is already working with the other IFIs to share experience and learn from them, and it will strengthen this collaboration and mutual learning during 2009 and under the Eighth Replenishment period.

B. IFAD's results measurement system

- 77. IFAD's results measurement system for the Eighth Replenishment period will cover all four levels of achievement: country-level development outcomes, IFAD's contributions to those outcomes, its operational effectiveness and its organizational effectiveness. Its primary purpose will be to enable IFAD to improve and measure its development effectiveness; its adoption will contribute to further advancing the MfDR agenda across the organization. Level 3 and 4 results for organizational and operational effectiveness represent those over which IFAD has direct and immediate control. These results will be regularly monitored, analysed and used for resource and performance management, triggering modifications to internal systems and processes as needed. Level 1 and 2 results will also be monitored, and efforts will be made to explore the linkages and causalities among results achieved at the different levels.
- 78. The system will be based firmly on what IFAD has already established and started to implement, while adding a new set of indicators measuring country-level development outcomes to make it comprehensive. It will also seek to take into account and reflect IFAD's work in policy dialogue for poor rural people. The basic elements of the system are closely harmonized with the frameworks of the International Development Association, the African Development Fund and the Asian Development Fund, thereby facilitating sharing of experience and comparability.
- 79. The specific indicators to be measured, managed, and reported on, will be finalized in the light of the outcome of the ongoing consultations, the further development of IFAD's overall strategic approach to rural poverty reduction, and the emerging experience of using the current indicators for management purposes. The finalized indicators and, where appropriate, targets will be presented for the approval of the Executive Board in September 2009, prior to the start of the Eighth Replenishment period. Based on the current Strategic Framework and on best practice in other IFIs, IFAD will develop its results measurement system to consist of the following.

⁹ Executive Board approval of the results measurement system would be consistent with its approval of the Strategic Framework 2007-2010 in December 2006, of the Results Measurement Framework in September 2007, and the format for the Report on IFAD's Development Effectiveness in September 2007.

- 80. **Level 1 country-level development outcomes.** IFAD will track country development outcomes that correspond to its overarching goal and its six strategic objectives, and to which IFAD operations aim to contribute. Proposed indicators include those to measure achievements against MDG 1, the eradication of extreme poverty and hunger; and those to measure macro and agricultural sector performance, which provides the basis for, and is also the consequence of, rural poverty reduction. These are not data that IFAD itself generates; they thus would be collected from secondary sources above all the World Bank, but also the United Nations and its Food and Agriculture Organization.
- 81. The proposed indicators, aggregated for all low and middle income countries, are shown in table 9 below. Since the indicators for extreme poverty and hunger correspond to MDG 1, the target values are for 2015 (the target year for achieving the MDGs). No targets have been included for the macro and sector performance indicators.

Table 9
Country-level development outcomes (level 1) system under IFAD VIII

Indicator	Baseline year	Baseline value	MDG target 2015
Extreme poverty and hunger			
MDG 1: Population living on less than a dollar a day (percentage)	2004	18.1	16
MDG 1: Prevalence of undernourishment in population (percentage)	2002-2004	17	10
MDG 1: Children under 5 who are underweight (percentage)	2004	21.7	17
Number of rural poor (millions)	2002	890.0	
Macro and sector performance			
GNI per capita (Atlas method, current US\$)	2004	1753	
GDP growth (annual percentage)	2004-2005	7.0	
Agricultural value added (annual percentage growth)	2004-2005	4.1	
Crop production index (1999-2001 = 100)	2004	112.4	

- 82. **Level 2 IFAD's contribution to development outcomes.** Level 2 results will help IFAD demonstrate how its assistance is contributing to development outcomes. These results correspond to the outputs of IFAD-supported projects, and are aggregated according to IFAD's six current strategic objectives. They will be limited in number to simplify reporting and aggregation; they will be improved to generate better-quality data; and they may be adapted as IFAD's strategic approach to rural poverty reduction evolves. The RIMS itself will be reviewed to improve its response to these requirements. All indicators relating to numbers of rural people assisted will be gender-disaggregated.
- 83. Within the overall scope of IFAD's strategic objectives, the design of IFAD-supported projects during the Eighth Replenishment period will respond to government priorities and evolving needs for rural poverty reduction. This means that the composition and balance of the project portfolio, among both the different strategic objectives and the specific outputs and outcomes within each strategic objective, cannot be determined now. For these reasons, while achievements relative to the baseline values will be tracked, analysed and reported on, it is not appropriate to set specific targets by outcome or output. Table 10 below lists the indicative indicators to be tracked and, where appropriate, baseline values.

Table 10 IFAD's contribution to development outcomes (level 2) under IFAD VIII

Indicator	Baseline year	Baseline value	Achievements 2010-2012
Area under improved soil or water management (SWM) (ha)	2007	318 000	
Farmers' groups for SWM formed/strengthened	2007	10 300	
Farmers using land under improved SWM (men/women)	2010		
Assessment of sustainability of productive infrastructure	2010		
Farmers accessing improved agricultural advisory services (men/women)	2007	1 508 000	
Farmers' groups formed for improved agricultural production	2007	11 800	
Assessment of improved agricultural practices	2010		
Rural people belonging to local financial institutions (men/women)	2007	197 000	
Active borrowers (men/women)	2007	1 329 000	
Active savers (men/women)	2007	5 531 000	
Assessment of sustainability of credit groups/financial Institutions	2010		
Marketing groups formed/strengthened	2007	10 900	
Roads constructed/rehabilitated	2007	15 700	
Farmers reporting improved terms of trade (men/women)	2010		
Assessment of sustainability of market- related infrastructure	2010		
Microenterprises and small businesses established/strengthened	2007	74 500	
Jobs generated by microenterprises and small businesses	2007	69 600	
Assessment of sustainability of microenterprises and small businesses	2010		
Community planning groups formed	2007	40 000	
Group members (men/women)	2007	842 000	
Community action plans implemented	2010		
Sustainability of community groups	2010		

- 84. To provide concrete examples of the achievements that can be realized by individual projects, the data on project outputs will be complemented in the RIDE by:

 (a) specific examples that illustrate level 2 contributions to level 1 outcomes;
 - (b) analysis of the results of IFAD country programmes and the individual projects that make them up; and (c) subject to resource availability, survey data to analyse the impact of selected projects.
- 85. **Level 3 IFAD's operational effectiveness.** The assessment of operational effectiveness through the RMF focuses on the quality, performance and impact of IFAD's country programmes and the IFAD-supported projects that fit within them. It also monitors the extent to which IFAD country programmes respond to the partnership commitments of the Paris Declaration and IFAD-supported projects address corporate priorities such as innovation, learning and scaling up, and ensure the sustainability of benefits.
- 86. No changes to the current RMF, shown below in table 11, are proposed at this stage. The present challenge is rather to consolidate this framework by ensuring that the data collection system works effectively and that the data are consistent and credible. Efforts will also be made to ensure that IFAD's activities in policy dialogue are adequately reflected. The indicators and the collection system will be gradually adjusted, as necessary, to reflect experience and lessons learned and IFAD's evolving strategic objectives. The values given for 2012 are IFAD's current approved targets for 2010, which will be updated in 2009 in the light of future experience and achievements.

Table 11 IFAD's operational effectiveness (level 3) under IFAD VIII

Indicator	Stage in cycle	Baseline year	Baseline value (%)	2012 values	
Country programme-related indicators					
Percentage of country programmes rated 4 or better	At entry	2008		90	
for contribution to (a) increasing the incomes, (b) improving the food security, and c) empowering	During implementation	2007	85	80	
poor rural women and men.	At completion	2008		70	
Percentage of country programmes rated 4 or better	At entry	2008		90	
for adherence to aid effectiveness agenda	During implementation	2007	79	80	
	At completion	2008		70	
Project-related indicators					
Percentage of projects rated 4 or better for	At entry	2007	67	90	
effectiveness in one or more thematic areas of engagement	During implementation	2007	88	85	
Chigagement	At completion	2007	78	80	
Percentage of projects rated 4 or better for impact on	At entry	2007	76	90	
measurements of poverty among the target group, such as (a) physical and financial assets, (b) food	During implementation	2007	67	80	
security, (c) empowerment, and (d) gender equality	At completion	2007	70	70	
Percentage of projects rated 4 or better for innovation,	At entry	2007	77	90	
learning and/or scaling up	During implementation	2007	80	80	
	At completion	2007	65	65	
Percentage of projects rated 4 or better for	At entry	2007	61	90	
sustainability of benefits	During implementation	2007	77	80	
	At completion	2007	63	80	

- 87. **Level 4 IFAD's organizational effectiveness.** The CPPMS will constitute the fourth level of the results measurement system for IFAD VIII. Its focus is, and will continue to be, to ensure that IFAD's human and financial resources are aligned with, and support the achievement of, its strategic priorities. The CMRs and KPIs presented in the 2008 programme of work and budget are shown in annex V. The system is still in its infancy, however; the KPIs and CMRs will evolve over time as IFAD gains more experience with them, and as new priorities emerge. KPI targets are currently set annually in the context of the Executive Board's consideration of the annual programme of work and budget. In the light of one more year's experience with the system, it is expected that it will be possible to define targets to be achieved over the full replenishment period 2010-2012.
- 88. Table 12 below shows all the current CMRs, and a selection of KPIs, that could provide the basis for establishing longer-term targets for the Eighth Replenishment period.

Table 12 IFAD's organizational effectiveness (level 4) under IFAD VIII

Indicator	Baseline year	Baseline value	2012 target
CMR 1 - Better country programme management			
Percentage of COSOPs rated satisfactory or better at entry	2008	n.a.	
Ratio of national and international cofinancing mobilized to IFAD funding for projects and programmes	2007	1:1	
CMR 2 - Better project design (loans and grants)			
Percentage of projects rated satisfactory or better at entry	2007	n.a.	
CMR 3 – Better project implementation support			
Percentage of projects at risk	2007	18.7	
Average time from project approval to effectiveness (months)	2007	15.17	
CMR 4 - Improved resource mobilization and management			
Rate of return on investment (percentage)	2007	5.96	
CMR 5 - Improved human resource management			
Percentage of professional recruitment completed within 3 months	2008	32.1	
Vacancy ratio (percentage)	2007	5.73	
CMR 6 - Improved risk management			
Percentage of high-priority internal audit recommendations implemented	2008	n.a.	
CMR 7 – Improved administrative efficiency			
Efficiency ratio (percentage)	2007	16.3	
CMR 8 – More strategic international engagement and partnership			
(to be determined)	2008	n.a.	

Note: n.a. = not applicable

C. Results reporting

- 89. The first Report on IFAD's Development Effectiveness was reviewed by the Executive Board in December 2007. The RIDE model is being closely studied by other agencies, and a Danish International Development Assistance (DANIDA) evaluation study issued in 2008, Assessing Multilateral Organization Effectiveness, referred to it as a possible model for multilateral reporting on effectiveness. IFAD therefore proposes to continue to use the RIDE as the basis for results reporting.
- 90. From 2008 the Portfolio Performance Report, which includes data from the RIMS and the RMF, will be incorporated into the RIDE. Thus from 2008 the RIDE will comprehensively report on results at levels 2, 3 and 4, and it will be further adjusted to include level 1 results, a number of which were covered in its first edition in 2007. At this point, the RIDE will respond to the requirements of the proposed results measurement system in its totality.
- 91. During 2009, work will be undertaken to finalize the indicators and targets, where appropriate, for all four levels of the results measurement system. These will then be presented for approval by the Executive Board in September 2009, and, on the basis of this approval, the updated baseline data will be included in the 2009 RIDE.

D. Issues for guidance

- 92. The Consultation may wish to provide guidance on the following:
 - The overall approach to results measurement at all four levels;
 - The approach to results reporting, through the RIDE;
 - The process for finalizing and approving the indicators and targets, where appropriate, prior to the commencement of the Eighth Replenishment period;
 - The inclusion of a framework for the results measurement system in the Report of the Consultation on the Eighth Replenishment of IFAD's Resources.

Development outcomes, by region

Indicator	Year of baseline data	Year of most recent value	Low and income co		East	Asia and Pacific		ope and tral Asia	Latin Ame C	erica and Caribbean		East and rth Africa	S	outh Asia	Sub-	Saharan Africa
Extreme poverty and hunger:																
MDG 1: Proportion of population below US\$1 per day (%)	1990	2004	28.7	18.1	29.8	9.1	0.5	0.9	10.2	8.6	2.3	1.5	43.0	30.8	46.7	41.1
MDG 1: Children under 5 who are underweight (%)	1995	2004	31.8	21.7	20.2	14.9		4.9	9.1ª	7*	16.2	14.6	52.7	46*	32.1	29.6
Number of rural poor (millions)**	1993	2002	1 038.1	890.0	407.2	217.8	6.4	4.9	28.6	26.6	4.3	4.9	385.0	407.0	206.7	228.8
Macro and sector performance:																
GNI per capita (Atlas method, current US\$)	1990	2005	848	1 753	426	1 630	2 156 ^b	4 143	2 245	4 045	1 337	2 198	380	692	586	746
GDP growth (annual %)	1990-91	2004-2005	2.0	7.0	6.9	9.0	-4.2	6.6	2.6	5.2	6.6	5.1	3.7	8.3	0.9	5.4
Agricultural value added (annual % growth)	1990-91	2004-2005	2.7	4.1	3.6	4.8	-5.4 ^c	5.0	2.5	3.4	6.7	2.0	2.1	3.2	1.2	5.3
Crop production index (1999-2001 = 100)	1990	2004	79.4	112.4	70.0	115.3	121.2	114.1	76.7	115.2	75.5	116.2	78.1	105.0	72.2	106.0

Source: WDI 2007, except:

^a 1996 ^b 1992 ^c 1991 only

^{*} MDG Report 2007

^{**} S. Chen and M. Ravallion, "Absolute Poverty Measures for the Developing World, 1981-2004", World Bank (2007).

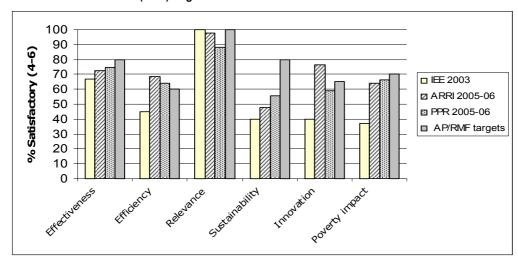
Report on IFAD's Development Effectiveness¹ (EB 2007/92/R.9/Rev.1)

Executive summary

 This is IFAD's first report on its development effectiveness. It is part of a farreaching programme of institutional reform focused on results, which has been under way since 2005 and is encompassed by IFAD's Action Plan for Improving its Development Effectiveness.

- 2. The purpose of the report is to provide a high-level synthesis of results in three broad areas:
 - The relevance of IFAD's mandate (reduction of rural poverty and food insecurity) and operations in the context of the changing framework of international development assistance;
 - The **development effectiveness** of IFAD-financed operations in generating development results that support national and global efforts to reduce rural poverty and fulfil the first Millennium Development Goal;
 - The **organizational effectiveness and efficiency** in delivering those results through improved internal performance management.
- 3. The scope of this report is broader than that of other organizations' development effectiveness reports, which usually report only on operational effectiveness based on evaluation data.² IFAD's report is more comprehensive, drawing on a wider range of sources and providing more up-to-date reporting of recent results at the corporate as well as the country level. It also reports on recent initiatives that relate to the broader international harmonization and alignment agenda.
- 4. The statistical basis for providing firm information on trends in IFAD's development effectiveness is limited. Particular problems are the small numbers of projects covered by the evaluation system, and the absence in the past of systematic monitoring of results beyond the project level (see appendix I). Moreover, many of the internal performance monitoring systems are new. The report is therefore a preliminary snapshot of IFAD's development effectiveness in this first year of reporting.

Performance against Independent External Evaluation of IFAD (IEE) baseline, and Action Plan and Results Measurement Framework (RMF) targets



Presented to the Executive Board in December 2007.

For instance, the Annual Review of Development Effectiveness produced by the Independent Evaluation Group of the World Bank, and the Development Effectiveness Report produced by the Evaluation Office of the United Nations Development Programme in 2003.

Relevance

5. IFAD's mandate of reducing rural poverty and food insecurity remains highly relevant. IFAD is an important contributor to the agriculture and rural development sector in the context of continuing low aid flows there and limited donor support to productive activities. IFAD is participating actively in harmonization and alignment initiatives at the country, regional and international level, and has performed well according to the 2006 Survey on Monitoring the Paris Declaration, undertaken by the Development Assistance Committee of the Organisation of Economic Co-operation and Development.

Development effectiveness

- 6. The figure above summarizes the performance of IFAD-funded projects in 2005-2006 relative to the 2003 Independent External Evaluation of IFAD (IEE) and the targets of the Action Plan (for 2009), and of the Results Measurement Framework (RMF) (for 2010). It shows substantial improvement in IFAD's project performance since the IEE. Project relevance continues to be high, and there is improvement in project effectiveness, efficiency, rural poverty impact and innovation. While performance on sustainability is also improving, it requires further attention. External benchmarking confirms that overall, these are good results in a difficult environment, as other international financial institutions have found.
- 7. The results for 2005-2006 are positive relative to the baseline presented by the IEE in 2003. This is at least in part due to growing direct IFAD involvement in supervision and implementation support. Here, there has been a major expansion in 2007 and there will be a further step-change in 2008. In the area of innovation, the implementation of the IFAD Innovation Strategy, approved by the Executive Board in September 2007, promises to improve performance further.
- 8. A review of seven IFAD country programme evaluations conducted between 2004 and 2007 finds past weaknesses with regard to engagement in policy dialogue, the development of strategic partnerships beyond direct cofinancing, and investment in broader lesson-learning and knowledge management. The new results-based country strategic opportunities programmes (RB-COSOPs) will provide a more systematic framework for managing these issues, which will be explicitly monitored in the COSOP annual and mid-term reports. Implementation of the IFAD Strategy for Knowledge Management approved by the Executive Board in April 2007 will also address these shortcomings.

Organizational effectiveness and efficiency

- 9. In September 2006, IFAD put in place a new Corporate Planning and Performance Management System to better focus, align, measure and manage the quality of IFAD's work. The system consists of a hierarchy of management results aimed at key determinants of development effectiveness, at the corporate, departmental and divisional level, which are tracked on a quarterly basis. Alignment of human and financial resources with results is supported by the results-based programme of work and budget. Thus, the Corporate Planning and Performance Management System provides a key reference point for resource allocation across the organization and for alignment with results. The system was piloted during 2007 and preliminary results are reported here.
- 10. Performance is encouraging in terms of the operational corporate management results, generally reflecting the successful introduction and initial mainstreaming of numerous Action Plan-related initiatives. Satisfactory progress is being made on the results related to institutional support.
- 11. Since 2006, the Fund has consistently pursued a policy of devoting a greater portion of resources to operational expenditures, within an overall framework of increased efficiency (see appendix II). According to the Fund's proposed budget for 2008, its efficiency ratio should improve to 16.3 per cent (from 17.1 per cent in 2006), and

the proportion of costs attributable to operational expenditure should rise to 61 per cent (compared with 57 per cent in 2007).

Towards an integrated framework for improving IFAD's development effectiveness

12. IFAD is not only improving the quality of its evaluation system; it is moving towards an increasing integration of the system itself. The recently approved RMF – which incorporates measures of development effectiveness at the operational level – will be supported by the Corporate Planning and Performance Management System and the annual results-based programme of work and budget. This should lead to tighter alignment of organizational resources, systems and activities with country-level objectives, and hence to greater development effectiveness.

Portfolio Performance Report 2006/07¹ (EB 2007/92/R.8/Rev.1)

Executive summary

1. This fourth Portfolio Performance Report (PPR) of IFAD provides information on the performance of loans and grants for the year ending 30 June 2007. For the performance assessment of ongoing projects, the report relied on information contained in project status reports prepared for 198 loan projects and 47 grants, and on 104 progress reports submitted under the Results and Impact Management System (RIMS) framework. For impact assessment of completed projects, the report used 27 project completion reports. This year's PPR report assesses the variances between the findings of the PPR report and the Office of Evaluation's Annual Report on Results and Impact of IFAD Operations (ARRI), and includes a preliminary report on the new IFAD Results Measurement Framework approved by the Executive Board in September 2007.

Portfolio operations

2. During the period under review (1 July 2006-30 June 2007), the Board approved 28 projects for a total of US\$496 million in IFAD financing. Approvals for sub-Saharan Africa were higher than in the past, both in terms of numbers of projects (15) and the amount financed (US\$259 million). As at 30 June 2007, IFAD's total **current portfolio** consisted of 222 projects, with IFAD financing of US\$3.6 billion, and of 282 grants worth US\$156 million. As 38 projects and 63 grants were awaiting effectiveness at that date, the **ongoing portfolio** thus contained 184 projects and 219 grants. Effectiveness delays have decreased overall, albeit marginally. During 2006/07, the disbursement performance of investment projects improved remarkably, setting a new record of US\$426 million. Disbursements of grants also increased. The share of projects 'at risk' decreased from 22 per cent of ongoing projects to less than 19 per cent and the share of 'actual problem' projects went from 20 per cent to 16.7 per cent. IFAD's proactivity in resolving problems was high, reflecting the new emphasis that is being placed on project supervision.

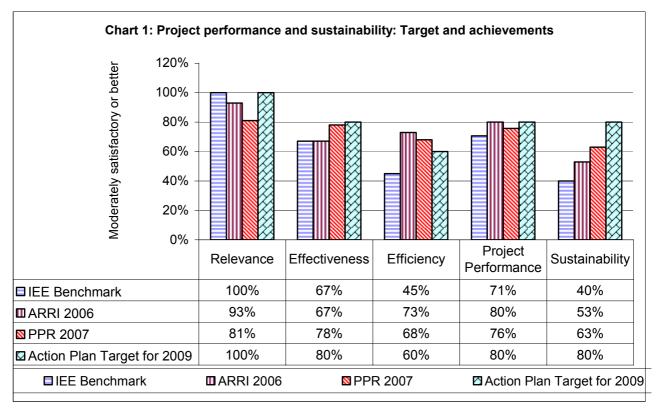
Project impact

- 3. An analysis of baseline surveys of areas covered by IFAD-financed projects, undertaken under the RIMS, shows that in about 25 per cent of all project areas more than half the children are underweight; in another 25 per cent of the project areas, 30-49 per cent of children are underweight. Most project areas where IFAD works report widespread poverty, food-insecure households and rampant child malnutrition. The performance of IFAD projects should be interpreted in the light of the extreme poverty and hardship that characterizes the areas where the organization's projects are located.
- 4. In preparing the PPR report, the reliability of the impact assessment of **completed projects** has been enhanced by choosing a relatively large sample in 2006 and including the entire cohort of 27 projects completed between 1 July 2005 and 30 June 2006. The comparison, however, is between two cohorts; thus, in terms of annual trends, the results are indicative rather than definitive. The consistency of results seen across indicators, and a relatively small difference between the self-evaluation and the Independent External Evaluation (IEE) of IFAD findings, enhance the validity of the findings, however.
- 5. Against IFAD's project performance criteria, about 81 per cent of the projects were rated satisfactory for **relevance** in 2007. In terms of **effectiveness**, defined as the

¹ Presented to the Executive Board in December 2007.

extent to which projects met the stated objective, 78 per cent of the completed projects reported satisfactory performance. Against **efficiency**, defined as the ratio between economic cost and benefit, satisfactory achievements were seen in 68 per cent of projects. Significant performance improvement was noted in both these indicators. Overall, this resulted in a **project performance** rating of 76 per cent against the IEE finding of 71 per cent and the target of 80 per cent set in IFAD's Action Plan for Improving its Development Effectiveness. Against **sustainability**, only 63 per cent of the projects reported satisfactory performance. This, however, is significantly better than the PPR finding for 2006 (48 per cent) and the IEE finding (40 per cent). When compared with findings for 2006, performance improved for innovation and replicability/scaling up; remained at the same level for gender; and decreased slightly on targeting and relevance, albeit from a more satisfactory level.

- 6. With respect to the **impact** domains, the 2007 cohort of projects reported over 80 per cent satisfactory performance for physical asset creation, and 70-80 per cent satisfactory impact for food security, financial assets, and institutions and services. For environment and common resources, and agricultural productivity, satisfactory performance was reported in over 65 per cent of projects. For human assets and social capital and empowerment, satisfactory impact is documented in over 60 per cent of projects. Performance with respect to markets was, however, lower at 42 per cent. Compared with that for 2006, markedly better performance was noted in the current year's cohort with regard to physical and financial assets, environment and common resources, social capital and empowerment, and institutions and services.
- 7. The overall rating for rural poverty impact was satisfactory for 70 per cent of the completed projects, which represents a significant improvement over 50 per cent reported by the IEE.
- 8. The comparison of two-year pooled figures for the ARRI and PPR reports shows relatively small differences, i.e. the reports show considerable convergence. Overall, the ARRI report finds slightly better performance against relevance, efficiency, innovation, and rural poverty impact, while the PPR report does the same for effectiveness and sustainability. The PPR report also finds slightly better performance against most impact domains. While, with the current data set, it is not possible to reach a definitive conclusion on trends, both ARRI and PPR data sources indicate greater sustainability, although from a low level.
- 9. Since the IEE was undertaken, performance has improved in terms of effectiveness, efficiency and sustainability. Compared with targets set for 2009 under IFAD's Action Plan, the 2007 performance levels are satisfactory with regard to effectiveness and are higher for efficiency. Sustainability continues to give rise to concern, although it is an area where performance has improved (chart 1).



Note: IEE report assigned a satisfactory project performance rating of 61 per cent for the completed projects. The PPR rating of 76 per cent needs to be compared with this figure.

Proposed actions

- 10. To sum up, IFAD has achieved significant and broad-based amelioration in the performance of its portfolio during the period under review but will need to address a number of issues if further advances are to be made. In this light and in terms of portfolio management, IFAD intends to: (i) work towards early fulfilment of effectiveness conditions and thereby reduce effectiveness delays; (ii) consolidate the portfolio of projects by reducing extensions of loan closings; (iii) further increase its proactivity and thereby reduce the portfolio 'at risk'; and (iv) lower the number of grants in the portfolio, mainly by completing and closing grants on time.
- 11. Every effort will be made to ensure that projects are 'ready for implementation' prior to presenting them to the Executive Board for approval, thereby reducing delays in effectiveness. Country programmes and projects will set more realistic and specific objectives; new quality enhancement and quality assurance systems have been designed to that end. Performance will be enhanced by more effective use of direct supervision and country presence. Both of these arrangements will enable better linkages among innovation, knowledge management, partnership-building and policy dialogue with a view to increasing the possibility of replication and scaling up of innovations. Sustainability will be improved, mainly by helping to strengthen the capacity of government/project institutions, increasing efficiency, responding more promptly when weaknesses are noted, defining a sustainability strategy during design and comprehensively addressing the issue at various stages of the project cycle.
- 12. IFAD faces inherent performance risks given the type of interventions it supports targeting the poorest rural people in the weakest institutional environments, and often in areas with poor natural resources. In this light, IFAD will work towards enhancing the capacity of its borrowing Member States, since a sustained improvement in performance can be achieved only with better institutional performance at the project and country levels. This will be achieved by instituting systems that facilitate: (i) more precise elaboration of expected results and results-oriented annual work programmes and budgets; (ii) project monitoring and

evaluation systems that facilitate timely reporting and prompt decision-making; and (iii) mid-course correction systems responsive to the needs of the target groups and to the context in which projects and programmes operate.

Annual Report on Results and Impact of IFAD Operations evaluated in 2006¹ (EB 2007/92/R.7)

Executive summary

1. This is the fifth Annual Report on Results and Impact of IFAD Operations (ARRI) prepared by the Office of Evaluation (OE). It synthesizes the main results and impacts from the 15 IFAD-funded projects evaluated by OE in 2006, and also draws upon the findings of three corporate-level and three country programme evaluations.

- 2. In addition to providing a comprehensive account of the results and impact of the evaluated operations, this year's ARRI report focuses more generally on learning, with the purpose of identifying the main determinants of performance and results. In short, it attempts to ask and answer the broad questions: "What was the performance?" and "Why was performance as it was?"
- 3. A review of previous ARRI reports by a professional statistician noted that a comparison of 2006 ratings with previous years and indeed any comparison from year to year was unreliable because of the small size and non-random nature of the sample. As a consequence, this year's report places less emphasis on such year-by-year comparisons. As in the past, however, it provides a summary of the 2006 evaluation data, plus an overview of the performance and impact of a larger sample, namely the 73 projects evaluated by OE over the period 2002-2006 and contained in the four previous editions.
- 4. With regard to learning, this ARRI report includes a specific section (VI) devoted to two themes: sustainability and innovation, which emerged in past reports as areas in need of attention. The report builds on the inputs generated in two in-house learning workshops with IFAD Management and staff, and makes recommendations on how performance might be enhanced in these two key areas.

Specific learning findings

- 5. This and previous ARRI reports have identified sustainability as one of the most challenging areas in which the Fund's performance has not yet been satisfactory. While recognizing that sustainability is also a concern for other development agencies, and that the Fund is already addressing this issue, evaluation reports and discussions at IFAD have identified a number of points that need to be considered in order to strengthen the Fund's performance in this critical area. For instance, some of the priorities identified for moving forward in addressing sustainability were the need to ensure that project objectives are realistically established, exit strategies are designed early in the project cycle, and systematic efforts are made to build ownership and improve the capacities of implementing institutions. Further, given its importance, this year's report recommends that IFAD develop a specific approach to increasing the sustainability of IFAD operations.
- 6. IFAD's performance in introducing innovations for example in the area of on- and off-farm technologies, institutions and social engineering has been moderately satisfactory. While the new IFAD Innovation Strategy is expected to further improve and structure IFAD's overall approach to innovation, the report observes that past performance in scaling up and replicating successful innovations has been weak. For this purpose, more resources and efforts must be devoted to partnership-building, knowledge management and policy dialogue, which are essential aspects of IFAD's innovation promotion process. Moreover, there is also scope for a wider use of grants in testing innovative approaches and in developing ways and means to

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Presented to the Executive Board in December 2007.

systematically feed the results of grant-funded activities into loan-funded projects and programmes.

General evaluation findings

7. The sample of projects evaluated by OE in 2006 dates mainly from the mid-1990s.² Consequently, the ARRI report can only present a lagged picture of IFAD's results and impact. It is not and should not be interpreted as an assessment of ongoing operations, where performance is likely to be better than has been the case for the operations analysed in the project evaluations, as some of the ARRI analysis already suggests.

- 8. Evaluation findings from the 15 projects evaluated in 2006 are broadly similar to those of previous years. Overall, the picture is satisfactory³ in all but one evaluation criterion. Eighty per cent of the projects evaluated in 2006 were judged satisfactory with respect to project performance (a composite of the ratings for the criteria of relevance, effectiveness and efficiency) and rural poverty impact. Relevance remains a strong point, as does the positive impact on human assets, food security and agricultural productivity. IFAD's performance as a partner was rated satisfactory in 60 per cent of the projects evaluated.
- 9. Along with these strengths, the 2006 evaluations identify shortcomings similar to those identified in previous ARRI reports: limited sustainability; difficulties in reaching poorer groups and in promoting gender equity; insufficient attention to markets; and poor monitoring and evaluation. Corporate-level and country programme evaluations reveal scope to improve non-project activities, such as policy dialogue, partnership-building and knowledge management.
- 10. An analysis of data from the 73 projects rated by OE from 2002 to 2006 provides a more reliable measure. Overall, IFAD's past performance was rated satisfactory in all evaluation criteria, with the important exception of sustainability, which was unsatisfactory in the majority of projects (55 per cent). Eighty-four per cent of the projects were rated satisfactory in terms of project performance and 65 per cent in terms of rural poverty impact. IFAD-funded projects have made their strongest contributions in the impact domains of physical and human assets, followed by food security and financial assets.
- 11. A comparison with other international financial institutions supports the overall satisfactory performance of IFAD as highlighted above. Notwithstanding the difficulties inherent in benchmarking, the Fund's project performance rating is broadly comparable with the outcome ratings, except for sustainability, of the agricultural and rural-sector operations of the World Bank. Its success rate in the Asia and the Pacific region is better than that shown in available data from the Asian Development Bank.
- 12. Scope for improvement remains. Operations have been less effective in the impact domains of environment and common resources, and institutions and services. While it is clear that IFAD has played a more active role in addressing gender issues and has gotten it right in places it has not done so in some projects. Some evaluations suggest that more needs to be done to promote access to markets. However, all in all, weak sustainability remains the major problem, given its centrality to IFAD's overall development effectiveness.
- 13. It is important to recognize the steps IFAD has taken and is taking to address the weaknesses identified above. Foremost among these is IFAD's Action Plan for Improving its Development Effectiveness, approved by the Executive Board in December 2005. While this report acknowledges these steps, it does not attempt an

About two thirds of the projects evaluated in 2006 were approved from 1993 to 1997.

³ Satisfactory includes the top three ratings on a six-point scale (with 1 being the lowest score and 6 the highest). Thus satisfactory would include the ratings 6 (highly satisfactory), 5 (satisfactory) and 4 (moderately satisfactory).

assessment of their likely effectiveness. This would be outside the scope of the ARRI report, which is largely based on evaluations of completed operations. The performance improvements arising from the Action Plan and other measures will need time to be reflected in evaluation findings.

14. Two findings of the analysis of data from past ARRI reports stand out. First, project success was strongly correlated with the country context. Project achievement was markedly lower in low-income countries and those with more-challenging policy and institutional contexts. Second, projects that became effective after end-December 1996 appear to have performed better, and to be more sustainable, than earlier projects. This is a good sign, as it suggests that IFAD is able to learn from past lessons and experiences. These findings are further elaborated in paragraphs 89-100 in the main text.

Recommendations

- 15. The report contains a recommendation (paragraph 157) that three issues be examined in more detail in future ARRI reports as a contribution to learning within IFAD. It is understood that a varying level of effort and resources will be required by OE and IFAD Management to appropriately address each of these topics:
 - (i) Monitoring and evaluation at the project and programme level;
 - (ii) IFAD's treatment of the characteristics and implications of country context; and
 - (iii) Performance in three impact domains, namely the environment and common resources, institutions and services, and markets.
- 16. This year's report also includes a proposal concerning the future content of ARRI reports (paragraphs 158-159).

⁴ Eighty per cent of IFAD loans and grants have been in low-income countries.

Corporate key performance indicators presented in the 2008 programme of work and budget

Key performance indicators	Projection for 2008
CMR 1 – Better country programme management	
Number of new results-based COSOPs designed	15
Percentage of COSOPs rated satisfactory or better at entry	70
Percentage of results-based COSOPs reviewed annually in-country	60
Percentage of countries where IFAD country presence operates within an institutional hosting arrangement (either with the host country or an international financial institution/United Nations organization)	100
Percentage of cofinancing mobilized for IFAD projects and programmes	11:1
CMR 2 – Better project design (loans and grants) Pipeline ratio	1.8
Percentage of projects rated satisfactory or better at entry	70
CMR 3 – Better project implementation support	
Percentage projects at risk	18
Pro-activity index	70
Average time from project approval to effectiveness (months)	14.5
Percentage of projects with overall supervision rating of satisfactory or better	80
CMR 4 – Improved resource mobilization and management	
Instruments of contribution deposited as a percentage of IFAD VII pledges	90
Supplementary resources mobilized (millions of United States dollars)	10
Percentage variance from the target rate of return on investment	0
Percentage of budget carry-over (administration + Programme Development Financing Facility)	<5
CMR 5 – Improved human resource management	
Percentage of P5 and above staff who have attended a management development course	100
Percentage of Professional positions filled within 9 months (from vacancy notification to staff entry on duty)	80
Ratio of Professional to General Service staff	1:1
Vacancy ratio (percentage)	6
CMR 6 – Improved risk management	
Percentage of IFAD internal audit recommendations implemented	70
Percentage of corporate-level risks rated 9 for importance	<15
CMR 7 – Improved administrative efficiency	
Efficiency ratio (percentage)	16.3
Ratio of direct operational costs to total budget (percentage)	61
Ratio of Programme Management Department to total IFAD staff (percentage)	40
CMR 8 – More strategic international engagement and partnership	
Number of international forums where IFAD makes a substantive contribution (of a policy and/or financial nature) ^a	5
Number of policy reference groups developing a corporate IFAD position as a platform for engagement on specific themes	3
Number of regional meetings of farmer organizations with substantive IFAD support ^a	2
Stronger partnership developed with at least two international partners	2

^a Qualitative assessments of IFAD's performance will be carried out through standard surveys, to be tested in 2008, assessing partners' perceptions of IFAD's contribution to the main events it participates in or convenes.