



**An Independent External Evaluation**  
of the International Fund  
for Agricultural Development

Office of Evaluation

September 2005



# Foreword

## Background

1. In 2002, the Consultation on the Sixth Replenishment of IFAD's Resources (IFAD VI) endorsed a proposal to undertake an Independent External Evaluation of IFAD. In February 2003 the Governing Council approved the Report on IFAD VI and decided to launch the IEE. In April 2003, the Executive Board reviewed a report on the IEE by the Chairperson of the Evaluation Committee, endorsed its recommendations on governance and organizational arrangements, and entrusted the Director of the Office of Evaluation (OE) with the overall supervision of the IEE. Among other things, the Executive Board decided that the Board would receive, review and comment on the draft final report of the IEE.
2. The IEE reviewed IFAD's performance for the years 1994 to 2003. This was a period of extraordinary challenges for the development community in general and for development agencies focusing on the rural sector in particular, and one which witnessed decreasing official development assistance to the agricultural sector. At the same time, IFAD's portfolio evolved from a focus on agriculture to encompass a broader agenda of rural development. At a global level, the international community adopted the Millennium Development Goals (MDGs), signalling a renewed commitment to tackling poverty, including, in particular, rural poverty, and a number of other challenges already familiar to IFAD.

## Objectives and output

3. Against this backdrop, the IEE set out to determine the relevance of IFAD's mission and results, and its impact in reducing rural poverty. It aimed to be both a summative and formative evaluation. Not only did the IEE concentrate on the results and impact of IFAD's activities but it also sought to assess the effectiveness of key corporate and management processes, through which IFAD's policies, programmes and projects have been developed and implemented. As such, the IEE has a scope that is much broader than any comparable evaluation of a multilateral development organization undertaken so far.
4. The output of the IEE consists of five deliverables. The first four — the inception report, the desk review report, the synthesis report on country visits (including the ten country working papers and the two reports on the review of human resources management and governance/institutional issues), and the draft final report — were distributed in draft form for comments to IFAD's management, the steering committee, the two senior independent advisors and OE as well as to the three List Convenors, who ensured circulation within their Lists. The fifth deliverable is the present IEE final report.

## Governance structure

5. The Executive Board clarified that the IEE is a multi-stakeholder evaluation that is owned by the Board.

6. The Director of OE served as the focal point for the IEE consultants, ensuring that their work complied with the agreed terms of reference, methodology and processes as well as good evaluation practice. For this purpose the Director of OE provided the consultants with inter alia written comments on all deliverables and draft reports. In keeping with the independent status of the IEE, the Director of OE neither contested nor supported the IEE findings, for which he was not responsible. The Director of OE also played a role as interlocutor between IFAD management and the Board on the one hand and the consultants on the other, and submitted five status reports on the progress of the IEE to the Executive Board.
7. A steering committee, composed of representatives of nine IFAD Member States, was established on 12 June 2003 to serve in an advisory capacity to the Director of OE. The IEE benefited from the advice, guidance and comments provided by the steering committee, which endorsed the terms of reference for the IEE that were prepared by the Director of OE, selected the team of consultants and provided comments on all draft IEE reports. The steering committee consisted of representatives of the following Member States: Algeria, Brazil, Canada (elected to the Chair), Denmark, India, Mali, Nigeria, Sweden and the United States. In addition, representatives of the following Member States also attended meetings of the steering committee as observers: Belgium, Cameroon, Egypt, Finland, Germany, Mozambique, Norway, Spain, Switzerland, the United Kingdom, and the Bolivarian Republic of Venezuela.
8. Two senior independent advisors – Professor M.S. Swaminathan and Dr Robert Picciotto – supported the Director of OE in his task. Both advisers are internationally renowned for their independence of mind, commitment to independence in evaluation, and expertise in development evaluation as well as in the fields of rural and agricultural development. Their role was to assess the organization, methodology and findings of the IEE in order to further reassure the Executive Board that the IEE was being carried out in an independent and rigorous manner, in line with international best practice in evaluation and state-of-the-art knowledge in rural development. The two senior independent advisors have now also provided their final comments on the methodology, process and outcome of the IEE. They are reproduced in annex 6 of this document.
9. The management of IFAD facilitated the IEE by allowing unrestricted access to information and staff. Management provided the consultants with detailed comments on all deliverables and proactively came forward with relevant information to enhance the quality of the IEE. In addition, management established the IEE coordination group within IFAD, with the Assistant President, Programme Management Department (PMD), as its Chair. This group ensured coordination between the consultants and various IFAD units, thus greatly facilitating the work of the consultants.
10. The IEE governance was undoubtedly complex, yet overall, it worked well, largely due to careful management and the commitment of all stakeholders to finding ways to maximize the opportunity offered by the IEE to improve IFAD's performance in the future. The IEE process was aided by the independent status of OE, which reports directly to the Executive Board, the owner of the IEE.

### **The consultants' team**

11. As required by the Executive Board, the IEE consultants were recruited as a unit through an open and competitive international bidding process that was completed under the supervision of the Director of OE with the support of specialized IFAD services. The selection process took approximately seven months and resulted in the selection of ITAD Ltd from the United Kingdom. The company assembled a team of independent consultants under the leadership of Mr Derek Poate, Director of ITAD. The full list of the IEE consultants' team members, their roles and affiliations is included on page xiii of this document.
12. Within the limitations imposed inter alia by the lack of data on self-evaluation, the team performed the daunting task of evaluating

over ten years in the life of IFAD, undertaking its enquiries in IFAD and in the field with a high degree of professionalism. In complex and comprehensive evaluations such as the IEE, it is always possible to detect areas that would have benefited from additional analysis as well as further synthesis, e.g. on IFAD's budget and budget process. However, overall the consultants have produced a report that very much meets the requirements of the terms of reference and is in line with the methodology and processes that were agreed at the outset. The report is based on a solid analysis and has produced findings and recommendations that have important implications for the future of IFAD.

### **Distinctive features of the IEE**

13. A comprehensive independent evaluation such as the IEE is relatively new to development organizations. Few multilateral development organizations have been evaluated in the past. And those that were evaluated were mostly led by a small number of donors. The stage is set to change, however. Recently, other United Nations organizations and international financial institutions have undergone multi-stakeholder independent evaluations that have been spearheaded by their governing bodies – or are about to do so. It is fair to say that in recent years this type of independent evaluation has become increasingly important – as also attested by a recent initiative undertaken by the Development Assistance Committee in this field called “A New Approach to Evaluating Multilateral Organizations’ Performance”.
14. The IEE is the first truly independent and comprehensive evaluation in the Fund's history. IFAD's experience of the IEE, and the lessons gained in this process, may serve as a useful reference and provide guidance for future independent external evaluations of multilateral development organizations. The IEE has a number of distinctive features worthy of mention:
  - The IEE is an independent and external process, recognized as such by its owner, the Executive Board, and by the international development community. That principle is reflected in the governance structure, selection criteria for consultants and in the random sampling of countries and projects reviewed by the IEE.
  - The emphasis on impact assessment is something to which most other independent institutional evaluations have not devoted sufficient attention in the past. The IEE has demonstrated that impact assessment is possible, albeit with some methodological limitations.
  - The IEE is also a corporate evaluation that addresses aspects of IFAD's governance, management processes and functions, such as human resource management and past and current change initiatives. This proved to be a particularly challenging task calling for specialized expertise over and above that usually required for evaluating development effectiveness. Yet, this aspect of the IEE has made an indispensable contribution to assessing IFAD's policies and performance in terms of delivering its programmes and projects.
  - Random sampling of countries and projects ensured that the sample was free of bias that could undermine the independence, impartiality and credibility of the IEE.
  - The use of benchmarking allowed IFAD's performance to be compared with relevant aspects of similar development organizations. Benchmarking is a difficult task owing to the dearth of truly comparable data and documented benchmarks. However, future benchmarking will be facilitated by current efforts aimed at harmonizing processes, criteria and data within multilateral organizations.
  - An unprecedented level of transparency and interaction between stakeholders during the IEE process: all deliverables and interim reports submitted by the consultants were widely disseminated and written comments thereon were provided by IFAD management, the steering committee and OE. They were also made available to the three List Convenors, who in turn disseminated them to representatives of other Member States within their Lists. At times, this process was cumbersome and time-

consuming, but it contributed to minimizing surprises at the end of the IEE process and to fostering IFAD ownership of the IEE findings. Furthermore, the many interactions and comments have enhanced the quality of the IEE and contributed to its transparency and credibility, inter alia through a process that included public debate on the issues raised by the IEE, including the most critical and sensitive ones.

### Key findings and future implications

15. There is a clear evidence trail linking the findings of the IEE to the analytical section of the report. The IEE's main conclusion is that IFAD has a relevant, clear and distinctive role to play in reducing rural poverty. To achieve this, however, the Fund will need to improve its performance. Three main findings emerging from the IEE have implications for IFAD's future performance.
16. Firstly, the IEE concludes that IFAD's overall portfolio performance is similar to that of comparable multilateral development organizations, and that only half the projects evaluated had made more than a modest impact. Furthermore, the sample scored poorly on innovation. There is clearly no scope for complacency, given the continuing widespread and pervasive rural poverty and the efforts still required to achieve the MDGs. This implies, in particular, that IFAD should address the causes of low impact, increase its efficiency and become a more systematic promoter of innovations that could be scaled up and replicated by others. The Fund must also improve its internal policy formulation as well as its external policy dialogue and partnerships with other development actors.
17. Secondly, many of the past change initiatives undertaken by IFAD management were not explicitly aimed at improving effectiveness and did not yield the expected results. Recently, however, a number of promising change initiatives have been launched. The IEE concludes that if it is to meet its many challenges, IFAD will need to implement deeper, more far-reaching changes and a new operating model. In particular, IFAD needs to overhaul its management processes and actively pursue the new human resources policy.
18. Thirdly, on the issue of governance, the IEE advocates that the Executive Board should play a greater role in overseeing the development effectiveness of the Fund's actions.
19. Finally, the IEE offers a number of recommendations that emerge clearly from the areas identified by the evaluation as in need of improvement. Those recommendations meet the requirements of the IEE terms of reference inasmuch as they indicate clear policy and strategic directions that IFAD should pursue as well as action needed to enable the fund to improve its performance and meet the expectations of the international development community.



Luciano Lavizzari,  
Director, Office of Evaluation  
Rome, September 2005

## Acknowledgements

The report on the Independent External Evaluation (IEE) of IFAD was prepared by ITAD Ltd, a consulting firm based in the United Kingdom. The firm assembled a team of 26 consultants from 14 countries, plus 10 national evaluation teams led by Derek Poate, Director of ITAD. The IEE was conducted under the overall supervision of the Director of the Office of Evaluation, on behalf of the Executive Board of IFAD.

The team would like to thank the many representatives of governments, civil society and donors, and above all, people living in rural areas, whose collaboration and support provided an invaluable contribution to the fieldwork conducted by the IEE in ten countries.

The IEE was provided with advice and guidance by a Steering Committee that met three times in Rome under the chairmanship of Françoise Mailhot of Canada. The committee consisted of the following members: Djerir Habiba, Algeria; Baastian Philip Reydon, Brazil; Esther Lonstrup, Denmark; Govindan Nair, India; Modibo Mahamane Touré, Mali; Gabriel Lombin, Nigeria; Stefan Molund, Sweden; and Maureen Grewe, United States of America. Throughout the process, Steering Committee members provided valuable advice and comments to enhance the quality of the IEE and ultimately its final report. The team would like to thank them all for their noteworthy contributions.

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Finally, the team thanks IFAD's senior management for its strong and unwavering support of the IEE process. In particular, the team is deeply indebted to Lennart Båge, President of IFAD who, from the outset, openly embraced the IEE as an opportunity to review and strengthen the organization, and whose support was pivotal to galvanizing interest in and contributions to the IEE at all levels in IFAD.



# Table of Contents

Abbreviations and Acronyms	viii
IEE International and National Team	xi
Executive Summary	1
Main Report:	
Chapter 1. <b>The evaluation and its context</b>	15
Purpose of the independent external evaluation	15
Evaluation framework and methods	16
Rural development in a changing world	17
IFAD’s evolving mandate	18
Chapter 2. <b>The project portfolio: performance and impact</b>	22
Resource allocation trends	22
Portfolio trends and performance	26
Project and programme performance	30
Country programmes and policy influence	38
Impact on rural poverty	42
Chapter 3. <b>Corporate processes: management performance</b>	55
A framework to assess how IFAD’s results are derived from corporate performance	59
Leadership and governance	60
Policy and strategy development	64
Human resources management	65
Partnerships	69
Management processes	71
Knowledge management and learning	76
Searching for the new business model	77
Chapter 4. <b>Future performance</b>	79
Conclusions	79
Recommendations	85
<b>Annexes</b>	
Annex 1: Bibliography	91
Annex 2: List of People Interviewed	93
Annex 3: Evaluation Methods and Instruments	96
Annex 4: Synthesis of Country Working Papers	108
Annex 5: Terms of Reference of the IEE	146
Annex 6: The Comments of the IEE Senior Independent Advisors	159
Annex 7: IFAD’s Management Response to the IEE	162
Annex 8: Excerpt from the Minutes of the Eighty-Fourth Session of the Executive Board	173

## Abbreviations and Acronyms

ACBA	Agricultural Cooperative Bank of Armenia
ACC	Aid concentration curve
ADF	Asian Development Fund
AfDB	African Development Bank
AfDF	African Development Fund
AFESD	Arab Fund for Economic and Social Development
ARDE	Annual Review of Development Effectiveness
ARRI	Annual Report of Results and Impact of IFAD Operations
AsDB	Asian Development Bank
AsDF	Asian Development Fund
BCIE	Central American Bank for Economic Integration
BOAD	West African Development Bank
BSF	Belgian Survival Fund
CAF	Andean Development Corporation
CDG	Credit Development Groups
CI	Cooperating Institution
COSOP	Country Strategic Opportunities Paper
CPE	Country Programme Evaluation
CPIA	Country Policy and Institutional Assessment
CPM	Country Programme Manager
CSO	Civil Society Organization
CWP	Country Working Paper
DAC	Development Assistance Committee (OECD)
DRR	Desk Review Report
EAD	External Affairs Department (IFAD)
EB	Executive Board
EBRD	European Bank for Reconstruction and Development
EC	Evaluation Committee (IFAD)
ECP	Extended Cooperation Programme
EKSYST	Evaluation Knowledge System
ERT	External Review Team
FAO	Food and Agriculture Organization of the United Nations
FIDAFRIQUE	Internet-based network of organizations and projects dedicated to fighting rural poverty in West and Central Africa
FIDAMERICA	Internet-based network of organizations and projects working with the rural poor in Latin America and the Caribbean
FLM	Flexible Lending Mechanism

FPPP	Field Presence Pilot Programme
FY	Financial year
GC	Governing Council
HIPC	Dept Initiative for Heavily Indebted Poor Countries
HIV/AIDS	Human immunodeficiency virus/ Acquired immunodeficiency syndrome
HR	Human resources
HRM	Human resources management
IA	Internal Audit
IADB	Inter-American Development Bank
IAPC	Impact Achievement in the Project Cycle (an IFAD working group)
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association
IEE	Independent External Evaluation (IFAD)
IFAD	International Fund for Agricultural Development
IFAD V and VI	Fifth and Sixth Replenishments of IFAD's Resources
IFI	International Financial Institution
IMI	Initiative for Mainstreaming Innovation
IR	Inception Report (IEE)
LFG	Lake Fisheries Group
LGS	Loans and Grants System
M&E	Monitoring and evaluation
MDG	Millennium Development Goal
MTR	Mid Term Review
NEC	National Evaluation Counterpart (for the IEE)
NET	National Evaluation Team (for the IEE)
NRM	Natural Resources Management
ODA	Official Development Assistance
OE	Office of Evaluation
OECD	Organization of Economic Co-operation
OSC	Operational Strategy and Policy Guidance Committee
PA	Western and Central Africa Division (Africa I) (IFAD)
PAG	Pond Aquaculture Group
PBAS	Performance Based Allocation System
PCR	Project Completion Report
PDIP	Project Development and Implementation Partnership
PDT	Project Design Team
PF	Eastern and Southern Africa Division (Africa II) (IFAD)
PI	Asia and the Pacific Division (IFAD)
PL	Latin America and the Caribbean Division (IFAD)
PMD	Programme Management Department (IFAD)
PN	Near East and North Africa Division (IFAD)
PPMS	Project Portfolio Management System
PRP	Process Re-engineering Programme
PRPP	Progress Report on the Project Portfolio
PRSP	Poverty Reduction Strategy Paper
PSR	Project Status Report
PT	Technical Advisory Division (IFAD)
REA	Rapid External Assessment (of IFAD in 1994)
RIMS	Results and Impact Management System
RPA	Regional Poverty Assessment
RRP	Report and Recommendation of the President
SCP	Strategic Change Programme
SPM	Special Programming Mission
TA	Technical assistance
TAG	Technical Assistance Grant
TOR	Terms of Reference
TRC	Technical Review Committee
UNOPS	United Nations Office for Project Services
WFP	World Food Programme

## Acronyms of Sampled Projects from the Country Visits

AqDP	Bangladesh	Aquaculture Development Project
AMSDP	United Republic of Tanzania	Agricultural Marketing Systems Development Project
ASP	Armenia	Agricultural Services Project
BADP	Pakistan	Barani Area Development Project
CORREDOR	Peru	Development of the Puno-Cusco Corridor Project
EDNASP	Egypt	East Delta Agricultural Services Project
MARENASS	Peru	Management of Natural Resources in the Southern Highlands Project
NAFP	Mozambique	Nampala Artisanal Fisheries Project
NWASP	Armenia	North-West Agricultural Services Project
PAMA	Mozambique	PAMA Support Project
PAMER	Burkina Faso	Rural Microenterprise Support Project
PD-PAPE	Guinea	Smallholder Development Project in North Lower Guinea
PD-PEF	Guinea	Smallholder Development Project in the Forest Region
PDRSO	Burkina Faso	South West Rural Development Project
PF-ACP	Pakistan	Pat Feeder Command Area Development Project
PRODESIB	Bolivia	Sustainable Development Project by Beni Indigenous People
PROSAT	Bolivia	Small Farmers Technical Assistance Services Project
RFSP	United Republic of Tanzania	Rural Financial Services Programme
SSWRDSP	Bangladesh	Small-Scale Water Resources Development Sector Project
WNRDP	Egypt	West Noubaria Rural Development Project

# IEE International and National Team

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<sup>1</sup> Full lists of the consulting team in each country can be found in the Country Working Papers.



# Executive Summary

## Introduction and Approach

1. This report presents the findings, conclusions and recommendations of the Independent External Evaluation (IEE) of IFAD. The evaluation was conceived during the Consultation on the Sixth Replenishment of IFAD's Resources and planned by the Governing Council to be completed in time for consideration in advance of the Seventh Replenishment. The main objectives are to determine IFAD's contribution to rural poverty reduction, examine the relevance of the organization's mission and objectives, assess corporate learning and performance, and make recommendations on policy directions and steps to improve IFAD's performance.
2. The evaluation was designed around a framework of impact and corporate performance objectives, and used generic criteria of relevance, impact, effectiveness, efficiency and sustainability to evaluate performance. The main period of reference was from 1994 to 2003, but trends and initiatives both before 1994 and since 2003 have been taken into account.
3. Data collection was conducted in two stages: (i) a desk review based at IFAD headquarters that examined all relevant IFAD documents and a sample of 21 country programmes (with particular emphasis on 42 loan projects and several grants), and interviewed staff about corporate processes and the performance of projects and programmes; (ii) visits to a sub-sample of 20 projects in ten countries. At both stages, the IEE made extensive use of semi-structured individual and group interviews and used ratings (based largely on IFAD's evaluation methodology) in order to summarise judgements. As stipulated by the Executive Board (EB) of IFAD, the countries and projects were selected randomly from all five of the geographical regions in which IFAD operates. Details of methodology are in Annex 3.
4. In addition to its scope and time constraints, the IEE methodology was limited by a number of factors, including: the dearth of reliable self-evaluation data from IFAD and its partners; a somewhat upward or optimistic bias in the responses given by project beneficiaries and officials during self-assessment; and the small number of completed projects included in the sample. Notwithstanding these limitations, the IEE has confidence in the veracity of the evaluation findings which are to be found in fourteen intermediate reports and which are drawn together and summarized in this final report.

## The Evolving Mandate

(Chapter 1 page 18)<sup>2</sup>

5. IFAD was set up in 1977 with a uniquely exclusive focus on the rural sector. Initially it was intended to fund projects that had been identified and designed by others. But quickly it was seen that partner interests were much broader than food and agriculture and their project designs did not give sufficient focus to the needs of the poorest rural groups. Consequently the Fund moved into identification and project design, and in the mid 1990s adopted a new goal to lead global efforts in helping the world's poorest. By the early 2000s IFAD had further expanded its mission to include a range of actions for enabling the rural poor. The continuity with past strategies was clear, but the new direction brought a direct focus on empowerment, on the role of markets and non-farm income and employment, and on decentralization and governance.
6. The broadening of IFAD's mission is largely a product of changing ideas about poverty and how development assistance should be delivered. Wider trends include a move away from a project focus on agricultural production towards a more direct approach to poverty reduction, the adoption of poverty reduction strategies under the Debt Initiative for Heavily Indebted Poor Countries (HIPC) framework, the international agreement on the Millennium Development Goals (MDGs), and pressure for donors to align their objectives around those goals and to harmonize their ways of working. IFAD has attempted to retain a distinctive focus, largely by emphasizing its catalytic and innovative roles, by articulating a stronger role for partnerships and policy dialogue, and by claiming a role as an advocacy organization for the rural poor. But as the number of actors and the ways of doing business in the rural sector change so IFAD's niche has become less clear. IFAD, however, continues to emphasize area development as few others do, and it is the only international organization established to focus exclusively on the situation of the rural poor, and particularly the poorest. This mandate continues to be relevant, and it is further legitimized by the importance recent progress

reports on the MDGs attach to the development of the rural sector. Indeed, the problem that IFAD was created to tackle continues and is likely to continue in the foreseeable future. The critical challenge now is for IFAD to demonstrate its distinctive role based on a clearly defined approach to innovation, targeting, partnership and policy dialogue all directed to delivering results for the rural poor, and particularly the poorest, as part of the concerted global effort to reach the MDGs.

## Resource Allocation Trends

(Chapter 2 page 22)

7. The first step in the analysis of impact was to examine the trends in resource allocation. IFAD's Lending Policies and Criteria direct it towards the poorest countries and poorest populations, but also require it to ensure a fair geographic distribution of resources. Analysis of the flow of IFAD aid relative to the distribution of population living below a dollar per day shows that the majority of IFAD's resources went to the poorest countries. IFAD's resource allocation is broadly pro-poor, but levels of lending per poor rural person are generally higher in less-poor countries, which reflect a variety of factors: a tendency to smaller rural populations, potentially higher costs of reaching poor groups in remote areas, and greater absorptive capacity in the less poor countries. Regional allocation shares have ensured broad geographic coverage alongside an increasing focus on sub-Saharan Africa. Given that Africa is the continent least likely to reach the MDGs, this focus is appropriate. As a consequence both Asia and Latin America have experienced declines in lending volume during 2001-2004. Both China and India receive less assistance from IFAD than their share of the absolute numbers of poor people might warrant.
8. IFAD has successfully leveraged cofinancing commitments at the overall rate of USD 1.3 for every USD 1.0 approved directly, but although the volume is impressive it fluctuates wildly from year to year, involves a very large number of partners, many contributing very small amounts, and has fallen compared with the years before 1994. IFAD faces challenges to



adapt traditional cofinancing approaches into pooled sector programmes and general budget support, and to conform with good practice harmonization and alignment principles.<sup>3</sup>

9. The Fund is currently introducing a performance based allocation system (PBAS), intended to bring a more transparent framework to guide country allocations. PBAS will take account of need, country and sector institutional and policy performance, and portfolio performance. The approach follows that of other international financial institutions (IFIs), but with some IFAD-specific features. While PBAS has the potential to help the Fund be more selective in the level of resources and choice of instruments within countries and sectors, it is not clear that IFAD has the necessary range of instruments to adopt a more differentiated country approach. Experience from other IFIs suggests that a more selective resource allocation approach under PBAS tends to mean higher levels of non-lending and grants relative to lending in difficult policy contexts. The current set of IFAD loans, technical assistance grants, and more recently country grants, offers some flexibility, but is not based on a systematic approach to working in different policy environments.

## Portfolio Performance

(Chapter 2 page 26)

10. Analysis of the portfolio is complicated by the difficulties faced by the Fund in classifying projects and components. Over the period from 1994 to 2003 aggregate Official Development Assistance (ODA) flows to agriculture declined. IFAD maintained its share until 1999, since when there has been a decline. While the data on aggregate flows have their limitations one implication is that, despite its specific mandate, IFAD was not able to counteract the downward trend in aid flows to agriculture in the 1990s, either directly by increasing the share of its own resources going to agriculture (although the impact would still have been modest given the scale of the reduction from the International Development Association [IDA]) or indirectly, by persuading other, larger donors to maintain or increase their resources going to agriculture. Rather IFAD has broadened its scope into rural

development. There has been a clear increase in project components delivering institutional support, local capacity building, rural financial services and rural infrastructure, while the focus on input supply, fishing, irrigation and rural enterprise has declined. Component definitions muddy the analysis, but there is some evidence that the portfolio is becoming more complex, with inherent problems of management and technical support.

11. Portfolio performance data shows IFAD on a par with most other IFIs but there is no room for complacency. Compared with the World Bank, for which rural data are available, IFAD is underperforming, although the direction of change in performance showed improvement between 2000 and 2003. Poorer performance is also found in the elapsed times between Executive Board approval and loan signing, and then from loan signing to effectiveness. IFAD experiences longer times than other IFIs and there are marked variations across the regions. Long elapsed times between approval and effectiveness usually indicate that significant pre-implementation activities are required in order for a project to go ahead, or that projects being presented to the Board are below full 'readiness' - often meaning that critical conditions have not been met by the borrower, or that cofinancing or necessary institutional arrangements have not been forthcoming. In general, such delays indicate a problem in the project design stage.

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<sup>2</sup> The page reference for each subheading directs the reader back to the relevant key points box, or main text where the findings for the topic were presented.

<sup>3</sup> Alignment is about development organizations following strategies that reflect country development priorities; harmonization is about development organizations adopting common aid policies (to avoid contradictions) and modalities to reduce transaction costs to the recipient country.

## Project and Programme Performance (Chapter 2 page 30)

12. Analysis of performance is based on the sample of twenty, randomly selected projects, across the ten countries. All projects were studied using a common methodology and instruments, adapted for difference between new entrants that became effective within the past year or so, and older or closed projects. A detailed presentation of the findings can be found in Annex 4. The findings support very closely those from the Office of Evaluation's (OE) Annual Report of Results and Impact of IFAD Operations (ARRI) in 2002 and 2003.
13. **Relevance.** The fit between objectives and needs is high across all the sampled projects. But the IFAD strategic framework, and to a lesser extent the regional and country strategies do not provide effective filters for selectivity. Because the Fund's strategic guides are so inclusive, there is no clear basis on which to turn down a project. In five projects from three countries it is doubtful whether the projects were good investment choices for the Fund.
14. **Effectiveness.** Two thirds of projects are rated as satisfactory, but half suffer major implementation problems and only become effective after a mid-term redesign. This delays effectiveness and undermines efficiency. There is a need for flexibility and resources to make adjustments earlier during implementation – an issue strongly linked to supervision.
15. **Targeting.** Using project documents the desk review rated targeting as high, but evidence from the countries is that it is less effective in practice. Country strategic opportunities papers (COSOPs) and project documents lack clear analysis of criteria to identify the poor and do not provide guidelines for implementation. Leakage of benefits to the non-poor is a problem, but one that provides IFAD an opportunity to develop improved means to assist governments in their delivery of rural services to the poorer sections of society.
16. **Efficiency.** Projects are rarely subjected to economic analysis and insufficient attention is paid to indicators of cost-effectiveness, especially for projects where the end use of investments is not known ex ante. About half of IFAD projects do not represent a good use of resources invested and only 45 per cent of the sample was rated as having a 'high' or 'substantial' level of efficiency.
17. **Borrower performance.** As noted in the desk review, institutional analysis is often inadequate, especially assessments of project management capacity. Less than satisfactory project management is a major factor that undermines implementation in the early years. There is a need to plan management arrangements better and for the Fund to learn from lessons in those countries where open competition for recruitment of management teams has been used to good effect.
18. **Supervision.** IFAD is required by its operating rules to contract supervision to cooperating institutions (CIs). This has long been identified as a weakness and has been criticized by previous evaluations. The findings in this study support those criticisms. The Indonesia country programme evaluation and interviews by the IEE with cooperating institutions reveal that IFAD pays less than e.g. the World Bank and the United Nations Office for Project Services (UNOPS) regard as the full costs. Quality of supervision as judged by ratings in the country visits is substantially weaker than quality assurance estimates for the World Bank's rural portfolio. CIs tend to focus on financial and fiduciary aspects to the neglect of development issues. This shortcoming contributes to design issues being deferred until mid-term. IFAD needs to monitor and intervene more effectively during supervision. The combination of contracted-out supervision and the individual nature of the links between a country and the country programme manager (CPM) give rise to a fundamental structural weakness in IFAD's headquarter-to-field relationship.

## Country Programmes and Policy Influence (Chapter 2 page 38)

19. The COSOP was introduced in 1995 to replace the general identification and special

programming missions. At first it was a low-cost strategy paper, but it has been developed with the intention of articulating a country programme with synergy between projects, and across loans, grants and policy dialogue. It does not yet reach those expectations, though a few isolated good examples indicate the potential of the approach. More often than not the COSOP is found to be driven by the current and planned portfolio, with weak analysis of IFAD's comparative advantage and rationale for engagement in the country. More recently the Programme Management Department (PMD) has devoted time to improving quality.

20. There is interesting, but patchy evidence of policy influence in the sampled projects in Mozambique and the United Republic of Tanzania, and other examples from IFAD's portfolio in Bangladesh. IFAD's mandate called for evidence from projects and programmes to be used to engage in policy debate since the very beginning. But the Fund has neither developed sufficient capacity to undertake detailed policy analysis in such a way as to equip staff to promote such a dialogue, nor developed a model to promote policy influence. Even where good and long-standing relations exist between the Fund and national partners, examples from countries such as Egypt and Indonesia reveal that IFAD has not engaged in policy discussion.
21. A similar finding emerges from IFAD's partners in other development organizations at country and international levels. Interviews with sector and regional staff of the World Bank, Asian Development Bank and Inter-American Development Bank (IADB) suggest that IFAD is known for its project work in hard-to-reach rural areas or with marginalized groups. The Rural Poverty Report 2001 is acknowledged by others in the field, but more generally IFAD is not known as a source of policy ideas or as a leader of policy debates about rural development and rural poverty reduction. IFAD's size and resources limit its ability to fulfil its policy, advocacy and innovation roles acting alone.

## Impact on Rural Poverty

(Chapter 2 page 42)

22. Assessing IFAD's impact is a central element in the terms of reference. It is a challenge for the IEE because the sample covers projects at different stages of completion. Nevertheless, the methodology tried to take these differences into account, and where appropriate results are quoted for closed and nearly closed projects rather than for the whole sample. Comparisons are also made with the ARRI.
23. Unsurprisingly, impact varies widely. The IEE encountered a few very good projects, but across the sample as a whole impact on poverty was variable. Only a little over half of the sampled projects showed a satisfactory overall impact on poverty. Moreover, most of the component elements of impact are assessed as modest or negligible while the likelihood of sustainability falls dramatically at or near project closure. Such variable performance might be acceptable if it were associated with an innovative and risk taking approach to tackling poverty. But the sample scores poorly on innovation.
24. The two projects rated highest, in Peru, have striking characteristics: a rich innovative content; project design and management flexibly subordinate to community demands; design adapted to reach poorer groups; committed national directors; and a strong driving force from the CPM who, as it happens, is based in Peru. The resulting impacts combine rising levels of food security with a dramatic effect on beneficiary self esteem.
25. IFAD's traditional areas of expertise remain strong: agricultural production and food security, plus some notable benefits from road construction, irrigation work and financial services. Non-traditional areas such as health and education are small components of the portfolio yet impact is reasonable and community-led water supply seems particularly effective and appreciated.
26. Performance in other areas is more mixed. Fewer than half the sampled projects have grappled with the challenging issues of envi-

ronmental conservation and development and of these nine, four show satisfactory impact. Interventions to promote social capital and to give voice appear to bring significant short-term gains, but where new institutions are created sustainability is very much in doubt. Longer term support and clear exit strategies need to be better articulated.

27. Innovation is seen as central to the achievement of IFAD's mandate. IFAD defines innovation in a broad way and while it has aspirations to be an innovator, evidence suggests otherwise. The IEE sample of operations clearly indicates that while there are a few highly innovative projects (as well as others that contain innovative elements), many are not. IFAD's contribution to the capture, learning, promotion and replication of innovation also appears unsystematic and inadequate given its corporate mission.
28. The assessment of project performance reveals weaknesses: relevance is high, and effectiveness good after mid-term redesigns, but projects lack effective approaches to targeting, are held back by inefficient supervision arrangements, and experience declining likelihood of sustainability as they mature. The key issues affecting impact on rural poverty are portfolio performance, quality assurance and delays to implementation which need deliberate attention by IFAD managers. All reflect aspects of corporate management and processes which are analysed in Chapter 3.

### **Corporate Processes: Management Performance**

(Chapter 3 page 55)

29. IFAD developed a simple but effective business model in its early years after it started to identify and design projects. The model hinged on a one-to-one relationship between the then project controller (now CPM) and the country, and is referred to as the CPM-country model. It enabled highly customized project designs. It was a relatively low cost approach, gave great flexibility to CPMs and built on the technical skills of consultants and partner agencies. However, changing ideas about development assistance led, at the country level, to programme and

sector wide approaches driven by national priorities and poverty reduction strategies. This was linked to changing priorities within IFAD, that emphasized leadership, policy influence and innovation. These changes called for a different approach, new skills and new ways of working. An important part of the IEE has been to examine whether IFAD's business model has evolved sufficiently to enable the Fund to respond effectively to these new demands. The elements of the business model and their impact on corporate performance are discussed in relation to leadership and governance, policy and strategy development, human resource management, partnerships, management processes, and knowledge management and learning.

### **Leadership and Governance**

(Chapter 3 page 60)

30. Corporate oversight is the responsibility of the Governing Council (GC) and Executive Board (EB). Business arrangements are similar to those of other IFIs and provide for regular meetings with records of business. Other arrangements contribute to governance, such as a policy on disclosure in 2000, an Internal Audit (IA) office, a Joint Appeals Board of staff and management for investigating staff-related complaints, an Oversight Committee and the 2003 evaluation policy.
31. Policy is the concern of both the GC and EB, but in practice the main instrument of direction has been the replenishment processes. The Fourth Replenishment in 1992 marked the first real engagement by Member States with IFAD policy and strategy. IFAD V intensified the process and established for the first time a monitorable programme of change. IFAD VI took that process further, bringing a significant new agenda, including PBAS, the Results and Impact Management System (RIMS), a new evaluation policy and the piloting of the field presence initiative. The new agenda attempts to bring IFAD into line with other multilaterals, but sits uneasily with the older idea of IFAD as a small, hybrid organization, focused around innovation and experimentation. In practice, the policy orientations of IFAD V and VI have dominated the work of both management and the EB.

32. The EB meets only three times a year for two days each session. This is far less than comparable regional IFIs and the World Bank, even allowing for IFAD's smaller portfolio. With such infrequent and short meetings the agenda is very crowded, with large volumes of material, not always available well in advance. These characteristics taken together with the limited prior experience of Directors in the operations of an IFI, lack of training, and absence of guidance through terms of reference, result in a Board that does not adequately fulfil its role.
33. Current arrangements do not foster results-based scrutiny of development effectiveness because the Board lacks the tools and orientation. Two sub-committees, audit and evaluation, serve the Board. Neither, however, has developed a comprehensive approach to portfolio quality and development effectiveness. Since mid-2004, detailed scrutiny of the Fund's programme of work has been started by the Audit Committee. In December 2004, policy development as well as self-evaluation was brought within the purview of the Evaluation Committee (EC).

## Policy and Strategy Development

(Chapter 3 page 64)

34. The original business model, with its emphasis on a low-cost flexible arrangement between the Fund and countries, led to a highly customized approach to project design. Vestiges of that style remain and have held back moves to adopt more normative policies governing operations and internal procedures. As a result, policy development has lagged behind the broadened mandate and is low compared to other IFIs. Awareness of IFAD policies and strategies among partner organizations at country level and internationally is also low.
35. The strategic framework 2002-2006 provides a clear sense of mission and the three strategic objectives provide staff with a common reference and a clear basis for communication. But neither it nor the regional strategies provide a clear guide to greater operational selectivity or increased development effectiveness.

Instead the content is largely permissive, as is the treatment of IFAD's main target group.

36. The number of CPMs in PMD, constant since 1994, are too few for IFAD to have been able to cope with new demands. CPMs are expected to foster leadership at country level and among partners, use knowledge generated from within the programme to find innovative solutions, and to catalyze the work of partners to scale-up promising interventions. Use of consultants to support these functions has often been effective in the short term, but at the expense of limited learning and institutional development within the Fund. The need to develop the skills of CPMs has not been recognized as a crucial area for human resources skills development.

## Human Resources Management

(Chapter 3 page 66)

37. IFAD's human resources are the sole source of initiative, action and results. Management of these resources impacts directly on the operational performance of the Fund. The IEE investigated human resources management (HRM) in some detail, with extensive meetings with groups and individual managers and staff, plus a staff survey that attracted a response from more than two thirds of all personnel.
38. Human resource (HR) policies have been conservative and administration based. They have failed to establish a culture of standard setting, accountability and performance management. Despite apparent limitations imposed by the zero real growth budget constraint, demands from IFAD V and VI led to an increase of 43 per cent in both staff and consultant inputs between 1994 and 2003. At the same time the numbers of loans per year remained fairly static resulting in a fall in the Fund's operating efficiency.
39. The profile of staff and consultants in IFAD shows some important characteristics:
- There has been a significant improvement in the gender balance of staff and consultants between 1994 and 2003, with an overall increase of 50 per cent in female employees, and increases at all levels of the organization.

- Almost all staff who have worked for at least three years get promoted. This means that many if not most posts are upgraded, leading to grade creep - in itself a disincentive to genuine career advancement efforts.
  - Almost 50 per cent of professionals at P4 and P5 level will retire within the next five to six years, representing a problem, in terms of loss of institutional memory, but also an opportunity for regeneration.
  - There is a very high reliance on consultants, with a professional staff to consultant ratio of 0.92.
40. The organizational culture is seen to work counter to IFAD's aims to be an innovative, learning organization. Extensive use of consultants limits the internal development of institutional knowledge. Surveys reveal a lack of trust between management and other employees owing in part to failures of communication. Managers are thought to be risk averse.
41. Poor HRM has been a major contributor to variable project performance. A new human resource policy was approved in 2004. If fully implemented it will address many of these problems but will require radical changes in the culture of the organization that must receive the priority attention of senior management.

### Partnerships (Chapter 3 page 69)

42. IFAD's catalytic role calls for the Fund to work in partnership both to leverage funds and to promote replication and scaling up of investments. IFAD V and VI established a new policy environment for partnerships, but the guidance was confusing and contradictory. Unwittingly, the replenishments led to an uncritical use of the term and failed to foster clear objectives and improved ways of working that would bring strategic benefits. There are exceptions, the relationship with the Belgian Survival Fund (BSF), the emerging relationship with the Consultative Group to help the Poor, the partnerships with NGOs through emerging networks such as FIDAMERICA and FIDAFRIQUE, but generally no systematic evidence has been compiled by IFAD to show that partnerships lead to greater impact

or effectiveness. Specific gaps are to be found at country level, where IFAD has not responded to moves by other donors towards decentralized operations and has not developed new approaches to partnership working. This is of particular concern in the light of the Rome Declaration (2003) and the Paris Declaration (2005), both of which place specific emphasis on the need for more effective donor partnerships as a way to deliver more timely and cost-effective development assistance in support of national development strategies.<sup>4</sup>

### Management processes

(Chapter 3 page 71)

43. IFAD staff and management have never been slow to re-examine processes and initiate change. The initial years of the Fund saw a steady evolution of practice as the original model of cofinancing projects developed by other IFIs was replaced by IFAD-initiated designs that reflected IFAD's approach. A cornerstone of that approach was and remains the freedom of action granted to CPMs, under which they controlled the relationship with the government, the identification of projects, the technical design process, and the cooperating institution during implementation. This model is characterized by the IEE as a 'free-agent' CPM. The years since 1994 have seen a large number of powerful initiatives and participatory processes that have been self critical about the need to reform. Many have been directed at the project cycle, others cast more widely. But it is significant that, unlike the World Bank, where similar change was driven by analysis of performance, none of the initiatives described here have been stimulated by analysis of development effectiveness. They have been process-driven on issues of efficiency, rather than performance-driven by analysis of impact. None of the initiatives has been evaluated for impact on IFAD's development effectiveness.
44. IFAD's business model and resource constraints directed attention towards improving the project cycle. At first the aims were to achieve better quality and to manage costs; later they changed to coping with the

policy demands from IFAD V and VI. The current strategic change programme will introduce improved information technology and financial management systems. However, the large number of initiatives over the past decade have not been well connected nor seen through to recognizable outcomes, a failure of management that has left staff sceptical about whether such changes make any difference. The historical overview in Box 11, page 73 charts a logical development of initiatives in response to operational needs. But the IEE in the desk review argues that IFAD's niche and comparative advantage were poorly articulated; that innovation is misused and misunderstood; and that projects are both over and under-designed. Nor, despite so many initiatives to improve quality has the Fund succeeded in instituting an effective quality assurance system to analyse project designs.

45. The need for the role played by the CPM to change has been recognized but not resolved, so the present free-agent CPM model remains a constraint on ways of working that detracts from projects, programmes, knowledge management and innovation. At best it enables entrepreneurial CPMs to flourish. For many, it leaves an unchallenged and under-managed working environment that has created a quality assurance process that provides neither effective support, nor analysis and accountability for quality. Thus, the Fund has not yet succeeded in developing a business model that responds to the Fund's current challenges.

## **Knowledge Management and Learning** (Chapter 3 page 76)

46. Knowledge has always been part of IFAD's currency. But the important role of knowledge to IFAD's mission was given shape in the 1994 Rapid External Assessment (REA) and quickly led to the IFAD V: Plan of Action with objectives to be innovative, a knowledge institution, a catalyst and a leader in rural poverty reduction.
47. A wide range of practical initiatives was mounted and tools developed, many similar to the initiatives in other IFIs and development organizations in the mid-1990s. But IFAD's

draft knowledge management strategy was never actually approved and management's interest drifted. In sum, an organizational culture with poor communications, aversion to risk, limited team working and no staff development, has not fostered learning.

48. In the desk review report (DRR) the IEE tested IFAD's performance against a model of knowledge management that charts the sequence of gathering information, identifying its value, storing, and disseminating it to IFAD's own operations and to partners. A fundamental weakness is that IFAD has a poor record of data collection and self-evaluation. Project arrangements for monitoring and evaluation (M&E) of loans and grants have been widely criticized inside IFAD itself and in a variety of studies, and there is a low priority given to finding information from external sources – despite so many 'partnerships'. Mechanisms with potential, such as core learning partnerships and agreements at completion point, have had limited impact and even been counter-productive. The website has brought speedy internal retrieval of information, and staff make good use of that together with informal links to meet their personal needs. There are plenty of media available for dissemination, but respondents in IFIs and at country level report low levels of awareness, poor access and minimal utilization. There has been no monitoring and follow up to communications.
49. As a result, awareness of policies and strategies among partner organizations at country level and internationally is low, and with the exception of the Rural Poverty Report 2001,

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<sup>4</sup> Both the Rome and Paris high level meetings took place outside the evaluation period for the IEE. No systematic review of how IFAD has responded to the two Declarations was therefore possible. Observations since 2003 suggest, however, a lag between IFAD's corporate commitment to the alignment and harmonisation agenda and practical changes at country and field level in the short to medium run.

IFAD is absent from contemporary development literature.

### Conclusions (Chapter 4 page 79)

50. The period under review has been one of change. Direct support to agriculture has been replaced by wider enabling actions to foster rural growth, and the international community has formed a new consensus around the MDGs. Against this backdrop IFAD has expanded its mission. The need to make rapid and sustained progress towards the MDGs places a premium on the combined efforts of the international development community to support national poverty reduction goals. The quality of aid has come sharply into focus. In this context, the IEE concludes that IFAD's mandate – to provide additional resources to improve the wellbeing of the rural poor – remains fundamental. But there is a danger that IFAD's agenda has become too broad and distant. Weaknesses have emerged in its management and delivery. The Fund needs to focus on its core distinctiveness as an innovator, where its potential comparative advantage lies.
51. **Resource allocation and portfolio performance.** The evaluation has found that IFAD's portfolio of projects is broadly pro-poor, but resource allocation has been largely ad hoc, and not fully responsive to regional and country needs, or to borrower performance. The introduction of the PBAS should help the Fund to be more systematic in its selectivity. But given IFAD's small size, there are bound to be concerns about the size of future allocations to countries that are at the lower end of the policy and institutional performance scale (what are often called fragile states) where the risk of conflict or insecurity may be higher and the need for long term support greater than elsewhere. How PBAS will influence the prospect for IFAD's work in these areas is yet to be seen.
52. Assessment of the performance of the portfolio is complicated by the difficulties of benchmarking against organizations with different approaches to measurement and different operational procedures. The evidence suggests that IFAD's portfolio performance is similar to some comparator agencies, but this judgment is hampered by the limited use made of self-evaluation and the lack of systematic analysis generated from the current approach to quality assurance.
53. **Project and programme performance.** Relevance is high with respect to national development priorities and IFAD corporate strategies but the test is a weak one as neither the strategic framework, nor country strategies provide an effective filter for project selectivity. COSOPs have largely been aggregations of project ideas, with little synergy between projects or instruments. Only the most recent are starting to show some analysis of where IFAD can best add value. Policy influence at project and programme level is minimal.
54. Evidence about effectiveness and targeting both point to weaknesses in the design process, highlighted originally in the DRR. Many projects experience implementation problems, not all within IFAD's control, but a significant proportion are associated with weak project management that reflects poor institutional analysis during design.
55. The majority of projects achieve their project level objectives, but the causal link between objectives and poverty impacts is often unclear and frequently over-ambitious. The results structure that underpins the logframe has not been adopted by IFAD and consequently there are many examples of inconsistent language, poorly defined objectives and inappropriate or unworkable indicators. There is a high frequency of project redesign, reflecting poor quality at entry, weak economic and institutional analysis and problems with management and supervision. Lastly, efficiency is rarely assessed through economic analysis and only half of IFAD's projects can be regarded as a good use of resources.
56. **Policy influence** at both project and programme level is minimal. Some important examples of policy influencing based on project experiences do exist, but most take place within a vacuum – reducing the likelihood of both wider strategic policy engagement and longer term institutionalisation.



57. **Development impact.** A few high-achieving projects have delivered significant gains in household food security and community empowerment, through innovative, community-driven approaches. But only half the projects sampled achieved more than modest impact. Much more needs to be done to make an enduring contribution to the MDGs. The likelihood of benefits being sustained is only modest overall.
58. Innovation is a *raison d'être* for IFAD, but the evidence reveals major shortcomings in IFAD's approach. There is a lack of clarity in operational practice, a tendency to view it as an end rather than a means, and a lack of attention to both innovation and scaling-up in project objectives.
59. **Corporate performance.** The IEE analysis has identified a number of weaknesses in corporate performance. One of the principal reasons for such weakness is that the original business model has not evolved to meet present demands and does not currently deliver the type of catalytic empowerment programme to which the Fund aspires. At the heart of this lies the continuing CPM-country model of working. Corporate performance has also been affected by issues affecting other elements of the business model discussed in paras 30 – 49. The need for change has been recognized and in the past ten years there has been an almost continuous process of responding to changing needs. However, the resulting changes have neither gone deep enough nor far enough and have been held back by an organizational culture that is rooted in the original role of the Fund as a complementary funding institution.
60. **Corporate governance.** Current arrangements meet the basic needs of the organization, but a crowded agenda and short duration of meetings have limited the ability of the EB to promote improved development performance. Improved functioning of the Board with a focus on quality assurance and performance management processes at corporate level has the potential to deliver clearer strategic direction and more demanding oversight.
61. **Policy development.** IFAD has relatively few operational or sectoral policies and few governing internal processes and procedures. Policy development is inadequate compared to other IFIs and has not kept pace with IFAD's evolving strategic agenda. Awareness of policies and strategies among partner organizations at country level and internationally is low. But recent attempts to address the policy 'deficit' have potential. The implications of a policy influencing role were not picked up in terms of skills development and the implications for organization and management of CPMs.
62. **Human resource** policies have been very conservative, and focused only on permanent staff, despite the high proportion of temporary and consultant employees. The corporate culture has failed to provide incentives for innovation, failed to foster trust between management and other staff and led to poor vertical and horizontal communication. The new policy has the right elements for change, but will require enormous commitment and drive to see it through.
63. **Partnerships** are essential for the Fund to perform its catalytic role. But the current approach has led to a proliferation of weak arrangements that lack strategic relevance, and have neither objectives nor indicators to monitor performance.
64. **Management processes.** The need for change has been recognized and is reflected in a series of initiatives over the period studied for the evaluation. These have been driven more by a search for efficiency than the need to improve impact. The flat management structure with consensus decision-making has not provided adequate strategic direction and drive to follow through on change agendas. The roles and structure of the CPMs and regional divisions have stayed largely the same and not responded to the evolving mission. With so little evidence of the value of change staff are, on the whole, sceptical about the efficacy of change, though the most recent initiatives have been more effectively implemented.

65. Learning and knowledge are critical to the success of the Fund. Efforts have been made to promote knowledge management, but they have been undermined by weaknesses in the organizational culture. Recent initiatives have made an appreciable impact, in particular the disclosure policy and website, but there is a substantial communications gap, with low levels of awareness about IFAD's policies and strategies among partner organizations, both at country level and internationally. IFAD's small size and resources, and extensive use of consultants limit its learning ability.

### Implications for the Fund

66. IFAD is at a pivotal point in its history. The level of performance that emerges from this evaluation shows that while the Fund has a relevant, clear and distinctive role to play, it needs to achieve a better performance, one that is characterized by more effective innovation and focus on poor people in hard-to-reach circumstances. Without that, Member States inevitably will ask if it is efficient to continue disbursing those loans and grants through the Fund. There is a clear choice. Management can continue to introduce isolated reforms and react to changing circumstances. Or it can embrace, as the IEE recommends, a more fundamental set of improvements to revitalize the Fund and shift to a new path. The recommendations are designed collectively to achieve that change and the Seventh Replenishment period provides a clear time frame during which results should be delivered and assessed before the next replenishment.

### Recommendations

(Chapter 4 page 85)

67. The way forward is to build on the processes of change which have engaged IFAD in recent years. The challenge is to define and implement a programme that succeeds where previous attempts have failed. Management has operational and strategic responsibility, but the Board must provide direction and a conducive authorizing environment. The recommendations are developed under six headings:

## 1 Managing the change

68. The most difficult task is to come up with a change plan that is credible in the face of past failures, and is convincing both to the EB and to staff. The scale and gravity of change which encompasses the HR policy, a new business process, and pressure to achieve measurable improvements in development effectiveness by the Eighth Replenishment means the stakes for IFAD are high and the outcome cannot be left to chance. In such circumstances, management theories argue for a more authoritarian approach. The IEE therefore recommends as an overarching objective that a person is appointed – reporting only to the President – with broad executive powers and charged with the task of setting performance-based objectives and driving through change to revitalize the Fund.

## 2 Address causes of low impact

69. The evaluation has identified that development performance of IFAD projects and country programmes must be improved. The existing quality assurance mechanism needs to be radically improved to examine new designs and project cycle processes, such as supervision and mid-term reviews, with transparent analysis and links through staff accountability to HR performance management. Examples that have proved effective in other organizations span portfolio reviews of key themes such as arrangements for targeting the poor, or for tackling gender issues; self-evaluation of projects; and development of internal and operational policies, and good practice guidelines.

## 3 Develop a new business model

70. The need for a new business model is evident both from the expanding scope and breadth of work of the Fund, as well as the changing approaches to development planning and organization at country level. The recommendations are designed to give more flexibility to management and remove historical constraints that are no longer relevant. Specific elements should include:
- changing the free-agent, arms length CPM model;

- a zero-base budgeting exercise to re-assess needs across IFAD as a whole and to reallocate savings from the Strategic Change Programme (SCP), and funds currently used for consultants and supervision, into new staff positions and a new structure for the CPMs, regional divisions and technical support in PMD;
- use of PBAS for greater selectivity and differentiation of services within countries;
- implementation of the new human resources (HR) policy;
- preparing a strategy to influence policy at country and international levels, linked to a revitalized knowledge management process and building on the recent good work to improve communications;
- creating effective mechanisms to reform or replace the Operational Strategy and Policy Guidance Committee (OSC)/ Technical Review Committee (TRC)/ Project Design Team (PDT) to provide a more incisive challenge to new policies, programmes and projects;
- releasing the Fund from the long-standing restriction on project supervision; and
- expanding outposting of a proportion of CPMs with a special focus on large country programmes, or those with a high innovative content or in difficult environments.

#### **4 Adopt smarter ways to encourage skills and learning**

71. To gain access and to contribute to emerging policy ideas, to help in identifying innovation, to help improve potential for scaling up and the learning of lessons through applied research, and to help build the knowledge base for its role as an advocate for the rural poor, the Fund should engage in a strategic long-term partnership with a development research organization of world-class standing in research and policy analysis. IFAD is too small to be effective at these demanding roles acting alone. Such a relationship would be a true partnership, with the joint-venture able to be innovative and take risks. The relationship would deepen understanding and technical knowledge of policy issues drawing empirical evidence from IFAD's projects.

72. In order to help the Fund tackle the new demands on technical supervision and quality assurance, and release CPM's time for more technical work, we recommend that the Fund looks beyond working with individual consultants and engages commercial and not-for-profit organizations to manage operational tasks such as aspects of the grants programme, portfolio reviews, quality assurance and technical supervision at country level, with a specific aim to develop and disseminate lessons and policies. This would bring new approaches to quality assurance, address weaknesses in institutional learning, support the changing business model, and improve accountability.
73. Project level M&E remains weak and needs to be re-energized together with selective in-depth studies of innovations during implementation on a small sample of projects considered to have high learning potential.
74. At a more detailed level the Fund should support reforms under the HR policy and improve the visibility of the work of individual members of staff.

#### **5 Clarify IFAD's strategic niche; re-assert its complementary role**

75. IFAD needs to clarify its role primarily as an innovator in policy, institutional and operational terms rather than as a purveyor of fairly routine projects which closely mirror the approaches of larger development organizations. IFAD's comparative advantage does not lie in competing with the other IFIs but in being a progenitor of well tested innovative ideas and approaches that can be replicated nationwide by others with greater resources.
76. The evaluation evidence is clear that the Fund needs to clarify this role better, linked to more strategic selectivity at country and sector level. A more systematic approach would have certain key features. Firstly, a link to a knowledge management system in which lessons from IFAD and other sources are identified and disseminated; secondly, recognition of innovation in project designs by inclusion as an objective, with associated arrangements for flexibility, risk-taking and evaluation; and

thirdly, the identification of potential partners for scaling-up at the commencement of project implementation, to foster ownership and shared learning. The new initiative for mainstreaming innovation (IMI) will help contribute to capacity development. The approach should involve more risk with greater attention to learning from and disseminating results. This implies a more discriminating management of government and non-governmental partnerships and the strategic use of grants where risks are significant.

## **6** Provide direction for development effectiveness

77. Reform proposals in recent years confirm the Board's commitment, but limitations in organization, meetings and the choice of instruments have held back real progress. As regards organization, the Board needs a mechanism to scrutinize work programmes and budgets more effectively, and to examine development effectiveness, although changes to the scope of work of the audit and evaluation committees have now been made. Executive Directors should at least have clear terms of reference to define the role. Management systems to analyse the portfolio and its processes need to be revitalized to provide directors with an analytical view of operations, rather than isolated glimpses of single countries and projects through evaluations.

## Chapter 1

# The evaluation and its context

### Purpose of the independent external evaluation

- 1.1 During its deliberations, the Consultation on the Sixth Replenishment of IFAD's Resources endorsed a proposal to have an independent external evaluation of IFAD. Accordingly, the GC decided that the evaluation should be planned and begun in 2003 and completed in 2004, in time to allow for full consideration of the IEE report by the Executive Board, prior to its recommendation to the Governing Council on the Consultation on the Seventh Replenishment of IFAD's Resources.
  - the corporate learning process and performance of policy and operations; and,
  - forward looking recommendations to improve future performance.
- 1.2 The objectives of the evaluation are set out in section II of the terms of reference, and state: *The main objective of the IEE is to determine IFAD's contribution to rural poverty reduction, the results and impact it has achieved in this area, and the relevance of the organization's mission and objectives in relation to international development goals and the national development strategies of IFAD borrowing countries. The evaluation is further expected to assess whether and what IFAD has learned from past experience and how the Fund's policies and operations have evolved in response to lessons learned from that experience, and finally, to offer recommendations on the policy directions IFAD should pursue and other steps it should take to improve its future performance*<sup>5</sup>
- 1.3 This objective encapsulates three strands:
  - development results and impact in regard to rural poverty reduction;
  - 1.4 This document is the final report. It draws together the findings from an extensive body of work comprising an inception report (IR), desk review report (DRR), ten working papers from countries where randomly selected projects were studied, and two additional background papers dealing with IFAD's governance and HRM. Management has commented on all intermediate materials including the country working papers and background papers. Any factual errors that were highlighted have been corrected.
  - 1.5 The report is in four chapters. This chapter describes the context and sets the scene with a review of IFAD's evolving mandate. Chapter 2 presents the findings about IFAD's portfolio of projects, their performance during implementation, impact on rural poverty and influence on policy under four sub-headings: resource allocation trends; portfolio trends and performance; project and programme

<sup>5</sup> IFAD (2003) *Independent External Evaluation of IFAD*, Terms of Reference, para. 3. Rome.

performance; and impact on rural poverty. Chapter 3 examines how the Fund's corporate processes and management have performed, and traces the link between that performance and the Fund's development impact. Chapter 4 takes stock of the findings, draws conclusions and makes recommendations to improve future performance. The report is supported by the first four annexes. Annex 1 is a bibliography, Annex 2 lists people who were interviewed during the study (excluding those in the country visits who are reported in the country working papers). Annex 3 presents the evaluation sample, methodology and instruments that were used. Annex 4 contains additional analysis from the country visits. The report also draws on earlier IEE products and extensive reference is made to them throughout the text. To simplify presentation the IEE inception report is referred to as IR; the desk review report as DRR; and the country working papers as CWP followed by country name.

### Evaluation framework and methods

- 1.6 A framework for the evaluation was developed in the IR. It was constructed from analysis of the objectives set for IFAD in its original mandate and subsequently modified or reinterpreted through later policy initiatives. The framework is reproduced in Table 1.
- 1.7 The evaluation *framework* is the structure of issues to be examined – based on the study objectives of development impact and corporate performance. Evaluation criteria are generic and follow the Organization of Economic Cooperation/Development Assistance Committee (OECD/DAC) guidelines: impact, relevance, effectiveness, efficiency and sustainability. These are described in Annex 3, para. 4.23. The framework and criteria were used to create sets of questions that defined the enquiries of the evaluation. They can be referred to in the IR, Table 7, pages 23 to 32.
- 1.8 Following the design, the evaluation was conducted in two stages of data collection. First, a desk review, with a small group of team members based in Rome, followed by visits to a sample of ten countries to study a total of twenty randomly sampled projects. Details of the sampling, methods and evaluation instruments are all given in Annex 3. In all areas of enquiry the approach was to try to collect primary and secondary data from a variety of sources (documents, interviews, databases) in order to triangulate the findings.<sup>6</sup> A large proportion of the staff of IFAD (some 25 per cent) were interviewed individually or in small groups, and over 350 staff out of an estimated complement of around 450 completed the HR on-line questionnaire.
- 1.9 Two pillars of the approach were the random sample of countries and projects, and use of ordinal ratings to express evaluation judgements.<sup>7</sup> There are strengths and weaknesses to both approaches. The random sample drawn from all newly approved projects in the years 1994 to 2003 gave rise to a sample of varying ages. Five projects were at a very early stage of implementation; five were around mid-term; four were at a late stage or near completion; and six had closed. The spread of ages affects evaluation judgement in several ways. It is difficult to assess likely impact and sustainability during the early years of implementation. A characteristic of many IFAD projects is a major review with some redesign at mid-term, so early implementation progress can be very different from later years.
- 1.10 Experience from other development organizations suggests that expectations of impact and sustainability are more positive in the early years and decline over time. A sample of closed projects would have given better evidence for impact and sustainability. But given IFAD's relatively long implementation periods, closed projects would have been designed around the start of the evaluation period and would not reflect later changes in corporate procedures and policies in the way that new entrants do. On balance, the advantage of the latter is thought to outweigh the disadvantage of the former. In the analysis, care is taken to distinguish findings about closed and late-stage projects from early ones. Supplementary evidence is also presented from other OE evaluations of closed projects.

Table 1 Evaluation framework	
Evaluation framework	Related objectives from IFAD's mandate and subsequent strategies
<b>1 Development results and impact on rural poverty reduction</b>	
1.1 Policy influence through dialogue and advocacy	<ul style="list-style-type: none"> <li>■ strengthen policies<sup>ae</sup></li> <li>■ strengthen institutions<sup>a</sup></li> </ul>
1.2 Project impact of loans and technical assistance grants (TAGs)	<ul style="list-style-type: none"> <li>■ introduce improved or expanded food production in the poorest food deficit countries<sup>a</sup></li> <li>■ improve the nutritional level of the poorest populations<sup>a</sup></li> <li>■ strengthen capacity of the rural poor and their organizations<sup>d</sup></li> <li>■ improve equitable access to productive natural resources and technology<sup>d</sup></li> <li>■ increase access of the poor to financial assets and markets<sup>d</sup></li> </ul>
<b>2 Corporate performance of policy and operations</b>	
2.1 Resource allocation	<ul style="list-style-type: none"> <li>■ funding allocated on the basis of objective economic and social criteria with regard to the needs of low income countries and fair geographic distribution<sup>b</sup></li> <li>■ enhance catalytic impact<sup>c</sup></li> </ul>
2.2 Policy and strategy development and implementation	<ul style="list-style-type: none"> <li>■ leadership in rural poverty eradication<sup>c</sup></li> </ul>
2.3 Partnerships	<ul style="list-style-type: none"> <li>■ development of national partnerships, regional and international coalitions<sup>cef</sup></li> </ul>
2.4 Project cycle management	<ul style="list-style-type: none"> <li>■ design and implementation of innovative, cost-effective and replicable programmes<sup>ce</sup></li> </ul>
2.5 Knowledge management	<ul style="list-style-type: none"> <li>■ to manage innovation, learning processes influencing and scaling up<sup>c</sup></li> </ul>
2.6 Human resource management	<ul style="list-style-type: none"> <li>■ catalytic institution with highly motivated, well-trained and efficient staff<sup>c</sup></li> </ul>

Sources: a: IFAD Mandate Article 2; b: IFAD Mandate Article 7; c: IFAD Strategic Framework 1998-2000; d: IFAD Strategic Framework 2002-2006; e: Consultation on the Fifth Replenishment; f: Consultation on the Sixth Replenishment .

1.11 Ratings require judgement and judgements need to be consistent if the results are to be sound. Annex 3 paragraphs 4.21 to 4.26 describe in detail the ways in which the IEE team have used written guidance and peer review to develop as robust and contestable set of findings as practical. The evaluation also stayed as closely as possible to OE's methodology to enable comparisons to be made with the ARRI.

## Rural development in a changing world

1.12 The problem which IFAD was created to tackle continues. An estimated 1.1 billion people live in extreme poverty on less than one dollar a day (1993 purchasing power parities). This is down from 1.24bn in 1990,

but still represents over one in five of the world's population.<sup>8</sup> In its 2001 Rural Poverty Report, IFAD<sup>9</sup> estimated that three-quarters of the acute poor live in rural areas. Although this figure will decline over time with growing urbanization, the proportion living in rural areas is expected to remain as high as 60 per cent in 2025. Amongst the poorest the 2004-2005 Chronic Poverty Report<sup>10</sup> estimates that

<sup>6</sup> An explanation of triangulation is given in Annex 3, para. 4.2.

<sup>7</sup> The use of random sampling was explicitly laid down by the IFAD Executive Board.

<sup>8</sup> World Bank Group PovertyNet website.

<sup>9</sup> IFAD (2001) *Rural Poverty Report 2001. The challenge of ending rural poverty*. OUP, Oxford.

<sup>10</sup> Chronic Poverty Research Centre (2004) *The Chronic Poverty Report 2004-2005*.

between 300 and 420 million people are chronically poor, that is people in long term poverty and who may be economically active but unable to escape poverty because of the terms of their employment, their lack of access to productive assets, or because of social barriers. The draft task force report from the UN Millennium Project on what is needed to achieve the MDG 1 states that they will not be met without rapid progress in poverty reduction in rural areas.<sup>11</sup>

- 1.13 While poverty persists in many countries and regions, the global context for agricultural and rural development has seen unprecedented change in recent decades.<sup>12</sup> The green revolution productivity increases, which were key to rural poverty reduction from the 1960's have tailed-off. In Africa, not only has cereal production grown more slowly than population, but most of that growth has come from increased areas rather than productivity.<sup>13</sup> For much of Africa, the potential benefits of demographic transition are now being eaten away by the HIV/AIDS epidemic. For tropical commodity farmers, rapidly rising production in the face of only steady increases in demand have led to the lowest prices since records began.<sup>14</sup> The character of rural space is also being changed by the spread of global market relations, technical change and the gradually shrinking contribution of the agricultural sector to national GDP.
- 1.14 In the wider development assistance environment, direct support to agricultural development has been replaced by the rural development model, founded on the enabling role of rural infrastructure and social provision. More recently, the adoption of the Poverty Reduction Strategy (PRSP) approach under the HIPC framework and the international agreement on the MDGs has created an unprecedented focus around the overarching goal of poverty reduction and the need for multi-sectoral efforts on the part of both governments and the international donor community to achieve the target of halving poverty by 2015. Related are strong pressures for donors to align and harmonize their ways of working in support of country-level poverty reduction strategies.

## IFAD's evolving mandate

- 1.15 The Fund was set up in 1977 to promote and fund projects to promote food security and the livelihood and wellbeing of the rural poor, and in particular the poorest rural groups in the poorest, food deficit countries.<sup>15</sup> At the time it was a unique institutional concept, being the only international financial institution mandated to focus its activities exclusively on the rural sector, and the only one to focus on providing funding for projects that were to be designed, implemented and supervised by others. The assumption was that such a mandate would both sharpen the focus of recipient governments and the international community on the wide-spread problems of rural areas, and create a simple, cost-efficient mechanism for channelling additional funding into the development assistance system.
- 1.16 Relatively quickly it became apparent that projects designed by others did not always give sufficient focus to the needs of the rural poor, and in particular to the poorest rural groups. As a consequence the Fund moved into project activity, taking a much more active role in the identification and design of its projects. It also gradually evolved from being a pure funding institution to a development institution with a wider range of instruments – lending, grants and policy dialogue – and a much broader corporate remit. This culminated in the mid-1990s in IFAD adopting a new goal 'to lead global efforts in helping the world's poorest' by becoming a catalytic, knowledge-based organization focused on the design and implementation of innovative, cost effective and replicable programmes with sustainable impact (Box 1).
- 1.17 As IFAD's mandate has evolved so has its mission. From an initial focus on targeting resources to improve food production and nutrition amongst the poorest and most marginal populations in rural areas, IFAD has broadened its mission to include a range of actions for enabling the rural poor through improved access to financial assets, markets, productive resources and technology and strengthening the capacity of the



### Box 1 IFAD's evolving strategic objectives

The basic mandate of the Fund is set out in the Agreement Establishing IFAD. Article 2 states that: *the objective of the Fund shall be to mobilize additional resources to be made available on concessional terms for agricultural development in developing Member States. In fulfilling this objective the Fund shall provide financing primarily for projects and programmes specifically designed to introduce, expand or improve food production systems ...* Article 7 of the Agreement goes on to specify a focus on the poorest populations and the poorest food deficit countries.

In 1985, IFAD's Annual Report confirmed its three main strategic objectives as *higher food production, reduced malnutrition and lower levels of rural poverty ...* In 1990 the Annual Report states that *over the years IFAD's investment priorities have shifted as the Fund has learned increasingly effective and specific strategies for rural poverty alleviation. A growing focus on the provision of credit funds has been the one notable trend ...* Other priorities are fisheries, small scale irrigation, marketing, storage, processing, entrepreneurial capacity and rural micro-enterprise.

A statement of IFAD's Vision in 1995 further broadened the Fund's objectives asserting that IFAD should be a *leader* in showing the way on poverty eradication by unleashing the capacities of poor rural people themselves; that IFAD should emphasize the design and implementation of *innovative, cost-effective* and *replicable* programmes and that IFAD should also be a *catalytic* and *knowledge-based* organization mobilizing knowledge and resources to assist the cause of the rural poor.

The gradual broadening of IFAD's mission is further evident in the strategic framework for 1998-2000 *Meeting Challenges in a Changing World* which describes IFAD's core business as: innovative pilot projects and programmes in rural and agricultural development; projects and programmes focusing on poverty eradication, household food security and new markets for marginal areas, and the formation of effective partnerships with other development institutions and organizations.

The evolution of the Fund's strategic objectives culminates in the most recent strategic framework 2002-2006 *Enabling the Rural Poor to Overcome their Poverty* which identifies three strategic objectives:

- Strengthen the capacity of the rural poor and their organizations
- Improve equitable access to productive natural resources and technology
- Increase access of the poor to financial assets and markets

Further objectives to enhance catalytic impact are: harnessing knowledge and disseminating to a broad spectrum of national and international partners; supporting the development of national partnerships among the poor, governments, private sector and civil society; building regional and international coalitions and establishing institutional and policy frameworks in support of the poor.

rural poor and their organizations to engage with institutions and markets (Box 1). There have been some constant themes over the years including a focus on the role of women (now gender equity), targeting and the participation of beneficiaries, but there are also new themes including an explicit focus on empowerment, on the role of markets and non-farm activities, on decentralization, policy change and institutional development. The current strategic framework also highlights IFAD's potential role as an advocacy organization for the rural poor.

- 1.18 The mandate continues to be relevant but IFAD's niche has become less clear. Persistent poverty and hunger in rural areas

<sup>11</sup> UN Millennium Project Interim Report of Task Force 1 on Poverty and Economic Development. February 2004. [www.unmillenniumproject.org/documents](http://www.unmillenniumproject.org/documents).

<sup>12</sup> Ashley, C. and Maxwell, S. (2001) *Rethinking rural development* Development Policy Review, Volume 19.

<sup>13</sup> See, *inter alia*, Dorward et al (2004) A Policy Agenda for pro-poor agricultural growth, *World Development* vol. 32 issue 1, January 2004.

<sup>14</sup> See, *inter alia*, Peter Robbins (2003) *Stolen Fruit: The Tropical Commodities Disaster*, Zed Books.

<sup>15</sup> ...the Fund shall provide financing primarily for projects and programmes specifically designed to introduce, expand and improve food production systems...taking into consideration: the need to increase food production in the poorest food-deficit countries...and the importance of improving the nutritional level of the poorest populations in developing countries and the conditions of their lives. Article 2 of the Agreement Establishing the International Fund for Agricultural Development.

and the global effort to reach the MDGs ensure that IFAD's mandate to focus on the rural poor is as relevant today as it was in 1976. But IFAD's original focus on supporting small-scale domestic food production and nutrition has been superseded as IFAD has followed other government and development agencies and shifted its support to agriculture to the broader challenges of rural development. A review of a number of bilateral and multilateral donor strategies for agricultural and rural development reveals a growing level of convergence around issues that figure strongly in IFAD's 2002-2006 strategic framework, including support for rural institutions, market linkages, equitable access to production factors, micro-finance, gender equity and participation.<sup>16</sup> It is difficult to determine what role IFAD has itself played in this growing convergence. The Rural Poverty Report 2001 was clearly an important report, which in turn influenced IFAD's strategic framework, but few other agencies refer directly to it.<sup>17</sup> IFAD staff acknowledge that for much of the 1990s, as agricultural ODA was declining, they found it difficult to convince other agencies of the need to stay engaged in the agricultural sector.<sup>18</sup> The re-emergence of a global commitment to poverty reduction at the end of the 1990s, the HIPC initiative and the introduction of PRSPs were crucial in bringing about a renewed commitment by the international community to poverty reduction and to rural development. But as the number of actors and the ways of doing business in the rural sector have changed,<sup>19</sup> so has IFAD's distinctiveness.

- 1.19 IFAD has attempted to retain a distinctive focus largely by emphasizing its catalytic and innovative role through its loan projects and by articulating a stronger role for the Fund in partnerships and policy dialogue. But critical challenges remain. The current strategic framework provides IFAD with a clear sense of mission and purpose, but as noted in the DRR, it does not provide a meaningful guide to its operating niche or value-added. With relatively few changes in the operating model and the range of instruments at its disposal the Fund's ability

to work effectively in changing country contexts is in danger of being compromised. In moving towards a broader focus on enabling the rural poor, IFAD's specific focus on the poorest areas and most vulnerable groups is in danger of being eclipsed (Box 2).

- 1.20 A key question for IFAD now is whether it should be looking to extend its mandate further to embrace a multi-sectoral approach to rural development and engage in new policy areas – including new aid modalities – related to rural poverty reduction, or whether it should focus on being an innovative, pro-risk institution that works specifically to support the agricultural productive potential of the poor, often in difficult and marginal areas. Many more agencies are now doing the former<sup>20</sup> but the latter is not without its own dilemmas – not least how to balance support to the poor in marginal areas with support in higher potential areas and how to balance the risk-reward of innovation amongst target groups that have limited resources and limited capacity to absorb further risks. In principle, this is an area where IFAD should be able to exercise specific expertise, but it requires a much clearer operational approach to innovation, to assessing risk and reward and a clearer framework for identifying poverty target groups.

- 1.21 The 1994 rapid external assessment of IFAD noted that *the big problem for the Fund is that the world is a tougher place in which to be fresh and innovative.*<sup>21</sup> It also noted that the real danger for the Fund is being outpaced and overtaken by other organizations, including some of the larger NGOs, doing the same things. The situation has not changed much in 2004. The challenge for IFAD is to demonstrate its distinctive role based on a clearly defined approach to innovation, targeting, partnership and policy dialogue with a clear focus on delivering results for the rural poor, and particularly the poorest, as part of the concerted global effort to reach the MDGs.

## Box 2 Who are IFAD's target groups?

An emphasis on targeting and particularly the poorest areas and groups in the rural space, has been a hallmark of IFAD's identity from the very beginning. Article 7 of the Agreement Establishing IFAD states that in allocating its resources the Fund shall be guided by *the need to increase food production and to improve the nutritional level of the poorest populations in the poorest food deficit countries and in other developing countries*. In 1980 IFAD's Annual Report notes the challenges of tackling rural poverty and states that *clearly a great deal more needs to be done to explore new approaches for reaching the poorest and hitherto largely by-passed population groups with effective assistance*. While the 'poorest' in this context are not defined, the perception that IFAD was established to tackle poverty amongst groups left out of mainstream development is confirmed in an article in West Africa in 1988 which noted that *IFAD has been something of a model development agency. It was launched to help the poorest of the poor, those who the bigger agencies don't or can't reach* (cited in the IFAD Annual Report 1987).

More recently, however, the breadth of IFAD's target group has expanded and turned into a much more generic focus on 'enabling the rural poor'. The 2003 Regional Portfolio Review for Eastern and Southern Africa is illustrative, referring to various target groups ranging from 'the needy', the 'poorest' to the 'active poor' and also the 'non-poor' (mainly as indirect beneficiaries). The strategic framework 2002-2006 emphasizes the obstacles of day-to-day vulnerability faced by the rural poor, but the strategy does not highlight the particular condition of the poorest or chronically poor, nor does it provide a distinctive strategy for targeting the poor in marginal or lagging areas, in weak performing states or in conflict-affected zones. While the IEE Desk Review found that overall IFAD was strong in geographical targeting - identifying largely poor areas - it was less clear that the groups identified to participate in IFAD financed projects specifically included the poorest - the chronically poor or ultra poor. While acknowledging that working with the poor, often in remote or difficult locations, is one of the hardest challenges faced by an IFI, the view of the IEE is that as IFAD's mission has expanded it has lost sight of some of its distinctive focus on the poorest and most vulnerable groups. This is at a time when other IFIs and agencies are increasingly focusing on broad-based actions to improve opportunities and services in rural areas (market access, rural roads, extension and rural credit) potentially at the expense of the needs of the chronically poor and marginal or lagging areas (*Chronic Poverty Report 2004, MDG1 Interim Report 2004*).

<sup>16</sup> Organizational priorities for agricultural and/or rural development were reviewed for Denmark, Finland, Germany, the Netherlands, the United Kingdom, Sweden, the United States Agency for International Development, the World Bank, the Food and Agriculture Organization of the United Nations (FAO), AfDB, Asian Development Bank (AsDB) and the European Commission (EC).

<sup>17</sup> A number of agencies refer to the rural poverty projections provided by the Rural Poverty Report but not to its policy or operational implications. There are, nevertheless, many common themes now emerging which were also reflected in the Rural Poverty Report. See also the section in Chapter 2 on IFAD's policy influence.

<sup>18</sup> Staff interviews in PMD and the Technical Advisory Division (PT).

<sup>19</sup> The volume of ODA going to rural areas is still well below what is considered necessary to meet the MDGs, but the number of national and international actors now engaged in the sector has increased hence the need for more effective partnerships and increased attention to policy coherence. Ashley and Maxwell (2001) also note the growing heterogeneity of rural areas themselves, particularly between high and low potential, well connected and weakly connected, peri-urban and remote areas, as well as the impact of demographic transitions and the spread of market relations on the character of the rural space.

<sup>20</sup> See footnote 13.

<sup>21</sup> Report of the Rapid External Assessment of IFAD (1994) page 11.

## Chapter 2

# The project portfolio: performance and impact

### Resource allocation trends

- 2.1 Compared with other IFIs, IFAD is a small organization with an annual lending programme in 2003 a quarter of the size of the AfDB and around two per cent of the World Bank's (IBRD and IDA) lending programme. But IFAD is a sizeable player in the agriculture and rural sector in a number of countries and its focus is to leverage impact well above its financial size, partly by cofinancing and partly by facilitating the scaling up of investments.
- 2.2 IFAD's project portfolio is broadly pro-poor. IFAD's Lending Policies and Criteria make it clear that priority attention should be given to the poorest countries and the poorest populations, both with respect to the volume

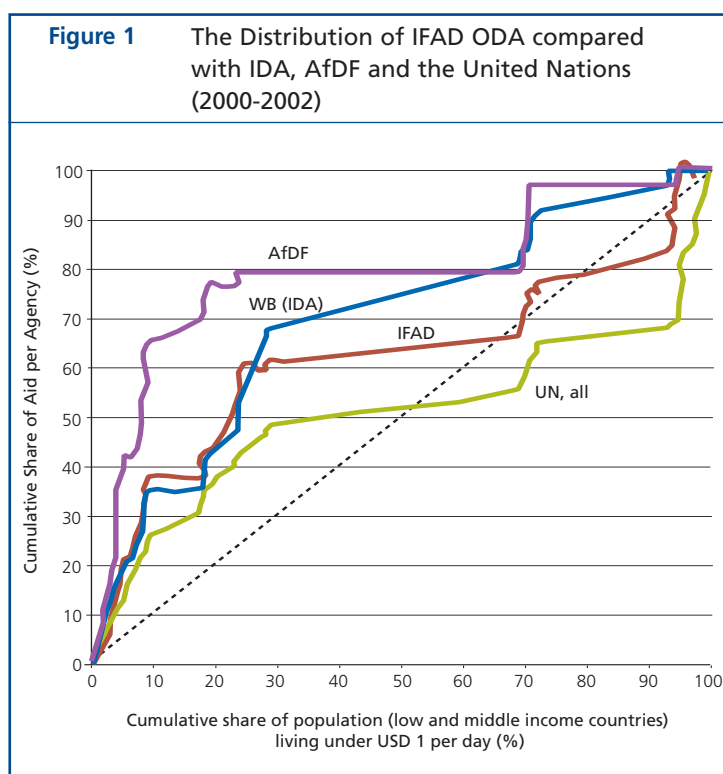
**Table 2** Financial comparison between IFAD and other IFIs

	IFAD	World Bank	AfDB	AsDB	IADB
Authorized capital (USD million)		190 811.0	29 732.7	51 997.0	100 951.0
Borrowings (USD million)	N/A	(19 000.0)	(6 277.3)	(4 141.0)	(9 309.0)
Outstanding debt (USD million)	N/A	(103 017.0)	(6 056.7)	(26 259.0)	(50 821.0)
Net income (USD million) <sup>22</sup>	68.6	5 344.0	256.7	436.0	2 433.0
Disbursements (USD million)	258.8	18 940.0	1 424.9	3 816.0	8 902.0
Cofinanced operations (USD million)	124.9	3 000.0	2 948.0	2 418.0	1 320.0
Loans approved (USD million)	424.0	18 500.0	1 614.2	6 104.8	6 810.0
Grants approved (USD million)	20.3	1 232.0	63.3	176.5	63.6
Other funding approved (USD million)	27.6	-	1 094.5	35.7	-
Administrative expenditure (USD million)	45.2	1 038.0	220.0	252.6	372.5
Number of projects approved	25	240	-	66	-

Figures are based on Annual Reports for 2003, except for AfDB which is based on the Annual Report 2002. World Bank includes IBRD and IDA. AfDB includes AfDB, African Development Fund (AfDF) and Nigeria Trust Fund.

of lending and the terms of concessional lending.<sup>23</sup> Comparing the distribution of IFAD disbursements<sup>24</sup> for 2000-2002 with the distribution of the world's absolute poor living below USD 1/day confirms that IFAD lending is generally pro-poor (Figure 1). The aid concentration curve shows that most of IFAD resources were disbursed in the poorest countries (above the diagonal line in Fig. 1), with a smaller percentage - largely on ordinary terms - allocated to less-poor and middle-income countries (below the diagonal line in Figure 1). The aid concentration curve also shows that proportionately more IFAD assistance is concentrated in the poorest but relatively small countries. Roughly 50 per cent of IFAD assistance in 2000-2002 went to low-income countries making up about 20 per cent of the world's poor, most of them in sub-Saharan Africa. The larger countries, some of them better-off on average, with relatively large poor populations, such as China, India and Indonesia received proportionately less of the Fund's assistance, while some of the small middle-income countries (at the top end of the distribution) with smaller poor populations received proportionately more.

- 2.3 When set against other agencies, the distribution of IFAD's project assistance is broadly similar with one or two key differences. The shape of IFAD's concentration curve reflects its engagement with middle-income countries as well as low-income countries. IDA and AfDF, on the other hand, only lend to low income countries, hence their aid concentration curves remain well above the 45° line. The portfolios for the other agencies also cover all sectors and not just lending to the agricultural and rural sector, which may explain the higher proportion of funds going from these agencies to the larger poor countries – China, India, Nigeria – compared to IFAD. Finally, IFAD's assistance is significantly more pro-poor than the UN overall reflecting the very broad mandate of the UN.
- 2.4 IFAD lending per poor rural person is higher in less-poor countries. While the overall distribution of IFAD's project portfolio is pro-poor, on a per capita basis it is



<sup>22</sup> IFAD figure drawn from Annual Report 2002.

<sup>23</sup> IFAD Lending Policies and Criteria state that the *poorest countries, whose food problems require priority attention, will be the main focus of the Fund's operations, both with respect to volume of lending and terms of concessional lending*. The criteria for defining food priority countries include (a) low per capita income of under USD 500 a year in 1975 prices (b) a projected cereal deficit by 1985 of 500 000 tons or more and/or a cereal deficit of 20 per cent or more as a proportion of estimated cereal consumption (c) the degree of protein-calorie malnutrition in terms of the proportion of the population malnourished. In addition *countries with a per capita income of USD 500 or less (in 1975 prices) should be covered...and that the absolute poorest among them should furthermore receive special attention* No specific definition of the absolute poorest is given.

<sup>24</sup> ODA data drawn from DAC development statistics database. The methodology draws on recent work by Baulch (2003, 2004) and involves the estimation of aid concentration curves (ACC). Grateful thanks to Makiba Yamano and Bob Baulch of the Institute of Development Studies for help in creating these ACCs. Aid concentration curves provide a useful graphical device for showing whether the distribution of a donor's development assistance is targeted toward or away from the poorest countries. If most of a donor's aid goes to the poorest countries then the aid concentration curve for that agency will lie above the diagonal 45° line. If it is directed mostly to the less poor and middle-income countries then the curve will lie below the diagonal line. The x-axis measures the cumulative share of national populations living under USD 1/day calibrated by the average gross national income (GNI) for each country. The poorest countries are captured at the beginning of the distribution. The y-axis measures the cumulative share of aid provided by each agency to recipient countries.

the rural poor in better off countries that receive proportionately more of IFAD's resources. IFAD lending commitment per rural poor person ranged from about ten cents to about USD 20 per annum between 1994 and 2003. Higher levels are found mainly in better off countries, such as Chile, Panama, Paraguay and Tunisia, while lower levels are found in the poorer and more populous countries such as Bangladesh, India and Viet Nam. The reason for higher levels of lending per poor person in less poor countries is not immediately clear but may include smaller but persistent levels of acute poverty amongst difficult to reach groups, and therefore higher delivery costs, together with greater capacity to absorb funds in less poor countries. The aggregate data do not reveal who the target group is for IFAD financing in these countries<sup>25</sup> and whether delivery costs are higher compared with poorer countries, but given the findings of the latest Millennium Project report on MDG achievement,<sup>26</sup> there are reasons to be concerned about the mismatch between per capita lending levels in less poor countries and those in the poorest and more populous countries.<sup>27</sup>

- 2.5 Regional shares remain a fundamental part of IFAD's resource allocation framework.<sup>28</sup> The regional distribution of IFAD lending during the IEE period is largely a product of regional allocation shares established in 1997 to ensure a "fair geographic distribution of resources". The principle is that no one country or region should receive a disproportionate share of IFAD resources in any period.<sup>29</sup> Since the mid 1990s, there has been, nevertheless, a concerted effort to ensure a rising share of resources for sub-Saharan Africa. Figure 2 presents data averaged across a three/four year interval and confirms a relatively broad geographical spread across the whole IEE period, with a rising volume of resources going to sub-Saharan Africa accompanied by a marked decline in lending volumes to Asia during 2001-2003. With Africa the region least likely to achieve the MDGs by 2015, focusing resources here is clearly appropriate, although lending levels per capita are still

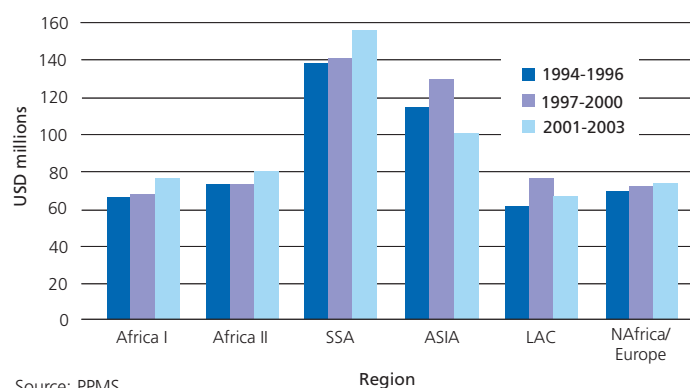
clearly below those of some of the smaller, better off countries of Latin America and North Africa.

- 2.6 IFAD has leveraged significant levels of cofinancing but volumes vary widely across regions and years and actual disbursements are known to lag behind commitments. Of the USD 9 billion in total project financing over the IEE period, the Fund directly contributed USD 3.9 billion. Cofinancing commitments by IFIs and donors amounted to USD 2.4 billion, and contributions from governments and beneficiaries a further USD 2.7 billion. This means that for every USD 1 approved directly by IFAD, it raised commitments of roughly USD 1.3 from other sources – a strong indication of the Fund's continuing role as a catalyst for resource mobilization.<sup>30</sup> While the total volume of cofinancing is impressive, in reality it varies widely from year to year (Figure 3) as well as across regions. The share of cofinancing in total project financing has also fallen over time, from an average of 30 per cent for the period up to 1994 to an average of 25 per cent since 1994.
- 2.7 Cofinanced arrangements involve a wide range of partners: bilateral donors, multilateral banks, funds, foundations and NGOs – around seventy at the last count, with many contributing very small amounts towards single components or subcomponents.<sup>31</sup> This inevitably involves significant transactions costs for IFAD; costs that have been rising as the number of partners expands and as donors themselves become more decentralized in their resourcing decisions.<sup>32</sup> The unpredictability of some cofinanced flows, particularly grant flows for technical assistance, and the problem of raising timely counterpart funds is also a major problem affecting project implementation.<sup>33</sup>
- 2.8 A detailed study of the costs of cofinancing for borrowing governments was not possible as part of the IEE, but some clear challenges do emerge for IFAD given the current aid climate. First, how to adapt the traditional project cofinancing model to the more general move by donors into pooled sector

programmes and general budget support. There are some initial signs that IFAD is considering alternative ways to engage more directly with sector programmes but how this will impact on the current approach to project cofinancing is still not clear.<sup>35</sup> Second, how to ensure that IFAD's cofinancing approach conforms with good practice harmonization and alignment principles.<sup>36</sup> In principle, cofinancing should help to reduce costs imposed on borrowers as long as participating donors are willing to streamline their procedures and rely more directly on government reporting and monitoring mechanisms. Little evidence is available so far on how IFAD has progressed in this direction. Demonstrating progress will be a critical challenge for IFAD in advance of the Second High-Level Forum on Harmonization and Alignment for Development Effectiveness in early 2005.

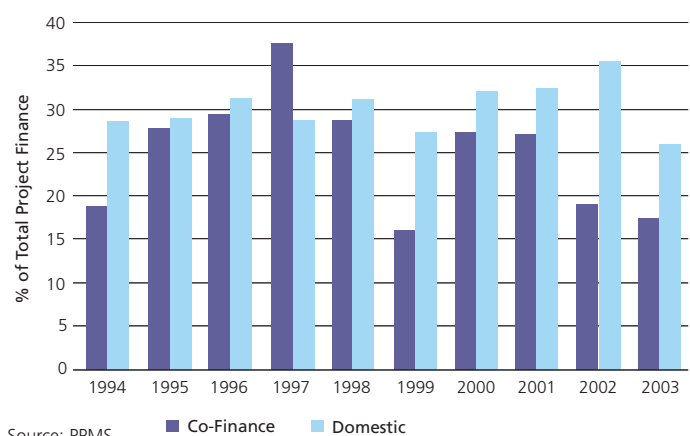
2.9 Decisions about lending volumes at country level have, until recently, been based on a limited assessment of regional and country needs and an ad hoc assessment of borrower implementation performance. This has worked, up to a point, but the approach is increasingly incongruent with best practice amongst IFIs.<sup>37</sup> A PBAS proposed during the IFAD VI round and currently being finalized

**Figure 2** Average IFAD lending by region and period (by approval year)<sup>34</sup>



Source: PPMS

**Figure 3** Cofinancing and domestic contributions as a share of total project finance (by approval year)



Source: PPMS

<sup>25</sup> Although the Regional Strategy for Latin America does indicate a special focus on indigenous populations and hard to reach groups and areas.

<sup>26</sup> United Nations Development Programme (2005) Investing in Development – A Practical Plan to Achieve the Millennium Development Goals. Millennium Project, Report to the UN Secretary General. New York.

<sup>27</sup> A similar finding was found in an analysis of the World Bank's rural portfolio in 2001. Here the range of Bank rural lending commitment per rural poor person was between USD 1 and USD 20 per annum between 1994 and 2000. Higher levels of lending per rural poor person were found mainly in richer countries and lower levels in poorer countries. A study by Beynon (2003) found that the share of IFAD concessional assistance going to the poorest countries remained high at around 83 per cent, although the ratio of ODA per head going to high versus low poverty countries fell slightly from 1.32 to 1.22 – meaning that high poverty countries received roughly 1.2 times as much per head as low poverty countries in 1999/00. This was still well above the average for multilaterals as a whole (0.74 in 1999/00) but below the equivalent ratio for IDA, the AfDF and United Nations Children's Fund.

<sup>28</sup> Even surviving the early rounds of the new PBAS.

<sup>29</sup> Regional shares are estimated using a rolling three-year average.

<sup>30</sup> Actual funding tends to fall below commitments, but comparative data are not available for analysis.

<sup>31</sup> The count is based on data in the Project Portfolio Management System (PPMS) and covers all sources of finance for IFAD projects during the IEE period.

<sup>32</sup> During staff forums, several CPMs noted the increased time spent mobilizing co-financing with the shift, particularly amongst bilateral donors, to more decentralized ways of working at country level.

<sup>33</sup> See recent regional portfolio reviews and the Annual Review of Portfolio Performance.

<sup>34</sup> IFAD's two Africa regions are designated Africa I and II. They are broadly west and central, and east and southern, respectively. A list of countries can be found in any IFAD annual report.

<sup>35</sup> Recent sector-wide approaches paper discussed at the September 2004 EB, Eastern and Southern Africa Regional Strategy 2001.

<sup>36</sup> Rome Declaration on Harmonization 2003; OECD/DAC Good Practice Guidelines; Marrakesh Action Plan 2004 etc.

<sup>37</sup> Nevertheless, IFAD is the first within the UN community to adopt a PBAS.

by IFAD management<sup>38</sup> is intended to introduce a more transparent ex ante framework for guiding country level allocations based on a combined assessment of need, country and sector institutional and policy performance and portfolio performance. IFAD's PBAS is consistent with approaches adopted by other IFIs, drawing as it does on the Country Policy and Institutional Assessment (CPIA) developed by IDA but, unlike others it also includes a separate assessment of the quality of the rural policy and institutional environment in each country.

- 2.10 PBAS is still work in progress and is not expected to come fully on stream until 2005/2006. Some of the potential benefits include a clearer institutional focus on performance at project, sector and country levels and a stronger link between IFAD operations and country strategies, in particular reinforcing the link between IFAD operations and rural sector policy dialogue, an area already identified in the desk review as critically lacking. But PBAS is fundamentally about deciding how much and what type of resources different countries should get based on, amongst other things, their policy and institutional performance. A key question that arises is whether IFAD has the necessary range of instruments to adjust its level of engagement effectively in response to the PBAS exercise. Experience from other IFIs suggests that a more selective resource allocation approach under PBAS tends to mean higher levels of non-lending and grants relative to lending in difficult policy contexts.<sup>39</sup> The current set of IFAD loans, technical assistance grants, and more recently country grants, offers some flexibility, but is not based on a systematic approach to working in different policy environments. There is, for instance, no policy paper setting out how IFAD instruments are best deployed in different country contexts or settings; nor is there a clear normative framework guiding medium term engagement in poor performing sectors or countries, or with policy frameworks such as PRSPs, although a draft policy paper for engagement in post-conflict countries is now available. Given the relatively small size of IFAD's lending programme, a further concern relates to the equitable treatment of countries

that rank low on the CPIA or rural policy performance scale. The Review of IDA 10-12 (OED 2002) finds that even in a fairly well established performance based allocation system such as that operated by IDA the consistent and transparent application of performance criteria to ensure the full equitable treatment of countries is a continuing challenge.<sup>40</sup> This clearly has implications for how IFAD and other agencies work with poor populations in difficult policy environments where the risk of conflict or insecurity is likely to be higher and the need for long term support greater than elsewhere. Many of these environments are those highlighted in the recent UN Millennium Project Report 2004 as needing particular assistance and support if countries, particularly those in Africa, are to get close to achieving the MDGs. How PBAS will influence the prospect for IFAD's work in these areas is yet to be seen.

## Portfolio trends and performance

- 2.11 Aggregate ODA flows have returned to 1994 levels but total flows to agriculture continue to decline. Following a period of severe decline during the mid 1990s, total flows of ODA to developing countries have begun to rise once again. Flows to agriculture, and particularly multilateral flows have, however, continued to decline for most of the decade, from a peak of USD 4.4 billion in 1996 to around USD 2.9 billion in 2002. A major contributing factor behind the decline in aggregate flows to agriculture is the changing pattern of multilateral lending, with IDA in particular moving away from direct lending to agriculture, partly because of a poor track record in agricultural lending and partly because of a policy shift in favour of a more enabling approach to rural growth and poverty reduction.
- 2.12 IFAD lending has largely mirrored this trend. While maintaining its contribution to total agriculture ODA<sup>41</sup> at around 5-7 per cent for much of the decade (around 13 per cent of multilateral flows), from 1999 IFAD flows to agriculture began to decline, falling to around 2.4 per cent of total flows in 2002 (or 8 per cent of multilateral flows) (Figure 4). Much of the decline is explained by a reorientation of IFAD ODA away from agriculture to the broader



category of 'multisector' which includes, amongst other things, activities related to rural development (Figure 5).<sup>42</sup> While the data is highly aggregated one implication is that, despite its specific mandate, IFAD was not able to counteract the downward trend in aid flows to agriculture in the 1990s, either directly by increasing the share of its own resources going to agriculture (although the impact would still have been modest given the scale of the reduction from IDA) or indirectly, by persuading other, larger donors to maintain or increase their resources going to agriculture. Rather IFAD has followed the trend of other agencies into rural development.

2.13 Data drawn from IFAD's own project portfolio management system (PPMS) shows the shift in IFAD's portfolio, but less clearly. (Table 3.) The share of IFAD lending going to agriculture<sup>43</sup> varies quite widely over the IEE period, without an obvious trend. When aggregated with the share going to fishing, livestock and research, which more closely matches the OECD/DAC definition, there appears to be a clearer downward trend.<sup>44</sup> The share of lending in rural development also shows evidence of increasing over time (again with some year on year variance), in line with the OECD figures, as does the share of support going to marketing and the new Flexible Lending Mechanism (FLM).<sup>45</sup>

2.14 Classification by project type is not a satisfactory way of capturing changes in the portfolio, however. The category of rural development is too imprecise, given that it more or less defines what IFAD is about rather than a

<sup>38</sup> Criteria and Principles for the Development and Operation of a Performance-Based Allocation System in IFAD (REPL.VI/5/R.3); Progress Report on Implementation of the Performance-Based Allocation System (EB 2004/82/R.30).

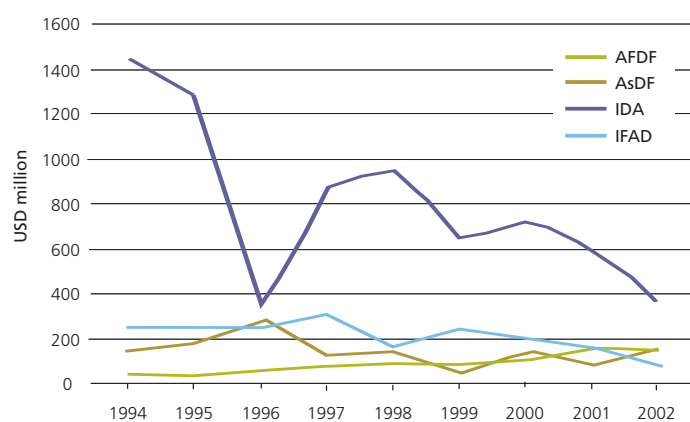
<sup>39</sup> Asian Development Bank.

<sup>40</sup> The performance based allocation system of the World Bank is under scrutiny as the CPIA on which it is based measures initial conditions and structural factors more than it does performance. Only indicators that are relevant to IFAD's mission should be selected in order to guide the choice of instruments and the direction of lending in individual countries.

<sup>41</sup> Includes forestry and fishing.

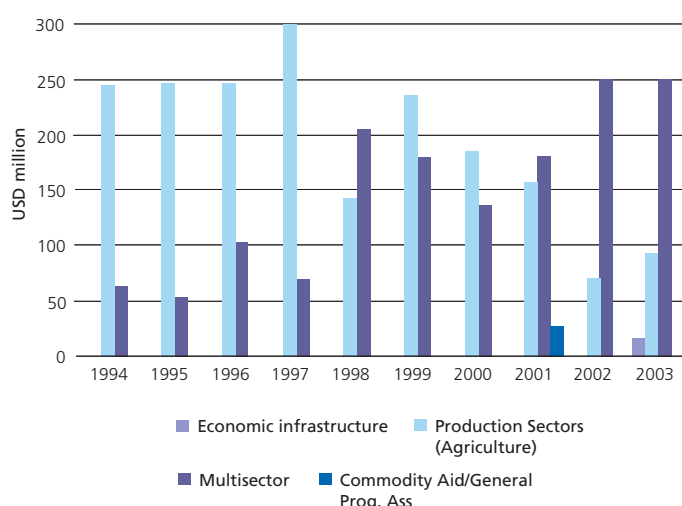
<sup>42</sup> These data are based on OECD/DAC statistics and classifications. The definition of *agriculture, fishing and forestry*

**Figure 4** IFAD and IFI ODA flows to agriculture 1994-2002



Source: OECD/DAC International Development Statistics

**Figure 5** IFAD ODA flows by selected sector 1994-2002



Source: OECD/DAC International Development Statistics

covers agricultural sector policy, agricultural development and inputs, crops and livestock production, agricultural credit, cooperatives and research, all aspects of forestry policy and development and fishing. This is a more inclusive definition than used by IFAD internally which separates out agriculture from livestock, fishing, marketing and research.

<sup>43</sup> **Agriculture** according to PPMS includes: food crops, forestry, fruit trees, horticulture, industrial cash crops, input supply, institutional support to agricultural bodies, land improvement, land reform, mechanization, pest control, seeds, soil and water conservation.

<sup>44</sup> The number of observations may not be sufficient to signify a trend, but definitely point in the direction of a change.

<sup>45</sup> The number of FLM loans is now capped until an evaluation is carried out in the near future.

**Table 3** Portfolio composition by project type (per cent of IFAD finance) 1994-2002

Project Type	1994	1997	2000	2001	2002
Agriculture	38.1	50.2	36.6	14.7	37.4
Fishing				2.5	
Credit	2.3	10.2	4.6	6.4	6.8
Irrigation	24.1	2.8	4.2	7.6	
Livestock	3.3	4.5			
Marketing		1.8		4.1	4.4
Rural	11.8	25.7	18.0	45.3	26.7
Research	20.5	4.7	10.4		3.0
Settlement					5.0
Programme Loan					
FLM			26.2	19.5	16.7

Source: PPMS

specific area of activity or project objective. The vast majority of the projects financed by IFAD also have multiple components, most of which cut across a number of project types. This points to the need for a radically improved system for classifying and monitoring loan projects as part of ongoing portfolio review. Examination of project subcomponents provides a slightly more detailed story, although still bedevilled by definitional problems.<sup>46</sup> Figures 6 and 7 clearly show the increasing focus on institutional support, local capacity building, rural financial services and rural infrastructure. An increase in activity in these areas is to some extent at the expense of areas such as input supply, fishing, irrigation and rural enterprise, although Figure 7 also suggests that as well as focusing more on institutional change and capacity building IFAD continues to finance

many of its more traditional areas including animal production, food crops and credit. The inherent danger, particularly for a small institution is that as the agenda expands so the portfolio becomes spread more thinly. Some early indications can be found in a small but significant increase in the average number of subcomponents per project. The evidence is tentative but raises concerns that an increasingly ambitious agenda may be resulting in an increasingly complex and diffuse portfolio.

2.15 IFAD's portfolio performance is similar to comparator agencies, although there is no room for complacency. Comparing IFAD's portfolio performance measure with that of the other major IFIs shows that the number of ongoing projects underperforming in IFAD is slightly higher than the number of projects at risk in the World Bank and the AsDB, but

**Table 4** Portfolio performance – comparing major IFIs

Institution	Portfolio performance measure <sup>47</sup>	% of Total portfolio	Year
AfDF	Projects 'at risk' (number)	31	2003
World Bank//IDA <sup>a</sup>	Projects 'at risk' (number) <sup>c</sup>	15	2002
IADB <sup>b</sup>	Alert Status (number)	29	2003
AsDB	Projects 'at risk' (number)	15	2003
IFAD	Underperforming projects <sup>48</sup> (number)	21	2003

Source: Respective annual reports on portfolio or loan/project performance (ARPP) for each institution.

a World Bank figures relate to fiscal year.

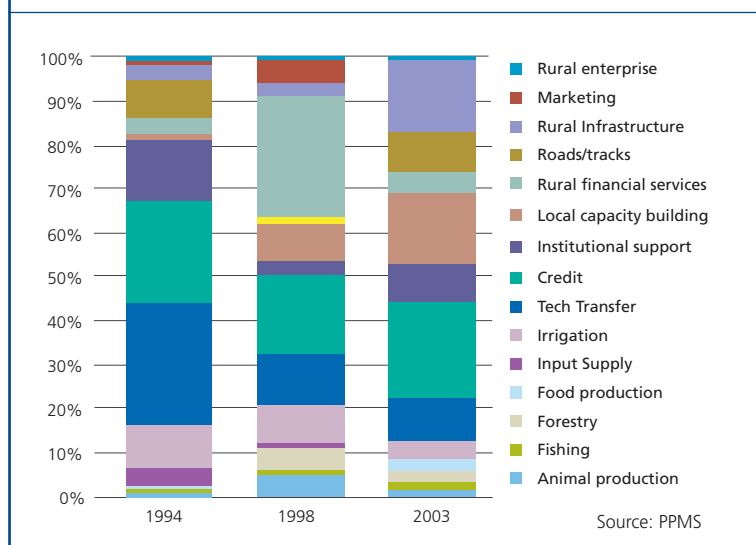
b An equivalent figure based on the number of problem projects could not be found in 2003.

c A refinement of the 'flags' used to determine 'at risk projects' was made by the World Bank in Financial Year (FY02). If these changes had come into effect before the ARPP was published it would show the percentage of 'at risk projects' as closer to 19 per cent for Financial Year (FY02).

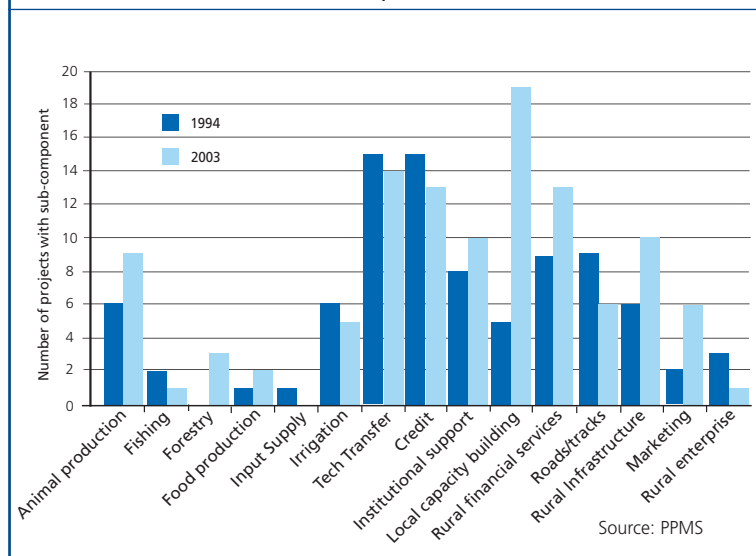
well below the equivalent measures for the AfDB and IADB (Table 4). This comparison nevertheless includes all types of lending activity across all sectors, whereas the rural and agricultural sectors are known to be more risky and difficult to work in. A more appropriate comparison is therefore between IFAD and the portfolio of other IFIs in the rural sector. Such a comparison is currently only possible with the World Bank (Table 4). Taking 2002, which is the only directly comparable year, the data confirm that IFAD is underperforming relative to the World Bank. More important, however, are the trends. First, there is evidence of a modest improvement in IFAD's portfolio performance since 2000, with an indication that things improved further in 2003. Second, the share of projects at risk in the Bank's rural and agricultural portfolios declined noticeably between 1997 and 2002, pointing to the effects of a vigorous programme of portfolio improvement across the institution.<sup>49</sup>

2.16 The need for IFAD to continue to address portfolio performance is evident from the data. Reasons for continued underperformance are considered in more detail in the rest of this chapter but some initial hypotheses based on the DRR include the over-designed, under-designed nature of IFAD financed projects and problems with project supervision, particularly the 'arms-length model' of supervision which contrasts strongly with the more hands-on approach of the World Bank and most other IFIs.<sup>50</sup>

**Figure 6** Portfolio composition by subcomponent value – share of subcomponents in IFAD finance 1994, 1998, 2003



**Figure 7** Portfolio composition – number of projects with each subcomponent 1994 and 2003



<sup>46</sup> Subcomponent descriptions are often imprecise and appear several times per project. The data were cleaned for the purpose of this analysis.

<sup>47</sup> IFIs, except for IFAD, use a standardized methodology for assessing portfolio performance. *Problem projects* refer to projects rated less than satisfactory in implementation and/or in the likelihood of achieving development objectives.

*Projects 'at risk'* relate to actual problem projects and potential problem projects (i.e. those with 3 or more 'at risk' flags). IFAD uses *underperforming projects* which refers to projects that are substantially below target or showing little or no progress towards development objectives. This is closest to the concept of problem projects used by other IFIs. Currently there is no equivalent measure of 'at risk' for the IFAD portfolio.

<sup>48</sup> This is a self-evaluation estimate with no independent verification.

<sup>49</sup> IADB produces a figure for problem projects and projects on alert status in agriculture. The figures for 2002 show 7.9 per cent of agricultural projects in problem project status, while the figures for 2003 reveal 12.5 per cent of agricultural projects in problem status and 32 per cent in alert status.

<sup>50</sup> The over-designed, under-designed characteristic was identified in the DRR (page 35). It describes the situation where appraisal documents, working papers and TRC discussions address many issues in considerable depth for every project. However it is not clear that the core group of design issues – those on which project performance and impact ultimately depend – have been sharply identified and are given most attention by formulators, PDTs, TRCs and appraisers.

**Table 5** Comparing sectoral portfolio performance

Institution	Portfolio	Year	Projects at risk or underperforming projects (%)
IFAD	Total	2000	25.7
		2001	24.9
		2002	24.9
World Bank	Rural development <sup>b</sup>	1997 <sup>a</sup>	24
		2002	18
	Agriculture <sup>c</sup>	1997	27
		2002	16

Source: IFAD Review of Portfolio Performance 2003; World Bank ARPP FY02. Due to differences in reporting a directly comparable time series is not available.

<sup>a</sup> World Bank years are all fiscal years.

<sup>b</sup> Rural development is a thematic classification in the World Bank relating to all investment and policy-based operations with a rural development focus or content.

<sup>c</sup> Agriculture is a sectoral classification relating specifically to investment and policy based operations supporting agricultural activities.

2.17 Another measure of portfolio performance is the time taken for projects to get from Board approval to loan effectiveness. Long elapsed times between approval and effectiveness can indicate that significant pre-implementation activities are required in order for a project to go ahead, alternatively it can indicate that projects being presented to the Board are below full 'readiness' - often meaning that critical conditions have not been met by the borrower, or that co-financing or necessary institutional arrangements have not been forthcoming. Table 6 estimates elapsed times over the IEE period, while Table 7 compares average elapsed times for 1994-2003 across the IFAD regions. Table 8 provides some recent comparison with other IFIs.

- 2.18 Over the IEE period elapsed times appear to have increased,<sup>51</sup> while variations across regions are significant. Regional Portfolio Reviews suggest that longer elapsed times are largely due to difficulties encountered by borrowers in meeting conditions of loan effectiveness, a particularly significant problem in Latin America. In some cases this is because IFAD has wanted to ensure that a particular target group is fully reflected in project implementation arrangements, in other cases it is due to the slow passage of critical legislation or because of wider institutional or political instabilities. More flexible lending approaches may

also increase the pre-implementation phase as triggers and benchmarks are worked out for successive lending tranches. What is not clear is whether the increase in elapsed times is suggestive of a more systemic problem in the way the pre-implementation phase is handled within IFAD, pointing to the need for actions to be taken earlier on at the project design stage to ensure that borrower commitment is secured and that appropriate institutional arrangements are in place to take forward an effective implementation phase. Compared with other IFIs, elapsed times in IFAD are at the high end of the distribution which points to the need for a clearer justification from IFAD management on whether this is matched by more effective processes and stronger results.

## Project and programme performance

- 2.19 IFAD's mandate is fundamentally about the identification and design of sustainable projects and programmes that enhance the wellbeing of the rural poor. It has already been described how, over time, IFAD has broadened its mandate to take on an increasing role in project activity and support for project implementation. In this section these initiatives are discussed and assessed using the results of twenty project evaluations from the country visit phase (a fuller treatment is provided in Annex 4). The focus in this section is on the performance of the indi-

<b>Table 6</b> Average elapsed times (months) between Executive Board and loan effectiveness by year (by loan effectiveness year) <sup>52</sup>			
	EB to signing	Signing to effectiveness	EB to effectiveness
1994	4.3	7.0	11.4
1995	4.7	8.1	13.0
1996	3.1	8.3	11.5
1997	4.8	8.3	13.2
1998	6.8	8.6	15.6
1999	3.9	10.8	14.7
2000	5.2	9.0	14.2
2001	5.0	10.7	15.8
2002	7.4	9.8	17.3
2003	4.9	12.1	17.0

Source: PPMS

<b>Table 7</b> Average elapsed times (months) between Executive Board and loan effectiveness by region (by loan effectiveness year)			
	EB to signing	Signing to effectiveness	EB to effectiveness
Western and Central Africa (PA)	5.0	10.0	15.1
Eastern and Southern Africa (PF)	4.3	9.5	13.9
Asia and the Pacific (PI)	3.0	7.3	10.3
Latin America and the Caribbean (PL)	9.1	11.3	20.5
Near East and North Africa (PN)	4.2	8.7	12.9

Source: PPMS

<b>Table 8</b> Portfolio performance – IFAD and the IFIs	
Institution	Elapsed time between Executive Board approval and loan effectiveness
AfDB (2003)	8.4 months
ADF 2003	+/-24 months
World Bank FY02	8.2 months <sup>a</sup>
IADB (2003)	12.0 months (median) 14.0 months (mean)
IFAD (2003)	17.0 months

<sup>a</sup> Investment projects only

### Key Points:

- IFAD's assistance is broadly pro-poor, although per capita lending levels to the poorest and most populous countries are below those in less poor countries.
- The resource allocation model used up to 2003 is out of step with best practice. PBAS offers a more transparent criterion for identifying policy and institutional challenges at country and sector level, but it is not clear how equipped IFAD is to respond in more selective ways consistent with PBAS. Concerns about the full and equitable treatment of countries, particularly those at the lower end of the policy and institutional scale is a feature of well established PBA systems and is likely to be a continuing concern for IFAD given its limited resources.
- ODA trends suggest a general move away from direct agricultural support towards more multisectoral rural support. Despite its specific mandate IFAD appears not to have been able to convince other donors of the merits of continuing to resource the agricultural sector. While IFAD maintained its contribution to agriculture for much of the 1990s it has more recently broadened its focus in the direction of rural development, institutional change and capacity building along with other donors working in the sector.
- Portfolio performance data shows IFAD on a par with most other IFIs but there is no room for complacency. IFAD's figures are closer to those in the World Bank in the late 1990s, indicating the need for a major push on portfolio improvement to bring IFAD up to speed with its comparators.

<sup>51</sup> The estimates here are slightly higher than the estimates given in the Progress Report on the Project Portfolio April 2004.

<sup>52</sup> All data are based on the PPMS. Project 241 (Haiti) which experienced inordinately long delays following approval, mainly because of protracted political difficulties, was excluded from the analysis.

vidual projects and the country programmes to which they relate. The mechanisms and corporate processes by which IFAD's approach to programme and project development has changed over time are discussed in more detail in Chapter 3. The following section considers the impact and sustainability of these projects leading to conclusions about how well IFAD is doing in delivering on its mandate and mission.

- 2.20 Table 10 provides a summary of the main performance ratings generated by the project evaluations. In terms of relevance to corporate objectives and country development priorities, IFAD financed projects are doing well. All the projects evaluated sought to reduce poverty, either directly or indirectly, and poverty reduction is one, if not the overarching priority of the majority of IFAD borrowing countries. Effectiveness is substantial in two-thirds of cases, but this leaves one

Table 9 Country policy and institutional assessment, 2003	
CPIA quintile	IEE sample countries
First Quintile	Armenia, United Republic of Tanzania
Second quintile	Bangladesh, Bolivia, Burkina Faso, Pakistan
Third quintile	Mozambique
Fourth quintile	Guinea
Fifth quintile	-

Note: The CPIA does not include Egypt and Peru because they are both MICs.

third of projects in the sample underachieving against development objectives.<sup>53</sup> Efficiency is satisfactory – high or substantial – in only half of the projects evaluated and less than satisfactory in the other half. IFAD financed projects of course rely heavily on the performance of the borrower for successful implementation. In most of the IEE projects the borrower performs reasonably well, although there are clear grounds for improvement. The performance of cooperating institutions and IFAD combined is marginally lower than that of the borrower, reflecting mainly problems with supervision and delayed action on the part of IFAD to correct underperforming projects. While the sample contains a few outstanding projects, the IEE finds that the current operating model fails to lift project performance more generally.

### Benchmarking performance

- 2.21 There is a high degree of similarity between the IEE results and those of the ARRI 2003. Table 11 shows a strong similarity in the results produced by the IEE and those generated by the ARRI for 2002 and 2003. The implication is that, while the samples were drawn rather differently, together they provide a fairly representative slice of IFAD investments.
- 2.22 In terms of other comparator organizations, the only documented benchmark is the World Bank's rural sector portfolio. Figures for the ongoing portfolio have already been compared (Tables 4 and 5). For completed projects,

### Box 3 Characteristics of the country sample

IFAD works across a range of country contexts. There are middle income and low income countries, countries that are strong performers in terms of policy and institutional reform and others that are lagging. There are countries on track to meet the MDGs by 2015 and others that are seriously off track. Some countries are emerging out of prolonged periods of conflict and others are moving deeper into it. The IEE sample of countries spans a number of these different characteristics. Table 9 lists each country by its most recent position on IDA's CPIA, which measures country institutional and policy performance. Six out of the eight countries to which this measure applies appear amongst the better performers. Despite good macro performance, at least five of the countries in the sample are off-track in terms of meeting the MDGs, all of them except for Pakistan are in sub-Saharan Africa. Mozambique has also recently emerged from a prolonged period of conflict, while Pakistan faces significant security risks linked to its geopolitical position. Two of the countries in the sample are middle-income countries - Egypt and Peru. The sample is unfortunately too small to test the statistical correlation between country characteristics and project performance, but they are clearly relevant in our understanding of the challenges of achieving sustained poverty impact.

**Table 10** Summary of project performance ratings<sup>54</sup>

(sample size: N = 20 projects except where stated)	High	Substantial	Modest	Negligible	N
<b>Relevance:</b> The extent to which the project fits country development priorities, IFAD strategy and beneficiary needs.	60%	40%	-	-	20
<b>Targeting:</b> The extent to which the design targeted the right people with appropriate activities.	10%	55%	35%	-	20
<b>Effectiveness:</b> Achievement (or expected achievement) of the development intervention's major objectives.	-	67%	33%	-	18
<b>Efficiency:</b> the economical conversion of inputs/resources into outputs and outcomes.	20%	25%	50%	5%	20
<b>Performance of the borrower:</b> The overall performance of project management and implementers.	25%	35%	40%	-	20
<b>Performance of CI and IFAD:</b> The overall performance of IFAD and the supervisors.	10%	45%	45%	-	20

World Bank figures show that on average 67.5 per cent of rural sector projects achieved a satisfactory outcome between 1994 and 2003, compared to 68.9 per cent for the portfolio as a whole.<sup>55</sup> But there was a rising trend in the last few years and by FY02 the share of satisfactory completed rural projects had risen to 81 per cent, reflecting substantial efforts on the part of the Bank to improve portfolio quality in the rural sector.<sup>56</sup> The Bank's outcome rating is a combination of relevance, efficacy (effectiveness) and efficiency. Averaging the IEE results for all 20 projects across the three criteria produces an 'outcome rating equivalent' of 70.7 per cent for the period, which is close to the Bank estimate, but when restricted to completed projects the figure falls to 61 per cent.<sup>57</sup> The sample of closed projects is very small and the comparison should be taken as indicative at best, but the indication is that, IFAD cannot afford to be complacent about its levels of project performance.

### Relevance of IFAD investments

2.23 Project evaluations point to a high degree of congruence between project objectives and country development priorities, IFAD strategies and beneficiary needs.<sup>58</sup> Still, in a quarter of the projects surveyed, there are strong reservations by the IEE country evaluation team about whether the investment decision was in fact the most relevant one, either because of concerns about fit with IFAD's current strategic objectives (Pakistan), or

**Table 11** Comparison between IEE results and OE's ARRI 2002 and 2003

% high and substantial	IEE sample	ARRI 2003	ARRI 2002
Relevance	100	90	80
Effectiveness	67	70	60
Efficiency	45	50	50

<sup>53</sup> This is about the same share of unsatisfactory projects across the total portfolio identified by Wappenhans in 1992 in the World Bank. The Wappenhans report, which focused on the quality of the entire World Bank portfolio and not just its rural and agricultural projects (which at that time were doing worse than the average for the Bank as a whole) triggered a major programme of portfolio improvement in the World Bank.

<sup>54</sup> The modal class(es) are shaded. It was considered inappropriate to rate effectiveness of projects in the very early stages of implementation: Barani Area Development Bank (BADP), Pakistan and the Agricultural Marketing Systems Development Project (AMSDP), the United Republic of Tanzania, hence N for effectiveness is 18 rather than the full sample of 20.

<sup>55</sup> World Bank *Annual Review of Development Effectiveness 2003*. Operations and Evaluation Department, Washington D.C. The figures are calibrated by the number of projects and not by disbursements. If results are weighted by disbursement the figure rises to 77 per cent for rural sector projects and 78 per cent for the portfolio as a whole.

<sup>56</sup> Partial results for FY03 indicate a return to the 1994-03 average, although a significant number of FY03 exits had not been evaluated at the time the Annual Review of Development Effectiveness (ARDE) was released.

<sup>57</sup> The Bank's figures are for completed projects only. The IFAD sample of current projects includes those at varying stages of implementation. It is difficult to make a coherent assessment of performance until close to the end, and preferably after implementation has been completed.

<sup>58</sup> Four projects Sustainable Development Project by Beni Indigenous People (PRODESIB), Small Farmers Technical Assistance Services Project (PROSAT), North-West Agricultural Services Project (NWASP), Agricultural Services Project (ASP) cite a high degree of congruence with IFAD strategic documents (the strategic framework, the relevant regional strategy and the COSOP) though this partially because the project design predates these strategies.

because of a mismatch between IFAD's choice of instrument and the wider aid coordination context in the country (the United Republic of Tanzania), or because of concerns that IFAD's unilateral support of a particular area of government policy has limited its options to pursue a more progressive and potentially more relevant development agenda (Egypt, Box 4). This finding points up a wider problem with IFAD's strategies, identified during the desk review.

- 2.24 IFAD's strategic statements are highly permissive and sufficiently imprecise to make almost any work with the rural poor seem to be relevant. The IEE desk review (page 16) notes about the IFAD Strategic Framework 2002-2006: *The intellectual and policy framework is largely permissive, ruling almost everything in and very little out.* Regional strategies are strong on the quality of analysis, the clarity of objectives (although it is less clear that these constitute a good guide to resource allocation) and for setting out principles to guide country programming. But they are weaker in their recognition of other international best practice and knowledge about growth and rural poverty reduction at regional level. And the biggest weakness of all is the lack of any clear indicators for monitoring progress against regional objectives. (DRR paras 3.33-34) A review of 20 COSOPs found them to be satisfactory in terms of corporate alignment, the degree of local ownership and stakeholder engagement, the quality of analysis and targeting issues. In many ways COSOPs

are still functioning largely as an aggregation of project ideas rather than as country strategies able to provide selectivity and focus. In particular, COSOPs are not providing the rigorous filter required at project identification. They are strong on analysis but weak in articulating IFAD's development niche. Links with in-country processes, such as PRSPs, and articulating ways of catalysing others to take forward replicable ideas also need improvement. The vagueness of innovation and poor arrangements for M&E highlight the weaknesses.

### Effectiveness of implementation

- 2.25 Only two thirds of IFAD financed projects are expected to achieve development objectives. The rating of effectiveness is a measure of the achievement of development objectives as defined by the project. In other words, "how well has the project done what it set out to do?"<sup>59</sup> Based on this measure there are certainly some high performing projects in the IEE sample but, equally, serious implementation problems are a common occurrence (Box 5).
- 2.26 Of the 16 projects in the sample where implementation is well underway or completed, half have suffered from major implementation problems (not including the two Bolivia projects, which were force majeure interrupted). Three projects (two in Guinea, and PDRSO in Burkina Faso) reveal major mutually reinforcing weaknesses: the size of the working area, the

#### Box 4

#### Concerns about relevance in Egypt

In Egypt IFAD has unilaterally supported government efforts to reclaim new lands and provide viable livelihoods for the dispossessed and unemployed largely through agricultural investments. Development of the reclaimed desert areas is not without controversy, however. In addition, IFAD's emphasis on supporting agricultural investments does not necessarily accord with the highest priorities of targeted beneficiaries, given the absence of even the most basic infrastructure and services on most of the settlements. Indeed, there is some debate as to whether IFAD is working with the poorest in Egypt as a whole - with farmers in Upper Egypt being poorer and an increasing number of agencies turning their attention to this region.<sup>60</sup> Furthermore, IFAD's main partner, the Ministry of Agriculture and Land Reclamation, is not a natural partner for participatory, bottom-up planning and intervention, plus the more innovative aspects of community development and gender work - all critical dimensions of IFAD's perceived comparative advantage. One way forward could be to introduce the Ministry to the innovative work of NGOs such as CARE whose action research on small-farmer cash cropping in Upper Egypt has recently been recognized with a World Bank grant.



### Box 5 Project design issues have impinged on effective implementation

Design is an essential component of aid quality, and the quality of aid has a tremendous impact on its effectiveness.<sup>61</sup> The DRR (Chapter 3) provides a comprehensive account of the main weaknesses in IFAD project design. There is satisfactory definition of the project objective, outputs and the logical connection between them, but weak definition of practical indicators and targets for tracking performance, reflecting indecision about adopting the logical framework. Treatment of sustainability is weak; adjectives and aspirations are not matched by practical design features. Appraisal of the implementation capacity, motivations and support requirements of project managers, partners and monitors is weak overall, and anti-corruption measures are not specified in project documentation.

Many of these design issues undermine on-the-ground effectiveness, and the IEE country studies are clearly illustrative of this point:

- The Rural Financial Services Programme (RFSP) (the United Republic of Tanzania) has a confusing and overly prescriptive design, and most of the 27 risks identified in the logframe should have been clarified and internalized during formulation and loan negotiations. If no mitigation of risk was possible at design since the project was seeking to pursue a new and largely untested approach, it may have been preferable for this component to be explicitly described as a pilot initiative.
- South West Rural Development Project (PDRSO) (Burkina Faso): the logic of the project was weak with poorly stated development objectives framed around a project means, for the community to identify its own priorities and ways of working. Also, there was a lack of environmental impact assessment (of road building) and a high risk of developing valley bottoms with only weak mechanisms for reducing risks.
- Barani Area Development Project (BADP) (Pakistan): the logic of the intervention deserved more attention, including the fact that 80 per cent of income comes from off-farm sources, the problems with public services reaching the poor, and, the project appraisal document's ignorance of the consequences of far reaching devolution in Pakistan.

target population, and the number of components were too great, and the selection of the project management team was below standard.

2.27 The extent of implementation difficulties is further revealed by the fact that half of the projects reviewed by the IEE were redesigned at mid-term, many of them substantially. It is notable that redesign issues become concentrated at the point of the mid-term review (MTR), rather than being resolved earlier in implementation. Seven projects in the sample (35 per cent) were sorely delayed with very low effectiveness for some years until major modification followed the respective mid-term reviews.<sup>62</sup> While design changes are not uncommon in any development project and are, to some extent, desirable given shifts in the project context, the number of major redesigns and the consequences for effectiveness (and efficiency) in the first few years of implementation suggest that some serious modifications to IFAD's project instruments are required.<sup>63</sup>

<sup>59</sup> This assessment tends to overstate potential effectiveness as some projects have poorly structured objectives, a point explained in Annex 4.

<sup>60</sup> For the Egypt programme as a whole, the CPE (2004, page 5) confirms the assessment of the IEE and notes that there is less relevance to the poorest.

<sup>61</sup> As empirically demonstrated by Wane, W. (2004), *The Quality of Foreign Aid: Country Selectivity or Donors Incentives?*, World Bank Policy Research Working Paper 3325, June 2004.

<sup>62</sup> These were: AqDP (Bangladesh), PDRSO (Burkina Faso), East Delta Agricultural Services Project (EDNASP) (Egypt), Smallholder Development Project in the Forest Region (PD-PEF) (Guinea), Smallholder Development Project in Northern Lower Guinea (PD-PAPE) (Guinea), Nampala Artisanal Fisheries Project (NAFP) (Mozambique) and Pat Feeder Command Area Development Project (PF-ACP) (Pakistan).

<sup>63</sup> The FLM is intended to offer a more phased, adaptable approach to project design allowing for changes in surrounding conditions, but no systematic evaluation results are available yet to assess whether or not the FLM is proving more effective than the traditional IFAD project approach.

### Effectiveness of targeting

- 2.28 Pro-poor project designs do not always lead to effective targeting on the ground. A review of the literature confirms that the quality of poverty targeting is strongly linked to better project performance.<sup>64</sup> IFAD has identified targeting as a key mechanism for ensuring that the poorest and most marginal rural groups benefit from IFAD-financed investments, but this awareness is undermined by mixed messages emanating from phrases such as the ‘economically active poor’ and ‘rural poor who have productive capability’ which lack a clear and simple interpretation. From the project documents, the DRR rated IFAD’s approach to targeting as largely satisfactory at the design stage. The country studies, however, found several problems with translating these designs into effective targeting mechanisms on the ground. Sixty-five per cent of the sample are rated high/substantial for targeting overall - poor areas and poor functional groups (small-holders, artisanal fishers) - but only 40 per cent are rated high/substantial for targeting the poorest groups in the target area (Table 12).<sup>65</sup>
- 2.29 The varied performance on targeting at field level is a result of weakly developed targeting mechanisms at the design phase and implementation mechanisms that are inadequate to prevent benefit capture. This includes a failure to provide explicit targeting guidance and procedures for implementing partners; to ensure that design and implementation mechanisms prevent capture by better-off

groups, and insufficient attention to tracking and monitoring the ongoing effectiveness of targeting and feeding this information back into project management decisions.<sup>66</sup> A first requirement is a clearer policy framework on targeting to guide project work. The absence of clear design criteria to identify poor groups, or targeting guidelines for implementation, has been identified in a forthcoming OE evaluation on decentralization in three country programmes, currently under preparation. The study points out that if the targeted poor are not clearly identifiable, it would be difficult to attribute changes in their circumstances to IFAD.<sup>67</sup>

### Efficiency

- 2.30 About half of IFAD projects do not represent a good use of resources invested. Only 45 per cent of the project sample was rated as having a high or substantial level of efficiency, with half showing a modest performance. These results are similar to the 2003 ARRI, which rated 50 per cent as high/substantial.
- 2.31 Economic analysis and planning are not always in line with the current nature of investments. The DRR notes weaknesses in the quality of economic analysis, in particular the continued use of the traditional crop-budget approach even when a substantial share of project loans is either financing activities where the end use is largely unknown ex ante (social investments, microfinance institution (MFI) strengthening) or is financing indirectly-productive processes and capital investments (group formation).<sup>68</sup> More meaningful

**Table 12** Assessment of targeting<sup>69</sup>

(Sample size: 42 projects)	% satisfactory	% unsatisfactory	Sample size
Overall targeting (design)	83	17	42
Overall targeting (implementation)	65	35	20
Women (design)	81	19	42
Women (implementation)	58	42	19
Poorer people (implementation)	40	60	20

Source: IEE desk review and Form 5 ratings.

efficiency indicators are required to promote cost-effectiveness. Pakistan PF-ACP illustrates these concerns, becoming uneconomic when the previous AsDB funded rehabilitation project is included in the analysis. The project could only be economically justified on a 'sunk costs' argument, yet this issue was never addressed at appraisal. There was no economic analysis at project completion (though AsDB say they will attempt one).

### Borrower performance

- 2.32 Some of the implementation difficulties noted above to do with non-appearance of budgeted co-finance or difficulties flowing from both design and implementation arrangements are largely beyond IFAD's control. The evaluation also looked at the performance of the borrower, which is mainly evident in the arrangements for project management.
- 2.33 Efficiency is often compromised by less than satisfactory project management.<sup>70</sup> In 40 per cent of projects, the performance of the borrower in project management and implementation is rated as modest. Difficulties with project management are by no means unique to IFAD but notable is the relatively slow response by several IFAD CPMs to emerging management problems and the tendency to wait until MTR to put in place correctional measures. The long wait for re-design undermines efficiency, at least in the short run.
- 2.34 Good examples of project management do exist, and the country visits found that the use of open competition has been a significant factor. This is supported by the studies of Peru, the United Republic of Tanzania and Mozambique PAMA Support Project (PAMA) where the management teams were hired using open competition. The selection of capable managers and project staff, combined with strong ownership of project-level objectives, translates into improved decision-making as well as on-the-ground performance. Other project management units seen as performing well include: Armenia's North West Agricultural Services Project (NWASP) and Agricultural Services Project (ASP); Mozambique's Nampala Artisanal Fisheries

Project (NAFP); Burkina Faso's Rural Microenterprise Support Project (PAMER) and Bangladesh's Small-Scale Water Resources Development Sector Project (SSWRDSP).

- 2.35 But, in many cases project management is less than satisfactory. In eight out of 20 projects (40 per cent), the performance of the borrower is rated as modest. A further five of the projects in the sample are very new, and there has not been much time for management problems to emerge. The desk review (paragraphs 3.83-3.85) also pointed to concerns with project management, namely the analysis of current capacity and commitment amongst intended implementers. Weakness in assessment of the institutional setting means that management arrangements do not tackle underlying problems. There are two main issues that have emerged from the country studies: (i) that major management problems are allowed to occur in the first place, an issue linked to IFAD's distance during implementation and, arms-length supervision noted later in this chapter; and, (ii) where less severe management problems do exist they persist largely unchecked and for a number of years.

<sup>64</sup> Coady, D., Grosh, M. and Hoddinott, J. (2003) A Review of Targeting Approaches. World Bank, Social Safety Nets Primer Notes, Issue 10, 2003.

<sup>65</sup> There are no clear definitions within IFAD for what is meant by the poor and poorest. Global definitions of 'the poor' relate to all those living below USD 2/day and 'the poorest' (or absolute poor) to those living on less than USD 1/day. Such definitions are not widely used in the project documents sampled by the IEE. In assessing whether or not projects were effectively targeting the poor and poorest groups the IEE teams relied largely on project M&E data (where it was available) and assessments and rankings by beneficiaries and project management teams.

<sup>66</sup> In a recent review of targeting in 122 projects in 48 countries, Coady, D. et al (2003: 64-5) concluded that, *the quality of implementation matters tremendously to the targeting outcome.*

<sup>67</sup> IFAD (2004) *Thematic Evaluation of IFAD's Performance and Impact in Decentralizing Environments: Experiences from Ethiopia, the United Republic of Tanzania and Uganda.* OE

<sup>68</sup> *The Decision Tools for Rural Finance* (2003) does include best practice methods for use within MFI-supported projects, but this appears to be an exception.

<sup>69</sup> The percentage satisfactory and unsatisfactory is the aggregate of high/substantial and modest/negligible respectively.

<sup>70</sup> The primary assessment of borrower performance by the IEE has been through the project management arrangements.

### Supervision performance of cooperating institutions, and IFAD support

- 2.36 The current arrangements for supervision can be made to work, but more often than not supervision underperforms. (Box 6) The findings on supervision match those produced by OE, which suggests that the supervision model used in IFAD supported projects may not be the most effective to enhance project performance, particularly given IFAD's approach to innovation and replication.<sup>71</sup> Nine of the twenty projects (45 per cent) are rated modest for supervision performance (an assessment of both CI and IFAD), and the remaining 55 per cent show some specific concerns although overall they are rated as substantial. This compares unfavourably with the latest assessment by the quality assurance group in the World Bank which finds that the quality of supervision in rural projects was fully satisfactory in 90 per cent in FY02.<sup>72</sup>
- 2.37 The CPM-project relationship is a critical element of IFAD's supervisory role, because the CPM is the only representative of IFAD able to review technical issues and ensure that objectives, targeting and implementation practices remain in line with IFAD's policies. While most CPMs are viewed positively, the project staff usually have little interaction with the rest of IFAD. In Armenia for instance, the CPM(s) and cooperating institutions for both NWASP and ASP are viewed positively by project management, but beyond this small group, there are few other IFAD staff actively involved. Similarly
- in Burkina Faso, there is a low level of engagement between project staff and other IFAD staff based in Rome. Few IFAD documents are made available to project-level staff and familiarity with broader IFAD objectives is relatively low. The narrow base of contact between country authorities and IFAD limits the scope for interaction, places a high responsibility on the CPM, and reduces the ability of colleagues in IFAD to 'challenge' decisions about projects. These points are a feature of the current IFAD business model, developed in Chapter 3, paras. 3.2 et seq.
- 2.38 The IEE sample of countries is too small to draw conclusions on field presence and direct supervision. In Mozambique and the United Republic of Tanzania, the liaison officer initiative has helped bridge the communication gap, but for some stakeholders this has been lessened by the absence of any real authority delegated to the liaison officers within IFAD. In Peru, the out-posted CPM has contributed to the portfolio especially with increased implementation support (though with a lack of influence in Bolivia). In Armenia, the direct supervision of NWASP was broadly successful, but not without cost. Indeed the CPM now prefers a central role in supervision missions but with administrative and fiduciary responsibilities delegated to a competent CI.

### Country programmes and policy influence

- 2.39 The introduction of the COSOP in 1995 was intended to provide a medium term frame-

#### Box 6 Making supervision work within the current system

In Armenia, supervision by both the CI and the CPM are viewed positively by project management and welcomed as part of the process of improving performance. The proactive and pivotal role of the CPM is a strong contributory factor, including:

- An active input during identification and formulation to ensure good project design
- Asserting some influence in ensuring that a capable supervisor is selected
- Using the CI to its strengths, including checking loan conditions, disbursements, and providing fiduciary expertise
- Visiting projects at least once a year, and up to three times during the first critical stages
- Developing a good relationship with project management, including frequent communication (such as quick responses to emails/faxes)
- Active participation on mid-term review missions, including field visits and report writing

### Key Points:

- **Relevance:** The fit between objectives and needs is high. But the IFAD strategic framework, and to a lesser extent the regional and country strategies do not provide effective filters for selectivity. There is no clear basis on which to turn down a project. In particular, there is no real challenge to new proposals at identification.
- **Effectiveness:** Two thirds of projects are rated as satisfactory, but half suffer major implementation problems. Redesign is concentrated at the MTR, and not dealt with earlier. There is a need for flexibility and resources to make adjustments earlier during implementation – an issue strongly linked to supervision problems.
- **Targeting:** Is less effective in practice than design documents suggest. COSOPs and project documents lack clear analysis of criteria to identify the poor or guidelines for implementation. Benefit leakage to less poor groups is potentially a key issue for IFAD to assist governments in their delivery of rural services to the poorer sections of society.
- **Efficiency:** Half the project sample was rated as having a modest level of efficiency. Economic analysis and planning has not kept pace with the current portfolio of investments. Institutional analysis is often inadequate, and there is a need to plan management arrangements earlier – learning from lessons where open competition has been used.
- **Borrower performance:** the better examples of project management appear to be associated with teams recruited by open competition. Poor performance elsewhere is linked to weak institutional analysis during project design and the arms-length relationship by IFAD during implementation.
- **Supervision:** Quality is substantially weaker than for the World Bank's rural portfolio. IFAD needs to select, monitor and intervene more effectively when supervision underperforms. There is a real gap in the development focus of CIs. There are structural weaknesses in the headquarter-to-field relationships arising from the individual nature of the links between a country and the CPM, and contracted-out supervision.

work for IFAD operations. The initial aim was not to be comprehensive but to focus on IFAD's specific role, niche and future direction in the country. Over time the guidance developed to include the relationship between the Fund's strategic and regional objectives and interventions at the country level plus the link with national policy processes and opportunities for engaging in pro-poor policy dialogue.

2.40 At first few IFAD resources were devoted to the COSOP process.<sup>73</sup> More recently, PMD has devoted considerable time to improving the quality of COSOPs. The DRR found that there was evidence of improvement in the later COSOPs, including an increased emphasis on identifying opportunities for pro-poor policy dialogue, but many were still functioning largely as an aggregation of project ideas. Evidence from the country visits provides a similar story. In few cases are COSOPs considered to be the basis of a coherent country programme. The forthcoming OE study of decentralization identifies gaps in plans for pro-poor advocacy and policy dialogue.<sup>74</sup>

2.41 The IEE found disappointing levels of synergy between projects, between different aid instruments (loans and grants) and between projects and policy processes. In the few cases where synergy does occur, it has been used to good effect; Peru is a notable example. Elsewhere, a multiplicity of grant facilities and modalities has led to a loss of focus, lack of strategic orientation and no prioritization. With the exception of the agricultural research programme, reported in the desk review, there has been little systematic evidence to inform policy. After protracted delays a new grants policy was

<sup>71</sup> *Evaluation of Supervision Modalities* (2003).

<sup>72</sup> Although because of the different approaches to supervision in the two institutions, the quality of supervision is much more a measure of World Bank performance alone than it is in IFAD where the role and performance of CIs is central.

<sup>73</sup> Only USD 20 000 per COSOP

<sup>74</sup> Op cit.

adopted in 2003 and there are some early signs that new approaches will counter past criticisms, but it is too early for the IEE to assess likely outcomes.<sup>75</sup>

- 2.42 Although COSOPs include a focus on policy dialogue evidence of policy influence is patchy. In the country sample, both the Rural Financial Services Programme (RFSP) and the Agricultural Marketing Systems Development Project (AMSDP) in the United Republic of Tanzania have specific policy-development components. RFSP has played a significant role in contributing to national policy reform in microfinance provision and cooperative organization. In Mozambique, both PAMA and NAFP have specific components focusing on policy change, and IFAD has made some notable inroads. In NAFP the main achievements have been (i) the adopting of a national fisheries policy and strategy; (ii) new legislation to legalize fisheries co-management committees; and (iii) new policy and legislation on fishing zones and nets. In PAMA key points of policy influence are (i) draft legislation on registration of farmers associations; and (ii) a position paper on modifications to the agricultural concession's policy. In other cases, Burkina Faso, Guinea and Pakistan there is no evidence of any real policy dialogue emerging out of project experiences.
- 2.43 There are also concerns about implementation and sustainability. Evidence of influence does not necessarily mean that either policy capacities or policy regimes have significantly changed. Under Mozambique/NAFP, despite the positive legislative and rule changes, the relaxation of closed season restrictions has been abused by industrial fishing vessels and fishers from other provinces and could lead to rapid depletion of fish reserves. Relaxation of closed season restrictions to allow the poor to benefit continuously from a natural resource, without a strong exclusion mechanism has also fuelled leakage of the benefits to the rich. Moreover, enforcement of the three mile exclusion zone ended when the project resources dried up leading to intensified competition amongst small and large fishers. Government's lack of continuity in the enforcement of new policies, largely because
- of weak capacity, is limiting the impact of IFAD in the area of long term policy and institutional change. As the Mozambique CWP notes *A project to influence a change in policy is incomplete unless it also supports the creation of sustainable capacity for its enforcement.*
- 2.44 IFAD has not established, despite its commitment, a separate policy dialogue function at country level. Using projects and programmes to engage at policy level has been part of IFAD's mandate from the very beginning. Despite its longstanding commitment to developing a dialogue on rural policy issues, the IEE finds little evidence that this is happening systematically or on any scale at country level, either with governments or with other development partners. While projects can provide a platform for policy level discussions, experience from other development organizations suggests that it is often the use of non-lending instruments, especially country-specific analytical work and related capacity building, that is critical to developing effective processes of policy dialogue.<sup>76</sup> The IEE finds that IFAD is yet to develop sufficient capacity to undertake detailed policy analysis building on its operational experiences in such a way as to equip staff to take forward such dialogue. As the DRR noted, analytical capacity at the centre remains diffused across divisions and individual CPMs and feedback loops between operations and knowledge systems at the centre remain largely ad hoc. The country visits also found relatively weak synergy between lending and non-lending (technical assistance grants) activities at country level, with very limited use of non-lending instruments to pursue policy issues beyond the projects themselves.
- 2.45 This perspective is reinforced by a number of country examples, including Egypt where the nature of dialogue with partner organizations – both governmental, non-governmental and donor – is considered to be underdeveloped, despite longstanding engagement with the Ministry of Agriculture and Land Resources. And in Guinea where, notwithstanding the difficulties of the operating context, IFAD has not had a technical input into the definition of national policy to reduce poverty, culminating

**Box 7****Policy effects in Indonesia – results of the country programme evaluation**

One of the challenges for IFAD is in using its project-level experience to engage in policy-related dialogues at sub-national and national levels. The most recent COSOP for Indonesia sees IFAD engaging in policy dialogue as a means of creating a 'favourable pro-poor rural development framework in Indonesia'. The COSOP identifies areas for policy dialogue, including decentralization for better project management, the participation of community based organizations in project implementation, the promotion of cooperatives at the grassroots level and land reform. It underscores the need for IFAD to coordinate with IFIs like the World Bank and AsDB in order to increase the effectiveness of its policy dialogue with the Government of Indonesia. A country programme evaluation by OE in 2004 finds that contrary to its strategic objectives extensive enquiries among aid agencies in Indonesia revealed that IFAD has not engaged in such dialogues in country. Similar findings were made among international NGOs who remain active in rural development. Even with a key partner, the AsDB, the Fund seems not to engage in effective policy discussion. Similarly, IFAD has not engaged in the intensive ongoing policy and implementation discussions between donors and government about decentralized development at district level, or with microfinance at national level, despite these being explicitly identified in the COSOP. In terms of policy dialogue directly with government, IFAD has good relations with BAPPENAS (the National Planning Board) and the Ministry of Agriculture "but there is no evidence that it has influenced the salient features of the policy landscape." At the micro level, however, and through its projects, some influence is discernable, for instance, in working with NGOs in project implementation and in helping agricultural line agencies adapt to decentralization.

*IFAD/OE Country Programme Evaluation, July 2004*

in the PRSP, and has been without a presence in most significant policy debates in the country.<sup>77</sup> In the United Republic of Tanzania, despite some important project-level achievements, no government or donor informant could cite evidence of a wider IFAD impact on national or sector policy, nor could they cite instances in which IFAD has taken the lead in promoting ideas or approaches to rural poverty reduction. Similar findings emerged from OE's CPE of Indonesia (Box 7).

2.46 IFAD has recognized that a lacuna exists within its capacity to engage in policy dialogue, and that the scope of potential dialogue has broadened in line with IFAD's overall mission, from a focus on maximizing the impact of projects to identifying critical rural development bottlenecks and creating a 'better environment for the rural poor'. The recent creation of a Policy Division is intended to facilitate a more systematic process of engagement on policy issues across the organization and with development partners. Many challenges remain however, including developing a coherent programme of work for the Policy Division and a clear sense of how policy engagement at local, national and international levels can be better incorporated into IFAD's core business.

2.47 IFAD has not yet become a leader on rural poverty issues in international circles. The REA 1994 raised the expectation that IFAD should become "the foremost agent for coherent and rational activity in rural poverty diminishment." Later, IFAD's vision statement for the renewal of the institution states that *IFAD should be the leader in showing the way and galvanizing energies to eradicate rural poverty and hunger*. The strategic framework 2002-2006, somewhat less ambitiously, states that *IFAD will seek to influence regional and international policies that shape rural development options*. A key question for the IEE is to

<sup>75</sup> The changing modality of grants under the 2003 grants policy is likely to have a significant effect. Early examples such as the use of a large country grant for the Nepal Leaseholder Forestry and Livestocks Programme Phase II appear to overcome some of the criticisms of past operations, but it is too recent to predict if this is evidence of a genuine change.

<sup>76</sup> World Bank/OED Annual Review of Development Effectiveness 2003.

<sup>77</sup> The Guinea CWP finds that "IFAD's image is also that of an agency institutionally absent from the country with little involvement in the management of projects and virtually no presence in policy debates. This is in contrast with its importance as a financing agency. Other donors financially less important have greater visibility and political presence.

what extent IFAD has assumed a leadership role in rural development consistent with its corporate aspirations.

- 2.48 Interviews with a number of close development partners<sup>78</sup> suggest that IFAD is largely known for its project work in hard-to-reach rural areas or with marginalized groups. This work is generally appreciated. IFAD is not widely known, however, as a source of policy ideas or as a leading influence on policy debates about rural development and rural poverty reduction, although it was asked by the United Nations Economic and Social Council in 2003 to take the lead role in convening the High Level Segment on Promoting an Integrated Approach to Rural Development. Some other specific references were made by development partners to IFAD 'leading', for instance, in West Africa Roots and Tubers, in community driven development in the Niger Delta and in its work with indigenous groups in Latin America, but where leadership was noted it was generally considered to be at a low level - the problem, noted several informants, was "lack of strategic policy influence" and "scaling up." IFAD's current lack of leadership is a short-coming that could be corrected through more selective and stronger strategic alliances with international and regional organizations that

bring the necessary technical knowledge and analytical capacity to add to IFAD's long-standing field experience.<sup>79</sup>

## Impact on rural poverty

- 2.49 Providing an assessment of the impact and sustainability of IFAD supported projects is a critical part of the IEE; it represents one of its most important contributions and one of its biggest challenges, not least because the sample covers projects at different stages of completion across ten different countries. Nevertheless as the Annex 3 makes clear, every attempt was made to ensure a rigorous approach that took into account not only the stage of the project but also the challenges posed by different country contexts.<sup>80</sup> Figure 1 in Annex 3 sets out the steps by which data from different sources were brought together to enable the country evaluator to make the overall ratings as set out in Table 13. The reporting on impact follows the OE methodology as far as possible to ensure comparison with existing country programme evaluations and with the ARRI.
- 2.50 Unsurprisingly, project impact varies widely. A few high impact projects contrast with lower performance overall. The two projects rated most highly in terms of impact are the Management of Natural Resources in the Southern Highlands Project (MARENASS) and the Development of the Puno-Cusco Corridor Project (CORREDOR) in Peru. These strong performers reveal a number of important characteristics:<sup>81</sup>
- A remarkably rich innovative content, with public finance limited to technical assistance (TA) and no project finance used for investments. A strong demand-driven approach lets groups decide what to do with TA, resulting in a surprisingly large amount of family resources invested in the activities supported by project TA.
  - Project design and management were at times subordinate to community demands. In MARENASS, the original conservation programme was subjected to community vote. They gave less priority to conservation, but the project management and CPM concluded that the potential benefits of full empowerment were extraordinary and should be respected.

### Key Points:

- IFAD's existing products and instruments are not used to their full potential, and the limited options available place constraints on what can be achieved. In particular, there is a lack of synergy between projects and between instruments at country level.
- IFAD has not developed a model for influencing partners and policies at either country or international level.
- IFAD's capacity to engage in policy dialogue has not kept pace with its overall mission. Staff development has neglected this aspect of the CPMs' work.
- IFAD is not regarded as a leader on rural poverty issues, although there are specific areas of IFAD expertise that are recognized.



- Design was adapted to reach poorer groups: CORREDOR initially used business plans that biased towards educated farmers and would-be urban businessmen. A simpler formula (the business profile) was introduced so that groups in the community could take part.
- A strong driving force from the CPM (who is locally resident), the project directors and a stable group of consultants and associates in Peru's ministries and social science research centres.

The resulting impacts included:

- Rising levels of food security directly attributable to the project, not so much in grains, potatoes and other basic foodstuffs but in the fruits, vegetables, meat, milk and other protein deliverables.
- Dramatic impact on beneficiary self-esteem, with communities and groups enabled to manage their activities and plan new ones, plus challenge government and agencies to help protect and enhance their own interests.

2.51 Across the sample as a whole 55 per cent of projects are judged to have achieved or are expected to achieve a satisfactory impact on poverty (high/substantial) while 44 per cent

are judged to be falling below expectations (Table 13). As already noted, these results are the aggregated outcome of an immense diversity of performance, but what is notable is how closely they compare with the ARRI for 2002 and 2003, which rated impact on poverty as high or substantial in 50 per cent of projects and modest for the remainder. More tellingly, however, is that amongst the closed projects in the sample, where a full ex post assessment of impact is possible, 50 per cent are judged to have had a less than satisfactory impact on poverty.

<sup>78</sup> In particular interviews were held with representatives working on the rural sector at corporate and regional levels at the World Bank, IADB and AsDB.

<sup>79</sup> Not all informants saw it as desirable for IFAD to assume a more strategic policy role, however, seeing IFAD's value added in terms of smaller, targeted actions that other agencies cannot do rather than the kind of detailed analytics that other agencies can do.

<sup>80</sup> Contextual factors are to some extent already taken into account through the different project designs.

<sup>81</sup> Based on the IEE *Country Working Paper: Peru*, which assessed CORREDOR and MARENASS projects.

<sup>82</sup> The modal class(es) are shaded. Projects were not rated if they were at a very early stage or if the specific domain was not relevant to their objectives.

<sup>83</sup> The likely impact on poverty, considering both the total number of people benefiting and the size of the benefits accruing.

(Sample size: 20 projects)	High	Substantial	Modest	Negligible	N
Overall impact on poverty <sup>83</sup>	11%	44%	44%	-	18
Impact on income	6%	47%	47%	-	17
Impact on women	22%	22%	33%	22%	18
Agricultural production and food security	24%	24%	53%	-	17
Physical assets - road and irrigation infrastructure	7%	36%	57%	-	14
Financial services	20%	7%	73%	-	15
Social infrastructure and services - education and skills	25%	42%	17%	17%	12
Social infrastructure and services - health and drinking water	10%	50%	40%	-	10
Environment and common property resources	33%	11%	33%	22%	9
Social capital and empowerment	17%	6%	78%	-	18
Policies, institutions and regulatory framework	-	28%	6%	67%	18
Private sector development	29%	29%	29%	12%	17

Sources: Form 5 ratings, plus ratings based on CWP evidence (IEE surveys).

**Box 8** What does a 'modest' impact on poverty look like?

In Burkina Faso, PDRSO aimed to counteract the trend of progressive impoverishment and degradation of natural resources. The project has however led to a disappointing level of impact, and there has been limited engagement by beneficiaries. Literacy training is appreciated and there have been improvements in hygiene. Training in the construction of compost bins has also made a positive contribution to production (though benefiting certain types of farms and mostly men). In all other areas however, the project's contribution has been little or non-existent. Rural credit has largely been a failure with very few people benefiting and rather more suffering negative effects. The evaluation team encountered a general sense of dissatisfaction and widespread reports of broken promises.

In Bolivia, PRODESIB aimed to promote the sustainable self-development of the indigenous peoples in Beni through capacity building measures at grassroots level. Overall, the project has helped strengthen indigenous organizations in the land reform process. The most positive changes have been amongst scholarship students who have gained from the increased income earning opportunities following training. In general though, the land titling and training programme has shown modest results: in terms of raising family income, 49 per cent of beneficiaries said that their income had increased slightly, with 39 per cent stating no change. Improvements in food consumption are also reported as modest, with 51 per cent of PRODESIB beneficiaries citing small improvements and 33 per cent no change. In the land titling process there has been little tangible increase in family access to (and use of) forest resources - with the project tending to reinforce community relationships rather than address underlying changes in the existing system.

**Income and household assets**

- 2.52 In terms of impact on family or household income levels, 47 per cent of projects are rated as substantial and 47 per cent modest, the remaining 6 per cent are rated high. Based on beneficiary surveys, food consumption and cash income from sales show the strongest change, with one half to two thirds of respondents reporting improvements. Income changes from employment are much less marked, as are the income benefits from time savings (see Table 14).
- 2.53 Low impact on income is partly the result of low project coverage and over optimism about associated employment effects. In Burkina Faso, the PAMER microenterprise development interventions have been more successful in increasing and stabilizing incomes than in the PDRSO integrated project. Under PAMER, a majority (68 per cent) say that there have been important or substantial increases in income from sales. Yet, the overwhelming majority of respondents reported no changes in income from employment, household assets, time saving, the use of cash crops or due to the animal rearing. In Bolivia, PRODESIB shows only modest results in terms of raising family income – with 39 per cent of the sample stating that there had been no change. In Mozambique, a generally moderate impact on income is seen by both projects. In NAFP this is possibly a reflection of the limited employment impact of the project, though expectations of the future impact are greater. For PAMA, better information has meant that farmers are now selling at viable prices, but the change in income is not significant without a corresponding increase in production and competition amongst traders.
- 2.54 In some cases increases in income have led to improvements in household assets. The sampled projects in Peru provide two notable examples. In MARENASS, a key result has been the increase in the number and value of home and farm assets that was entirely self-financed (as stimulated by competitions and prizes). CORREDOR has also gained substantial leverage on family investments, in this case by awarding contracts for TA to the winners of the competitions. In Bangladesh, under SSWRDSP, all beneficiary types report improvements in house fabric and construction, with most now having a tin roof instead of straw. In Guinea (under PD-PEF) there have been improvements in living conditions, and the (even temporary) increase in revenue has played a part, with earnings often invested

The effect on:	%	%	%	%	%	Totals	
	improved substantially	improved moderately	stay about the same	deteriorated/worsened	other	%	N
Food consumption	15	50	28	5	0	100	1329
Cash income from sales	13	46	35	5	0	100	1313
Wage earning/employment	9	39	46	4	2	100	1176
Time savings	11	27	39	15	7	100	1213

Source: Beneficiary survey (Form 4) data.

in (long lasting) housing improvements. The road rehabilitation under PD-PAPE is also said to have improved living conditions with better accessibility to health services, and to a lesser extent, education. In Armenia, under NWASP and ASP, beneficiaries noted improvements in income and food security, though with little tangible difference in household assets. In Mozambique, under NAFP, the impact on household assets was confined to a limited number of individuals.

### Agricultural production, productivity and food security

2.55 Research, extension and organizational interventions, often supported by credit or irrigation, to increase crop, home garden, livestock and fishery production for consumption or sale are historically core areas of IFAD investment. The sample shows considerable variability in impact across this domain, with 48 per cent of projects achieving a satisfactory level of impact (high or substantial) and 53 per cent underachieving. Several examples of projects leading to increased production exist: A demand-driven TA approach in

Bolivia (PROSAT) has led to widely welcomed improvements in food security, income, crop and livestock production. In Mozambique NAFP has increased smallholder fish production and the functioning of markets. Production and land-use has increased in all the visited SSWRDSP (Bangladesh) sub-projects, due to better flood control, drainage and irrigation facilities, plus the introduction of new high yielding varieties and high value crops. Under AqDP, 80 per cent of beneficiaries state that they eat at least a “bit better” as a result of pond and fishery development through AqDP.

2.56 Table 15 shows that over half (52 per cent) of beneficiaries interviewed had observed a high or substantial increase in crop production for own consumption as a result of the project. The observations for cash crops and livestock are more modest – with the majority, nearly two thirds, saying they had seen modest, negligible or no change in these production domains, an outcome that may be associated with the low prices noted earlier in the report.

Change in production of:	% high or substantial	% modest or negligible	% no change/ other	Totals	
				%	N
Food crops	52	26	22	100	1314
Cash crops	37	20	42	100	1286
Livestock for food	38	27	35	100	1259
Livestock for cash	33	27	39	100	1202

Source: Beneficiary survey (Form 4) data.

- 2.57 There are also some noticeably poor projects failing to make much impact at all. In Burkina Faso, under PDRSO, the majority of respondents noted no (or insignificant) changes in the production of cash crops, animal rearing for profit, income from salaries or time saving. In Guinea, under PD-PEF any increase in yields and change to multiple cropping patterns has been jeopardized by the return of leased land to the landowners.
- 2.60 In terms of road investment, both projects in Mozambique (NAFP and PAMA) show positive impacts, with the opening up of fish landing sites to district and provincial consumption centres.<sup>85</sup> Similarly, in AqDP (Bangladesh), roads were developed as a supporting activity within the project, and highly appreciated by the communities served. Indeed, lake fisheries group members have gained substantially from improved access to water bodies for fisheries, though a third of the non-fishery related community development group members (mostly poor women) reported losing access to waterbodies.

### Physical infrastructure

- 2.58 Public good investments in roads, irrigation and other water infrastructure are the largest stand alone investments that IFAD makes. As well as capital works, they typically include staff and operating costs in establishing arrangements for operation and maintenance and water-user groups. Of the 20 projects sampled, 14 have road and/or water investments. Overall, the impact of IFAD investments in road and water infrastructure provision is assessed as modest. Of the 14 projects, only one, MARENASS (Peru) is clearly high impact. Two (PDRSO, Burkina Faso and PD-PEF, Guinea) are notably poor.
- 2.59 MARENASS is not a typical publicly-financed infrastructure investment. Indeed its small, household-level irrigation developments result from a project approach that couples demand-driven TA supply with community competitions – leading to a high leverage effect on household investment. It also has weaknesses, with a recent study showing sub-optimal irrigation efficiency of some schemes. But overall, the popularity and benefit of irrigation, its sustainability, and the fact that it was entirely household-financed make this a high impact investment in a difficult context. The innovative intervention design has enabled the project to convert irrigation from being a hard-to-deliver public good into a private good.<sup>84</sup> Elsewhere four projects typify the implementation, technical, managerial and sustainability difficulties encountered by irrigation interventions: PF-ACP (Pakistan), NWASP and ASP (Armenia) and WNRDP (Egypt). They also typify the substantial benefits for farm households who do achieve reliable water supply to their land.
- 2.61 At the other extreme, the road development within PDRSO (Burkina Faso) has seen poor community coordination and slow implementation and payments, all within a failing project which has required major restructuring. In Guinea, PD-PEF has performed poorly, with a small volume of infrastructure being completed, and many schemes poorly designed, unfinished, silted and not maintained. Organization of management groups for the infrastructure schemes has been weak and non-sustainable. In the United Republic of Tanzania, under AMSDP, a significant under-estimation of unit costs at design is likely to reduce the volume of (cofinanced) road construction the project is able to deliver. In NAFP (Mozambique) there are strong reservations about the maintenance of rehabilitated roads: whilst government policy is now to ensure resource allocation to roads rehabilitated through aid funds, only one of the five roads rehabilitated through NAFP have benefited from regular maintenance. Sustainable mobilization of resources for policy implementation is an area where IFAD could contribute an innovative solution.

### Financial services

- 2.62 The DRR commended IFAD's recent work in establishing a state-of-the-art policy for investments in rural financial services; for its successful participation in the 2003 donor-peer review process, and for the 'decision tools' publication to support field implementation. The country studies reveal that, despite this, field operations are changing only slowly. Of the 15 projects promoting

different types of rural finance provision, only four are achieving a substantial or high improvement in access to credit products suitable for the rural poor. The impact of the rest is modest, and some very modest indeed.

2.63 There are some notable examples of good performance in the rural financial services sector. In Armenia, under both NWASP and ASP, IFAD has supported the development of the Agricultural Cooperative Bank (ACBA). After initial start-up problems, ACBA is now the third largest (and only cooperative) bank in the country, plus the main lender to rural areas - where previously the banking sector had focused on low risk, high return borrowers from the main city. Also under ASP, rural financial services continue to be extended through the Aniv Foundation - whose borrowers are mostly small rural enterprises, in contrast to most other organizations who focus on medium-sized enterprises. The prospects for RFSP (the United Republic of Tanzania) are also good, although it is too early to assess impact. The project benefits from being focused on a single sector and from competent management, although there are indications that the current drive to increase the number of participating credit cooperatives and their membership may be at the expense of building sufficiently competent governance and financial management to enable them to retail bank credit.

2.64 Most other credit interventions in the sample are failing in one or more respects. Recovery and sustainability has been poor, group leaders have dominated fund access and management, and project demands have at times conflicted with bank requirements. Under NAFP (Mozambique) for example, financial services have had a limited impact overall, with NAFP tending to target mostly boat owners (the rich minority) and suffering from a cumbersome registration process and poor training. Overall, the majority of sampled projects display the familiar range of weaknesses of traditional project credit schemes and overall impact in terms of creating sustainable access is modest. Urgent

attention is required to bring ongoing projects into compliance with IFAD's new rural finance policy.

2.65 In 2003, the ARRI also noted mixed performance in the area of rural finance, as it did the previous year. The report made three general observations:

- Grassroots, group-based credit and savings institutions have often proved more successful than official, subsidised credit schemes.
- Repayment rates by members of women's groups for unspecified small, short-term loans have generally been very high. Repayment of longer-term specified loans to individual farmers has been much lower.
- The need to ensure institutional and financial sustainability is often either overlooked when the credit schemes were established, or remains a challenge in a number of cases.

### Impacts on health and education

2.66 Although health and education investments are not a major feature of IFAD-supported projects, they have generally had a positive impact. Half of the project sample involves associated grant investments in health facilities and/or drinking water. Overall 60 per cent are rated as having a high or substantial impact. Investments in drinking water supply are especially popular amongst beneficiaries. In Guinea for example (and despite other failings of the project), the boreholes constructed under PD-PEF have been largely

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<sup>84</sup> The TA plus community-competition methodologies which achieved this result are a successful example in a very poor context of the publicly-funded, privately-provided model, driven by consumer choice, which is now the subject of experiment for public service delivery in many countries.

<sup>85</sup> Although, as will be noted later, the sustainability of road investment has been a major worry in Mozambique.

successful and are appreciated, particularly by women. Similarly, education investments have shown a relatively high level of impact, with 67 per cent rated as high or substantial. In the sample of projects, 12 have either refurbished schools or developed non-formal literacy and other non-agricultural skills. In Bolivia, 86 per cent of PDRSO respondents report improvements in adult literacy, whilst in PAMER, which develops rural microenterprises, 77 per cent of respondents say skills have improved.

### The environment and common property resources

- 2.67 Few projects have made serious attempts to grapple with the many challenges and contradictions of agricultural development, environmental conservation and the empowerment of communities. There has been a mixed impact of IFAD projects on the environment. Nine of the 20 projects sought to conserve the environment and encourage the sustainable use of natural resources. Impact is rated as high/substantial in four and modest/negligible in five. MARENASS took the bold step to elevate the demand-driven goal above that of natural resource management. This has resulted in considerable

leverage on households who have invested in conservation practices, although the heavily degraded (communally held) pastures continue to deteriorate. In Guinea, both the sampled projects had environmental objectives but achieved very little. This is despite widespread concern of shrinking fallow-periods, extensive logging, slash-and-burn, and the environmental impact of extensive road construction in PD-PAPE. There was also no environmental analysis or mitigation measures in PD-PAPE to address road construction through fragile areas.

### Social capital and institutional impact

- 2.68 In recent years IFAD's portfolio has shifted from a strong emphasis on production and productivity to a much broader poverty and empowerment agenda (Chapter 1). As such, its interventions are not just about transferring technologies and methods, but involve a much greater focus on the way production is organized and the institutions required for operations and maintenance, marketing, finance and other inputs. A key part of this transition is a growing emphasis on developing pro-poor institutions that will enable the poor to help themselves and ensure operations and maintenance and financial sustainability.

#### Key Points:

- While the impact on poverty is modest overall, there have been some gains in IFAD's traditional areas of expertise: agricultural production and food security, plus a few notable examples of road construction, irrigation works and financial services.
- Health and education are not significant IFAD investment streams, yet impact is reasonable, and community-led water supply seems particularly effective and appreciated by beneficiaries.
- The contribution to environmental conservation and development is mixed, and few projects show signs of having seriously grappled with the many challenging issues that exist.

- 2.69 IFAD interventions have not had much success in fostering social capital or in creating new and sustainable institutions. The findings of the IEE country studies reflect OE evaluation findings: where IFAD-supported projects strengthen existing local institutions the impact is positive. The downside is that existing institutions are not always representative of the poorest groups or women. But creating new institutions appears to pose more difficulties.<sup>86</sup> Institutions are not sustainable unless people have a good sense of mutual trust. If there is little social capital, the institutions fall apart. That has led the IEE to an overall rating that shows much lower performance than the ARRI in 2003.

- 2.70 In Pakistan, under PF-ACP, village and women's group organization was a significant achievement within a difficult project environment, but much of that achievement remains dependant on continued inputs

from the project via a sub-contracted NGO. In Bangladesh, under AqDP, the project supported private sector initiatives for individual and group based aquaculture in leased private ponds, and also through lake fisheries groups managing larger water bodies in the form of cooperative businesses. Early examples of the latter have had problems with the dominance of non-fisher stakeholders. In Pakistan, the Mansehra Village Support Project (the predecessor to the sampled BADD) formed many groups, but the impact over time is generally poor.

2.71 Part of the problem of ‘new institutions’ is that they are dependent on continued project support for their longevity. An alternative approach in Armenia shows that this is not a necessary condition. Here the ASP has taken a deliberate approach to investing in key institutions for each component, on the assumption that it is these organizations that will be around long after the project ceases to exist. Consequently the ACBA bank (rural credit) and the Aniv Foundation (small enterprise finance) have become the only significant institutions in the lives of project beneficiaries, neither the ‘NWASP’ or ‘project co-ordinating unit’ make much sense outside of these two institutions.

2.72 IFAD investments also look to support more generalized empowerment amongst the poor, both at the level of individual self-esteem and collective engagement in policy processes that affect their lives. The evidence from beneficiary surveys suggests that a small

majority (59 per cent) feel more confident to speak out and assert their rights as a result of contact with IFAD-supported projects, with many feeling more confident in interacting with public institutions.<sup>87</sup>

### Sustainability

2.73 Sustainability is considered along two key dimensions. Firstly, whether the stream of benefits accrued as a result of the project is certain (or likely) to continue after closure. And secondly, whether the institutional changes induced by the project are likely to continue after closure.

### Sustainability of impact

2.74 Sustainability of impact is substantial in just under two-thirds of projects, but if the analysis is restricted to those ten projects that are nearly or actually closed, the proportion falls to less than half (Table 16). This matches

<sup>86</sup> The OE Country Programme Evaluation for Indonesia (2004) has similar findings.

<sup>87</sup> The OE report on decentralization [IFAD (2004) *Thematic Evaluation of IFAD's Performance and Impact in Decentralizing Environments: Experiences from Ethiopia, the United Republic of Tanzania and Uganda*] identifies two issues that further develop the findings of the IEE: first, the need to help develop the capacity of elected bodies as representatives of the people; second, for projects to plan and implement mechanisms for government organizations to respond to people's voice.

**Table 16** Sustainability of impact and institutional impact

	High	Substantial	Modest	Negligible	N
<b>Sustainability of impact:</b> The likelihood of project-induced benefits continuing after project closure	-	61%	39%	-	18
<b>Late and closed projects only</b>	-	40%	60%	-	10
<b>Sustainability of institutional impact:</b> The likelihood of institutional (state, private, civil) changes induced by the project, continuing after project closure	6%	35%	53%	6%	17
<b>Late and closed projects only</b>	-	22%	66%	11%	9

Sources: Form 5 ratings.

the ARRI 2003 finding that sustainability is substantial in 50 per cent of closed projects and modest in the remaining 50 per cent. The evaluation of likely sustainability depends partially on the views of the beneficiaries themselves. It is therefore not surprising that during the early stages of a project there are relatively high expectations that project benefits will endure.<sup>88</sup> These expectations are clearly modified in the later stages of implementation. The fact that so many projects provide services for a fixed period of implementation and are neither mainstreamed nor lead to follow-on projects, is also a contributory factor.

- 2.75 In MARENASS (Peru), findings generally support the notion that farm practices that require little or no additional cash would be most likely to survive, while instruments that required cash to continue would suffer most. A high level of sustainability is expected for the most prominent popular practices, such as the irrigation systems, stables and orchards. Respondents were slightly less positive about the sustainability of methodologies such as the use of paid TA, competitions, prizes and bank accounts. For CORREDOR, the answers from participants suggest that they are involved in these new businesses for the long haul. It is too early to assess failure rates though the outlook is positive (with 78 per cent saying they will continue). For PRODESIB (Bolivia) some 87 per cent and 100 per cent of respondents from phase 1 and 2 respectively thought that the benefits were sustainable. It is probable that the benefits from land titling will be maintained as they are firmly embedded in Bolivian state structures and are unlikely to be repealed. In Bangladesh: 70-90 per cent of the respondents think that the cooperatives established under SSWRDSP are likely or certain to continue. Under AqDP, 80 per cent of members of pond aquaculture groups and credit development groups (CDGs) think their groups will continue, yet participants in the lake sites are less optimistic and 66 per cent of women of these sites do not expect their CDGs to continue. It also seems likely that the benefits resulting from ASP (Armenia) will continue in the

longer term. ASP continues many of the interventions undertaken under its predecessor (NWASP), for which many project outputs (irrigation; agricultural credit) continue to be utilized.

- 2.76 But, amongst certain projects there are serious concerns about sustainability. Two recently closed projects (NAFP, Mozambique and PF-ACP, Pakistan) have had a substantial impact on poverty but in both cases sustainability of the net benefits is seriously in question. In NAFP, there are reservations, especially about the maintenance of rehabilitated roads. In PF-ACP, the likelihood of project-induced benefits continuing after closure is a major concern. While the NGO will continue with credit, the capacity to sustain other community needs is doubtful. Moreover, there are already reports of major rehabilitation required for minors, with much drainage choked or misused. In the case of Egypt, where the projects are facilitating the settlement and further development of economic activities on new lands, benefits are thought likely to continue by both beneficiaries themselves and by other stakeholders. The concerns are that without the projects continuing to act as a catalyst to government action services to farmers will diminish and given the harshness of conditions, it is difficult to imagine some of the major gains of the projects being sustainable.
- 2.77 The sustainability of institutional impact is largely unsatisfactory. Of the 17 projects that were rated, 59 per cent are rated as modest or less.<sup>89</sup> Of those nine projects in the late stages of implementation or closed, 77 per cent are rated as modest or less. This finding amplifies the finding on the impact of projects on social capital and organization and underscores the challenges IFAD (and others) face in developing sustainable pro-poor institutions, especially in difficult policy and institutional contexts.



### Key Points:

- The likelihood of project-induced benefits continuing after project closure is modest overall, especially where only late or closed projects are considered.
- While interventions have generally created new institutions, their continued existence is undermined by weak attention to sustainability issues.
- Focus should be more on realistic exit strategies, longer-term support to institutions, and developing projects on the back of existing institutional structures.

### Innovation and replication

2.78 Innovation is seen as central to the achievement of IFAD’s mandate.<sup>90</sup> The ability to scale-up successful and replicable innovations enhances IFAD’s value-added and has a direct impact on poverty.

2.79 IFAD defines innovation in a broad way and while it has aspirations to be an innovator, evidence suggests otherwise. The IEE sample of operations clearly indicates that while there are a few highly innovative projects (as well as others that contain innovative elements), many are not. IFAD’s contribution to the capture, learning, promotion and replication of innovation also appears unsystematic and inadequate given its corporate mission.

2.80 One approach is to consider innovation in terms of what is new or different in a particular country context (a new type of microfinance organization, a new agricultural technology) or what is new or different at the community or village level (more commonly

understood to be technology transfer). In terms of the latter, 55 per cent of the project sample is considered to be innovative – essentially transferring existing knowledge about technologies and ways of working to communities that have not encountered them before (Table 17). In terms of the wider-scale, only 25 per cent can be considered innovative. This finding is supported by OE’s 2001 Evaluation of Innovation which states that *The majority of IFAD’s innovations are not really ‘new’, although they may be new to the project area involved.*

2.81 For many though, IFAD’s comparative advantage is not simply about being at the cutting edge of development; rather IFAD’s strength lies in the promotion and application of such innovations. This can be seen in terms of three broad levels of innovation: (i) creating new technologies or approaches to development; (ii) promoting new ideas and ways of working; (iii) the diffusion of established technologies and approaches to new areas.

<sup>88</sup> Seven out of ten (70 per cent) of the earlier projects are rated as substantial for sustainability of impact, with 20 per cent not rated.

<sup>89</sup> Three out of twenty are not rated for ‘Sustainability of institutional impact’: AMSDP, the United Republic of Tanzania; BADP, Pakistan; SSWRDSP, Bangladesh.

<sup>90</sup> IFAD V states clear objectives to strengthen IFAD’s role “as a *leading source of knowledge* on the eradication of rural poverty”, and specifically: (i) enhance its participation in *policy dialogue* and analysis; (ii) take a more structured approach to documentation and evaluation of field-based *innovations*; (iii) step up efforts towards building *strategic partnerships*. (Desk report, paragraph 3.20).

	% high	% substantial	% modest	% negligible	Sample size
National innovation	15	10	30	45	20
Local innovation	15	40	35	10	20

Source: IEE ratings based on CWP evidence.

2.82 Amongst the project sample, the Peru country programme stands out as an outstanding example of innovative practice. A series of four Peruvian projects (including MARENASS and CORREDOR) are regarded as highly innovative – an assessment supported by the 2002 OE thematic evaluation on IFAD’s innovative programming. The IEE has identified some thirteen ‘innovations’ with regard to the Peru programme.

2.83 There are also examples of IFAD promoting new ways of working. In Mozambique, NAFP is considered to be fairly innovative through the integrated approach to rural development. In Burkina Faso, under PAMER, there are some innovations through the bringing together of technical training and market awareness. In WNRDP (Egypt), several small-scale initiatives (such as using organic crops to gain access to European markets) have been innovative. In Pakistan, the PF-ACP management team was forced to improvise innovative solutions to an immensely challenging water re-routing.

2.84 But, the overall evidence from the project sample shows that there is little to distinguish IFAD’s work from that of other development agencies. Much of development is about bringing new technologies and methods to individuals and communities. Indeed while some practices are new to particular locations and villages, the practices themselves are often not especially innovative. Examples include projects in Bangladesh, Burkina Faso, Guinea and Pakistan.

2.85 And in some country contexts, virtually any development initiative can be described as ‘innovative’. Settlers in Egypt, the post-Soviet context in Armenia and post conflict in Mozambique are all examples from the sample.

2.86 Despite a few highly innovative projects, plus others which contain and promote innovative elements, IFAD does not contribute to the creation, promotion, replication and lesson learning in any systematic way. The OE Evaluation of Innovation (paragraph 13) supports this view: *The current approach to*

*innovation is individualized, decentralized and unsystematic, and is determined by individual and chance factors rather than by a well-defined and acceptable sequential process. While innovations do take place, this fragmented, ad hoc style does not lend itself to good use of IFAD resources.*

Knowledge management should perform a key role in learning from and promoting innovations, yet this is an aspect that the OE Innovation Evaluation considered has not reached its full potential.<sup>91</sup> A more systematic approach would have certain key features. Firstly, a link to a knowledge management system in which lessons from IFAD and other sources are identified and disseminated; secondly, recognition of innovation in project designs by inclusion as an objective, with associated arrangements for flexibility, risk-taking and evaluation; and thirdly, the identification of potential partners for scaling-up at the commencement of project implementation, to foster ownership and shared learning.

2.87 A new IMI has been started and a key paper was presented at the December 2004 EB. The approach acknowledges that changes in culture and learning are necessary elements of success. The IEE welcomes the draft document which appears to recognize many of the underlying issues identified in this evaluation. The approach would be strengthened if the text had clearer links to core initiatives such as the new HR policy, to demonstrate how changes in HR will support innovation. The approach would also benefit from a more detailed presentation of the behavioural changes that are needed to achieve the outcomes, and a set of objective monitorable indicators of change and outcomes.

### Concluding remarks

2.88 The project portfolio as a whole is broadly pro-poor, but the evidence demonstrates that the overall range of IFAD’s investments lacks strategic coherence: past resource allocation has been based on a limited assessment of regional and country needs, and ad hoc assessments of borrower performance; the PBAS being introduced may improve this, but IFAD has a very narrow range of instruments with which to engage with

countries with weak institutional and policy environments; and the current strategic framework has fostered a broadening of project components in support of empowerment objectives, but with a corresponding increase in the diversity of skills needed to support the portfolio.

2.89 The impact of IFAD's projects is variable, as it is in most development organizations, but with a little under half of all projects falling below expected levels of poverty impact there is a need for better performance. The sample points to several key lessons that are linked to achieving higher impact overall:

- A strong demand-driven approach, where project design and management are at times subordinate to community demands
- Design that is adapted to reach poorer groups
- The CPM is a strong driving force, alongside a stable group of consultants and locally embedded associates
- Close support by IFAD during implementation
- Reliable impact data, to substantiate success/failures and learn for future interventions
- Where appropriate, the inclusion of health and education interventions especially community-led potable water supply
- Building on existing institutional structures, wherever they can be efficiently used to further project objectives
- Planning for sustainability

2.90 Lessons from projects that have not performed so well underscore the importance of these success factors:

- Problems start with poor project design, in particular weak institutional analysis, especially of implementation capacity, which leads to ineffective arrangements for project management; a lack of attention to design for sustainability, especially to foster new institutions; and a lack of clear performance indicators and targets to monitor performance.

- Economic analysis of costs and benefits has not kept pace with project designs and little use is made of ex post analysis to learn from actual performance.
- Targeting falls below the aspirations set out in project design documents, and highlights a policy vacuum in IFAD to provide guidance and procedures on effective mechanisms.
- And targeting, like other implementation issues, is relatively neglected during implementation as a result of the arms-length and distant relationship IFAD experiences in some countries, working through a contracted cooperating institution for project supervision. Technical problems are dealt with slowly, often delaying change until mid-term. Such a sluggish response runs counter to the evaluative, learning, flexible approach needed to manage innovative projects.
- COSOPs have been slow to achieve the hoped-for move into country programmes, and policy influence has not yet materialized, either at country or international levels.

2.91 Finding valid comparisons with other IFIs is difficult owing to variations in terminology, definitions and operational practice. But on the best data available, IFAD lags its comparators on measures of projects at risk, time to project effectiveness, and quality of supervision.

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<sup>91</sup> The OE Indonesia CPE also highlights that: *In order to develop programmes at the cutting edge of rural development and to fulfill its mandate effectively, IFAD must be more responsive and innovative... Stronger analysis of known technologies during project design and critical learning from IFAD's own experience (written and oral) would greatly enhance IFAD's approach, its programme performance and its credibility with development partners.*

- 2.92 The analysis of portfolio and project performance, and project impact, highlights those factors that have stimulated impact and where better performance might lead to success. Many of the issues identified such as country strategy, project designs, targeting, economic analysis, sustainability and the processes of implementation support and supervision are within the scope of IFAD's operational procedures and management. The ways in which IFAD has approached these issues and the implications for improving the Fund's performance are examined next in Chapter 3.

## Chapter 3

# Corporate processes: management performance

3.1 In order to understand the reasons why development performance has been as varied as described in Chapter 2, the IEE examined the ways in which IFAD works to deliver loans and grants. Corporate processes were reviewed in the IEE inception report and a schematic presentation was used as a basis for defining those processes to be studied in this evaluation (IR, Figure 1, page 19). Three broad processes were identified: development of policy, development of strategy and the project cycle processes to deliver loans and grants.<sup>92</sup> These are supported by corporate functions such as human resource management, administration and financial management. The way of working with these processes is sometimes described as IFAD's business model, and that shorthand is used in this chapter.

3.2 IFAD developed an efficient business model to transfer resources through targeted projects.<sup>93</sup> The original approach was a narrow focus on food production and nutrition, targeted mainly at the poorest groups. After an initial period when IFAD only financed projects identified and designed by others, it led to a way of working that followed the classic project cycle to provide loan and grant finance for stand-alone investment projects to increase food production and nutrition among poor rural people in defined locations. The model can be characterized as *'the enclave*

*production project'* and was recognizable as similar in many respects to the work of other IFIs at the time, though they did not target the poorest groups.

3.3 Detailed analysis of country situation took place through general identification missions to identify stand-alone projects. Links between IFAD and the country were handled by a project controller (now CPM) in a close relationship with a government department, most commonly agriculture. The projects were formulated by teams of consultants, or subcontracted to agencies such as FAO. In some instances, IFAD provided cofinancing to projects identified by other donors, or engaged in joint identification missions. Implementation was by project management

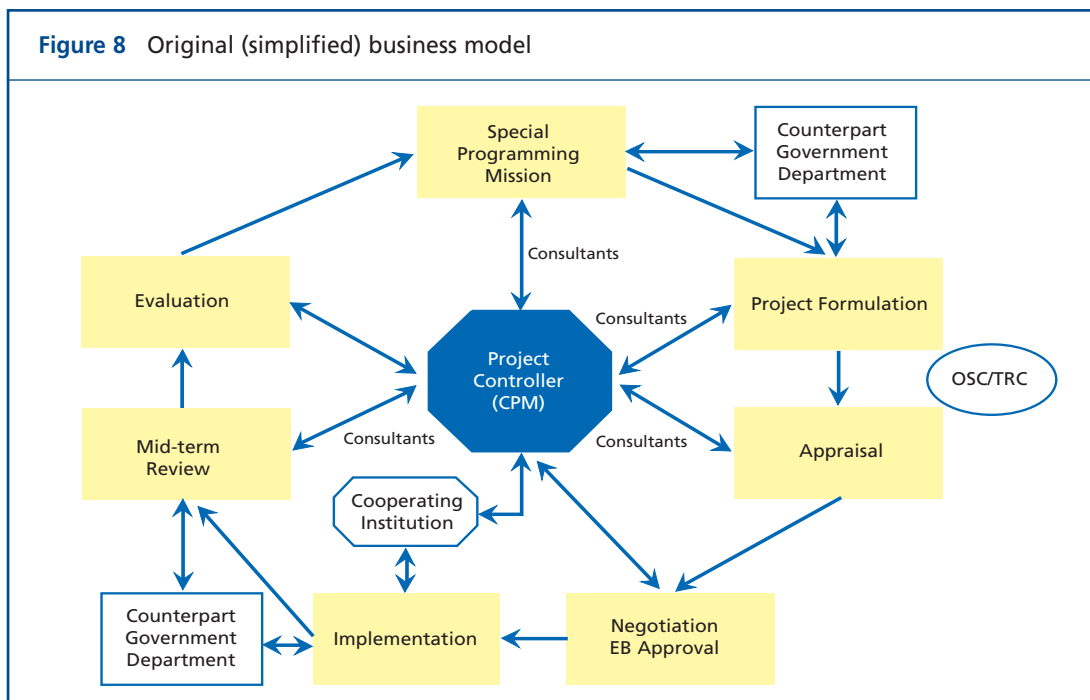
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<sup>92</sup> The IEE uses the term process to mean a sequence of activities with a defined input and output that contributes to an overall objective. Complex functions such as the design and supervision of a project are a collection of numerous sub-processes.

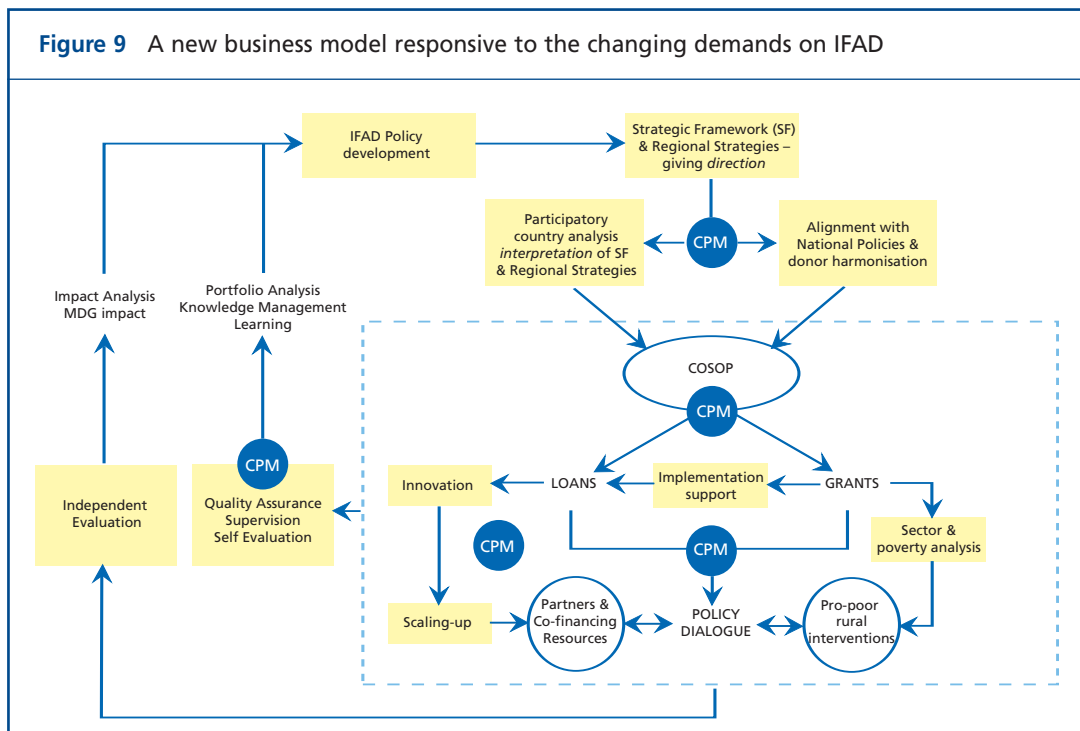
<sup>93</sup> A 'business model' describes how an organization defines its products, how it selects its clients, how it promotes and markets its products and services, and how it configures its resources. There are no fixed conventions about how the model is described. It can be expressed as a set of processes or in simpler language such as the 'bait and hook' approach e.g. computer printers (cheap bait) and ink cartridge refills (expensive hook). IFAD adopted the terms 'operating models' and 'business cases' under the process re-engineering programme design stage.

- unit organizations, mostly staffed by regular government personnel. Supervision was undertaken by CIs. A cornerstone of the approach was the freedom of action granted to CPMs, under which they controlled the relationship with the country, the identification of projects, the technical design process, and the relationships with government and the cooperating institution during implementation. The role is characterized by the IEE as a 'free-agent' CPM.
- 3.4 Figure 8 sets out a simplified illustration of a generic business model prior to the first re-engineering, *as interpreted by the IEE*. The key features are that the model was primarily a way of managing the project cycle. The project controller (now CPM) took a central role in orchestrating the process and managed work through consultants and the CI.
- 3.5 Several key strengths underpin this model: a relatively low-cost approach, in keeping with the original mandate to provide complementary finance; high flexibility for CPMs; and building on the technical skills of consultants and partner agencies. But the low-cost, arms-length, highly individual format was, with hindsight, ill-suited to respond to new challenges.
- 3.6 The working environment for development organizations at country level has changed. IFAD's niche area has become crowded with other lending donors moving into poverty and rural poverty (if not agriculture per se), together with an expansion of grant-aid bilateral and NGO donors with strong capabilities in the areas of participation, community driven development and empowerment.<sup>94</sup> Development planning has also changed under several influences: the move to programmes rather than projects, development of national sectoral plans, and donor harmonization initiatives coalescing around nationally-driven, multi-sectoral programmes developed under poverty reduction strategies. IFAD's cherished specificity of working with and through government is now claimed as normal good practice by most organizations.
- 3.7 These external shifts challenge the IFAD business model by altering the focus of engagement away from a bilateral exchange between IFAD and the government towards a country-driven multilateral process with numerous and diverse participants.
- 3.8 At the same time, IFAD's own changing strategy and processes have prompted new approaches. Objectives to catalyse, be a leader,

**Figure 8** Original (simplified) business model



**Figure 9** A new business model responsive to the changing demands on IFAD



influence policy and promote innovation all require skills to gather information, synthesize, learn and disseminate, work with partners and scale up. The strategic framework 2002-2006 is a significant broadening of IFAD's original mandate, implying both a change in how things are done (more policy dialogue, and institutional orientation) and in the composition of investments (less agricultural production, more on organizations, small and medium enterprises, microfinance, market access etc.). All these developments have been prompted by clear evidence of responsiveness, both by management and the EB, to the changing environment.

- 3.9 These changes imply a shift to a new business model to generate 'learning and replicating empowerment programmes'. Such a model would develop loan and grant finance programmes targeted at nationally-determined poverty reduction priorities, with a strong element of learning and innovation, linked to scaling-up through work with partners. Figure 9 presents the IEE interpretation of the elements of a business model that brings together the shifts in the external environment and IFAD's own changing strategy and processes. The CPM is still dominant, but no longer in a position to play a single central

role. They are shown in a variety of different positions in the figure, corresponding to distinct tasks. These tasks demand a higher degree of interaction with a wider range of government departments and with other donors working in rural areas at country level, the development of a country strategy that brings together loans, grants and policy dialogue, and the forging of a coherent programme to support innovation and scaling up. The CPM has an increasingly fractured role to play, demanding a range of skills from strategy development, through project design, to policy dialogue. One result has been an expansion in reliance on consultants (not shown in the figure to avoid over-crowding, but active in most areas where arrows link text).

- 3.10 During the period under review a series of reforms and initiatives have been undertaken, some at the prompting of the Board, many at the behest of management, to develop the Fund. Table 18 lists the key elements.

<sup>94</sup> The involvement of more organizations does not imply that resources for rural development are in any way over-subscribed.

**Table 18** Key events in the development of operational processes since 1993

Date	Initiative and policy development
1992	IFAD IV
October 1993	Report of PMD task force on rationalization of the project cycle Cost of project development had risen to USD 575 359 in 1990-92. <ul style="list-style-type: none"> <li>reduced the stages of project design from 5 to 3; initiated the Project Development Fund; proposed to reduce project development costs to USD 450 000</li> </ul>
January 1994	New operational procedures announced: <ul style="list-style-type: none"> <li>Inception paper replacing general identification missions</li> <li>Project development team (PDT) introduced including CPM, PT and OE, with Finance and Administration Department and the Office of the General Counsel joining at appraisal stage</li> <li>Beneficiary involvement in formulation emphasized, leading to creation of in-country resource groups in some countries</li> <li>Formal TRC review process, with post-appraisal memo indicating compliance</li> <li>Appraisal to emphasize implementation support</li> </ul>
June 1995	Project cycle re-engineering working group report: <ul style="list-style-type: none"> <li>Seeking to reduce costs within zero-growth budget</li> <li>List of current difficulties, including: PDT performance; technical quality assurance and implementation support</li> <li>Recommendations include: new portfolio management system; COSOP (originally conceived as a strategy paper with a small budget of USD 20 000, but in practice acting as project pipeline identification); strengthened PDT function and in-country resource group</li> <li>Proposal to further reduce project development costs from the then-current USD 433 000 to USD 315 990 and release funds for early implementation support (Senior management did not approve this release.)</li> </ul>
July 1995	Re-engineered project cycle - pilot phase including PDT, TRC and OSC stages
December 1995	Report of information systems re-engineering working group report
1997	Direct supervision pilot programme (approved by the GC)
January 1998	Mainstreaming of re-engineered project cycle, including logframe training for 45 staff
December 1998	Impact achievement in the project cycle (IAPC) group formed
1998-99	Continuing internal concern that PDT mechanism is not functioning effectively
June 1998	PMD instruction: PDT established as a mechanism running from inception to EB approval
June 1999	Pilot thematic groups established (livestock, rural finance, project design and implementation, microenterprises)
Late 1990's on	OSC meetings increasingly seen to duplicate previous TRCs, with declining senior management attendance
2000	IFAD V IAPC Report recommendations including: strengthened PDT to run from inception, through EB approval to project completion, including external expertise; increased direct IFAD implementation support; key file based on the logframe; start-up workshop based on participatory logframing New approach to evaluation leading to new OE evaluation processes introduced; all evaluations to have agreement at completion point/understanding at completion point and core learning partnership Rural finance policy Process re-engineering programme (PRP) Eight processes were reviewed: (1) human resources; (2) strategy and finance; (3) support services; (4) information technology; (5) knowledge management; (6) impact management; (7) product development; (8) partnerships management Items (1) to (5) went to the EB in December 2000. Resulted in an allocation of a budget of USD 26 million: USD 1.0 million for design of the processes; USD 15.5 million for the five business cases approved by the EB; USD 9.5 million remains available, use to be decided



**Table 18 (continued) Key events in the development of operational processes since 1993**

2001	President Båge assumes office PRP renamed Strategic Change Programme OE introduced ARRI
April 2001	'Participatory Approaches for an Impact-Oriented Project Cycle' published, following internal discussions around IAPC report
June 2001	Project design document and key file introduced
December 2001	Analysis of project development costs for the PDFF identified average budget allocations for project development of USD 335 000
2002	Rural finance decision tools Managing Impact for Rural Development – a Guide for Project M&E
2003	IFAD VI
2003	PDD and key file revised Three thematic groups formed to collate information from PDT meetings Management teams: SMT, IMT and PMDMT instigated to improve communications, harness skills, and promote efficiency and effectiveness EB approval of Field Presence Pilot Programme (FPPP); Initiative for Mainstreaming Innovation Rural Enterprise Policy; Mainstreaming Gender Plan of Action 2003-2006 Grant Financing Policy Sourcebook on Pro-Poor Institutional and Organizational Analysis and Change OE became independent of management; EB approved IFAD evaluation policy
2004 ongoing	Human resources policy approved by EB Discussions underway to replace OSC approval stage with project design assessments to go in batches to president's policy forum meetings First CPM forum held in April Thematic group/learning approach extended through 'learning notes' covering 18 topic areas Development of detailed proposals for PBAS and RIMS

Source: IEE DRR Table 6

3.11 The range of issues and continuity of change is testament to an underlying recognition of the need to improve performance. Analysis in the desk review concluded that reforms across a number of areas: the knowledge system; strategy development; project cycle management; quality assurance; supervision; and the policy framework, have not yet succeeded in improving the Fund's performance to the levels sought by those initiatives.<sup>95</sup> This chapter examines the current situation, major initiatives and changes to corporate processes and explains why IFAD's performance has not lived up to expectations.

3.12 To help readers appreciate how IFAD compares with other IFIs, Table 19 sets out some comparative statistics about staffing and administrative costs. Owing to differences in the ways staff are classified and

information is reported, these data should be interpreted as broad comparisons.

### **A framework to assess how IFAD's results are derived from corporate performance**

3.13 Figure 10 sets out a performance framework that is used to structure the discussion about corporate processes. The model is simple and identifies the role of leadership to define and motivate policy and

<sup>95</sup> DRR paras 5.12 to 5.42

**Table 19** IFI comparisons of administrative expenses and human resources

	IFAD	World Bank IBRD      IDA	AfDB <sup>96</sup>	AsDB	IADB
<b>Overheads:</b>					
Admin. expenses (USD million) <sup>97</sup>	42.3	882	220	252.6	372.5
Percentage of total programme <sup>98</sup>	8.8%	7.3%	7.4%	3.8%	5.1%
<b>Human resources:</b>					
Number of professional staff <sup>99</sup>	202		620	836	1 396
Number of administrative staff <sup>100</sup>	264		404	1 119	516
Number of 'other' staff <sup>101</sup>	n/a		4	356	n/a
<b>TOTAL<sup>102</sup></b>	<b>466</b>	<b>8 800</b>	<b>1 028</b>	<b>2 311</b>	<b>1 912</b>
Percentage professional staff	43%		60%	36%	73%
Percentage administrative staff <sup>103</sup>	57%	29%	39%	48%	27%
<b>Staff diversity:</b>					
Number of women staff	298				
Percentage of total staff <sup>104</sup>	64%	52%			
No. of women professional staff <sup>105</sup>	83			241	531
Percentage of total staff <sup>106</sup>	18%	24%	25%	29%	38%
<b>Country presence:</b>					
Number of country offices <sup>107</sup>		100	7	24	28
No. of staff located in field offices <sup>108</sup>	16	3 000		362	540
Percentage of total staff <sup>109</sup>	3%	30%		16%	28%

Unless otherwise stated figures are based on the Annual Report 2003 for the World Bank, AsDB and IADB and the Annual Report 2002 for AfDB.

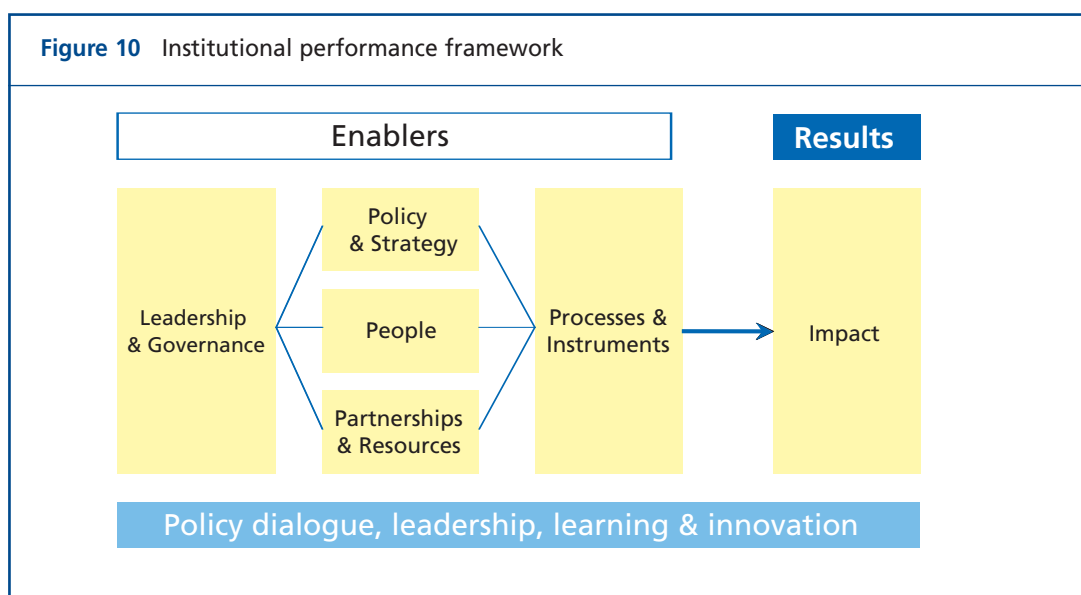
strategy, human resources, partnerships and other resources.<sup>110</sup> These act through the institutions' processes to deliver impact. The quality of these business processes is central to the second fundamental question of this evaluation, *Are the skills and resources of IFAD used in the best possible way, given IFAD's overarching goal of supporting rural development and helping countries eradicate rural poverty?*<sup>111</sup>

- 3.14 In the early years of the Fund, processes focused on development of loans and grants, with procedures to manage identification, formulation, appraisal, approval, implementation, supervision, closure and evaluation. Since 1994 corporate, regional and country strategies have superseded identification missions, and the broader objectives of being a catalyst, providing leadership, and promoting learning and innovation for subsequent scaling-up have brought new elements to the business model. The components of the framework are examined in turn.

## Leadership and governance<sup>112</sup>

- 3.15 Governance arrangements are similar to the practice of other comparable organizations. IFAD is managed by a President who acts both as Chairman of the Executive Board and chief executive. This role combines the outward-looking tasks of strategic orientation and external relations with those of day to day management (such as chairing the OSC). The President is assisted by a Vice President (currently with main responsibilities to assist in day-to-day management of the Fund and deputize for the President)<sup>113</sup> and three Assistant Presidents who head the External Affairs, Finance and Administration, and Programme Management Departments.
- 3.16 The primary governance structure of IFAD is the GC in which each of the 163 Member States is represented. The Council has ultimate responsibility for key matters such as approval of new membership, appointment of the President, approval of the

**Figure 10** Institutional performance framework



administrative budget, and adoption of broad policies etc. The role of the GC with regard to policy and the budget is significant, but in other respects it is the EB that is responsible for executive management. The Executive Board is made up of 18 elected and 18 alternate members. It meets three times a year for two days.

3.17 Other arrangements contribute to good governance. A new policy on disclosure in 2000 has helped increase accountability and transparency. Internal controls include IA and an Oversight Committee, though both are relatively recent functions. The 2003 policy to create an independent OE and a new evaluation policy are both positive contributions. But

<sup>96</sup> Figures are for the AfDB group.

<sup>97</sup> **Administrative expenses (USD million).** For IADB, this is the total administrative expenses, before reimbursement from funds in administration, and additions for capital increases. Sources: World Bank (IBRD), p38; AfDB, website; AsDB, p27; IADB, p92. IFAD Annual Report 2002.

<sup>98</sup> **Percentage of total programme (administrative expenses).** This is calculated as: administrative expenses divided by (total loan and grant programme plus administrative expenses).

<sup>99</sup> **Number of professional staff.** IFAD figures from IEE human resources report Table 2. Sources: AfDB, p56; AsDB, p27 & 35; IADB, p93 and website.

<sup>100</sup> **Number of administrative staff.** For IFAD, these are categorized as 'General Service category'. For AsDB, this is termed 'General Services staff'. For AsDB, this includes 13 staff on special leave without pay (AsDB 2004: 35). Sources: AfDB, p56; AsDB, p27 & 35; IADB, website.

<sup>101</sup> **Number of 'other' staff.** AsDB, these are categorized as 'national officers'. Sources: AsDB, p27.

<sup>102</sup> **TOTAL (number of staff).** Sources: World Bank, p135; AsDB, p27, IADB, website.

<sup>103</sup> **Percentage administrative staff.** All figures calculated based on figures given in the Annual Reports and on the website (IADB only), except for the World Bank. Sources: World Bank, p135.

<sup>104</sup> **Percentage of total staff (women).** Sources: World Bank, p135.

<sup>105</sup> **No. of women professional staff.** Sources: IADB, p93.

<sup>106</sup> **Percentage of total staff (women professionals).** For the World Bank and AfDB, the percentages are given in the annual reports – though for AfDB the figure on page 56 is stated as, "25 per cent of job offers being made to female professionals", rather than actually employed staff. Percentages for AsDB and IADB are calculated based on actual figures given in their Annual Reports. Sources: World Bank, 135; AfDB, pxxii and 56.

<sup>107</sup> **Number of Country offices.** For AsDB, this includes resident missions (16) plus regional missions (1), country offices (1), representative offices (3), a special office (1) and extended missions (2). Sources: World Bank, p135; AfDB website; AsDB, website; IADB, website.

<sup>108</sup> **Number of staff located in field offices.** For IFAD 15 liaison officers and one CPM. For the World Bank, this is an approximate figure. For AsDB, this is the balance from figures given in the Annual Report. For AsDB, this includes: 69 professional staff and 293 local staff. Sources: World Bank, website; AsDB, p35; IADB, p93.

<sup>109</sup> **Percentage of total staff (located in field offices).** All figures calculated except for World Bank where percentage is given in Annual Report. Sources: World Bank, p135.

<sup>110</sup> The model is derived from the European Foundation for Quality Management Excellence Model, adapted for public and voluntary sector organizations, with terminology appropriate to IFAD. It is a simplification of the diagram used in the inception report. (www.quality-foundation.co.uk)

<sup>111</sup> IEE terms of reference. The other fundamental question was *Is IFAD properly focused on its rural development mission?*

<sup>112</sup> This section draws on a separate IEE paper titled 'Governance and Institutional Issues'

<sup>113</sup> In practice the Vice President's role is wide-ranging.

weaknesses exist in the operation of these arrangements. The Audit Committee noted concerns about a low level of implementation of IA recommendations in 2002; a situation that had improved by the end of 2004; the oversight committee is essentially passive responding to allegations and moves to expand the remit of the EC to include IFAD's policies have been resisted by management.

- 3.18 IFAD V and VI have been the main drivers of policy change during the evaluation period. In practice the replenishment process has become a major driver of internal policy change within IFAD (see Box 9). IFAD IV, set against a background of declining resources and a major restructuring of member voting rights, marked the first real engagement by Member States in discussions about IFAD strategy and policy. Previous replenishments had focused almost exclusively on financial pledges. IFAD V intensified the focus in the form of the IFAD V: Action Plan, which for the first time put in place a framework for monitoring actions to enhance IFAD operational processes. The plan of action sparked some important internal initiatives, including a renewed emphasis on country strategy and the gender action plan, but the consultation process also proved protracted and the resulting matrix of actions unwieldy and lacking clear prioritization.
- 3.19 IFAD VI began with a tighter, better managed process, but the late tabling of issues by at least one member of List A to the consultation left IFAD management essentially on the back foot and facing a signifi-

cant new policy agenda – including the introduction of PBAS, a new evaluation policy, RIMS and the piloting of IFAD field presence. The new agenda seeks to bring IFAD into line with other multilaterals, at a time when donors have competing claims on their multilateral contributions and the pressure to demonstrate results is growing. IFAD has responded ably to the IFAD VI agenda, but the process continues to absorb considerable staff and management time, and past experience suggests that a period of consolidation may be required to ensure that the full impact of the latest initiatives is felt before moving on in new policy directions. Both IFAD V and IFAD VI Replenishments posed wide-ranging change agendas for IFAD with only limited attention to prioritization and costing. This will be a critical challenge for the next replenishment along with a focus on IFAD's medium to long term development effectiveness and its strategic niche within a changing international development context.

- 3.20 A crowded agenda and infrequent meetings limits effective decision-making. EB meetings are far fewer in number and shorter in duration than for comparable organizations.<sup>114</sup> The agenda is crowded with large volumes of written material often provided at short notice, especially in translated versions. Directors have to prioritize issues they wish to concentrate on. Some rely on the skills of their colleagues in technical areas such as finance or audit. Some seek guidance from their governments. But few members have the resources to call on much support to review Board documents.

### Box 9

#### The replenishment consultation process

A consultation group of IFAD Member States is established by the GC to run the replenishment process. The group comprises 100% of List A and B representatives and 12 representatives from List C (four per sub-list). The group is chaired by the President. The formal process begins with a plenary of the consultation group in which IFAD management presents a position paper on key policy issues/areas for the forthcoming replenishment. The paper is discussed by all participants of the process. The President then sits with the various convenors of Lists, plus some invited 'friends' from the Board and a few key staff and senior managers for informal consultation about overall direction for the next replenishment. This can be a fairly protracted process, involving several stages. As consensus is reached in the consultation group a report is prepared. The terms of the forthcoming replenishment are encapsulated in the report and in a resolution setting out the necessary financial and voting mechanisms. This is then passed by the GC.

- 3.21 Board members differ in the experience, skills and training that they bring to the role and there are no terms of reference for the post. Experience of other boards by directors is more likely to be connected with UN organizations than with IFIs, which suggests that few are familiar with the ways other IFIs have measured performance and acted to improve development effectiveness.
- 3.22 Scrutiny of key functions such as the annual programme of work and budget, and of evaluations, is delegated to the Audit and Evaluation committees respectively. The work of the Audit Committee covers the financial aspects of the budget but has only started to include the work programme as such since April 2004. The EC examines OE's outputs, but prior to December 2004 did not review the Fund's policies or self evaluation products. Proposals were being developed at the time of this evaluation to expand the EC remit. But during the period under evaluation, both committees had significant gaps in their coverage.
- 3.23 The number of agenda items leaves little time for effective debate. Directors have a wide range of interests. Some want to discuss loans and grants in detail; others devote more attention to policies. The crowded agenda results in too little time for effective debate on all topics. New policies are sometimes discussed at informal Board seminars that precede EB sessions, and these create better opportunities for discussion. But the current agenda includes approvals of all loans and grants and review of COSOPs, which have reached a stage where the Board is unable to influence content or direction. Some directors describe these discussions and decisions as perfunctory.
- 3.24 Current EB arrangements do not foster results-based scrutiny of development effectiveness. There has been a long tradition of evaluation in IFAD and the work of OE is formally scrutinized through the EC. But the focus on evaluation has left other aspects of development effectiveness untouched. The IEE views the term development effectiveness as embracing the efficiency of development of new loans, grants, policies and other instruments, the effectiveness of their implementation, and their development outcomes. There are no procedures to analyse quality of the designs of loans, grants and COSOPs, and all self-evaluation by management is currently outside the scope of the Evaluation Committee.
- 3.25 Proposals to amend the terms of reference (TOR) and rules of procedure of the EC in preparation for the December 2004 EB were intended to broaden the scope of the EC in line with experience from other IFIs. Changes would result in the EC reviewing operational policies, to ensure the feedback between lesson learning and adoption is reflected in policies; and reviewing management's self-evaluation reports such as the portfolio review of project performance (PRPP) and any future revisions to RIMS. A further proposal to de-link the timing of the EC from the EB would permit more time for recommendations by the EC to be taken into account by Board members.
- 3.26 The combined effects of a Board with a tight schedule of meetings with crowded agenda and limited analysis of the Fund's activities has been to leave directors with an inadequate factual basis on which to manage IFAD's performance. As a result, debate about reforms is driven by the policy orientation of the replenishment exercises, without the foundation of clear analysis of current effectiveness. There is a lack of consensus within the EB about the development effectiveness and efficiency of IFAD and the nature of reform that is required. This has contributed to
- 3.24 Current EB arrangements do not foster results-based scrutiny of development effectiveness. There has been a long tradition of evaluation in IFAD and the work of OE is formally scrutinized through the EC. But the focus on evaluation has left other aspects of development effectiveness untouched. The IEE views the term development effectiveness as embracing the efficiency of devel-

<sup>114</sup> The Board of the World Bank is in continuous session; the Board of Directors of AsDB met for 48 formal and 24 informal sessions in 2003 (AsDB Board of Directors Annual Report 2003); the Board of the AfDB met for 43 formal sessions, 26 informal and 24 committee sessions in 2003 (AfDB Annual Report 2003).

strong differences of opinion about the potential efficacy of PBAS and RIMS. The relevance of both initiatives is questioned by many members and are seen as responding to the interests of a narrow group of countries.

- 3.27 A few changes offer the potential for a large improvement in governance. There is a clear need to improve the orientation of the work of the EB and enable the Board to lead in the pursuit of performance. Strategic direction, policy and development performance need to receive a greater share of time and attention. This could be done through changes to the duration of meetings and the terms of reference of the Audit and Evaluation Committees. Proposals are made in Chapter 4.

#### Key Point:

The current arrangements for governance meet the basic requirements of the Fund, but a crowded agenda, infrequent and short duration of meetings reduce the EB's effectiveness as an executive unit.

### Policy and strategy development

- 3.28 IFAD's development of policies has lagged behind the broadened mandate. IFAD has few operational or sectoral policies and relatively few policies governing internal processes and procedures, compared to other IFIs (six thematic/sectoral, and four operational policy papers were produced between 1994-2003 plus a series of position/discussion papers and informal policy statements).
- 3.29 At various times there have been efforts to expand the coverage of operational policy papers – the EB paper from December 1998 entitled Planned Policy Papers noted a series of operational policy issues (good governance; recurrent and local costs) that should be addressed. More discussion with the EB was called for. However, there was no tangible follow-up action. Since then policy development has been variously handled by different units, ED (now subsumed within External Affairs Department (EAD) and the Technical Advisory Division (PT). A new Policy Division was established in 2003 to facilitate a more systematic process of policy development across the organization.<sup>115</sup>
- 3.30 A core issue appears to be the preponderance of informal policy products. For example, the discussion paper on transforming rural institutions prepared for the 2003 GC meeting is relevant to operationalization of the strategic framework, but its status as a statement of IFAD policy is unclear. Operational policies cover a number of important areas of IFAD activity – links with HIPC, the new policy on grant financing and the FLM – but again cover relatively limited territory compared to other IFIs.
- 3.31 The few policy products that have been developed are rarely communicated widely beyond Rome. Few corporate policy documents are known or made available to country project staff. During the country visits it emerged that project staff on the United Republic of Tanzania RFSP and PF-ACP Pakistan knew nothing about the rural finance policy or decision tools, nor were they aware of IFAD's attempts to create a centre of excellence in rural micro-finance. The M&E guide has not been widely disseminated across 'virtual IFAD'. Efforts to communicate across projects and via virtual networks such as FIDAFRIQUE have brought some gains but not in terms of explicit policy guidance. Experiences are similar among partner agencies, where staff at headquarters, working both in operational and support units, consider themselves to be uninformed about IFAD's policies.
- 3.32 Resistance to adopting a normative style of working has inhibited development of comparative advantage. The 1994 REA identified the problem of the Fund being too diffuse, in their telling judgement 'there are as many IFADs as there are project controllers'.<sup>116</sup> But their recommendations have not taken hold. Implicit approaches to policy development have dominated with lesson learning about policy issues concentrated at the level of individual CPMs or PT staff. A widespread resistance to normative models and ways of working has limited

policy development in IFAD. Staff are more comfortable with the idea of *sui generis* approaches. To a large extent that reflects a continued adherence to the free-agent CPM model. CPMs are responsible for ensuring the application of policies in the project development process and as a basis for policy dialogue at national level, but IFAD has so few of these types of policies that there are large areas where staff must operate without policy guidance.

- 3.33 In the face of resistance to conformity, the PDT/TRC/OSC process has had mixed success in ensuring that policy guidance, where it exists, is consistently applied. The OSC in particular has not performed this role adequately. And once projects move into implementation, IFAD is dependent on support from their cooperating institutions. Monitoring the application of policies under implementation should be the primary responsibility of CIs but CIs rarely perform this role and, more fundamentally, are rarely aware of IFAD's policies. A wider range of instruments and more effective challenges to project designs are needed to improve consistency and raise the quality of IFAD's products.
- 3.34 The IFAD Strategic Framework 2002-2006 provides a clear sense of mission but is too permissive to guide targeting and selectivity. The current strategic framework is the third strategic product since 1994. IFAD Vision 1995 and strategic framework 1998-2000 set out 'new' ways of working but did not present a clear rationale to guide IFAD investments or strategic objectives to bring greater coherence and impact to the portfolio.
- 3.35 The strategic framework 2002-2006 provides a clearer sense of mission and the three strategic objectives provide staff with a common reference and a clear basis for communication both internally and externally. The content reflects international thinking on the role of institutional change for long term poverty reduction; strengthening social capital and empowerment of the poor and influencing public policy better to reflect the needs of the rural poor. It does not, however, make clear operational links to the MDGs, to the

provision of global public goods or how IFAD will engage in different institutional/policy environments or with national policy processes such as PRSPs. There is no clear signal regarding IFAD's primary target group – i.e. is it the rural poor, the productive poor, the poorest of the poor, the vulnerable. etc. In these omissions it fails to provide a clear guide to greater operational selectivity or increased development effectiveness. The content is largely permissive, as is the reference to IFAD's main target group.

- 3.36 IFAD is striving to be an innovator, a knowledge institution, a catalyst and a leader. These new ambitions bring new pressures to the project cycle. Instead of developing stand-alone projects, the intention is that CPMs foster leadership at country level and among partners, use knowledge generated from within the programme to find innovative solutions, and catalyse the work of partners to scale-up promising interventions. But there are a limited number of professional staff or administrative resources available for policy-related work and the transactions costs are high in such a non-conformist environment. CPM numbers have not changed in the past decade. The multiple demands on CPM time make it difficult to fully engage with Rome based or country level policy initiatives, and the project cycle processing stages have not changed to reflect these emerging roles.

## Human resources management

- 3.37 Human resources are central to the success of a knowledge based organization such as IFAD. Management of these resources impacts directly on the success of the organization in achieving its objectives. This section summa-

<sup>115</sup> There are as yet no clear terms of reference for the Policy Division (EO) and its relationship with PMD is not yet clearly defined.

<sup>116</sup> Head et al (1994) page 12 for the criticism about artisanal approaches, paucity of operational guidelines and resulting diversity of practices; page 13 for recommendation to become more programmatic and strategic.

**Key Points:**

- IFAD has few operational or sectoral policies and relatively few policies governing internal processes and procedures.
- Staff are more comfortable with the idea of *sui generis* approaches and there has been a widespread resistance to normative models.
- The IFAD Strategic Framework 2002-2006 provides a clearer sense of mission and the three strategic objectives provide staff with a common reference and a clear basis for communication. But it fails to provide a clear guide to greater operational selectivity or increased development effectiveness. The content is largely permissive, as is the reference to IFAD's main target group.
- The numbers of staff in PMD, unchanged since 1994, are too few for IFAD to have been able to develop the processes and skills to be an innovator, a knowledge institution, a catalyst and a leader, especially in such a non-conformist environment.

rizes findings from the IEE human resource report. It presents trends in numbers of staff and consultants over the review period, discusses the ways in which IFAD's HR are managed, examines aspects of the corporate culture and the need for change in that culture, and assesses the impact on the effectiveness of the organization. It is based on a review of relevant documentation related to human resource management in IFAD, the International Civil Service Commission and other UN organizations data from the HR Division, unstructured interviews with staff at all levels, and a systematic questionnaire to staff to ensure that views expressed in interviews were representative; over two thirds of all staff responded to the questionnaire.

- 3.38 Staff and consultant numbers have increased significantly over the period 1994 – 2003. IFAD was established as a relatively small organization with a deliberate intention to constrain organizational growth. However,

between 1994 and 2003 staff and consultant numbers increased by 43 per cent.<sup>117</sup> There have been increases in professional staff, support staff and consultants in all departments. The increase in staff and consultancies has not been accompanied by an increase in the number of loans over the same period although operational changes such as the direct supervision pilot have brought a small increase in demand for consultants, so a simple estimate suggests that that efficiency has decreased significantly from 15 staff and consultant years per loan in 1994. There has been an increase in the number of grants, and a change in the nature of IFAD's approach to operations with a wider focus on regional strategies, policy dialogue, direct supervision and implementation support, and broader stakeholder management. However, much of this change has mainly affected operations in PMD, impacting in particular on CPMs. The number of CPMs has remained constant at 35 from 1994 to 2003. The inclusion of OE in the Office of the President has resulted in a significant increase in staff and consultants in the Office of the President and Vice President, but it is less easy to see why staff and consultant numbers have risen so dramatically in EAD and the Finance and Administration Department (FAD), by 73 per cent and 45 per cent respectively, even with the demands of the SCP and other initiatives introduced at the request of the Board.

- 3.39 Increases in staff and consultant numbers have been financed from both the regular administrative budget and a variety of extra-budgetary resources and supplementary funds. Data presented by FAD show that between 1994 and 2003 there was a 12 per cent increase in regular posts financed from the administrative budget. All other increases in both temporary staff and consultants were financed from extra-budgetary resources or supplementary funds provided mainly by Denmark, Finland, France, Italy, Japan, the Netherlands and the United Kingdom, for associate professional officers or specific activities.

- 3.40 The profile of staff and consultants in IFAD shows some important characteristics. First,



there has been a significant improvement in the gender balance of staff and consultants between 1994 and 2003, with an overall increase of 50 per cent in female employees, and increases at all levels of the organization. Secondly, the majority of staff who have worked for at least three years have been promoted. This means that many if not most posts are upgraded, leading to grade creep. That in itself is likely to be a disincentive to genuine career advancement efforts. Thirdly, almost 50 per cent of professionals at P4 and P5 level will retire within the next five to six years, representing both a problem, in terms of loss of institutional memory, and an opportunity for regeneration. Finally, IFAD has a very high reliance on consultants, with a professional staff to consultant ratio of 0.92. This is said to provide specialist expertise not available in house, but many consultants are used repeatedly with little systematic assessment of their performance.

3.41 A new human resource policy is being introduced that will involve radical changes to past conservative HRM practices in IFAD. In the past, human resource management in IFAD was seen as the province of one department, rather than a function for all managers. It was essentially an administrative, bureaucratic, entitlements-controlling culture, that was process-oriented rather than being an effective contributor to the operation of the Fund. This unsatisfactory situation was recognized by senior management. With the appointment of a new Director for HR and in-house committee work, a new HR policy has been approved by the Board and a new and comprehensive draft of the HR policies and procedures manual was prepared in May 2003 and is being further developed. The policy is based on the International Civil Service framework for human resource management with regard to compensation and benefits, employment, career management and good governance and compares well with HR strategies in other international organizations. Performance evaluation against agreed core competencies lies at the heart of the new policy, and the fact that management of people is fundamentally the responsibility of line managers, rather than a separate HR

department. It is line managers who know how well individuals perform and must take responsibility for the career development of individual staff, so that they contribute effectively to achieving IFAD's goals.

3.42 Implementation of the new HR policy will require significant changes in the role of the HR division. As managers accept their role in managing their staff, so there will be less pressure on the HR division to act as a 'manager-substitute', more pressure to act as a facilitator and policy adviser, and more opportunity for the division to act as a monitor and adviser to senior management in such areas as employment numbers and costs, and staff capabilities. It is unlikely that the division as it stands will be able to sustain the new role required of it. This is not a question of structure or numbers of staff but rather of skills and experience. The division has been restructured so that four HR officers are responsible for coordinating with line managers all aspects of human resource management in a particular department. Current staffing levels in the HR division are almost exactly in line with the median for international organizations. However, there are few HR specialists in the division while most have experience only of previous conservative administration-based HR management.

3.43 Implementation of the new HR policy will require a significant change in the culture of the organization. The introduction of a more modern HR policy will make significant changes to the role of line managers and a change in the culture of the organization. It is not clear to the IEE that this is fully appreciated – from interviews with managers there is as yet little evidence of visible support for such changes and the implications may need to be explained more forcefully throughout the organization. In particular, it is not clear that the dynamic, continuous and never-ending

<sup>117</sup> Management estimates the increase to be 37 per cent, and although it is not clear how this figure has been derived from the data available to IEE, it still represents a significant increase in the complement of personnel.

nature of the change, that is dependent on responding to both internal and external needs, is fully appreciated. The magnitude of the cultural change required is reflected in staff perceptions: of management approaches, the role and capabilities of managers, performance management and accountability, attitudes to innovation and risk, opportunities for learning, and change initiatives.

3.44 These perceptions are discussed in more detail in the IEE human resource report, but in summary, staff view senior management as remote and failing to focus on the core business of the organization. This is attributed to poor vertical communication, though it is acknowledged that there is now greater transparency and the internal web site has made a significant improvement. Although senior professionals view the structure as flat and non-hierarchical, junior professionals and most general service staff view IFAD as very hierarchical and there is very strong grade awareness throughout the organization. Many managers see themselves as technical specialists providing services, rather than as managers of talent arranging for others to complete tasks to relevant standards, partly because they are not trained or prepared for that role, and only a minority are supportive of such a change. Staff are not convinced that IFAD has good managers, mainly because they do not feel that the best people are selected as managers. There is little belief that managers or staff in general are judged on their performance or held accountable for their actions so there are few incentives for consistently good performance: all staff get promoted at some point. There is little evidence of staff maintaining their levels of expertise due to very limited training and development provision, while internal or external rotation is rare.

3.45 IFAD stresses the importance of innovation but innovative programmes are by definition risky, and staff feel there is no clear management policy or guidance as to whether IFAD's objective is relatively risk free resource transfer or the development of new concepts and programmes that may be inherently risky. Many staff judged IFAD as risk-averse, due in

part to a lack of trust between staff and managers. Finally, staff are willing to accept change and many suggest IFAD needs to change even further. However, there is a widespread feeling that despite the many change initiatives not much really changes, leading to a suspicion of, or even cynicism about change. Notwithstanding all these factors, most staff feel that the objectives of the organization are important and are proud to work for IFAD, but the new HR policies will have to be strongly promoted to overcome the cultural constraints identified above.

3.46 Poor human resource management has been a major contributor to the modest project performance. The corporate culture reflected by the factors discussed above impacts adversely on the achievement of IFAD's objectives and the performance of projects. In particular, the failure of managers to manage staff, rather than acting as senior specialists, the lack of consistent evaluation of performance and accountability, the lack of rewards or incentives for outstanding work and a perception that the organization is risk-averse do not consistently promote the

#### Key Points:

- There has been a significant increase of 43 per cent in both staff and consultants between 1994 and 2003. Human resource policies have been conservative and administration based, and have failed to establish a culture of standard setting, accountability and performance management.
- Surveys reveal a lack of trust between management and other employees owing in part to failures of communication. Managers are thought to be risk averse which discourages innovation.
- Poor HRM has been a major contributor to variable project performance. The new human resource policy will address many of these problems but will involve radical changes in the culture of the organization that must become a priority for senior management.

identification and implementation of high quality innovative initiatives. This is compounded by a failure to ensure that staff maintain their expertise and are exposed to the latest thinking on development issues through training and development, and secondments or rotation. In fact, IFAD's training budget is very small. Suspicion of change may mean that changes are adopted for cosmetic reasons, rather than to introduce fundamental improvements.

## Partnerships

- 3.47 Partnerships are intended to make IFAD more effective. IFAD has always worked in close association with both national and international organizations. Policy directions under IFAD V and VI set out more specific ambitious objectives for partnership working. These were to help the Fund replicate and scale up through cofinancing; complement or underpin macroeconomic reform programmes; share institutional capacity and comparative advantages; exchange knowledge on policy and practices; increase multi-stakeholder coordination; be effective in creation of sustainable productive private sector investment in rural areas; leverage resources through cofinancing; and play a catalytic role beyond the country level. Partnership working was identified as a pivotal process in helping IFAD catalyse policy and resources
- 3.48 Partnership working needs clear objectives and practical arrangements. The guidance given in the IFAD V and VI was confusing and contradictory and neither informed nor built on the approach in the strategic framework 2002-2006, which lacks any principles to direct management. This has created a situation where there is limited institution-wide understanding of the potential benefits of many partnerships.
- 3.49 Most current partnerships lack a clear strategic rationale and there is no process by senior management or the EB to test their objectives against IFAD's goal and niche – to establish relevance. In practical terms, partnership agreements often lack a clear statement of the shared objectives and indicators to measure progress. The Internal Audit

supports this judgment with evidence of a lack of clear criteria and priorities for the NGO ECP grants, but it holds true for most arrangements including supplementary funds.<sup>118</sup>

- 3.50 An initiative with the World Bank in 2001 to create a rural partnership initiative illustrates the good intentions. A design document sets out the context and identifies global and country level actions, proposed for Bangladesh, El Salvador, Nigeria and Yemen. But the text appears to exist only in a draft form, objectives lack specificity, the work has never been developed through to action programmes (so there are no indicators of performance) and funding is unresolved.<sup>119</sup> The IEE has been unable to find any reports of progress or achievements.
- 3.51 There is poor internal communication about the range and purpose of partnerships. A proliferation of partnerships contributes to ignorance and uncertainty amongst IFAD staff, where CPMs face significant transaction costs in dealing with the large numbers of organizations with which IFAD works and dealing with their different modalities.
- 3.52 Relationships are important to IFAD's objectives but not all relationships are partnerships. Partnership implies a relationship that goes beyond a contractual or administrative arrangement. It involves trust and a willingness and ability to take risks in pursuit of a

<sup>118</sup> Internal Audit Report AR/99/01, May 1999. Supplementary funds have amounted to between USD 8 million and USD 12 million per year since the mid 1990s. They are treated as extra-budgetary funds. There is no consolidated report of utilization and effectiveness. An IA report of June 2000 (AR/00/06) called for an integrated information system for supplementary funds (that would cover many partnerships). A progress report on the SCP in April 2004 predicted such a system would become functional in mid-2004.

<sup>119</sup> IFAD office memoranda dated 21 January 2002 from van de Sand to Codrai, and to PMD Division Directors (both unreferenced); World Bank – IFAD Rural Partnership Initiative, Draft (7) Working Paper December 2001.

**Box 10** The Belgian Survival Fund

Since 1983 the Belgian Survival Fund (BSF) has been working with IFAD, under the auspices of the Joint Programme (JP). IFAD's partnership with the BSF is highly relevant to its own strategic objectives, and enables a more holistic approach to rural development: the BSF.JP focus on health, sanitation and basic social services provides an important platform for improving household income and food security. The BSF.JP also enhances IFAD's role in other ways, such as: (i) through grant funding in countries not (yet) eligible for loan-financing (e.g. Somaliland; support to women's groups in North Kivu, Democratic Republic of the Congo); (ii) the direct funding of NGOs (e.g. Kenya Women Finance Trust in Kenya); and, (iii) BSF-funded rehabilitation programmes (e.g. the Ethiopia Rehabilitation Programme for Drought-Affected Areas).

Global evaluations undertaken during the first phase (1983-1995) clearly demonstrate that the collaboration has been instrumental in the Fund's reaching out to the most marginalized and destitute rural populations in sub-Saharan Africa – with social activities financed by BSF often becoming entry points for income-generating activities.<sup>120</sup> Another overall evaluation is scheduled for 2005, and this will include an evaluation of the IFAD-BSF partnership.

The JP programme support unit is involved in all stages of IFAD's project cycle: internal project design (PDT/TRC/OSC); implementation, follow-up and supervision (with the CIs); evaluation and, thematic reviews (post-conflict, etc). The administrative and fiduciary procedures of the BSF.JP however, sometimes affect the efficiency of the partnership. In Burkina Faso, under PDRSO, the IEE found that management lines had been made "more complex by the partnership with the Belgian Survival Fund which has special responsibility for the health component of the project".<sup>121</sup> Similarly, a recent completion evaluation by the BSF itself found that: (i) uncertainties and initial delays in BSF headquarters delayed the expeditious launching of the project; (ii) further component changes made by the BSF headquarters slowed down the launch of the project; (iii) direct BSF contacts with the project have also been limited.<sup>122</sup> These findings are supported by an internal audit report (AR-00-05) which labelled the BSF.JP budget process as 'cumbersome'.

common objective.<sup>123</sup> The term partnership has in fact been retrofitted to describe a range of pre-existing inter-organizational relationships and alliances, including those with cooperating institutions and co-financiers. For example, the contribution of supplementary funds is often held to be a partnership arrangement. Many are in fact defined by contracts or memoranda of understanding. IA found a lack of a clear strategic framework, difficulty in reconciling the needs of IFAD with the conditions of donors, and frequent use of the funds to supplement activities under the regular programme of work and budget.<sup>124</sup> These examples show how the imposition of a partnership label confuses a much more straightforward relationship that should be managed in an appropriate but different way.

3.53 There is virtually no systematic evidence to show how partnerships are enhancing IFAD's impact on rural poverty. There are exceptions, with some evidence of a catalytic role with the Coalition and the long-running achievements of partnership with BSF, noted in Box 10.

.54 The IA commented on a lack of evaluation or other evidence of the NGO/ECP grants programme and argued that effectiveness has been undermined by low priority and inadequate monitoring.<sup>125</sup>

3.55 The country studies found little evidence of positive use of partnership working. IFAD is perceived by the majority of stakeholders as being distanced from projects, both geographically and organizationally. IFAD has not responded to moves by other donors towards decentralized operations and has not developed new approaches to partnership working at country level.<sup>126</sup>

3.56 Partnerships with recipient governments are central to IFAD's work, but so (increasingly) is partnership working with other donor agencies. Effective donor collaboration is at the centre of the international community's commitment to improved aid effectiveness. Both the Rome (2003) and Paris (2005) Declarations on Harmonization and Alignment stress the need for greater complementarity and coherence in donor support. The most

recent Paris Declaration includes a set of performance indicators to track progress with the agenda, including the increased use of common arrangements or procedures amongst donors for delivering assistance, shared analysis and field missions, a reduction in the number of parallel implementation structures (PIUs etc.) and coordinated donor programmes consistent with recipient development strategies. These are not partnerships in the full meaning of the word. But moves towards harmonization require a shift in the 'culture of partnership' within many development organizations, including within IFAD. Although IFAD has recently tabled papers to the Board setting out possible 'new ways of working', observation by the IEE team suggests a significant lag with practical changes in the way IFAD is doing business on the ground.

#### Key Points:

- Working in partnership has the potential to support the Fund's objectives of being a catalyst and innovator.
- But the objectives set out in the Fifth and Sixth Replenishments have led to an uncritical use of the term and failed to foster clear objectives and improved ways of working that would bring strategic benefits to the Fund.
- Partnerships need clearly stated joint objectives and monitorable indicators set within the overall framework of the Rome and Paris Declarations.
- With a few notable exceptions there is no evidence of enhanced impact through partnerships.

### Management processes

3.57 The need for change was recognized before the REA and boosted by that assessment. IFAD staff and management have never been slow to re-examine processes and initiate change. The initial years of the Fund saw a steady evolution of practice as the original model of cofinancing projects developed by other IFIs was replaced by IFAD-initiated designs that reflected IFAD's peculiar approach.

3.58 The REA stimulated a wider process of change after 1994: the re-engineering programme (strategic management, COSOPs, PPMS, corporate score card) 1994-1998; IFAD Vision, 1995; strategic framework 1998-2000; PRP 2000 leading into the SCP 2001-2005; IFAD V: Plan of Action 2000-2002; strategic framework 2002-2006; regional strategies 2002; IFAD VI: Plan of Action 2004-2006.<sup>127</sup> It is notable, though that despite the REA drawing attention to the limited use of budgeting as a management tool, movement towards a medium to long-term strategic planning and budgeting process (as opposed to the strategic framework) was not a feature of the era, though moves towards strategic planning have recently been initiated (see Table 18).

3.59 It is significant that, unlike the World Bank, where similar change was driven by analysis of performance,<sup>128</sup> none of the initiatives described here have been stimulated by analysis of development effectiveness. They have been process-driven on issues of efficiency, rather than performance-driven by analysis of impact. None of the initiatives has been evaluated for impact on IFAD's development effectiveness.

<sup>120</sup> Source: *IFAD and Belgian Survival Fund Joint Programme: Strategy Paper 2001-2011*, 1 September 2000, page 1.

<sup>121</sup> Unfortunately, there were few BSFJP grants covered under the IEE random sample of projects.

<sup>122</sup> Paragraph 169, *Completion Evaluation Report: Support to Women's Groups in North Kivu, The Democratic Republic of the Congo*, Report Number 1416, August 2003.

<sup>123</sup> A UN definition is 'A voluntary and collaborative agreement between one or more parts of the United Nations System and non-state actors in which all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, competences and benefits'. Reported in Programme Management Department (2004).

<sup>124</sup> Internal Audit Report AR/00/06, June 2000.

<sup>125</sup> Op cit. AR/99/01.

<sup>126</sup> See Annex 4.

<sup>127</sup> DRR Tables 3 and 6 and associated text; para 4.55 *et seq.*

<sup>128</sup> World Bank (1992) *Effective implementation: Key to development impact*. Washington (The Wapenhans Report).

- 3.60 The large number of initiatives have not been well connected nor seen through to recognizable outcomes. The historical overview in Box 11 charts a logical development of initiatives in response to operational needs. But at the end of the process the IEE in the desk review argued that IFAD's niche and comparative advantage were poorly articulated; that innovation is misused, misunderstood and misguided; and that projects are both over and under-designed.<sup>129</sup> Despite so many initiatives to improve quality the Fund has never instituted a system to analyse project designs and report on quality.
- 3.61 Review of the underlying analyses that supported changes to the project cycle reveals well-conceived processes in which staff were self-critical and honest about failings in the system. Yet the proposed changes have not been developed to the point where real benefits are seen to have emerged. Several examples from the desk review illustrate this:
- The project design team, PDT, was an early initiative to introduce team working. The principle is good, but in practice staff find it hard to devote the time necessary. CPMs can choose who to nominate, so can avoid serious debate about their plans. As a result, the only effective challenge in the design process comes when the Assistant President PMD intervenes in the TRC meetings.
  - PPMS was established to improve the storage, analysis and access to information to help manage operations. A review of PPMS by IA in 1999 found the system not being used by the main intended target group for reasons that included an incomplete database, limited reporting facilities and no integration with other systems. By the time of the IEE the level of use had not improved, the database was more complete in some areas such as basic project information, but others such as use of consultants had not been made operational; and the expected inclusion of the PSR as a reporting facility had been dropped owing to apparent limitations in computing power.<sup>130</sup>
  - The desk review found a proliferation of isolated IT systems unable to share information – loans and grants system (LGS), PPMS, TAGs, supplementary funds and the NGO ECP data base. The data on PPMS is heavily frontloaded towards project design and not a useful tool for portfolio management. There have been problems associated with not computerizing the project status reports. At present cross-referencing with PPMS has to be done manually and there is no incentive to use as a management tool by CIs. The fragmented and under-used systems severely limit the extent to which performance can be analyzed, both at an operational level for senior management, but more importantly, for reporting to the EB.
  - The re-engineering working group in 1995 proposed a saving of USD 100 000 from design to be used for *implementation support*. Staff assert this was never implemented. Although the five regional divisions track their own resource use, the absence of transparent reporting at departmental level (through PPMS or financial reporting) about costs incurred during the project cycle has undermined constructive debate about resource allocation and divisional efficiency, by the EB and by senior management.
  - The logframe had been around from some years, but a renewed interest was shown with a training programme in 1998. Yet current projects have very poorly worked examples; the results structure that underpins the logframe has not been adopted by IFAD as a means of bringing consistency and precision in language and the definition of objectives and indicators to project planning; and the logframe has not been used as a means to structure supervision and project reviews. The value added from current usage is minimal.
  - The corporate scorecard flourished very briefly in 2000, never to be seen through as a reporting tool.
- 3.62 An indication of the underlying problems can be seen in the design of the PRP. This USD 26 million initiative was planned to bring under one resource envelope the disparate

**Box 11****A central concern was to develop the project and programme cycle**

- Between 1982 and 1988 IFAD's project cycle was characterized by cofinancing projects from the pipeline of World Bank and regional IFIs. This reduced both the development costs and length of design cycle. But increasingly, IFIs moved into policy-based lending.
- IFAD brought design in-house. Special programming missions analysed rural poverty and defined IFAD's country strategy. To delineate the target group, farm diagnostic studies, socio-economic surveys, studies of NGOs, gender, socio-anthropological aspects of target groups, and all aspects of farming systems and the institutional framework were reviewed. Project design costs increased from USD 400 000(1982-84) to USD 575 000 (1990-92).
- The concept of quality was vague and undefined. The project cycle was becoming longer, but mainly to improve quality of project selection and the design of IFAD specificity. Often the additional investigations required as a result of internal reviews were not relevant to achieve better implementation but only served an improved marketability within IFAD.
- The result of the task force of 1993<sup>131</sup> and the re-engineering working group of 1995<sup>132</sup> led to more changes in the project cycle - a shift from design to implementation - seeking more continuity and flexibility in the project cycle. The high degree of uncertainty in IFAD projects was thought to require a larger degree of flexibility to allow for adjustments and changes during implementation.<sup>133</sup>
- The COSOP was introduced to provide a more strategic and programmatic framework for the development of new opportunities in a country. The average cost of design was reduced by USD 100 000 – and the intention was for this to be allocated to early and continuing implementation support.
- There was a clear call for change in corporate culture: teamwork, decentralized decision making and resource management (a cost centre approach). Critical to achieving these changes were the underlying incentives and signals governing staff behaviour. Reviews also emphasized the need for attention to increased workload and training of staff in management skills.
- Over this period projects changed from typical blue-print and input oriented in the eighties and early 1990's to more flexible and process oriented projects in the mid and late 1990's. IFAD started to supervise directly a group of 15 projects to validate if direct involvement and accountability for project implementation would provide better results on the ground and generate knowledge as part of IFAD's own learning.
- Monitoring and evaluation of indicators, and evidence of impact were still weak and only slowly improving. The logframe was introduced to assist in this. Teamwork remained a difficult target to achieve: project design teams were improved but remained highly dependent on a CPM's interest and motivation, and time availability of colleagues in PT, OE, OL and FC, as well as incentives and rewards. Thematic groups were established and functioned fairly well but suffered from the same drawbacks as the PDTs.
- The IAPC working group was originally set up in 1998 to work on mainstreaming the logframe.<sup>134</sup> It was converted into the IAPC in the context of the Process Re-engineering Programme in 2000. The working group addressed a range of issues (in all it made 21 recommendations) but not very different from the past reviews. For example it was agreed that PDT and PDIP were key to the whole project cycle. It was agreed to have a more unified design document and a key file (with the logframe) that would constitute the focus of discussions during TRC and OSC and constitute the basis for monitoring through the stages of life of a project. The key file would also assist in knowledge management by centring discussion around the core concern of poverty reduction while underlining the approach to exploit IFAD's comparative advantages. IFAD started lending more flexibly (FLM).

Sources: DRR para 3.46 et seq.; Programme Management Department (2004)

<sup>129</sup> DRR Summary para. 12

<sup>130</sup> Internal Audit Report AR/98/04, March 1999

<sup>131</sup> IFAD (1993).

<sup>132</sup> IFAD (1995).

<sup>133</sup> Similar interests at the World Bank led to the introduction of the LIL (Learning and Innovation Loan, and Adaptive Programme Loan).

<sup>134</sup> Cooke et al (2000).

changes being proposed for human resources, strategy and finance, information technology and support services. Internal Audit examined the design phase and concluded that there was a variable degree of management commitment and support; specific responsibilities had not been defined, agreed and communicated; there was a lack of focus in the work effort; process analysis was limited and not integrated; the information technology proposals (a major driver for the changes in order to integrate and update systems) were not clearly linked to the business proposals; and it was not clear how PeopleSoft modules would meet the requirements to replace the LGS (a concern that has since been proved to be well founded).<sup>135</sup> One of the first acts of the current President was to revise and reschedule its scope and management.

3.63 The impact of these changes has been undermined by a lack of drive and commitment to new ways of working, as reflected in the approach to human resources management. But this has been influenced by a complex interaction of several factors: pressures to deliver projects to the Board (a feature common to other IFIs); disincentives in work practices that have held back a move away from the underlying business model with a free-agent CPM; arrangements for resource allocation and budget management that have not promoted performance-related practices; 'horizontal' structures at the levels of senior managers and directors that lead to consensus based decisions; and constraints in working practices such as the extensive use of outsourced consultants, headquarters-based working, contracted-out supervision and zero-growth budget constraint.

3.64 Signs of new commitment may be seen in the more recent past with the creation of the 'IFAD Management Team'.<sup>136</sup> Started in April 2002 three meetings per year have been achieved since September 2003. The original driving force was the HR policy, but time is now divided between policy issues and HR. It is a positive move to facilitate and manage change in a more participatory manner, but too recent to have yielded evaluable results.

3.65 The need for the CPM's role to change has been recognized but not resolved. One of the main distinguishing features of IFAD's business model has been the role of the CPM. Numbers have been fairly constant at about 35 over the review period distributed between six and eight in each region. Their roles are several: to manage the portfolio in (usually) two to three countries, policy dialogue, project development and implementation support, contribute to evaluations, promote innovation, and scaling up, and manage the administrative process. In addition, the broadening of IFAD's strategic framework has added new tasks: to develop and manage 'partnerships' and other relationships; to contribute to learning processes such as thematic groups; and to work on ad hoc task forces, prepare material for the EB, and support other corporate processes.<sup>137</sup>

3.66 CPMs are the main point of contact between IFAD and its stakeholders, especially at country level. Their numbers and the PMD organizational structure impose difficult constraints on ways of working. Their role is a solitary one. No other IFAD staff have the opportunity to develop a competence in dealing with their countries. At best, the only other staff who join them on mission are the regional economist and technical specialists from PT. Solitary working means they have a high degree of control over how often they travel and for how long; over how much to get involved personally with missions, who to hire and how much to delegate to consultants, and how to engage with government and with donor harmonization initiatives at country level.<sup>138</sup>

3.67 With such small numbers, the PDT approach to peer review does not provide an effective support mechanism, and in practice comes late in the process for fundamental change. The limited resource of professional support in PT leaves CPMs isolated and with high responsibility. Not only is there little support, but until 1999 no performance assessment either. As a result, performance among CPMs is acknowledged by senior management to be very patchy.<sup>139</sup> The best



have well-planned schedules a year or more in advance; spend over 100 days a year travelling to their countries, and meet Project Management Unit staff every year, twice if not in very remote locations; they use trusted consultants to play the role of peer review and help in the search for innovation; they lead MTR missions in person, are present the whole time and draft the aide-memoir themselves, if not the full report. At headquarters they are active in the policy forums, participate in OE core learning partnerships, may have a role or be a focal point in a current policy task force, join in thematic group meetings, and prepare papers for senior management. This is a high standard to aspire to. Not every CPM can perform at that level, but both staff and managers argue to the IEE that there is insufficient management of CPMs' time and performance, and that is a major factor in the uneven performance of IFAD as a whole.<sup>140</sup>

3.68 Change has not improved efficiency and has left many staff sceptical of further change.<sup>141</sup> Despite all these cost-reducing and efficiency-promoting measures, the paucity of management information is such that there is no convincing evidence of lasting improvements in the use of resources, and quality or efficiency in development of IFAD's products. In fact, IFAD has reacted to the change agenda by increasing its use of temporary and part-time staff in order to meet the expanding demands. The IEE desk review report drew attention to the hidden growth within the so-called zero-growth budget.<sup>142</sup> These numbers have been confirmed during the HR study and show an overall fall in the Fund's efficiency over the review period.

3.69 Not only have the changes failed to bite, they have left staff deeply sceptical about the ways they have been introduced and managed. The human resources study found change initiatives are perceived, cynically by many staff, to lack clarity of objectives, not to have adequate procedural guidelines, to add to the workload and not to be adequately resourced.

### Key Points:

- IFAD has welcomed and embraced change, with a series of powerful initiatives and participatory processes that have been honest and self critical about the need to reform. But the focus was on improving efficiency rather than a drive to enhanced impact.
- IFAD's operating model and resource constraints directed attention towards improving the project cycle. At first the aim was better quality and managing costs; later it changed to coping with the policy demands from IFAD V and VI. The current programme will introduce improved information technology and financial management systems.
- Many project cycle initiatives have not been seen through to effective completion – a failure of management that has left staff sceptical about changes making any difference.
- The free-agent CPM model remains a constraint on ways of working that affects projects, programmes, knowledge management and innovation. At best it enables entrepreneurial CPMs to flourish. For many, it leaves an unchallenged and under-managed working environment with little technical support.
- The combination of partially-implemented initiatives, changing role but unchanging organization of CPMs, and limited technical support has created a quality assurance process that provides neither effective support, nor analysis and accountability for quality.

<sup>135</sup> Internal Audit Report AR/00/08, December 2000.

<sup>136</sup> A forum of senior managers. Related initiatives are the PMD Team and CPM Forum.

<sup>137</sup> Some 20 departmentally-based and 20 corporate working groups have been created and in operation between 1995 and 2004. (Source: IFAD-IEE coordinating group).

<sup>138</sup> Workload is difficult to quantify. A sample of 24 CPMs (some 63 per cent of the total) for the period 1997 to 2003 (excluding retirees and those moved to other posts) shows a workload distribution as follows: 25 per cent supervise 3 or 4 projects; 54 per cent supervise 5 to 7; and 21 per cent supervise 8 or more up to 11. About half the sample have brought between 2 and 4 new projects to Board approval; half have presented 5 or 6 projects each. (Source: IFAD-IEE coordinating group).

<sup>139</sup> IEE interviews.

<sup>140</sup> IEE interviews.

<sup>141</sup> Findings from IEE staff survey.

<sup>142</sup> DRR para. 4.48.

## Knowledge management and learning

- 3.70 IFAD has been a knowledge organization since it recognized the need to design its own projects. A realization that IFAD needed to apply its own experience and skills if projects were to be effective at rural poverty alleviation was an early driver of the shift away from co-financing projects identified by other IFIs to a predominantly self-identified approach. At the time, phrases such as the *'learning organization'* and *'knowledge management'* were not in use. With hindsight it is perhaps unfortunate that the REA took place in 1994, when the ideas from Senge's path-breaking work were gaining ground and being adopted by other IFIs, especially the World Bank.<sup>143</sup> The prominence given by the REA to recommendations to become a learning organization may have overshadowed the more fundamental objective of being effective at working with governments to tackle rural poverty; a distraction of means over ends.
- 3.71 The direction advocated by the REA has become a core feature of IFAD's rhetoric and the link to innovation developed strongly, first in the strategic framework 1998-2000, where it was one of five strategic thrusts, and then in the IFAD V: Action Plan, 2000-2002, where the four major roles of innovation, knowledge institution, catalyst and leader were defined.
- 3.72 Efforts to promote knowledge management (KM) have followed similar models to other development organizations. The period from 1995 to 2002 saw the creation of a KM facilitation and support unit (later disbanded), which prepared a knowledge strategy. Other initiatives included thematic groups, a new policy to promote disclosure of documents, entry of KM into the work programmes and strategies of the regional divisions, and by 2002 re-creation of a communications division.<sup>144</sup>
- 3.73 These broad initiatives were accompanied by many specific developments: the website (for both internal and external users), EKSYST, PDTs, and the TRC. There has been no shortage of skills or instruments. But the KM strategy was never actually approved, the prominence of KM and management focus on initiatives was steadily diluted and by the time of the 2002 ERT, progress in knowledge management was judged to have been slow.
- 3.74 The organizational culture has undermined change. Learning and the sharing of knowledge is done in the ways people work rather than in the tools that are used, though tools can help ways. IFAD's strategy was more about tools than ways of working. Poor horizontal and vertical communications, resources constraints that limit effective team working, reliance on consultants, minimal attention to performance measurement and poor accountability through simple means such as naming authors on documents, have combined to reduce the flows of information.
- 3.75 In the desk review report the IEE tested IFAD's performance against a model of knowledge management that charts the sequence of gathering information, identifying its value, storing and disseminating it to IFAD's own operations and to partners. A fundamental weakness is that IFAD has a poor record of data collection.<sup>145</sup> Project arrangements for M&E of loans and grants have been widely criticized in a variety of studies, and there is a low priority given to finding information from external sources – despite so many 'partnerships'. Mechanisms with high potential, such as core learning partnerships and agreements at completion point, have had limited, often individual impact. The website has brought speedy internal retrieval of information, and staff make good use of that plus informal links to meet their personal needs. There are plenty of media available for dissemination, but respondents in IFIs and at country level report low levels of awareness, poor access and minimal utilization. There has been no monitoring and follow up to communications, although the April 2004 discussion paper on communications proposes formative, process and outcome evaluations.
- 3.76 An opportunity was missed in 2001 when OE evaluated IFAD's innovation capacity. Some of the contributory work was undertaken by consultants and their report provides a sharp and insightful analysis of the ways in which IFAD's culture inhibits communication and

sharing of information. The study was critical of learning mechanisms, identified blockages to innovation, found poor direction by management and poor decision-making. It also identified drivers of innovation. But the report was disseminated at a difficult time that coincided with the appointment of a new President who had to resolve a difficult financial crisis, and the agreement at completion point process had the detrimental effect of misrepresenting some key findings.<sup>146</sup>

3.77 Ambitions to provide leadership and influence have not yet borne fruit. Enquiries during the country visits and in meetings with staff of other IFIs confirmed that exchange of information takes place primarily through direct contact and only when people share a common task. This has clear and important implications for the ways

#### Key Points:

- The important role of knowledge to IFAD's mission was given shape in the REA and quickly led to the IFAD V: Plan of Action with objectives to be innovative, a knowledge institution, a catalyst and a leader in rural poverty reduction.
- A wide range of practical initiatives was mounted and tools developed, but the knowledge management strategy was never actually approved and management's interest appeared to drift. The organizational culture with poor communications, aversion to risk, limited team working and no staff development, never fostered learning.
- Weak arrangements for project M&E and use of performance information meant that even knowledge from IFAD's own projects was not well recycled.
- Communications and dissemination both have strengths. The disclosure policy and website have brought practical benefits. But awareness of policies and strategies among partner organizations at country level and internationally is low and IFAD is absent from contemporary development literature.

CPMs interact in headquarters and work with partners at country level. The COSOPs have had a negligible impact at promoting IFAD policies or strategies, or increasing understanding about rural development. There are minimal references to IFAD's work in relevant publications and studies by other IFIs and a very low level of awareness about operational documents such as the strategic framework, regional strategies, and regional poverty assessments. The 2001 Rural Poverty Report is the only study with any wide exposure. Staff in the Agriculture and Rural Development Department of the World Bank, an obvious point of professional contact, report that they have few personal relations with IFAD staff and little awareness of publications.<sup>147</sup>

### Searching for the new business model

3.78 IFAD still seeks a new business model based on its catalytic role to generate 'learning and replicating empowerment programmes'. Despite all the changes described here, the shift in the de facto business model has not taken effect. The reasons are grounded in the underlying constraints of the Fund. They are interwoven in a complex way, but the issues are clear and revolve around four aspects: the free-agent CPM; the zero-real growth budget constraint; the organizational culture; and the headquarters-centred operations.

<sup>143</sup> Senge, Peter M (1990) *The Fifth discipline: The art and practice of the learning organization*. Currency Doubleday, New York.

<sup>144</sup> See DRR Annex 6 for comparisons with the Department for International Development, Japan International Cooperation Agency, the Swedish International Development Corporation Agency, EBRD and World Bank.

<sup>145</sup> DRR Annex 6, para 4.1 et seq.

<sup>146</sup> DRR Annex 6, para 3.22.

<sup>147</sup> The recent World Bank publication 'Agricultural Investment Sourcebook', February 2004, makes virtually no reference to IFAD and has nothing on innovation from IFAD. Out of 494 citations for specific references or selected readings IFAD is only referenced once, for the 2001 Rural Poverty Report. IFAD is not listed in an Appendix of 43 key websites. In another example, only three IFAD projects (two from Peru and one from Viet Nam) were included in the 100 case studies on "upscaling for poverty alleviation" that were presented in 2004 at a UNDP-World Bank conference in Shanghai.

- 3.79 The small scale of complementary-finance operations directed the Fund towards its key features of headquarters-based operations and small operational unit. At first the Fund did not even design projects. Once design was the norm, the image of the organization fostered the free-agent CPM, few in number, entrepreneurial in outlook and able to design customized projects to fit the special issues of IFAD's mandate. Customized operations on a small scale enabled each new loan to be described in the annual reports and encouraged an anecdotal style of reportage that would ultimately resist quantified measures of performance and normative ways of working.
- 3.80 IFAD's strength has always been its CPMs. But the unconstrained work environment within which they flourished discouraged collegiate practices such as the PDT, common tools like the logframe and the development of policy and strategy frameworks that would set boundaries. Knowledge management too was poorly served by the culture of individualism.
- 3.81 Burgeoning costs of operations drove the first attempts at reform from within.<sup>148</sup> The objective was to reduce the costs of design and improve plans for implementation. Soon after, the REA set in motion the dialogue that led to the policy directions of IFAD V and VI and the SCP. Improvements to the project cycle pulled the organization in two ways at once. The pressure to reduce costs and work within the President-imposed zero real growth budget stimulated a lighter design process, but staff wanted the saving in costs to be used to give implementation support in the early years. Implementation support implied a shift away from design and towards the supervision role denied by IFAD's operating rules. The REA called for those rules to be changed but this was never formally pursued by management. At the same time,
- the call to be more strategic and programmatic put more pressures on the Fund to be analytical, just as general identification and special programming missions were replaced by the COSOP.
- 3.82 The expanded mandate and drive to improve quality could never be costless. Projects had to decline in number or the number of staff and their skills had to grow, or new instruments had to be found. In practice, staff numbers grew, funding a few posts through supplementary funds and other mechanisms, but mainly driving up the reliance on consultants. The consultants are the worker bees of IFAD. Loyal and committed; many have had long working relations. Some work for few other clients. They have brought skills, experience and enabled the free agent CPM to perform. But their high level of involvement has undermined institutional learning, in the IFAD hierarchy they carry little real influence, and the mission-style contracting model has neither brought continuity nor fostered ways of adding value from their contributions.
- 3.83 Understanding the organizational culture has been a feature of this evaluation. The emergence of a strong grade awareness, poor communications consensus management and organizational silos has militated against the learning culture that could take risks and promote innovation, and encouraged the rigid simplicities of the consultant worker. A headquarters-centred operation has held back flexibility in change and made reform to the design-implementation-supervision balance harder to effect.

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<sup>148</sup> Report of PMD Task Force on Rationalization of the Project Cycle (1993).

## Chapter 4

# Future performance

### Conclusions

#### The changing context

- 4.1 The period since IFAD's establishment has seen unprecedented change in the global context for agricultural and rural development. The period covered by the IEE has also witnessed a major reaffirmation by the international development community of the centrality of poverty reduction, culminating in a new global consensus focused around achieving the Millennium Development Goals. The focus of development assistance has also changed. External support for the agricultural sector has plummeted in favour of a much wider set of enabling actions for rural growth and development, accompanied by a sharper focus on partnership and policy performance in support of national poverty reduction strategies.
- 4.2 Against this backdrop IFAD has expanded its mandate and mission. From a funding institution with a specialist focus on improving food production and nutrition, IFAD is now a fully-fledged development organization looking to 'lead global efforts in helping the world's poorest' through innovation, scaling-up and greater policy engagement. The latest strategic framework charts an increasingly ambitious agenda, emphasizing the Fund's catalytic role in *enabling the rural poor to overcome their poverty* through harnessing knowledge, building regional and international coalitions and helping to establish institutional and policy frameworks that support the poor.
- 4.3 The need to make rapid and sustained progress towards the MDGs places a premium on the combined efforts of the international development community to support national poverty reduction goals. The quality of aid has come sharply into focus. In this context, the IEE concludes that IFAD's mandate – to provide additional resources to improve the wellbeing of the rural poor – remains fundamental. But there is also danger that IFAD's agenda has become too broad and too distant from its initial aspirations of assisting the poorest groups in the poorest countries. A clear focus is needed on core attributes with the potential for comparative advantage, primarily innovation. The IEE also finds a series of critical weaknesses in IFAD's management and delivery of its strategic agenda, including its ability to develop and replicate innovative, learning-based project approaches, which need serious attention if the quality and long term development impact of IFAD assistance is to be assured.

#### Resource allocation and portfolio performance (Chapter 2 page 26)<sup>149</sup>

- 4.4 The evaluation has found that IFAD's portfolio of projects is broadly pro-poor and largely responsive to the Fund's expanding mandate,

<sup>149</sup> The page reference for each subheading directs the reader back to the relevant key points box, or main text where the findings for the topic were presented.

but the existing resource allocation model is increasingly out of step with best practice in the aid community. The introduction of the performance-based allocation system should help the Fund to be more transparent and systematic in its engagement at country level, although there are serious doubts about whether IFAD is fully tooled-up to respond to a more differentiated model of country engagement. The Fund maintained its contribution to agriculture for much of the 1990s, but along with other donors began to move into the broader area of rural development by the beginning of 2000. Declining resources for agricultural production remain a concern, especially with a renewed focus on the need to boost small farm productivity in lagging MDG countries and hard to reach areas.

- 4.5 Assessment of the performance of the portfolio is complicated by the difficulties of benchmarking against organizations with different approaches to measurement and different operational procedures. The evidence suggests that IFAD's portfolio performance is similar to comparator agencies, but this judgment is seriously hampered by the limited use made of self-evaluation and the lack of systematic analysis generated from the current approach to quality assurance. The absence of a sound portfolio analysis restricts the ability of the Executive Board to provide strategic direction to management, places the Fund at a disadvantage when negotiating with donors, and reduces its effectiveness as a leader and its ability to influence policy.

### Project and programme performance

(Chapter 2 page 30)

- 4.6 IFAD investments are found to be relevant with respect to national development priorities and IFAD corporate strategy; but the test is a weak one. The strategic framework provides little indication as to IFAD's operational niche while regional and country strategies provide only a weak filter for project selectivity within country contexts. Up until now COSOPs have been little more than aggregated project ideas, although the most recent COSOPs are making strides in the right direction. Limited analytical work at sector level provides weak justifications for what IFAD should be doing in

relation to other partners, and tends to feed project ambitions rather than a holistic view of where IFAD can best add value. Policy dialogue at country level is sporadic at best and does not systematically add value over and above project investments. It is hampered by the transient field presence of the Fund, an issue that is being examined through the Field Presence Pilot Programme. Relatively little change has taken place in the identification process over the years and IFAD is seen to be out of step with critical changes in aid harmonization efforts in at least some of its borrowing countries.

- 4.7 Evidence about effectiveness and targeting both point to weaknesses in the design process, highlighted originally in the desk review report. Many projects experience implementation problems, not all within IFAD's control, but a significant proportion are associated with weak project management that reflects poor institutional analysis during design. The details of implementation, especially in key areas such as targeting, are less effective in practice than would be expected from the expectations set out in design documents, a reflection as well of gaps in policy and operational guidance.
- 4.8 While the majority of IFAD investments achieve their project-level objectives, the causal link between objectives and poverty impacts is often unclear and frequently overly ambitious. Changes to the project cycle have brought some improvements, but the results structure that underpins the logframe has not been adopted by IFAD as a means of bringing consistency and precision in the language and definition of objectives and indicators.
- 4.9 Poor design should be tackled during the quality assurance process. The current system is not delivering good quality products. Problems are exacerbated by the arms length arrangement between IFAD and the project once implementation starts and the cooperating institution does supervision. Repeated calls for the Fund to provide more implementation support through changes in the project cycle have not materialized. Weak initial implementation is further evidenced by the

frequency of project redesign, which is less frequently a sign of project adaptability and more often about poor quality at entry, unsatisfactory economic and institutional analysis, and inadequate project management and supervision. The limited field presence of the Fund further reduces its ability to act to support implementation. Improving the interaction of these factors through improved quality is one of the major challenges for IFAD in the future.

### Policy influence (Chapter 2 page 38)

- 4.10 There are limited options to IFAD's existing products and instruments and a lack of synergy between projects at country level. Despite the aspiration for the Fund to influence policy, it has never developed an operational policy or model to guide that influence, nor have staff skills been developed in these areas. IFAD's size and resources limit its ability to fulfil its policy advocacy and innovation roles acting alone. One of the few emerging areas of influence is in rural finance and the close collaboration that is developing with the Consultative Group to Assist the Poor and others. Policy influence at both project and programme level is minimal and not helped by the extensive use of individual consultants. When it happens, it is highly localized and rarely joined up with more coordinated efforts at policy dialogue by other development partners. Some important examples of policy influencing based on project experiences do exist, but most take place within a vacuum – reducing the likelihood of both wider strategic policy engagement and longer term institutionalization.

### Development impact

(Chapter 2 page 42)

- 4.11 Central to IFAD's approach to development assistance is the bottom-up approach to project design and implementation, which not only creates greater project ownership but also the likelihood of higher and more sustained impact on the poorest groups.
- 4.12 While the IEE finds several good examples of such impact being achieved, direct and indirect impacts arising from IFAD investments are rated as modest overall. Improved crop

production for own consumption is a key area of significant impact, together with improved incomes from crop sales. In contrast, improved wellbeing from employment, improvements in road and water infrastructure provision as well as financial services are rated as being modest, with some crucial exceptions. Impact is also below expectations in IFAD's new core area of social capital and empowerment. The share of benefits from IFAD investments going to the poorest groups was also found to be modest, either because of benefit capture by less poor groups in the target area or because IFAD had explicitly targeted beneficiaries outside of the poorest areas.

- 4.13 The few stellar projects that do stand out have produced significant gains in terms of household food security and individual and community empowerment. Reasons include a highly innovative approach to beneficiary involvement, flexible project design, responsive project management with significant community involvement, and a highly engaged CPM working largely outside of constraints from IFAD headquarters.
- 4.14 Overall, only half of the projects sampled achieved more than a modest impact on poverty. Not so very different from other IFIs working in rural development, but evidence enough that, for an organization specializing in rural development, much more needs to be done to deliver key development results and an enduring contribution to achievement of the MDGs.
- 4.15 An interesting and encouraging finding from the sampled projects has been the positive impact of components dealing with health, education and water supply. These non-traditional investments occur in a minor proportion of projects, and often depend on cofinancing by a partner, but they address the wider ambitions of the MDGs, have brought tangible benefits and should, where clear value-added can be demonstrated, be continued.

- 4.16 Achieving sustainability is a fundamental development challenge. IFAD has attempted to address sustainability by ensuring more incentive compatible project designs,

addressing capacity gaps and ensuring local ownership. Nevertheless, the likelihood of the benefits of IFAD investments being sustained is modest overall. This puts it on a par with the World Bank and others, but raises questions about the value-added of IFAD investments.

- 4.17 Over the IEE period innovation has become a *raison d'être* for IFAD. The IEE concurs that innovation and experimentation are critical areas for the Fund, but finds major shortcomings in the delivery of expectations around the innovation agenda, a lack of clarity about what innovation means operationally, and a tendency to view innovation as the end rather than the means. Even the most basic aspects, such as building the objectives of innovation and scaling-up into project designs, has not been done systematically. A new initiative to mainstream innovation offers promise and recognizes the need for cultural change. But to be effective it will need to link more closely to planned changes in human resources, and set targets and objectively monitorable indicators that reveal the extent of progress.

### **Corporate performance and the business model** (Chapter 3 page 55)

- 4.18 Like other IFIs, IFAD works in contexts that are both complex and challenging. Its target group is often hard to reach; it also works with multiple partners, both local and national. Delivering on an effective assistance programme is undeniably a major challenge in these circumstances – but IFAD was founded precisely to address this challenge and needs to ensure that its systems, practices and procedures are fully aligned to ensure maximum development impact.
- 4.19 IFAD developed an efficient business model to address its original mandate. But the evolving agenda and major changes in the working environment at country level show the current business model to be unsuited to delivering a high quality development assistance programme. Initiatives to address improvements in IFAD's ways of working have not been lacking over the IEE period, in fact, the period is marked by an almost continuous attempt to re-wire the organization to changing global agendas, but the view

of the IEE is that change has neither gone deep enough nor far enough.

- 4.20 IFAD's business model urgently needs attention. Past change efforts, while mobilizing staff and management to focus on key business practices have not yet succeeded in improving the Fund's development impact. Obstacles to change are rooted in the vision of IFAD as largely a funding institution, and from the organizational culture and practices that have evolved around it, especially the arms-length relationship with partners at country level, through consultants and cooperating institutions, and the headquarters-centred operation.

### **Corporate governance** (Chapter 3 page 60)

- 4.21 Current arrangements for governance meet the basic requirements of the Fund, but a crowded agenda, a lack of training and guidance for Board Members, and short duration meetings have limited the executive function of the EB, including the space to articulate a clear focus on development effectiveness. The basic structures of the Board, Audit Committee and Evaluation Committee are adequate. Other constituents of good governance such as the IA, the Oversight Committee and an Independent Office of Evaluation, are in the main relatively recent innovations but have positive potential. Improved functioning of the Board, together with better quality assurance and performance management processes at corporate level have the potential to deliver strategic direction and leadership.

### **Policy development** (Chapter 3 page 64)

- 4.22 IFAD has relatively few operational or sectoral policies and few governing internal processes and procedures. Policy development is low compared to other IFIs and appears not to have kept pace with IFAD's evolving strategic agenda. Typical examples are guidance for effective pro-poor targeting of project interventions, and arrangements for the sustainable management and maintenance of infrastructure. A resistance to normative models has limited the development of formal policy guidance and the subsequent development of operational instruments to take the strategic



agenda forward. Awareness of policies and strategies among partner organizations at country level and internationally is low. Recent attempts to address the policy 'deficit', including the creation of a Policy Division, have potential. Ambitions to provide leadership and policy influence – with the recent exception of rural finance - have not yet borne fruit. The implications of a policy influencing role were not picked up in terms of skills development and the implications for organization and management of CPMs. These are key shortfalls in the current business model.

### Human resources management

(Chapter 3 page 66)

- 4.23 People are IFAD's major operating cost and its only source of initiative and action. They are largely responsible for the achievement of IFAD's development results. Human resources policies until recently have been conservative and administration based and focused only on full-time staff. Wider change processes have been slow to recognize the importance of human resources, in particular the demands of becoming an innovative, knowledge institution and a catalyst in the wider international arena demands not only new ways of working to gain value from consultants, but also new skills and capabilities from IFAD staff.
- 4.24 The staff survey reveals a corporate culture that has not adequately focused on accountability and performance, that lacks real trust between management and other employees and where both horizontal and vertical communication links have, until recently, been unsatisfactory.
- 4.25 The new human resources policy contains the right elements to tackle these problems, but it is not clear that the nature and the full magnitude of the changes to the role of line managers and the culture of the organization is fully appreciated, or that there is sufficient support for the changes throughout the institution.

### Partnerships (Chapter 3 page 69)

- 4.26 Partnership working is vital to support the Fund's objectives of being a catalyst and innovator, but objectives set out in the Fifth and

Sixth Replenishments have led to an uncritical use of the term and failed to foster clear objectives and improved ways of working. Strategic alliances have been entered into only sporadically, with the notable exception of BSF and others, there is little evidence of enhanced impact. A much more systematic and selective approach to partnerships and alliances is needed to promote innovation and scaling up, and to maximize potential value added in pursuit of the MDGs.

### Knowledge management and learning

(Chapter 3 page 76)

- 4.27 Knowledge and learning are critical to an effective aid organization and should underpin IFAD's role as an innovator and leader in rural poverty reduction. Efforts to promote knowledge management have followed similar models to other development organizations, but weaknesses in organizational culture in IFAD have undermined improvements in knowledge management. The approach has lacked clear leadership and a sustained commitment by senior management. Knowledge management has also suffered from poor performance in arrangements for project-level M&E fragmented database systems, limited use of self evaluation and a lack of analysis of quality assurance and portfolio performance. Recent initiatives have made an appreciable impact, in particular the disclosure policy and website, but there is a substantial communications gap, with low levels of awareness about IFAD's policies and strategies among partner organizations, both at country level and internationally.

### Management processes (Chapter 3 page 71)

- 4.28 IFAD staff and management have not been slow to re-examine processes and initiate change. The need for change in the underlying business model has been recognized, but the roles of the CPM and of the regional divisions have stayed largely the same and many of the initiatives to improve project cycle and quality assurance processes have not been carried through to effective outcomes. There is little or no evidence that these changes have improved efficiency. Arrangements for resource allocation and budget management have not promoted

performance-related practices, and the horizontal layers of senior managers and directors have encouraged consensus decision-making. The number of CPMs and the PMD organizational structure impose constraints on ways of working. In particular, the CPM-country one-to-one relationship has been under pressure coping with the additional demands made for CPMs to develop strategy, identify and plan loans and grants, manage partnership relations for innovation and scaling-up, engage in policy dialogue with governments and development agencies, and participate in self evaluations and knowledge management. The pressures have resulted in even greater use of consultants and less time for all CPMs to engage in peer review that all acknowledge is essential.

- 4.29 Communication across departments is improving in the new horizontal management team approach, but still IFAD remains challenged by its lack of integrated ways of working, a systematic approach to performance management and a medium to long term strategic planning and budgeting process. Much of its long term planning is tainted by the constant pressure to raise and mobilize resources through the replenishment round – and the external agendas which drive that process – and through individual project investments. The flat management structure has failed to provide adequate strategic direction and drive to follow through on change agendas. Staff are, on the whole, sceptical about the efficacy of new change processes.

### Future prospects

- 4.30 A thread runs through this tale, and that is the role of senior management. Many of the changes that were promoted had a sound rationale and compare well with work in other development agencies. But so many initiatives have wilted before they flowered. Necessary practices such as constructive challenges to projects and country programmes during design; development of policies and strategies that define IFAD's comparative advantage; and the promotion of a learning organization have all been started but not carried through to the point where systemic change has occurred. The flat management

structure and a tendency to consensus-based decisions is a central factor. But perhaps the most important reason for the limited success of many of these initiatives has been the lack of focus on development effectiveness. Changes have not been driven by analysis of performance, and management has not recognized the centrality of improved human resource management to realize change. The findings of the 2001 evaluation of innovation offered a way to open the debate on the underlying problems about how IFAD works. But it came at a difficult time with a new President facing a financial crisis, and as a result it was passed over. That failure to confront the underlying problems is symptomatic of the era and highlights the challenge to be faced in the immediate future.

- 4.31 IFAD is at a crucial point in its history. IFAD's mandate is relevant but its distinctiveness is in danger of being overshadowed by a rapidly changing development context. The level of performance that emerges from this evaluation shows that, with many notable achievements to its credit, there is no room for complacency. If the Fund is not able to achieve a better performance, or one that is characterized by more distinctive innovation and focus on poor people in hard-to-reach circumstances, member countries inevitably will ask if it is efficient to continue disbursing those loans and grants through the Fund. There is a clear choice. Management can continue to introduce isolated reforms and react to changing circumstances but the evidence from this evaluation provides little assurance that such an approach will improve performance. Or it can make as the IEE recommends a fundamental shift onto a new path. The recommendations set out next are designed collectively to achieve that change. The advent of the Seventh Replenishment offers a clear time frame during which results should be delivered and assessed before the next replenishment.

## Recommendations

- 4.32 The following recommendations build on the processes of change which have engaged IFAD in recent years, and to tackle the underlying issues that have held back their successful adoption. The findings of this evaluation point to a management failure by the Fund. Problems have been identified, actions have been taken, but little has been seen through to change the way IFAD works. The challenge in the future is to define and implement a programme that succeeds where previous attempts have failed. The Board will need to consider carefully how such an action programme can be developed and managed in order to ensure a successful outcome.
- 4.33 The operational and strategic responsibilities lie with management, who need to tackle the performance shortcomings identified in this evaluation and set in place new arrangements to change the corporate culture that will enable the Fund to reach its potential. The magnitude of this change should not be underestimated. Management will need both support and direction. The role of the Board is to direct the change and create a conducive environment that establishes IFAD's role for the medium term. The recommendations are listed here and described in the following sections.
- Managing the change
  - Address causes of low impact
  - Develop a new business model
  - Adopt smarter ways to encourage skills and learning
  - Clarify IFAD's strategic niche; re-assert its complementary role
  - Provide direction for development effectiveness

### **1** Managing the change (paragraph 4.28)<sup>150</sup>

- 4.34 There is a need for deep and far reaching change in the organization. A key question for the IEE has been to understand why the current management structure has not delivered the necessary change in the past. The evidence about previous change processes

supports the IEE conclusion that they have lacked strategic drive and commitment by senior management - a consequence of the consensus decision-making that the flat management structure has fostered. The current President has demonstrated a resolve to improve performance, but global strategy and external relations leave little time for executive management. The most difficult task is to come up with a change plan that is credible in the face of past failures, and is convincing both to the Executive Board and to staff.

- 4.35 IFAD must plan how to approach the process of change, taking into account lessons and experience from management of change.<sup>151</sup> Firstly, business process redesign is considered by management experts to be a type of transformation that is challenging and hard to manage. Secondly, evidence from the past suggests that staff will respond well to good communication and the opportunity to negotiate details and arrangements. But there has been resistance, especially in the degree of commitment shown by managers, and this needs to be overcome. Thirdly, in view of the evidence about development performance, the stakes for IFAD are high and the outcome cannot be left to chance. This is exacerbated by the short time frame to show results by the next replenishment. In such circumstances, management theories argue for a more authoritarian approach to change. The IEE therefore recommends as an overarching objective that a person is appointed with broad executive powers and charged with the task of setting performance-based objectives and driving through change to revitalize the Fund. This executive would be empowered as champion of change; he or she would bring renewed energy and create a sense of urgency. A managing director would be one option for this role. Clear leadership and executive

<sup>150</sup> The paragraph numbers next to each heading reference the reader back to the relevant text in the preceding section on conclusions.

<sup>151</sup> See, for example, Jick (1991); Mohrmann et al (1989); Bennis et al (1969)

authority is necessary to achieve success and a later recommendation highlights the critical role of the Executive Board in this process. The IEE recognizes the cost implications of such a change but considers that the position could replace the current post of Vice President. A first task would be to develop a strategy for change with targets, indicators and a time-line that delivers measurable change before the 8th Replenishment. Such a plan must have practical and credible objectives and must build on complementary change such as implementation of the human resources policy.

## **2** Address causes of low impact (paragraphs 4.11 and 4.28)

- 4.36 The evaluation has identified that development performance of IFAD projects and country programmes must be improved. There is good evidence from the World Bank that improvements can be achieved through tried and tested techniques of portfolio management.<sup>152</sup> Actions include independent quality assurance reviews; portfolio analysis of key themes such as arrangements for targeting, gender, M&E; self evaluation of projects; transparent analysis of portfolio performance linked to staff accountability; development of internal and operational policies and good practice guidelines, etc. The Fund needs to instigate rigorous means to improve quality.
- 4.37 Current arrangements for quality assurance should be updated with a broader mandate to examine new designs and project cycle processes, such as supervision and mid-term reviews, with transparent analysis and links through staff accountability to human resources performance management. The mechanism should draw on internal skills but, owing to the small size of the Fund, include a significant proportion of outside experts. Related improvements for portfolio analysis are needed, for example, in data management and accessibility through the PPMS and PSRs.
- 4.38 In line with current proposals the mandate of the Evaluation Committee should be extended to include evaluation of self-evaluation processes and of policies.

## **3** Develop a new business model (paragraphs 4.2 4.9 4.18 4.22 4.23 4.28)

- 4.39 The need for a new business model is evident both from the expanding scope and breadth of work of the Fund, as well as the changing approaches to development planning and organization at country level. The free-agent, arms length CPM model is no longer efficient given the wider range of skills being demanded of IFAD and the need to promote the catalytic, innovative style of work to which the Fund aspires. The main concerns in the model are the configuration of resources, ways of working, and the definition and differentiation of instruments (discussed below).
- 4.40 Recommendations here call for a significant change in the way resources are used and start by asserting that PMD is understaffed for the extensive roles demanded of its staff. We propose that a zero-base budgeting exercise be used to re-assess needs across IFAD as a whole. The funds currently used for consultants, for temporary staff, for supervision, and savings from the SCP, should be pooled and reallocated, partly into new staff positions and a new structure for the CPMs, regional divisions and technical support in PMD. Most importantly, a move away from the CPM-country one-to-one relationship, will provide countries with a better, broader-based service with access to a wider pool of skills and ideas.
- 4.41 It remains to be seen how PBAS can be interpreted to influence new operations. A more differentiated approach is likely to require a higher focus on the types of instruments and mix of policy dialogue, grants and loans IFAD needs to apply in low performing countries and difficult policy environments. Further development of the COSOP is an important part of this process. The IEE supports moves by IFAD's management to make the COSOP a more effective filter for projects and to demonstrate closer links to national development strategies and the work of other donors.
- 4.42 Development of operational policies has been slow, with a resistance to normative working. But the Fund would be better placed to engage in policy influence with a more structured set of internal policies and guidelines.

- Urgent candidates for policy development include a policy paper setting out how IFAD instruments are best deployed in different country contexts including those being 'fast-tracked' as part of the United Nations MDG initiative; a framework for medium term engagement with national poverty reduction strategies and how IFAD can best work in countries where weak governance continues to hold back options for development financing; lessons and techniques for poverty targeting, support for newly created institutions and the development of approaches for sustainability in areas such as maintenance of infrastructure.
- 4.43 The Fund should also prepare a strategy for policy influencing at country and international levels, linked to a revitalized knowledge management process and building on the recent good work to improve communications. This should include consideration of how grant funds can be used for analytical work at country level in support of country programmes and to inform policy dialogue.
- 4.44 The new human resources policy will be an integral part of changing the way IFAD works and implementation of that is a separate recommendation. In addition, there should be a thorough and detailed review of competency against policy objectives. Skills in areas such as rural poverty analysis, policy dialogue, partnership working and innovation need to be taken into account more forcefully and in more detail than just an inventory of staff qualifications.
- 4.45 The OSC/TRC/PDT approach to peer review and quality assurance has a sound structure but fails to perform. The approach needs to be re-examined to provide an effective challenge to new policies, programmes and projects at an early stage in their development, so that peer review can be effective. In such a small organization it is hard to create an effective independent challenge. Approaches to be explored could include the use of independent external organizations or consultants to act as reviewers. Peer review requires sufficient staff time and genuine independence. The pressures on CPMs and the non-competitive culture make both hard to achieve within the Fund. The process of developing new ideas for loans and grants should include an element of competitive access to preparation funds so that resources can be applied to the best new proposals.
- 4.46 The Fund should be released from the long-standing restriction on project supervision. Evidence is not yet available about the costs and benefits of direct supervision. The IEE does not necessarily advocate direct supervision in all cases and envisages a future model in which the majority of supervision is contracted out under arrangements such as are currently used, but that decision should be left to management to enable flexibility in support according to the country circumstances and age of the project. The supervision model should be sufficiently flexible to enable borrower countries to play a stronger role, and to encompass working through diverse organizations including commercial consultancies and local NGOs in countries with vibrant civil societies.
- 4.47 Evidence about the current pilot field presence is inconclusive in this evaluation. The current Field Presence Pilot Programme has not been underway for long enough to evaluate, although the examples seen during the country visits suggest that liaison officer posts are not perceived to be at a sufficiently senior level to be effective. Equally, the strong evidence in support of the outposted CPM in Peru is not reinforced by the Bolivia CPE, currently being finalized by OE. The IEE considers there is evidence that outposted staff bring substantial benefits, but not to the extent that decentralizing all CPMs would be a wise policy. We consider there is sufficient evidence to argue that outposting of CPMs should be expanded with, for example, a special focus on large country programmes, or those with a

<sup>152</sup> The quality assurance group established in the World Bank in 1995 and reporting to the President has been instrumental in raising the quality of project supervision and overall project quality in the Bank. The quality assurance group has pioneered many low cost, real time methods of assessment.

high innovative content or in difficult environments. Such a policy should be at the discretion of management, and we would envisage a large minority, such as 30 per cent, to be outposted in the future for flexible periods of tenure without any fixed commitment to any particular countries. A flexible approach to office infrastructure should be used to help moderate costs. Such field experience should be seen as a highly positive attribute in HR performance assessment.

#### **4 Adopt smarter ways to encourage skills and learning**

(paragraphs 4.10 4.20 4.23 4.26 4.27)

- 4.48 The core recommendation here is that the new human resources policy should be implemented in full. The human resources report prepared as part of the IEE noted the ambitious changes that this policy seeks to introduce. It has the potential to move the Fund away from a culture that reflects the UN Common System, with rigid distinctions, grading structure, bureaucratic requirements and entitlements culture. The HR pilot projects (of which IFAD is one) are a bold step to move away from this towards a more modern approach. Such a change will need to be supported from the highest level, to ensure that there is a relevant culture change and skills improvement in the HR Division, and take advantage of the forthcoming set of retirements from senior grades and the introduction of managerial competencies to change the management style in the organization.
- 4.49 The difficulties IFAD has experienced in trying to develop in-house learning and knowledge management are documented in the evaluation. It is unreasonable for an organization of IFAD's size to be able to house all the skills necessary for its complex portfolio and evolving policy environment. The recommendations here concern a new high-level partnership and new ways of working with consultants.
- 4.50 We recommend that the Fund engages in a strategic long-term partnership with a development organization of world-class standing in research and policy analysis. Such a relationship would have to be a true partnership, with the joint-venture able to be innovative and take risks, and not an employer-consultant relationship. The partnership would deepen understanding and technical knowledge of policy issues and relate them to IFAD's field experience. The arrangement could include staff exchanges, joint development of a clearer set of policy products, and action-research in the context of IFAD operations.
- 4.51 Improved record keeping and performance assessment is needed in general for all management of consultants. The expanded demands made on IFAD have led to increased use of individual consultants, which has brought an added burden on CPMs to manage them and on the organization to cope with the contractual administration. In order to help the Fund tackle the new demands on technical supervision and quality assurance, we recommend that the Fund looks beyond working with individual consultants and engages commercial and not-for-profit organizations to manage operational tasks such as aspects of the grants programme, portfolio reviews, quality assurance and technical supervision. Such contracts would include a specific aim to develop and disseminate lessons and policies. This would retain the IFAD-consultancy work relationship, but bring added value in terms of institutional learning and accountability, both of which are lost in the current system. It would also reduce transaction costs associated with individual recruitment. This approach is used extensively by some bilateral donors and some multilateral development organizations, whose experience can be used to inform the Fund.
- 4.52 The Fund's approach to knowledge management needs to be revitalized. Awareness of that can be seen in the proposals for the innovation management initiative, for which knowledge management is essential. But knowledge management needs to be tackled in a more comprehensive manner, as it has the potential to reinforce other processes, such as improved quality assurance and human resource management. A key element is to improve learning from IFAD's own projects and partnerships. Project level M&E remains weak and needs to be re-energized

with dedicated technical support in PT or through a consultancy or partnership. But in addition, the Fund should commission randomized empirical testing<sup>153</sup> of innovations during implementation on a small sample of projects considered to have high learning potential. These could be undertaken through the research and policy partnership or via consultants. Self evaluation also needs to be developed so that all staff participate fully in objective performance reviews of loans, grants and policy, rather than deferring responsibility to independent evaluation.

- 4.53 At a more detailed level the Fund should support reforms under the HR policy and improve the visibility of the work of individual members of staff by: ensuring that all reports, including Board papers, display the names of the authors; creating incentives for publications relevant to IFAD's mandate; and rewarding initiatives to take career breaks through exchanges with other development organizations, especially at field level.

## **5 Clarify IFAD's strategic niche; re-assert its complementary role** (paragraphs 4.3 4.17)

- 4.54 IFAD's specialist mandate provides a powerful imperative for the Fund to take a central role in demonstrating how different approaches to rural development reduce poverty and contribute to achievement of the MDGs. This requires IFAD to clarify its role primarily as an innovator in policy, institutional and operational terms rather than as a purveyor of fairly routine projects which closely mirror the approaches of larger development organizations. IFAD's comparative advantage does not lie in competing with the other IFIs but in being a progenitor of well tested innovative ideas and approaches that can be replicated nationwide by others with greater resources. A more systematic approach to innovation would have certain key features. Firstly a link to a knowledge management system in which lessons from IFAD and other sources are identified and disseminated; secondly recognition of innovation in project designs by inclusion as an objective with associated arrangements for flexibility, risk-taking and evaluation; and thirdly the identification of potential partners

for scaling-up at the commencement of project implementation to foster ownership and shared learning.

- 4.55 While this is not new ground for IFAD, the evaluation evidence is clear that the Fund needs to clarify this role better, linked to more strategic selectivity at country and sector level. The approach should involve more risk and possibly more failure with greater attention to learning from and disseminating results. This implies a more discriminating management of government and non-governmental partnerships and the strategic use of grants where risks are significant. By emphasising learning throughout its operations IFAD could substantially increase and deepen its contribution to policy change, both locally and internationally. A more proactive approach to policy engagement is crucial, more clearly defined and better resourced. IFAD needs to ensure that it has both the instruments and the capacity to deliver. The new IMI offers promise to develop this capacity (see Annex 4 Box 8).

- 4.56 Greater flexibility is needed in matching instruments, particularly loans and grants, to specific areas within IFAD's niche. Acquiring and testing innovative approaches is risky and few if any countries can be persuaded to borrow for these purposes. Moreover, fragile states and the poorest countries need more grant assistance than loans and grant resources are needed for policy dialogue as well. These arguments strongly suggest the need to expand the grant resources available to IFAD, if the organization is to be held to account for performing in its niche areas. Successful innovation is geared towards replication and scaling-up which, like policy influence, need to feature as specific and measurable objectives of projects if CPMs are to be held accountable.

<sup>153</sup> This approach uses experimental designs or close approximations to enable change to be attributed to development interventions. It would provide authoritative evidence about the success or failure of innovations and enhance learning for IFAD and its partners.

4.57 IFAD's small size should mean greater flexibility and an ability to engage where other organizations find they are constrained. But the vision is not one of IFAD going it alone. The current climate places a significant premium on partnerships and alliances and IFAD needs to develop smarter, more strategic ways of engaging at both local and global levels to ensure that its work directly complements the work of others. The strategic partnership described above could provide the necessary analytical skills to support IFAD's innovative approaches in the field, engage in experimental learning and test new ideas for policy engagement. In this context, the work of the Policy Division needs to be underlined with a clear statement of role and objectives.

## **6** Provide direction for development effectiveness

(paragraphs 4.4 4.21 4.27)

4.58 The drive towards improved performance must be mandated by the Board. Reform proposals in recent years confirm the Board's commitment, but limitations in organization, meetings and the choice of instruments have held back real progress. As regards organization the Board needs a mechanism to scrutinize work programmes and budgets more effectively and to examine development effectiveness – by which we mean the efficiency of formulation of new projects, programmes, policies and partnerships; their effectiveness during implementation and their development outcomes. Changes to the scope of work of the Audit and Evaluation Committees are needed to enable these tasks to be undertaken from the current structure, though evaluation might be better renamed a committee of development effectiveness under such a model.

4.59 The current low frequency and limited duration of meetings is one cause of the crowded agenda and the Board should consider ways to lengthen the time it is convened in order to devote sufficient time to deal with all business at an appropriate level of detail. The number and duration of meetings is within the power of the Board to change. The IEE also recommends that approval of most loans and grants should be delegated to the President, subject to the other recommen-

ations for quality assurance being implemented. The Board would always retain the right to scrutinize projects, especially those of an innovative or unusual nature. These changes would enable more time to be devoted to policy development and development effectiveness.

4.60 The ability of the Board to provide leadership will depend in part on the quality of information it receives, and in part on the ways in which information is used. Executive management of an international public body is a serious task and the post of Executive Director should at least have clear terms of reference to define the role. In view of the infrequent meetings and activities of the Board, a programme of training and support to new directors might hasten the speed at which they become effective in their role.

4.61 As regards quality of information, management systems to analyse the portfolio and its processes need to be revitalized to provide Directors with an analytical view of operations, rather than isolated glimpses of single countries and projects through evaluations. This is particularly important for the Board to fulfil its role of monitoring the process of change, by examining indicators of portfolio performance and milestones that track implementation of the change agenda. Specifically, quality assurance, PPMS, the PSR process, self evaluation and cost analyses of staff and consultants activities are all in need of improvement and easier accessibility.

4.62 A key area for the Board to set standards is to ensure that new partnerships, working relationships, supplementary funds and policy initiatives all have clear and realistic objectives relevant to IFAD's mandate, and have objectively monitorable indicators of development outcomes. Greater benchmarking of the performance systems and standards of other IFIs would enable Directors to be more effective in directing management.



## Annex 1

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## Annex 2

### List of people interviewed<sup>154</sup>

#### IFAD

Family name	Given name	Division/ Office			
Abdouli	Abdelhamid	PN	Cooke	Rodney	PT
Abhyankar	Uday	OP	Corona	Patricia	FC
Angelucci	Lucia	International Land Coalition	Daniel	Louise	OE
			de Willebois	Ides	PF
Audinet	Jean-Philippe	OE	Dellanave	Carla	FC
Aureli	Massimo	FM	Demirag	Ulac	PA
Båge	Lennart	President	De Petro	Daniela	FH
Baldwin	Brian	FC	Dommel	Henri	PT
Bamba	Zoumana	EAD/ES	Elhaut	Thomas	PD
Beavogui	Mohamed	PA	El-Zabri	Tawfiq	PN
Benassi	Anna	OE	Faisal	Mohammad	PF
Ben-Senia	Mohamed	PA	Farmosi	Elisabeth	PMD
Bettink	Willem	PMD	Farrant	Ruth	FC
Bishay	Mona	OE	Felloni	Fabrizio	OE
Bouzar	Khalida	Global Mechanism	Francis	David	Centrim, Brighton University
Brett	Nigel	PI			
Calcagni	Antonia	FC	Gil	Pilar	PL
Cappai	Stefania	FC/L	Giorgi	Carina	PL
Carruthers	James	PMD	Glikman	Pablo	PL
Cassani	Robert	ER	Gracia	Charles	FC
Castellucci	Theresa	FM	Haidara	Hamed	PA
Cleveringa	Rudolph	PT	Hamilton-Peach	Julian	PT
Constantinides	Bambis	IA	Haralambous	Sappho	EO
			Hassani	Mohammed	PN
			Heinemann	Edward	PF
			Hopkins	Raul	PL
			Howe	Gary	PF
			Huynh Cong	My	FC

<sup>154</sup> Details of people interviewed in connection with specific lines of enquiry such as the country studies or annexes of the desk review and final reports can be found in those documents.

Kayser	Katherine	OE	Palmeri	Chase	OE
Kennedy	Sean	PT	Pedersen	Henning	PN
Khadka	Shyam	PI	Pena-Montenegro	Raquel	PL
Kherallah	Mylene	PN	Pugerup	Kare	OP
Kimani	Beatrice	FH	Quijandria	Benjamin	Consultant, ex PL
Kingsbury	David	PA	Rahman	Abdalla	PN
Klavins	Sandra	FC	Rath	Thomas	PI
Knopf	Ana	FAD	Rebuelto	Ana Lia	PL
Kuhn	Christiane	PN	Renard	Nadine	PT
Lavizzari	Luciano	OE	Rice	Theresa	PMD
Lembo	Alessandro	PF	Rihane	Fawzi	EAD
Lohlein	Daniela	EO	Rodriguez	Doris	PL
Longo	Roberto	PF	Romagnoli	Giuliana	FH
Lubbock	Annina	PT	Rota	Antonio	PT
Manssour	Mohamed	PA	Roy Phrang	EAD	
Marzin	Sylvie	PA	Rubio	Ladislao	PL
Mathur	Shantanu	PT	Ryden	Per	Global Mechanism
McDonald	Louise	PF	Saint Ange	Perin	PA
McGhie	John	FC	Saitto	Allegra	FC
McGuire	Sandra	EC - by telephone	Sidahmed	Ahmed	PT
Medrano Rojas	Ofelia	PA	Silveri	Paolo	OE
Melina	Brigitte	FH	Slama	Abdelmajid	PN
Micallef	Maureen	FA	Sorensen	Jens	PF
Moore	Bruce	International Land Coalition	Sourang	Cheikh	OM
Muthoo	Ashwani	OE	Stigliano	José	FM
Nichols	Flemming	OE	Tounessi	Mohamed	PA
Nsimpasi	Luyaku Loko	PA	Toure	Abdoulaye	PA
Okong'o	Miriam	PF	Trupke	Hermi	PD
Olsson	Gunilla	EO	Ventimiglia	Stefano	FH
Omar	Rasha	PN	Wholey	Douglas	PT
			Wieland	Ursula	PD

### IFAD Executive Board

Habiba	Djerir	Board Participant (Algeria)
Fernández	Ariel	Board Director (Argentina)
De Schrevel	Bernard	Board Director (Belgium)
Moungui	Médi	Board Director (Cameroon)
Parker	Charles	Board Director (Canada)
Mousa	Mariam	Board Director (Egypt)
Guillouët	Alain	Board Director (France)
Nair	Govindan	Board Participant (India)
Morales	Víctor Hugo	Board Participant (Mexico)
Lombin	Gabriel	Board Director (Nigeria)
Al-Aquil	Ahmed Ben Bouleiman	Board Director (Saudi Arabia)
Caviezel	Lothar	Board Director (Switzerland)
Reid	Peter	Board Participant (United Kingdom)
Jaskowiak	Mark M.	Board Director (United States)
Bloomgarden	David	Board Participant (United States)
Brubaker	Andrew	Board Participant (United States)
Pozzo Bracho	Carlos	Board Participant (Bolivarian Republic of Venezuela)

## Other Organizations

### World Bank

Baah-Dwomoh	Joseph	Sector Director, Rural, Environmental and Social Development, Central Africa
Byerlee	Derek	Senior Policy and Strategy Adviser, Agriculture and Rural Development Department, Socially Sustainable Development (ESSD) Network, World Bank
Ganguly	Sushma	
Lister	Douglas	Cluster Coordinator, Tunisia and Morocco; Acting Sector Manager, Rural and Social, Middle East and North Africa (MENA)
Munshi	Meena	Senior Economist, Rural Development Sector Unit, South Asia Region
Okidegbe	Nwanzi	Rural Strategy Adviser, Agriculture and Rural Development Department (ARD)
Perumpillai-Essex	Jeeva	Rural Development Specialist (Mozambique)
Piriou-Sall	Suzanne	Rural Development and Decentralization Specialist, Africa Region (Guinea)
Umali-Deiningner	Dina	Lead Agricultural Economist, South Asia Rural Development Unit

### IADB

Arbelaez	Jorge Perez	Policy and Programming Specialist, Strategic Planning and Budget Department
de Souza	Francisco Basilio F	Senior Natural Resource Management Specialist, Environment and Natural Resource Management Division, Regional Operations Department 3
Gaskin-Reyes	Camille	Chief, Regional Operations Support Office
Kuechemann	Christof	Deputy Chief, Social and Institutional Development, Department of Sustainable Development
Meins	Bertus J	Chief, Cofinancing Division Financial Support Services Sub-department/Cofinancing and Export Promotion Division
Paulson Sumpsi	Arne Jose Maria	Chief, Portfolio Management and Project Monitoring Office Rural Development Unit, Department of Sustainable Development

### AsDB

Amerling	Carl B	Principal Evaluation Specialist
Edwards	David	Director, Evaluation Division 2, Operations Evaluation Department
Eichenberger	Joseph	Vice President
Erquiaga	Philip C	Principal Director, Office of Cofinancing Operations
Geissler	Guido	Planning and Policy Specialist, Strategy and Policy Department
Kiy	M Zeki	Senior Cofinancing Officer, Office of Cofinancing Operations
Roche	Frederick C	Director, South Asia Department, Agriculture, Environment and Natural Resources
Ryu	Ki Hee	Project Specialist (Water Resources), South Asia Department, Agriculture, Environment and Natural Resources
Shrestha	Omkar L	Principal Programmes Specialist, South Asia Department
Suzuki	Eisuke	Director General, Operations Evaluation Department
Tritasavit	Paritha	Cofinancing Officer, Office of Cofinancing Operations
van Heeswijk	Jan P M	Director General Regional and Sustainable Development Department

## Annex 3

# Evaluation methods and instruments

### 1. Introduction

- 1.1 This annex sets out the principal features of the methodology used for the Independent External Evaluation. Full detail of the planned methods and instruments was given during the design phase of the study and can be found in the IEE inception report, Chapter 4 and Annexes 2, 3 and 4. This annex recaps the salient points and provides detail about how the instruments were used and adapted in the course of the study, together with observations on the robustness of the approach and its strengths and weaknesses.
- 1.2 The discussion is in three parts. First the sampling of countries and projects is described. Next, the instruments used for data collection are reviewed, starting with the desk study and then the country visits and other sources of data. Last, the methods used for data collection, processing and analysis. This includes a note on the use of ratings.

### 2. Sampling of countries and projects

- 2.1 In response to the expressed wish of the Executive Board the selection of countries and projects was undertaken by random sampling. A total of 21 countries (four from PA, PF, PL and PN, and five from PI) were randomly selected for desk study, with probability of extraction proportional to the number of projects in each country. Then ten countries

(two from each region) were again randomly selected from the initial selection, again with probability proportional to the number of projects in each country. None of the countries selected for field visit presented any particular security concern.

- 2.2 Following the country selection 42 projects from the 21 selected countries and four TAGs (taken from a list of IFAD TAGs approved by the Executive Board between 1994 and 2003, with an amount above USD 100 000) were selected through simple random extraction. Two projects were selected in each country. In the case of PL, since only one project was present in one of the selected countries (Chile), three projects were selected randomly in Bolivia for desk study. Out of these three, two were randomly selected for field visit. Key features of the procedure are:
  - The number of countries sampled in each region was in proportion to the share of that region in IFAD's portfolio of loan projects. Four countries were sampled in all regions except Asia and the Pacific, from which five were sampled, (Tables 1 and 2).
  - Countries were sampled at random with probability proportional to number of loan projects.
  - A subsample of two countries in each region was drawn randomly with probability proportional to number of loan projects for the country visits.

- Two projects were sampled by simple random sample for detailed study in each country. If a country had less than two IFAD projects three projects were selected from another country and details recorded.
  - All country specific technical assistance grants were reviewed in the sample countries. An additional sample of four TAGs with total costs greater than USD 100 000 was also sampled randomly.
- 2.3 The sample was drawn in the OE office using numbered balls and a 'lottery' machine. The procedure was witnessed by a group of 40 or more IFAD staff.

<b>Table 1</b> Regional distribution of the portfolio				
Region		IFAD 1994-2003	% of Total	Sample No.
PA	Number of countries	18	19%	4
	Value of the portfolio USD million	614	17%	
	Number of projects	55	20%	
	<b>Average no. projects per country</b>	<b>3.1</b>		
PF	Number of countries	18	19%	4
	Value of the portfolio USD million	704	19%	
	Number of projects	57	21%	
	<b>Average no. projects per country</b>	<b>3.2</b>		
PI	Number of countries	17	18%	5
	Value of the portfolio USD million	1069	29%	
	Number of projects	65	23%	
	<b>Average no. projects per country</b>	<b>3.8</b>		
PL	Number of countries	25	26%	4
	Value of the portfolio USD million	658	18%	
	Number of projects	51	19%	
	<b>Average no. projects per country</b>	<b>2.0</b>		
PN	Number of countries	19	20%	4
	Value of the portfolio USD million	644	17%	
	Number of projects	50	18%	
	<b>Average no. projects per country</b>	<b>2.6</b>		
Total	Number of countries	97	100%	21
	Value of the portfolio USD million	3689	100%	
	Number of projects	278	100%	
	<b>Average no. projects per country</b>	<b>2.9</b>		

**Table 2** Countries and projects for desk and field study (field selections are shaded)

Countries in Africa I	Projects in Africa I
Burkina Faso	South West Rural Development Project Rural Microenterprise Support Project
Ghana	Village Infrastructure Programme Rural Enterprise Project – Phase II
Guinea	Smallholder Development Project in the Forest Region Smallholder Development Project in the North Lower Guinea
Senegal	Village Organization and Management Project Agricultural Development Project in Matam – Phase II

Countries in Africa II	Projects in Africa II
Eritrea	Eastern Lowlands Wadi Development Project Gash-Barka Livestock and Agricultural Development Project
Mozambique	Nampula Artisanal Fisheries Project PAMA Support Project
Rwanda	Intensified Land Use Management Project in the Buberuka Highlands Rural Small and Micro-enterprise Promotion Project
United Republic of Tanzania	Rural Financial Services Programme Agricultural Marketing Systems Development Programme

Countries in Asia and the Pacific	Projects in Asia and the Pacific
Bangladesh	Small-scale Water Resources Development Sector Project Aquaculture Development Project
India	Maharashtra Rural Credit Project Jharkhand-Chattisgarh Tribal Development Programme
Mongolia	Arhangai Rural Poverty Alleviation Project Rural Poverty-Reduction Programme
Nepal	Poverty Alleviation Project in Western Terai Western Uplands Poverty Alleviation Project
Pakistan	Pat Feeder Command Area Development Project North-West Frontier Province Barani Area Development Project



<b>Countries in Latin America and the Caribbean</b>	<b>Projects in Latin America and the Caribbean</b>
Bolivia	Sustainable Development Project by Beni Indigenous People Small Farmers Technical Assistance Services Project
Chile	Management of Natural Resources in the Chaco and High Valley Regions Project Agricultural Development Project for Peasant Communities and Smallholders of the Fourth Region
Guatemala	Programme for Rural Development and Reconstruction in the Quiché Department Rural Development Programme for Las Verapaces
Peru	Management of Natural Resources in the Southern Highlands Project Development of the Puno-Cusco Corridor Project

<b>Countries in Near East and North Africa</b>	<b>Projects in Near East and North Africa</b>
Armenia	North-West Agricultural Services Project Agricultural Services Project
Egypt	East Delta Newlands Agricultural Services Project West Noubaria Rural Development Project
Jordan	Agricultural Resource Management Project in the Governorates of Karak and Tafilat National Programme for Rangeland Rehabilitation Development – Phase I
The former Yugoslav Republic of Macedonia	Southern and Eastern Region Rural Rehabilitation Project Agricultural Financial Services Project

<b>Sampled TAGs</b>
Programme for the Establishment of the Near East and North Africa Management Training in Agriculture
Global Cassava Development Strategy
Validation and Delivery of New Technologies for Increasing the Productivity of Flood-Prone Rice Lands in South and Southeast Asia
Programme for Poverty Alleviation and Enhanced Food Availability in West Africa (Yam)

### 3. Data collection instruments

3.1 In order to develop a comprehensive and logical body of evidence to support the findings and conclusions of the evaluation, a structured approach was used, starting with an evaluation framework, set out in the inception report, Chapter 3, Table 5. This framework was used to structure and develop questions from the terms of reference, as set out in the inception report Tables 6 and 7. Those questions then formed the body of topics for interviews and data collection. As far as possible, questions were rationalized into formal checklists and questionnaires, as described here.

#### Desk review

3.2 The largest part of the work during the desk study phase was to review information available at IFAD concerning policies and strategies, projects and TAGs. All reviews of loan projects, TAGs and COSOPs made use of a structured review, proforma drafts of which were presented in the inception report Annexes 3 and 4. These ensured:

- A consistent approach by all team members and across all documents
- Cross-referencing of sources of information to underpin the subsequent analysis and provide a trail of evidence
- A documented summary of factual information
- For each topic, a rating or summary assessment by the reviewer (described later in section 4)

#### Country visits

3.3 The main objective of the country visits was to validate and enrich the desk review and to generate new information that would confirm or refute the conclusions of the desk review<sup>155</sup>. The work was coordinated by an international consultant collaborating closely with a national evaluation team, with guidance and assistance from a national evaluation counterpart identified by IFAD, to organize access to selected IFAD-supported projects and relevant officials and other stakeholders.

3.4 Drafts of the main data collection instruments were set out in the Inception Report, Annex 4, and comprised:

- A checklist to summarize responses from project management, with ratings for the project as a whole and specific components where applicable (known as Form 2).
- A checklist to summarize responses from other stakeholders, with ratings for the project as a whole and specific components where applicable (known as Form 3).
- A questionnaire to investigate perceptions of project benefits and impact from participants, suitable for use with individuals or in group interviews (known as Form 4). The form was structured to correspond with topics listed under the OE methodological framework for evaluation 'domains of impact'.<sup>156</sup>
- A set of overall evaluation ratings of relevance, efficiency, effectiveness and impact (known as Form 5).

3.5 With the exception of Form 5, all the Forms were designed as basic documents, which the national evaluation team was asked to modify in order to match the situation of the project. In most instances modifications were to drop a question because the component was not relevant (for example, investment in irrigation) or to add questions to explore more project-specific topics (such as the competition process in Peru, MARENASS). In no instance was the phrasing or coding of responses changed within the basic set of questions. In Burkina Faso, Guinea and Mozambique, Form 4 was translated into French and Portuguese as appropriate. In Pakistan BADP, an additional survey was designed to investigate evidence of benefits and impact in a fore-runner project (Manshera Village Support Project) because the sampled project had not been in implementation for sufficiently long to generate evidence of benefits. All additional questions were analysed in-country as part of the CWP report.

3.6 All teams were provided with customized software in MS Excel and MS Access, for data entry and processing of the data. Not all country teams made use of the facility. In

Guinea and Burkina Faso data were entered using a variant of SPSS and later converted to the ITAD system.

- 3.7 The international consultant and national evaluation team were provided with a structured outline for the text of the CWP, and were required to follow the format, though additional sub-headings and annexes were permitted.

### Other surveys

- 3.8 In addition to the data collection planned during the inception phase, questionnaires and semi-structured topic lists were designed for the following purposes:
- The survey of staff as part of the human resources study
  - A survey of consultants to contribute to the human resources study and analysis of corporate processes
  - Interviews with members of the Executive Board
  - Interviews with staff based at the headquarters or regional offices of some IFIs and UNOPS

## 4. Data collection, processing and analysis methods

- 4.1 This section deals with the methods by which the evaluation was carried out. Information is provided about sources of data and the ways in which facts were triangulated by enquiry with different people or other sources.<sup>157</sup> Next is a review of the phasing of the field work. A discussion of ratings follows, with explanation of the definitions used and means of achieving consistency. The last section describes the analysis process.

### Sources of information and practical triangulation

- 4.2 At all stages of the work the IEE has endeavoured to identify as diverse a set of sources of information as could reasonably be managed, and to find ways of crosschecking findings by means of reference to documents, performance information held on databases, and the views of key informants. The main features are described separately for the desk review and country visits.

### Desk review

- 4.3 The desk review used several sources of data: COSOPs or any pre-dating strategy statements; documentation relating to project preparation; implementation/completion stage documentation including supervision reports and the project status report (PSR) summaries, and where available, mid-term reviews, completion and evaluation reports; interviews with CPMs and other IFAD staff, especially from OE and PT.

#### (a) Loan and grant project documentation review

- 4.4 The end-point of the loan preparation process, and the key official document defining each loan project (and which all sampled projects will have in common) is the Report and Recommendation of the President (RRP). The desk study assessed the individual RRP for the sampled loan projects and TAGs, leading to summary rated assessment across the whole sample. Background information was drawn from the formulation, appraisal, technical review and OSC documents preceding the RRP, and from discussions with the CPMs and other staff concerned as required. However, because the RRP represents the formal corporate definition of the project at entry, and marks the conclusion of an extensive process of formulation, quality assurance and loan/grant negotiation, it is appropriate that the RRP, as approved, was the central document of review.

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<sup>155</sup> IFAD (2003) *Independent External Evaluation of IFAD, Terms of Reference, para. 16*

<sup>156</sup> IFAD (2003) *Methodological Framework for Evaluation*. OE

<sup>157</sup> Triangulation is a process by which enquiries about a topic are made (a) with at least two and preferably three or more respondents in the expectation that contrasting viewpoints will lead to a more accurate representation of the true nature of the topic being studied (e.g. for a water users association, a member of the committee, farmers with land in different locations, male and female cultivators etc.); and (b) using more than one data collection technique (e.g. a group meeting, a focus group and a questionnaire survey). The term triangulation is taken from the means of locating a point by surveying, for use in mapping and navigation, etc.

**(b) Implementation progress**

- 4.5 Because different CIs provide supervision reports on different formats, it is difficult to compare supervision reports across the whole sample. However, annual PSRs exist for all sampled projects, based in large part on the preceding supervision reports. The desk study assessed the most recent PSRs for all sampled projects. Where mid-term review, completion, evaluation or other documentation were available, they were also reviewed.

**(c) CPM and staff interviews**

- 4.6 CPMs were interviewed at various stages in the process. All CPMs of sampled projects were interviewed individually more than once (with the exception of the CPM outposted to Peru, who was only interviewed during the country visit phase). Clarification and elaboration on issues arising with individual projects were sought from CPMs and other staff such as OE, with experience of the country or region. CPMs and other staff were also invited to participate in discussion groups on policy and strategy development, knowledge management, partnerships, human resources and project cycle management. Specific aspects of methodology are described in the relevant annexes to the desk review report.

**Country visit**

- 4.7 The country visits used four main sources of data: interviews with project management and their government colleagues; interrogation of the project monitoring data; interviews with key partners such as NGO and other donors with knowledge of the project and of IFAD's work in the country; individual and focus-group interviews with project beneficiaries.

**(a) Project management interviews**

- 4.8 This category includes the formally-assigned project managers, their staff and TA, together with directly implementing partners including the 'parent' government, local government and parastatal units, and sub-contracted and other implementing entities, and NGOs.

**(b) Project M&E system**

- 4.9 Wherever possible, up-to-date project performance data was obtained through

project office systems, to update supervision reports and other documents available in Rome. Unfortunately, most systems are more geared to documentation of activities and expenditure, than to issues of development effects. Management information system data were used to estimate the number of project beneficiaries for each project component over a given period of time.

**(c) Partners**

- 4.10 This category of other stakeholders includes development partners who have knowledge of IFAD projects or who are familiar with IFAD's role and activities past or present, but are not directly responsible for project implementation (co-financiers; central and local government units; donors; NGOs; other agencies and key informants). In a few project instances (Bangladesh and Egypt) the numbers of other stakeholders who were sufficiently well-informed to be able to give opinions on the project were so few that this form was not completed.

**(d) Beneficiaries**

- 4.11 The majority of IFAD projects are multi-sectoral, with several different interventions. One IFAD typology lists over 50 categories of project intervention, several of which are likely to be included within a single sampled project. The lag-time for these different types of intervention to impact on poverty varies greatly. The means chosen to assess and compare impact information across this diversity of interventions, impact timescales and linkages was to ask beneficiaries themselves how they view the relevance, benefits, sustainability and other key features of the various interventions they are involved in, and to assess their responses on a common standard.

- 4.12 The terms of reference for the evaluation stressed the need for the team to quantify impact as far as possible (para. 11(b)). The resource envelope available for the evaluation, and tight timescale, means that data collection was restricted to single-visit interviews with beneficiaries. This means that most of the information was based on memory recall by respondents. (There were small but significant exceptions where

interviews were supplemented by direct observation of assets and activities.) The responses to questions in Form 4 must therefore be understood to be a self-assessment of project activities and benefits, in line with the OE definition of impact, explained later.

4.13 The approach maximized the value of information by working wherever possible with groups using participatory techniques, and with individuals or households to cover the same material. Classification of the data enables analysis to be undertaken according to location, project, age of the project, component cluster, and socio-economic characteristic of the respondents. In fact, the main value of the surveys has been to provide a trail of evidence to support the conclusions in each CWP, though some aggregate tables from the whole data set have been used in the final report.

4.14 **Country programme.** Although the main focus of the evaluation was the two projects sampled in each country, the evaluation examined the whole portfolio to understand its composition, coherence and performance. This was done in two ways. Firstly, details of all projects: their size, objectives, location, implementation and supervision arrangements were obtained from PPMS and by discussion with CPMs. That data included the most recent PSR. Secondly, working through the national evaluation counterpart at country level, the team interviewed key informants among partners and project management (see below). To the extent that other projects have links to any of the sub-sectors, target groups or locations of the sampled projects, further information was sought about their current implementation experience and performance.

#### Phasing of country visit fieldwork

4.15 The country visits were phased in order to allow time both for the IEE national evaluation team and for national stakeholders, to prepare for the evaluation. Most country visits followed a four-stage pattern.

#### (a) Preparation phase

4.16 During the desk review period the nominated international evaluator :

- Consulted with the CPM – checking available data and sources and drawing up a preliminary stakeholder analysis
- Made contact with the national evaluation counterpart
- Started to shortlist candidate local consultants
- Planned a programme for the reconnaissance visit including initial meetings with key stakeholders where feasible
- Circulated draft briefing documents about the evaluation

#### (b) Reconnaissance visit

4.17 All countries received a short advance visit by the international consultant or an IEE core team member. This enabled initial contacts to be with key stakeholders, providing the opportunity to introduce purpose and approach of study in advance of more detailed evaluation discussions.

Key tasks were:

- meet national evaluation counterpart
- recruit national consultant team
- refine/agree specific country approach and location of field work
- identify training/briefing needs of consultants
- develop and agree detailed workplan and timing – especially preparatory work to be done on logistics, field studies and secondary data
- draw up roles, responsibilities and contractual arrangements
- validate/modify the preliminary stakeholder analysis
- begin process of developing national time line of key policy changes/events relating to development and poverty reduction
- hold initial meetings/briefings for key stakeholders/partners as appropriate (government and project agencies)
- obtain or locate sources of appropriate national information/statistics and project level information

**(c) National evaluation teams had to meet the following criteria for selection**

- No previous direct connection with IFAD as per the conflict of interest in IEE TORs
- Knowledge of rural poverty, livelihoods of the poor and the agriculture sector
- Experience of undertaking field level, participatory evaluations
- Gender balance of team
- Understanding of monitoring and evaluation concepts, project, programme and policy issues
- Evidence of ability to produce good quality, concise summary reports
- Good reputation for quality of work among other donors and track record of delivering outputs on time
- Ability to organize logistics and back up for international consultant, the completion of the field work and reporting requirements

4.18 The intended plan was for the international consultant to visit the country twice. In the intervening period the national evaluation team was to continue field level work and sourcing secondary data as required. Exceptions were Pakistan and the United Republic of Tanzania where constraints in the schedule of the international consultant led to a single visit being used. In Bangladesh, the international consultant was based in Dhaka and so had a more continuous pattern of work.

**(d) First field visit**

4.19 This first visit focused on key stakeholder meetings, briefing for the national team and initial field work. Early field work was reviewed to identify and rectify any problems or gaps in both process and products. Key tasks were:

- Meetings with project management team and other key stakeholders
- Conduct briefing/orientation workshop with in country team
- Initial field visits to project locations and testing of planned methods and approaches
- Review workshop with in country team

- Detailed workplan agreed for continuation of field work and reporting

**(e) Second field visit**

4.20 This visit was planned to take place after, or very close to, the end of the field work. The focus was on review, analysis and feedback to stakeholders. Key tasks were:

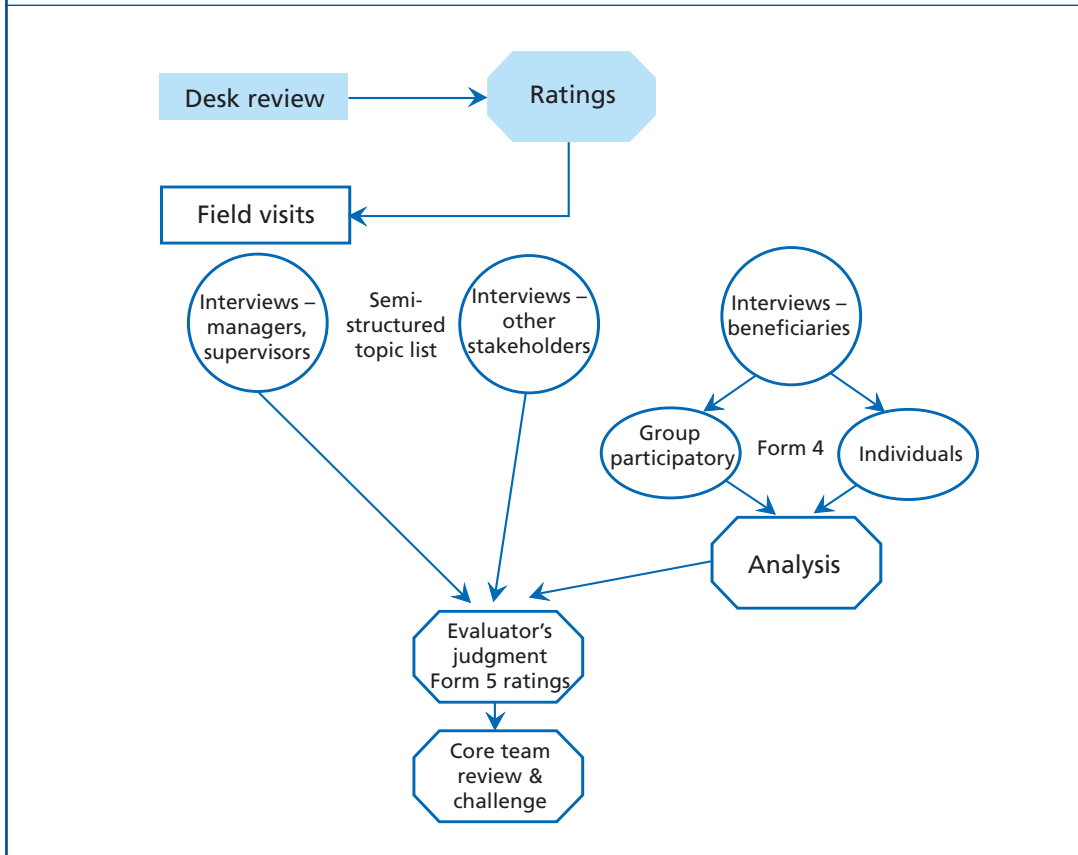
- Progress review with national evaluation team
- Analysis of field data and estimation of beneficiary numbers
- Follow up/feedback meetings with key stakeholders
- Drafting country working paper
- Wrap up meetings to which project staff, representatives of government and other relevant stakeholders were invited

**Ratings and analysis**

4.21 The primary tool for expressing judgements about performance in the evaluation is the use of ordinal ratings. This approach builds on long-established practice for evaluation of development projects by donors and IFIs.<sup>158</sup> Ratings were used in the IEE in three ways:

- The desk review checklist of questions required the reviewer to 'score' the quality of the topic. In these instances a standard scale of rating devised by the IEE was applied across all questions. For example: *The congruence of the project approach with the COSOP (or equivalent at the time of project inception) is: 5 very good; 4 good; 3 satisfactory; 2 poor; 1 very poor; n/a not applicable.*
- Questions on the beneficiary survey Form 4 were rated using the same four-point scale as for evaluation criteria (high, substantial, modest, negligible), but the interpretation of that scale was set out on the form for guidance.
- The overall ratings of performance against evaluation criteria (Form 5) were undertaken following the rating methodology developed by OE, which draws on that advocated by the OECD/DAC and is considered good practice among development agencies. For example: *Relevance – the extent to which the project fits country development priorities, IFAD strategy and*

**Figure 1** Steps to develop impact and project performance ratings



*beneficiary needs is: 4 high; 3 substantial; 2 modest; 1 negligible.*

4.22 Figure 1 sets out the steps followed to achieve the impact and performance ratings. It illustrates the way in which different strands of enquiry were brought together into a final judgement. Following that, the definitions used and means of achieving consistency are described.

### Definitions of criteria

4.23 The inception report set out the evaluation criteria to be followed by the IEE. This was based on definitions adopted by OE, in order to enable comparisons between OE evaluations and the IEE. Table 3 reproduces those definitions.

4.24 The definitions are recognizable as derived from the OECD/DAC.<sup>159</sup> Apart from modifications to make the terminology specific to IFAD, the only significant difference

concerns the criterion of impact. The OECD/DAC definition is ‘The positive and negative changes produced by a development intervention, directly or indirectly, intended or unintended.’ IFAD’s modified definition applies the perspective of the rural poor. No doubt this accords with IFAD’s desired specificity, but it is an unconventional approach that contrasts with other development organizations. The difference between

<sup>158</sup> Examples include the methodology used by the Operations Evaluation Department of the World Bank for validation of project implementation completion reports; by the European Commission in the monitoring of projects and by bilateral donors.

<sup>159</sup> See [http://www.oecd.org/document/22/0,2340,en\\_2649\\_34435\\_2086550\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/22/0,2340,en_2649_34435_2086550_1_1_1_1,00.html)

**Table 3** Statement of evaluation criteria

Criteria	Definitions derived from IFAD's methodological framework for evaluation
Impact	The changes in the lives of the rural poor, intended or unintended — as they and their partners perceive them at the time of the evaluation — to which IFAD interventions have contributed, as well as the likely sustainability of changes.
Relevance	A measure of the extent to which objectives are consistent with (i) the rural poor's perceptions of their needs, potential and aspirations; (ii) the economic, social and policy environment; (iii) IFAD's mandate, strategic framework and policies at the time of design; (iv) IFAD's regional strategies; (v) IFAD's current country strategy as formulated in the COSOP; and (vi) the country's current poverty-reduction policies and strategies.
Effectiveness	The extent to which major objectives were achieved or are expected to be achieved
Efficiency	A measure of how economically inputs are converted into results
Sustainability	The probability of continued, long-term benefits from a development intervention

effectiveness and impact needs to be understood. Effectiveness looks at how well the project delivers what it was planned to do. Achievement of impact depends on further behavioural change by participants and by circumstances outside the project's control, such as movements in prices, or weather conditions. It is possible to have high effectiveness and low impact, if external factors undermine the achievement of benefits by participants. It is less common, but not unknown, for lower effectiveness and higher impact, where unintended factors reinforce benefits.

### Definitions of rating values

4.25 Ratings are ordinal measures, which means they are ordered (high is better than substantial), but there is no relative or absolute scale. High, rated 4, does not imply twice the performance of modest, rated 2. Given that these are relative measures, it is helpful for raters to be given guidance in order to achieve consistency. The IEE did that in three ways:

- For the desk study, the team worked collectively at IFAD headquarters and cross checked the interpretation of the scores by mutual reference to the sample projects. The form design also requires a short narrative explanation for the rating value and a cross reference to specific text in the documents to aid the justification.

- On beneficiary survey Form 4, because the evaluators would be working individually and through the national evaluation team, guidance was given about how responses to each question should be interpreted. For example, the question *Have household assets changed?* 4-high; 3-substantial; 2-modest; 1-negligible; 0-no change; 9 negative change included the guidance *A high change indicates acquisition of a major new item; substantial would be the improvement to the quality of an item, such as replacing an older with a newer one; modest means more limited improvements or expansion. A negative change is where an asset has deteriorated or fallen into disuse during the period being reviewed.* Similarly, for the question *Has your farm production changed over the reference period?* 4-high; 3-substantial; 2-modest; 1-negligible; 0-no change; 9 negative change the guidance was *This question divides farm production into crops and livestock for food, and crops and livestock for cash sales. A high change implies an improvement of 40 per cent or greater; substantial is between 20 per cent and 40 per cent; modest is between 5 per cent and 20 per cent.*
- The responses to the beneficiary survey Form 4 are in effect a form of self evaluation. It was noted in several countries that many responses were optimistic, especially those made at an early stage in project implementation. The use of triangulation



(described above) enabled these views to be tempered by the interpretation of other respondents. The summary ratings in Form 5, described next, all reflect an assessment of the diversity of evidence, not only self-evaluation findings.

- For the summary ratings in Form 5, the team planned to follow the OE methodology. That does not, however, define how to interpret the values of ratings other than giving guidance for effectiveness of: 80 per cent or greater as high, 60-80 per cent substantial; 30-60 per cent modest; and less than 30 per cent negligible.<sup>160</sup> How to calculate the percentages is not explained. Instead the team relied on a challenge process after the CWPs were first drafted. This is described in the next section.

### **Consistency and comparisons across projects and countries**

<sup>4.26</sup> Confidence that the ratings are consistent across countries and projects is important for the veracity of the study. Consistency was achieved in four ways:

- Firstly, six of the ten country visits were led by or initiated by a team member who had undertaken the desk reviews and was therefore already conversant with the methodology and had helped to develop the forms and ratings.

- Secondly, once the first draft of CWPs was submitted, one of the most experienced members of the team reviewed all drafts in person, in order to prepare the synthesis. In this process he developed summary ratings for all IFAD's impact domains (linked to Form 4) which were then sent back to all the country authors to be accepted or challenged – a form of peer review.
- Third, at the same time, apparent inconsistencies in the Form 5 ratings were also highlighted and the CWP author asked to provide a more robust explanation or reconsider the rating.
- Fourth, all the team minus two country authors met in the UK in September 2004 and discussed aspects of the findings, with particular reference to the ratings and any outstanding problems.

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<sup>160</sup> IFAD 2003 op cit. para. 24, footnote 6.

## Annex 4

## Synthesis of country working papers

### 1. Introduction

1.1 This Annex summarizes the findings of the IEE visits to ten countries and 20 loan projects, conducted over the period April to July 2004. The purpose of this phase of the IEE is to build up a picture of impact and performance through the lens of IFAD loan investments, policy dialogue and country strategies. As such, it responds directly to the call in the IEE TOR to *focus on the assessment of sustainable impact and effectiveness of IFAD's development initiatives, including IFAD supported projects, policy dialogue, advocacy, corporate policies and strategies*. Little impact information proved to be available in Rome during the desk review, consequently the country visits are much the most important source of impact evidence, and the structure of this report is organized accordingly. Following a description of the country visit methodology, Section 2 assesses the overall impact of IFAD loan investments. This is expanded in the third section, which clusters the evidence by impact domain. Section 4 presents findings of impact at country-level of IFAD's main 'catalytic' objectives (country programmes; innovation; knowledge sharing; organizational partnerships; and policy dialogue). Section 5 presents IEE findings on project performance, including relevance, effectiveness and efficiency.

### Methodology and data collection

1.2 Ten countries and 20 loan projects from five continents were randomly sampled from all loans coming effective between January 1994 and December 2003.<sup>161</sup> The full list of sampled country projects is contained in Table 14, at the end of this Annex. This table includes basic information on each project, its implementation stage and type of intervention. The stage of implementation is important. Five projects were newly effective and a further five were only mid-way through implementation. This has an important bearing on the ability of the evaluation team to assess the likelihood of sustainable impact. In this summary, the projects are referred to by the acronyms given in Table 14.

1.3 An experienced international development consultant led each country visit. Each IEE country team leader made a reconnaissance visit to establish contact with the sampled projects and the national evaluation counterpart responsible for liaison and introductions, and identify and contract the national evaluation team responsible for data-collection and analysis. The national evaluation teams were selected from companies and individuals with a proven history of rural development and poverty-project data collection expertise, but without any significant record of work with IFAD. Following the reconnaissance visit, the country team

leaders made one or two further visits to complete the evaluation.

- 1.4 The team leaders and the national evaluation teams worked together to develop sampling and visit methodology for the collection of primary data from beneficiaries, implementers and other informants. Lists of project management staff, other implementing agencies, and local and national partners (individuals and organizations with knowledge of IFAD or the projects, but without direct implementation responsibility) were prepared. Meetings with the CI supervisors were arranged.
- 1.5 The CWPs draw on a rich variety of primary and secondary quantitative and qualitative information, including:
  - Survey of beneficiary perceptions
  - Structured interviews with project management and other implementers
  - Structured interviews with local and national partners and key informants<sup>162</sup>
  - Focus group discussions with beneficiaries, management, implementers and partners
  - Project records, quarterly and annual reports, monitoring data
  - Interviews with CI supervisors
  - Supervision, mid-term, completion and evaluation reports
  - External reports and studies
- 1.6 The CWPs (available separately) bring together findings about IFAD's impact, policy objectives and processes from all of these sources.<sup>163</sup> Of the 20 sampled projects, only six were closed at the time of the IEE visits. This means that a full ex-post assessment of impact was only possible in six projects. The remaining fourteen are still under implementation, with five at an early stage. The assessments for these projects, and particularly for the earliest ones, required making very careful judgements of expected impact, effectiveness, and sustainability. A critical part of making these judgements was the triangulation of evidence from different sources – both primary and secondary – and the extensive experience of the national and interna-

tional evaluators involved. Notwithstanding the challenges, the IEE team is confident of the quality and the consistency of the assessments made in the country reports and in this summary.

- 1.7 The approach taken throughout this summary follows IFAD evaluation procedure. The ratings presented in the text are based on a four point ordinal scale: high (4), substantial (3), modest (2) and negligible (1). The measure of central tendency used is the mode (the most frequently occurring rating). Where a set of ratings has two modes (two equally occurring rating frequencies), OE policy of reporting the higher one as the average is also used in this summary (see ARRI 2003, Annex 5 paragraph 7). This could be viewed as biasing presentation upwards, but because this convention is used within the ARRI, it is respected here. Impact is assessed according to 'domains' that track closely with OE's methodological framework for project evaluation. Sustainability is treated separately as are innovation and partnership, which are assessed as potential contributors to impact i.e. as means to an end. Unlike the OE methodology, innovation/replicability and scaling-up are not treated as separate impact areas.

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<sup>161</sup> The sampling methodology – a stratified random sample with probability proportional to numbers of projects in each region – was described in Annex 2 of the inception report.

<sup>162</sup> Drafts of the data-collection forms for beneficiaries, project management and partners were presented in Annex 4 of the inception report. The drafts underwent further refinement and testing before the country visits, but the final forms used were very similar to the drafts shown at inception, in content and approach.

<sup>163</sup> It is important to note that the CWPs are **not** full evaluations of the country programme (i.e. CPEs), but rather evaluations of two sampled projects per country. They do however take account of broader aspects of the programme, including organizational partnerships, use of grants, policy influence, etc.

**Box 1** The country context

IFAD works across a range of country contexts, including some difficult environments. The IEE sample spans a number of different country contexts. Table 1 lists each country by its most recent position on IDA's CPIA, which measures country and institutional performance. Six out of the eight countries to which this measure applies are amongst the better performers. At least five of the countries in the sample are off-track in terms of meeting the MDGs. All of them, except for *Pakistan*, are in sub-Saharan Africa. *Mozambique* has also recently emerged from a prolonged period of conflict, while *Pakistan* faces significant security risks linked to its geopolitical position. Two of the countries in the sample are middle-income – *Egypt* and *Peru*. The sample is too small to test the statistical correlation between these characteristics and impact and effectiveness, but they are clearly relevant in understanding the challenges of achieving sustained poverty impact.

**Table 1** Country policy and institutional assessment, 2003

CPIA quintile	IEE sample countries
First quintile	Armenia, United Republic of Tanzania
Second quintile	Bangladesh, Bolivia, Burkina Faso, Pakistan
Third quintile	Mozambique
Fourth quintile	Guinea
Fifth quintile	-

Note: Egypt and Peru are not rated under the CPIA exercise.

## 2. Impact on rural poverty

- 2.1 This section of the Annex summarizes the findings from the ten CWPs in relation to the impact of IFAD investments. Except where stated, the assessment of impact is made on the same basis as the OE methodological framework for evaluation and the OE ARRI, combining an assessment of coverage, the size of change achieved, and its sustainability, as a result of the project intervention.<sup>164</sup>
- 2.2 Overall, the CWPs find that project impact is variable: A few high performers contrast with modest impact across most domains (Table 2). The two projects rated high by the IEE are MARENASS and CORREDOR, both in *Peru*. These strong performers show the following characteristics:<sup>165</sup>
- *A rich innovative content, with public finance limited to TA* and no project finance used for investments: A strong demand-driven approach let groups decide what to do with TA, resulting in a surprisingly large amount of family resources invested in the activities supported by project TA.

- *Project design and management were at times subordinate to community demands.* In MARENASS, the original conservation programme was subjected to community vote. Communities gave less priority to conservation, but project management and CPM concluded that the potential benefits of full empowerment were extraordinary and should be respected.
- *Design was adapted to reach poorer groups:* CORREDOR initially used business plans that biased towards educated farmers and would-be urban businessmen. A simpler formula (the business profile) was introduced so that groups in the community could take part.
- *A strong driving force* from the CPM, his stable group of consultants and associates in Peru's ministries and social science research centres. Locally resident CPM providing close support during implementation.

The resulting impacts included:

- Rising levels of food security directly attributable to the project, not so much in grains, potatoes and other basic foodstuffs but in the fruits, vegetables, meat, milk and other protein deliverables.
- Dramatic impact on people's self-esteem, with communities and groups enabled to manage their activities and plan new ones, plus challenge government and agencies to help protect and enhance their own interests.

<b>Table 2</b> Summary of investment impact <sup>166</sup>					
(Sample size: 20 projects)	High	Substantial	Modest	Negligible	N
Overall impact on poverty <sup>167</sup>	11%	44%	44%	-	18
Impact on income	6%	47%	47%	-	17
Impact on women	22%	22%	33%	22%	18
Agricultural production and food security	24%	24%	53%	-	17
Physical assets - road and irrigation infrastructure	7%	36%	57%	-	14
Financial services	20%	7%	73%	-	15
Social infrastructure and services - education and skills	25%	42%	17%	17%	12
Social infrastructure and services - health and drinking water	10%	50%	40%	-	10
Environment and common property resources	33%	11%	33%	22%	9
Social capital and empowerment	17%	6%	78%	-	18
Policies, institutions and regulatory framework	-	28%	6%	67%	18
Private sector development	29%	29%	29%	12%	17

Sources: Form 5 ratings; IEE surveys.

### Box 2 What does a 'modest' impact on poverty look like?

In *Burkina Faso*, PDRSO aimed to counteract the trend of progressive impoverishment and degradation of natural resources. The project has however led to a disappointing level of impact, and there has been a limited engagement of beneficiaries. Literacy training is appreciated and there have been improvements in hygiene. Plus, one of the most commonly praised project interventions has been the training in the construction of compost bins - which is seen to have made a positive contribution to production (though benefiting certain types of farms and mostly men). In all other areas however, the project's contribution has been modest or non-existent. Rural credit has largely been a failure with very few people benefiting and rather more suffering negative effects. The evaluation team encountered a general sense of dissatisfaction and widespread reports of broken promises.

In *Bolivia*, PRODESIB aimed to promote the sustainable self-development of the indigenous peoples in Beni through capacity building measures at grassroots level. Overall, the project has helped strengthen indigenous organizations in the land reform process. The most positive changes have been amongst scholarship students who have gained from the increased income earning opportunities following training. In general though, the land titling and training programme has shown modest results: in terms of raising family income, 49 per cent of beneficiaries said that their income had increased slightly, with 39 per cent stating no change. Improvements in food consumption are also reported as modest, with 51 per cent of PRODESIB beneficiaries citing small improvements and 33 per cent no change. In the land titling process there has been little tangible increase in family access to (and use of) forest resources - with the project tending to reinforce community relationships rather than address underlying changes in the existing system.

<sup>164</sup> OE's ARRI 2003 describes impact ratings as ...a combination of an assessment of how much has changed; the contribution of the project to that change; the scale of change (e.g. number of households affected); and the likely sustainability of that change. (ARRI 2003, paragraph 33). The same paragraph goes on to say: *These (assessments) are more often based on the informed judgements of the evaluators rather than on empirical measurements.* That also applies in this report although the IEE was able to draw on a larger variety of data sources, including primary research, than is available for OE interim or country programme evaluations.

<sup>165</sup> Based on the IEE *Country Working Paper: Peru*.

<sup>166</sup> The domains shown here are an expanded version of the six used by OE. The model class(es) are shaded. The sample size (N) varies because some projects were 'not rated' as either they were in the early stages of implementation or it was considered inappropriate, in the context of project objectives, to rate impact (such as for health, education, etc).

<sup>167</sup> The *likely* impact on poverty, considering both the total number of people benefiting and the size of the benefits accruing.

- 2.3 Across the sample as a whole 55 per cent of projects are judged to have achieved or are expected to achieve a satisfactory impact on poverty (high/substantial) while 44 per cent are judged to be falling below expectations. These results are the aggregated outcome of an immense diversity of performance, but what is notable is how closely they compare with the ARRI for 2002 and 2003, which rated 50 per cent of projects *high* or *substantial*, and 50 per cent *modest*. More tellingly, however, amongst the closed projects in the sample, where a full *ex post* assessment of impact is possible, 50 per cent are judged to have had a less than satisfactory impact on poverty.

### 3. Domains of impact

#### Income and household assets

- 3.1 Overall, 6 per cent of projects are rated high for income, 47 per cent substantial and 47 per cent modest. Plus, according to beneficiaries, there has generally been a moderate impact on household or family incomes. Food consumption and cash income from sales show the strongest change, with one half to two thirds of respondents reporting improvements; income from employment is much less marked; as also are benefits from time savings (see Table 3).
- 3.2 Limited impact on income is partly the result of low project coverage and over optimism about associated employment effects. In *Burkina Faso*, the PAMER micro-enterprise development interventions have been more successful in increasing and stabilizing incomes than in the PDRSO integrated project. Under PAMER, a majority (68 per
- cent) say that there have been important or substantial increases in income from sales, and, access to financial services have improved for all social groups. Seventy eight per cent of respondents say that their income is more stable. Yet, the overwhelming majority of respondents reported no changes in income from employment, in household assets, in time saving, in the use of cash crops and in income due to the animal rearing. In *Bolivia*, the land titling and training programme of PRODESIB shows modest results in terms of raising family income – with 39 per cent of the sample stating that there had been no change. The most positive changes have been amongst scholarship students who benefit from the increased opportunities following training. For PROSAT, half of all respondents note no change to income due to participation in the project, though 70 per cent hoped for positive changes. In *Mozambique*, a generally moderate impact on income is seen by both projects. In NAFFP this is possibly a reflection of the limited employment impact of the project, though expectations of the future impact are greater. For PAMA, better information has meant that farmers are now selling at viable prices, but the change in income is not substantial without a corresponding increase in production and competition amongst traders.
- 3.3 In some cases increases in income have led to improvements in household assets. The sampled projects in *Peru* provide two such notable examples. In the MARENASS, a key result has been the increase in the number and value of home and farm assets that was

**Table 3** Income effects of IFAD project interventions

The effect on:	% improved substantially	% improved moderately	% stay about the same	% deteriorated/worsened	% other	Total %	N
Food consumption	15	50	28	5	0	100	1329
Cash income from sales	13	46	35	5	0	100	1313
Wage earning/employment	9	39	46	4	2	100	1176
Time savings	11	27	39	15	7	100	1213

Source: Beneficiary survey (Form 4) data.

entirely self-financed (as stimulated by competitions and prizes). CORREDOR has also gained substantial leverage on family investments, in this case by awarding contracts for TA to the winners of the competitions. In *Bangladesh*, under SSWRDSP, all beneficiary types report improvements in house fabric and construction, with most now having a tin roof instead of straw. In *Guinea* (under PD-PEF) there have been improvements in living conditions, and the (even temporary) increase in revenue has played a part, with earnings often invested in (long lasting) housing improvements.

- 3.4 Elsewhere more moderate impacts were in evidence, and somewhat indicative of a less substantial project impact on income. In *Armenia*, under NWASP and ASP, beneficiaries noted improvements in income and food security, though with little tangible difference in household assets. In *Mozambique*, under NAFF, the impact on household assets was confined to a few individuals who benefited most from the project.

### Agricultural production, productivity and food security

- 3.5 Research, extension and organizational interventions, often supported by credit or irrigation, to increase crop, home garden, livestock and fishery production for consumption or sale lie at the historic core of IFAD investments. The sample shows considerable variability in impact across this domain, with 48 per cent rated high or substantial, and 53 per cent modest (the remaining projects were not rated). Several

examples of projects leading to increased production exist. In *Peru*, MARENASS has led to the growth of terracing and horticulture, with organic methods and livestock management being very considerable. A similar demand-driven TA approach in *Bolivia* (PROSAT) has led to widely welcomed improvements in food security, income, crop and livestock production. In *Mozambique*, NAFF has increased smallholder fish production and the functioning of markets, with increased incomes for production, and land-use has increased in all the visited SSWRDSP (*Bangladesh*) sub-projects, due to better flood control, drainage and irrigation facilities, plus the introduction of new high yielding varieties and high value crops. Under AqDP, LFG and panel aquaculture group members recorded higher fish production, with a greater impact on sales than own consumption (though a third said there was no direct gain from the project). 80 per cent of beneficiaries eat at least a bit better as a result of pond and fishery development through AqDP.

- 3.6 The greatest impact on food production has been on that used *for consumption*, with more modest changes noted for cash crops and livestock production. Table 4 shows that over half (52 per cent) of beneficiaries interviewed had observed a high or substantial increase in crop production for own consumption as a result of the project. The observations for cash crops and livestock are more modest – with the majority, nearly two thirds reporting that they had seen modest, negligible or no change in these production domains.

Change in production of:	% high or substantial	% modest or negligible	% no change/ other	Totals	
				%	N
Food crops	52	26	22	100	1314
Cash crops	37	20	42	100	1286
Livestock for food	38	27	35	100	1259
Livestock for cash	33	27	39	100	1202

Source: Beneficiary survey (Form 4) data.

- 3.7 There are also some noticeably poor projects failing to make much impact at all. In *Burkina Faso*, under PDRSO, the majority of respondents noted no (or insignificant) changes in the production of cash crops, animal rearing for profit, income from salaries and time saving. In *Guinea*, under PD-PEF any increase in yields and change to multiple cropping patterns have been jeopardized by the return of leased land to the landowners.
- 3.10 In terms of road investment both projects in *Mozambique* (NAFP and PAMA) show positive impacts, with the opening up of fish landing sites to district and provincial consumption centres. Similarly, in AqDP (*Bangladesh*), roads were developed as a supporting activity within the project, and highly appreciated by the communities served. Indeed, lake fisheries group members have gained substantially from improved access to water bodies for fisheries, though a third of the non-fishery related community development group members (mostly poor women) reported losing access to waterbodies. In *Guinea*, under PAPE-BGN, the borrower unilaterally changed the project design and doubled the length of road construction. The people who benefited, particularly women, are strongly enthusiastic, although the alignment of the extended road through a low-density area was sub-optimal in terms of coverage. In the *United Republic of Tanzania*, under AMSDP, a significant under-estimation of unit costs at design will reduce the volume of (cofinanced) road construction the project is able to deliver.

### Physical infrastructure

- 3.8 Public good investments in roads, irrigation and other water infrastructure are some of the largest investment that IFAD makes. As well as capital works, they typically include staff and operating costs in establishing arrangements for operation and maintenance and water-user groups. Of the 20 projects sampled, 14 have road and/or water investments. Overall, the impact of IFAD investments in road and water infrastructure provision is assessed as modest. Of the 14 projects, only one, MARENASS (*Peru*) is clearly high impact. Two (PDRSO, *Burkina Faso* and PD-PEF, *Guinea*) are notably poor. Elsewhere four projects typify the implementation, technical, managerial and sustainability difficulties typically encountered by irrigation interventions: PFC-ADP (*Pakistan*), NWASP and ASP (*Armenia*) and WNRDP (*Egypt*). They also typify the substantial benefits for farm households who do achieve reliable water supply to their land.
- 3.9 MARENASS is not a typical publicly-financed infrastructure investment. Indeed its small, household-level irrigation developments result from a project approach that couples *demand-driven* TA supply with community competitions – leading to a high leverage effect on household investment. It also has weaknesses, with a recent study showing sub-optimal irrigation efficiency of some schemes. But overall, the popularity and benefit of irrigation, its sustainability, and the fact that it was entirely household-financed make this a high impact investment in a difficult context. The innovative intervention design has enabled the project to convert irrigation from being a hard-to-deliver public good into a private good.<sup>168</sup>
- 3.11 At the other extreme, the road development within PDRSO (*Burkina Faso*) has seen poor community coordination, slow implementation and payments, within a failing project which has required major restructuring. In *Guinea*, PD-PEF has had very low effectiveness, with small volume of infrastructure being completed, and many schemes poorly designed, unfinished, silted and not maintained. Organization of management groups for the infrastructure schemes was weak and non-sustainable.

### Financial services

- 3.12 The IEE DRR commended IFAD's recent work in establishing state-of-the-art policy for investments in rural financial services; for its successful participation in the 2003 donor-peer review process, and for the 'decision tools' publication to support field implementation. The country studies reveal that, despite this, field operations are changing slowly. Of the 15 projects promoting different types of rural finance provision, only four are achieving a substantial or high change in



access to credit products suitable for the rural poor. The impact of the rest is modest, and many very modest indeed.

3.13 There are some notable examples of good performance in the rural financial services sector. In *Armenia*, under both NWASP and ASP, IFAD has supported the development of the ACBA. After initial start-up problems, ACBA is now the third largest (and only cooperative) bank in the country, plus the main lender to rural areas – where previously the banking sector had focused on low risk, high return borrowers from the main city. Also under ASP, rural financial services continue to be extended through the Aniv Foundation – whose borrowers are mostly small rural enterprises, in contrast to most other organizations who focus on medium-sized enterprises. In *Peru*, MARENASS women’s group self-managed rotating funds are building up steadily through near-faultless recovery and the women’s own discovery that high interest rates assist rather than undermine sustainable credit supply for the poor. The prospects for RFSP (*the United Republic of Tanzania*) are also good, although it is too early to assess impact. The project benefits from being focused on a single sector and from competent management, although there are indications that the current drive to increase the number of participating credit cooperatives and their membership may be at the expense of building sufficiently competent governance and financial management to enable them to retail bank credit.

3.14 Yet, all other credit interventions (in the sample) are failing in one or more respects. Recovery and sustainability have been poor; group leaders have dominated fund access and management; project demands have conflicted with bank requirements; and low effectiveness has led to complete redesign. Under NAFP (*Mozambique*) for example, financial services have had a limited impact overall, with NAFP tending to target mostly boat owners (the rich minority) and suffering from two critical constraints: (i) the cumbersome registration process; and (ii) the training in credit. Overall, the majority of

sampled projects display the familiar range of weaknesses of traditional project credit schemes and overall impact in terms of creating sustainable access is modest. The discipline and professionalism required to achieve compliance with IFAD’s new RFS policy has yet to be achieved.

3.15 In 2003, the ARRI (paragraph 37) also noted mixed performance in the area of rural finance, as it did the previous year. The report made three general observations:

- Grassroots, group-based credit and savings institutions have often proved more successful than official, subsidized credit schemes.
- Repayment rates by members of women’s groups for unspecified small, short-term loans have generally been very high. Repayment of longer-term specified loans to individual farmers has been much lower.
- The need to ensure institutional and financial sustainability is often either overlooked when the credit schemes were established, or remains a challenge in a number of cases.

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<sup>168</sup> The TA plus community-competition methodologies which achieved this result are a successful example in a very poor context of the publicly-funded, privately-provided model, driven by consumer choice, which is now the subject of experiment for public service delivery in many countries.

**Box 3** Impacts on health and education

*Health is not a major feature of IFAD investments, but half of the project sample has invested in health facilities and/or drinking water supply. In Burkina Faso, both projects show general health improvements, with PRDSO marginally better for improvements in vaccinations and ante- and postnatal healthcare. Under NAFIP (Mozambique), social aspects of the programme (mainly improved water supply, and to a lesser extent health and education) benefited the generality of the population to a greater extent. In Egypt however, the health picture is more mixed, with ante- and postnatal care and immunization scoring relatively highly for EDNASP, but with respondents recording no (or negligible) changes for WNRDP – also, other aspects of healthcare fared less well.*

*Investments in drinking water supply are highly popular, relatively sustainable and high-impact, even for low-achieving projects – and often as a result of community-selection investment methodologies. In EDNASP (Egypt), access to potable water, including pumping and treatment, has been a significant and popular success. In Armenia under NWASP, renovated pipelines have been a significant achievement and sustainability appears promising. In Guinea (despite other failings of the project), the boreholes constructed under PD-PEF have been largely successful and are appreciated, particularly by women. Similarly, potable water has been a very popular, if under-achieved, component in PD-PAPE (Guinea).*

*Like health investments, education is not a mainstream IFAD investment line but some progress has been made. In the sample, 12 projects have either refurbished schools or developed non-formal literacy and other non-agricultural skills – with three projects rated as high, five as substantial, two as modest and two as negligible. The CORREDOR (in Peru) is a particularly innovative example; the impact of TA on skills and knowledge was seen as high, with 55 per cent of respondents saying it had increased substantially. Also in Peru, the MARENASS methodology has both increased the skills of villagers and created a cadre of about 4,600 *yachachics* across a wide variety of sectors and skills who will be able to continue to make a living as non-formal trainers for the future. In Burkina Faso, 86 per cent of PDRSO respondents report improvements in adult literacy, whilst in PAMER, which develops rural micro-enterprises, 77 per cent of respondents say skills have improved. Similarly, in PROSAT (Bolivia), beneficiaries rate their increased skill levels very highly.*

*In Egypt, educational impact is similar across both projects (EDNASP and WNRDP), with respondents seeing a modest to substantial improvement in primary education opportunities, with the reverse being true for secondary and vocational education services. In PD-PEF (Guinea) literacy classes were organized, although follow-up, effectiveness and impact are low. Adult literacy has been added, post-design, to the training activities designed to improve market functioning in PAMA (Mozambique).*

**The environment and common-property resources**

- 3.16 Nine of the twenty-project sample have sought to improve environmental conservation and the sustainable use of natural resources. Across these nine projects, three are rated as high, one substantial, three modest and two negligible. In *Egypt*, EDNASP has had considerable impact including the creation of 32 environmental-monitoring sites, creation of a model 'clean and green' environmental village, modest tree plantation, and training on recycling, animal hygiene, pesticides and rodents. The great majority of beneficiaries in WNRDP say the project has been positive in terms of access to natural resources. Like EDNASP, the project is training on pesticide use and encouraging organics, and environmental impact assessments and soil-testing precede the introduc-

tion of new crops. In *Mozambique*, NAFIP had potentially beneficial environmental impacts through regulatory reforms to improve sea-fishery sustainability.

- 3.17 For every high performing project there are several weak performers. In *Guinea*, both projects had environmental objectives but achieved very little, despite widespread concern about shrinking fallow-periods, extensive logging, slash-and-burn and the environmental impact of the extensive road construction in PD-PAPE. The PD-PAPE design did not include environmental analysis or mitigations addressing road construction through fragile areas. In *Pakistan*, under PFC-ADP, the command area design (over which IFAD had no control) did not promote low-water intensity rice cultivation and, in a fragile area, where waterlogging and salinity

#### Box 4 The challenges of demand-driven natural resource management

A year after start-up, management found it difficult to implement a project with seemingly conflicting goals and methodologies (i.e. to introduce better resource management practices while also giving full initiative to the communities to assert their own priorities). A memorandum from one of IFAD's Executive Directors to PL Division, clearly demonstrates the point: *In other words: how could the communities be induced to want what they ought to want in order not to work at cross-purposes with these higher-level strategies, while still upholding the principles of bottom-up decision making.* In 2000, two years after MARENASS became effective, those concerns were set aside as project management, with support of IFAD's CPM, elevated the *demand-driven* goal while putting the management of natural resources to the critical vote of the communities.

In many ways MARENASS has worked. Indeed a notable result has been the number and value of home/farm assets that were self-financed. In some categories, the leverage effect of contests has been extraordinary, and communities continue to invest in conservation management practices that were relevant to the families' private holdings: terraces, improved irrigation distraction, herd rotations and fences, etc.

On the down side, the project/communities are not doing as much as had been expected on communal work in the higher pastures (the heavily degraded rangelands). A recent study shows that the general condition of these pastures 'poor' to 'very poor'. All attempts to improve conditions by reseeded will be *in vain* unless institutional issues are also addressed and communities keep their animals off this land. It is not clear whether the reformulation of objectives contributed to this outcome, but questions still remain about whether MARENASS had the instruments and incentives to address the high pastures successfully. It seems likely that an alternative intervention approach will be required to tackle the acutely-degraded pastures.

are already appearing, ex-post mitigations will be very difficult. Also MSVP, the predecessor to BADP, achieved little against its environmental objectives.

- 3.18 Few projects have seriously grappled with the many challenges and contradictions of pursuing agricultural development, environmental conservation and empowering communities. One notable exception is the MARENASS project, *Peru* (Box 4).

#### Social capital and institutional impact

- 3.19 A key element of poverty is a sense of exclusion, of being marginalized or powerless. By being part of an IFAD project, and interacting with its partners, there is a clear impression that most beneficiaries feel more confident in interacting with public institutions. According to the beneficiary surveys, 59 per cent felt more confident to speak out and assert their rights. For example both projects in *Peru* (MARENASS and CORREDOR) have had a substantial impact on the self-esteem and power of community leadership vis-à-vis municipal authorities. Similarly in *Burkina Faso*, under PDRSO, an important majority of respondents feel better able to interact with authorities, though women are less convinced of these changes.

- 3.20 The impact on social capital is however more than just a sense of empowerment. In recent years IFAD's portfolio has shifted from a strong emphasis on production and productivity to a much broader poverty and rural development agenda. As such, its interventions are not just about transferring technologies and methods, but involve a much greater focus on the way production is organized – and the institutions required for operations and maintenance, marketing, finance and other inputs. This is seen as critical to improving livelihoods, incomes and security, but also for making sure that benefits continue into the foreseeable future. Put simply, it is not enough to build an irrigation network, rehabilitate a road, provide financial services or impart new methods of farming; it is also about developing the institutional structures which will enable a more equitable distribution of the benefits, ensure operations and maintenance and provide financial sustainability.

- 3.21 IFAD interventions have created many new institutions but their impact is variable. The findings of the IEE country studies reflect those of the ARRI 2003. In *Pakistan*, under PFC-ADP, village and women's group organization was a significant achievement within a

difficult project environment, but much of that achievement remains dependant on inputs from the sub-contracted NGO. In *Bangladesh*, under SSWRDSP, the development of Water Management Cooperative Associations has clearly had a significant impact as a source of funds with an interest in water related infrastructure (and later micro-credit operations). It is however too early to assess their sustainability. Under AqDP, the project supported private sector initiatives for individual and group based aquaculture in leased private ponds, and also through lake fisheries groups managing larger water bodies in the form of cooperative businesses. Early examples of the latter have had problems with the dominance of non-fisher stakeholders. In *Pakistan*, the Mansehra Village Support Project (the predecessor to the sampled BADP) formed many groups, but sustainability is generally poor. The impact of the *Bangladesh* and *Pakistan* irrigation and pond development projects depends in part on the sustainability of group-based water management arrangements, yet there appears to have been little consideration at design whether: (i) it was practicable to expect NGO-led new group formation to achieve sustainability within a normal project timeframe; or, (ii) of how the more enduring and increasingly devolved, even if less motivated and resourced, structures of local government might be deployed.

- 3.22 Some key lessons include the need to: (i) better analyse institutional and organizational issues; (ii) design projects for the longer-term, with either longer investment periods or appropriate exit strategies; and (iii) build on existing organizations and structures, such as those of local government. In *Armenia* for example, ASP has taken a deliberate approach to invest in key institutions for each component, as it is these organizations that will be around long after the project ceases to exit. In several cases the PCU has become intimately (and often uncomfortably) involved in the details of running such organizations, particularly during the early stages. The project also promotes these organizations above the work of the project. The result is that beneficiaries are largely unaware of “ASP”

(or the “IFAD project”, “PCU staff”, etc) but instead relate to ACBA (to deliver rural credit), Aniv Foundation (to deliver small enterprise finance), and so on.

#### In summary:

- While the impact on poverty is modest overall, there have been some gains in IFAD’s traditional areas of expertise: agricultural production and food security, plus a few notable examples of road construction, irrigation works and financial services.
- Health and education are not significant IFAD investment streams, yet impact is reasonable, and community-led water supply seems particularly effective and appreciated by beneficiaries.
- The impact on the environment and common property resources is mixed; few projects show signs of having seriously grappled with the many challenging issues that exist.
- Support for social capital strengthening has been successful in helping to create a ‘sense’ of empowerment amongst project beneficiaries but wider institutional impact is harder to determine.

#### Sustainability of impact

- 3.23 Sustainability is considered along two main dimensions. Firstly, whether the stream of benefits accrued as a result of the project is certain (or likely) to continue after closure. And secondly, whether the institutional changes induced by the project are likely to continue after closure.
- 3.24 Sustainability of impact is substantial in just under two-thirds of projects, but in nearly or actually closed the proportion falls to less than half (Table 5). The evaluation of likely sustainability depends partially on the views of beneficiaries themselves. It is not surprising that during the early stages of a project there are relatively high expectations that the net benefits accrued as a result of the project will endure.<sup>169</sup> These expectations are clearly modified in the later stages of implementation.

Table 5 Sustainability of impact and institutional impact					
	High	Substantial	Modest	Negligible	N
<b>Sustainability of impact:</b> The likelihood of project-induced benefits continuing after project closure	-	61%	39%	-	18
<b>Late and closed projects only</b>	-	40%	60%	-	10
<b>Sustainability of institutional impact:</b> The likelihood of institutional (state, private, civil) changes induced by the project, continuing after project closure	6%	35%	53%	6%	17
<b>Late and closed projects only</b>	-	22%	66%	11%	9

Sources: Form 5 ratings.

3.25 In MARENASS (*Peru*), findings generally support the notion that farm practices that require little or no additional cash would be most likely to survive, while instruments that required cash to continue would suffer most. A high level of sustainability is expected for the most prominent popular practices, such as the irrigation systems, stables and orchards. Respondents were slightly less positive about the sustainability of methodologies such as the use of paid TA, competitions, prizes and bank accounts. For CORREDOR, the answers from participants suggest that they are involved in these new businesses for the long haul. It is too early to assess failure rates though the outlook is positive (with 78 per cent saying they will continue). For PRODESIB (*Bolivia*) some 87 per cent and 100 per cent of respondents from phase 1 and 2 respectively thought that the benefits were sustainable. It is probable that the benefits from land titling will be maintained as they are firmly embedded in Bolivian state structures and are unlikely to be repealed. In *Bangladesh*: 70-90 per cent of the respondents think that the cooperatives established under SSWRDSP are likely or certain to continue. Under AqDP, 80 per cent of members of PAGs and CDGs think their groups will continue, yet participants in the lake sites are less optimistic and 66 per cent of women of these sites do not expect their CDGs to continue. It also seems likely that the benefits resulting from ASP (*Armenia*) will continue in the longer term. ASP continues many of the interventions undertaken under its predecessor (NWASP), for which many

project outputs (irrigation; agricultural credit) continue to be utilized.

3.26 But amongst certain projects there are serious concerns about sustainability. Two recently closed projects (NAFP, *Mozambique* and PFC-ADP, *Pakistan*) have had a substantial impact on poverty but in both cases sustainability of the net benefits is seriously in question. In NAFP, there are reservations, especially about the maintenance of rehabilitated roads. In PCF-ADP, the likelihood of project-induced benefits continuing after closure is a major concern. The NGO will continue with credit, but whether it can sustain other community needs is doubtful. Moreover, there are already reports of major rehabilitation required for minors, with much drainage choked or misused (Box 5). And in the case of *Egypt*, benefits are likely to continue but farmers can hardly do otherwise. Farmers will go on using the techniques they have learned – they can hardly do otherwise in arid lands – but if the project stops then all the linking up will stop too.

<sup>169</sup> Seven out of ten (70 per cent) of the earlier projects are rated as substantial for sustainability of impact, with 20 per cent not rated.

### Box 5 The need to plan for sustainability in *Pakistan*

Four main questions of sustainability were identified in *Pakistan's* PF-ACP: (i) Will the investments last? (ii) Will the community organizations survive? (iii) Will the supporting services such as credit survive? (iv) Will land quality be sustained? With respect to *investments*, there is mixed evidence. The survey done for this study suggests substantial benefits and therefore high income penalty for members if the investments fall into disrepair. However, the 2003 impact study found very few groups that had actually raised money for O&M, notwithstanding a stated willingness to do so.

With respect to *community organizations*, the survey and the observations of the NGO found the communities to be still mostly active, however, the impact study concluded that continued support for probably another five years would be essential for their survival. Yet, other than for rural finance, the funding for broader social facilitation support is now minimal and a number of vehicles have been withdrawn. It is difficult to see how this support can continue. With respect to the supporting services for credit, while TF is continuing credit for five years, this cannot be characterized as sustainable microfinance in the longer term.

Sustainability could not be rated in the newly effective BADP, but based on the experience of a forerunner project, expectation of sustainability must be considered modest. *Community processes* sustainability is uncertain but questionable since the six year Mansehra Village Support Project has left many young community organizations still very vulnerable and it is difficult to see how the supporting NGO can sustain them with no explicit project budget for old communities while they have to reach out to new communities to meet BADP II targets.

Two issues are key for sustainability. First, the review has not found any appraisal stage exit strategies, not even an indicative one. So-called 'exit strategies' are being cobbled together largely by one or two dedicated borrower and NGO staff in the last few months of the projects while, at the same time, the rigid government accountability system is recalling, for redistribution, all operational facilities such as vehicles, and, in one case, even staplers! These are better characterized as 'escape strategies' not 'exit strategies'.

All IFAD project appraisal documents should have a carefully considered exit strategy: not aimed at answering the supply end question of 'how can the project disengage with the least disruption'; but focused on the demand end question, 'what community-level indicators should trigger phased disengagement of community-level support in each community and how should that process be managed and communicated'? In other words, exit should not be something determined to suit project design and phasing it should be determined by community-level progress. Forcing designers to articulate an exit strategy makes them face important entry questions which are too often swept under the carpet.

The second sustainability issue is simply the old question of whether the projects are staying with community organizations long enough for them to reach a sufficient stage of maturity, knowing that the borrower is very unlikely to be able to fund continuing operations at anywhere near the same scale. In both the sample projects sustainability was, and remains, precarious. Sustainability of government line agency services is the essential other side of the coin. If government line agencies were required to face communities say twice a year to provide information about how to access project or programme resources and deal with questions and complaints, not only would there be improved interaction but the incentive at community level to sustain community processes would be much greater.

### Sustainability of institutional impact

3.27 The sustainability of the institutional impact is largely unsatisfactory. Of those projects that were rated (i.e. a sample of 17 projects), 59 per cent (ten out of seventeen) are rated as *modest* or less.<sup>170</sup> Of those projects in the late stages of implementation or closed, 77 per cent (seven out of the nine which were rated) are rated as *modest* or less. There are few examples where the institutional impact is seen as highly sustainable. In RFSP,

*the United Republic of Tanzania*, the sustainability of the institutional impact is seen as high. This is based on an arguably optimistic assessment for an early project, and that the current project performance plus the positive developments in the national micro-finance environment will continue over the coming decade. In PROSAT, *Bolivia*, the growth of the market in technical services should be sustainable (with contributions made by the groups themselves), providing

there is no strong competition from state/NGO in providing free services. For both NWASP and ASP (*Armenia*), the sustainability of the institutional impact was seen as positive, based largely on the continuation of village associations for credit lending by ACBA and the state commitment to water user associations.

- 3.28 The reasons given for modest sustainability are varied. In *Guinea*, both PD-PEF and PAPE-BGN function as completely autonomous interventions and have not contributed to strengthening public administration (plus, project activities were subcontracted rather than undertaken in partnership). For PD-PEF the contrast between a well-resourced, transitory project and the lack of support to the public sector (with scarce resources) raises fundamental questions about the nature and impact of IFAD support. In *Burkina Faso*, PDRSO has had minimal impact on private sector development, and civil society (agricultural input, credit groups, development and post-harvest transformation groups). Relatively few current members see benefits from membership in such groups, and observations suggest that they are not gathering new members. Also in *Burkina Faso*, PAMER has had an insignificant impact on institutions but the sustainability of this is quite good. In this particular case, the project built three new bank branches and it appears likely that these will continue after the project has closed.

#### In summary:

- The likelihood of project-induced benefits continuing after project closure is modest overall, especially where only late or closed projects are considered.
- While interventions have generally created new institutions, their continued existence is undermined by weak attention to sustainability issues.
- Focus should be more on realistic exit strategies, longer-term support to institutions, and developing projects on the back of existing institutional structures.

## 4. Other policy objectives

- 4.1 Apart from project investments, IFAD also seeks to perform a catalytic role. Under IFAD V, it is clearly stated that IFAD's role is, "as a leading source of knowledge on the eradication of rural poverty", and specifically: (i) enhance its participation in policy dialogue and analysis; (ii) take a more structured approach to documentation and evaluation of field-based innovations; (iii) step up efforts towards building strategic partnerships" (desk report, paragraph 3.20). IFAD VI set out a major push to link strategy more forcefully to the global consensus around the MDGs and to the poverty and policy performance of borrowing countries (desk report, paragraph 3.24). This section looks at IFAD's contributions beyond project interventions, namely: country programmes, innovations, knowledge sharing, organizational partnerships, and policy dialogue. The evidence is country-focused (based on the CWPs) and does not include evidence from IFAD headquarters.

### Country programmes

- 4.2 While IFAD has made deliberate attempts to embrace a more programmatic style, its country programmes continue to remain little more than a 'collection of projects'. Indeed, there are disappointing levels of synergy between projects, and between different aid instruments (loans and grants). In only half of the visited countries is there evidence of established or recently emerging inter-project linkages. In *the United Republic of Tanzania*, the inter-relationship amongst IFAD projects is partial, with a lack of consistency in geographical coverage, varied rates for salaries and allowances, and, no established mechanism for inter-project dialogue. In summary, the portfolio gives the appearance of a collection of projects rather than an integrated programme. Likewise in *Pakistan*, there does not appear to be a substantial synergistic relationship between projects

<sup>170</sup> Three out of twenty are not rated for 'sustainability of institutional impact': AMSDP, *the United Republic of Tanzania*; BADP, *Pakistan*; SSWRDSR, *Bangladesh*.

(except perhaps the TAG for the Federal Bank of Cooperatives), and each project appears fairly self-contained. Much of the synergy that is evident is across components *within* projects rather than synergy between projects or TAGs.

- 4.3 In the few cases where synergy does occur, it has been used to good effect. *Peru* is a notable example. The synergy between MARENASS and CORREDOR is remarkable, with frequent contact between staff. The package has been further strengthened as well as integrated by the insistent work of the relevant TAGs, particularly the Programme for Strengthening the Regional Capacity for Evaluation (PREVAL) and the Regional Training Programme in Rural Development (PROCASUR) but also FIDAMERICA. The CPM has played an important role in developing and packaging the interventions. In another case, IFAD's work in *Mozambique* has a good mix of IFAD projects, although its absence from central budget support is conspicuous. It has a balanced portfolio of *project support*, *decentralized cooperation* (provincial targeting) and *sector budget support*. IFAD's support to the Agricultural Sector Public Expenditure Programme (ProAgri) (which is project-cum-sector budget support) has given IFAD room to benefit from, as well as leverage some influence over other donors supporting the agricultural sector.
- 4.4 In general, grant funds are underutilized. Three key themes emerge from the country visits. *Firstly*, there is a general lack of awareness amongst project and government staff of such grants. This was certainly evident in *Guinea*, *Mozambique* and the *United Republic of Tanzania* (where one TAG was identified in connection to PD-PEF but no more information was found about it locally). Similarly in *Egypt*, project staff and partners were unclear about the criteria for requesting such grants or how grants are administered and decided upon.
- 4.5 *Secondly*, the potential for synergy often goes unrealized due to weak coordination between loan and grant funding streams. In *Bangladesh*, SSWRSDP has generally been isolated from TAGs, and grants have not contributed technologies or interacted with

government agencies involved in loans – nor have project-implementing units sought information or advice from TAG-funded research.<sup>171</sup> In *Bolivia*, PRODESIB TAGs are judged to have had only a moderate impact on project development by staff and the director. The PROCASUR grant provided the most notable exception however, where the support to the objective and transparent recruitment of staff was highly valued.

- 4.6 *And thirdly*, grants and supplementary funds are used for a wide range of purposes, some of which would be better coming from routine administrative sources. In *Egypt*, TAGs have been used to facilitate gender work and an IFAD project in Sohag, but otherwise they have been granted either to facilitate the start-up of the project or on a wider, more regional basis. In *Burkina Faso*, the use of grants is relatively weak and disappointing. The regional TAGs appear to have little impact or relationship with the ongoing projects, and projects do not seem to use grants for anything other than solving routine administrative funding hitches – none of which requires the flexibility of grant funding and could not have been achieved through routine budgeting. Similarly for *Armenia*, grants are minor sources of finance (compared to loan funding) and have been used to minimal effect. In some cases, TAGs have been used to fill pressing budget demands (completion reports; expenses between projects).

#### In summary:

- IFAD's existing products and instruments are not used to their full potential, and the limited options available place constraints on what can be achieved.
- The use of both grants and loans, and synergy between projects, can be used to enhance IFAD's performance – and yet generally this is not undertaken.
- The almost exclusive reliance on the traditional project model limits IFAD's potential, especially in engaging in the new aid architecture and adding-value to success.



Table 6 An assessment of innovation					
	% high	% substantial	% modest	% negligible	Sample size
National innovation	15	10	30	45	20
Local innovation	15	40	35	10	20

Source: IEE ratings based on CWP evidence.

## Innovation

- 4.7 Innovation is described as central to the achievement of IFAD's mandate.<sup>172</sup> As a relatively small IFI in an increasingly congested development world, producing rural development projects does not alone distinguish IFAD from other international development organizations. The ability to scale-up successful and replicable innovations provides one way that IFAD adds value, as well as having a direct impact on poverty.
- 4.8 IFAD defines innovation in a broad way and while it has aspirations to be an innovator, the evidence suggests that IFAD has struggled with this role. The IEE sample of operations clearly indicates that while there are a few highly innovative projects (as well as others that contain innovative elements), the vast majority of projects are not. Indeed on balance, there is little to distinguish the work of IFAD from that of other development agencies. And, more worryingly, IFAD's contribution to the capture, learning, promotion and replication of innovation appears unsystematic and inadequate.
- 4.9 The term 'innovation' provides a useful rhetoric for IFAD. It gives both a sense of being at the cutting edge of development whilst 'meaning all things to all people'. The current definition adopted by management, and reflected by OE (in the 2003 ARRI, paragraph 77) provides a very broad approach: *the development of improved and cost-effective ways to address problems or opportunities faced by the rural poor*. Moreover, it fails to pick up any of the underlying elements about what enables innovation to happen, the learning, analysis, and dissemination. Against such a measure, it would seem likely that IFAD (or indeed any organization) would be judged well: the ARRI (pages 19-20) states that innovation and replicability were rated as substantial in 40 per cent of project evaluations.<sup>173</sup>
- 4.10 Innovation can be defined in terms of: (i) *creating new* technologies or approaches for development; and (ii) *promoting new* ideas and ways of working. The diffusion of *established* technologies and approaches to new places [iii] is a potentially useful role for a development agency but one that is not normally meant by innovation. The difference between (ii) and [iii] is that, in the former 'new' is related to the idea/product, while in the latter it relates to the situation/place.
- 4.11 A simple test of 'national innovation' and 'local innovation' highlights the difference between genuinely *promoting new ideas and ways of working and the diffusion of established technologies and approaches to new places*. At the national level there are clearly innovations (e.g. a new type of microfinance organization, a new agricultural technology). What occurs at the local level, to a village or project area is more commonly understood to be extension or technology transfer. Table 6 shows that 55 per cent of the

<sup>171</sup> The rest of the *Bangladesh* portfolio is less isolated, and AqDP includes an adaptive research component.

<sup>172</sup> IFAD V states clear objectives to strengthen IFAD's role "as a *leading source of knowledge* on the eradication of rural poverty", and specifically: (i) enhance its participation in *policy dialogue* and analysis; (ii) take a more structured approach to documentation and evaluation of field-based *innovations*; (iii) step up efforts towards building *strategic partnerships*. (Desk report, paragraph 3.20).

<sup>173</sup> One action in response to the OE evaluation of innovation was to prepare an IMI into IFAD's core business, linked to a pledge by the United Kingdom of USD 10 million. The broad goal of the IMI is to enhance IFAD's capacity to promote innovations that will have a positive impact on rural poverty. The three primary results expected from IMI implementation, which derive directly from its central objectives, are: (i) enhanced IFAD innovation culture and capacity; (ii) improved quality and impact of innovation in the field; and (iii) improved innovation learning, and the application and sharing of such learning. [An EB information paper was circulated in December 2003 and a progress report was due in September 2004.]

project sample can be considered innovative at the local level, but in terms of wider-scale, national innovation, only 25 per cent are considered high or substantial. This was supported by the view of the OE Evaluation of Innovation (paragraph 20). *The majority of IFAD's innovations are not really 'new', although they*

*may be new to the project area involved. Most have already been tried out (this does not imply 'tested') by other partners or by the rural poor themselves.*

4.12 Amongst the project sample, the **Peru** country programme is an outstanding example of innovative practice. A series

### Box 6 An exception or model for the future?

A series of IFAD projects undertaken in *Peru* are considered to be highly innovative, starting with FEAS (Promotion of Technology Transfer to Peasant Communities) and evolving – and improving – to include a further three. The *Peru* case was recognized as a notable exception by an OE thematic evaluation undertaken in 2002, which otherwise found that IFAD was falling short in almost all processes necessary to institutionalize an innovative habit. The IEE findings support this position, finding thirteen ‘innovations’ associated with the *Peru* programme, several of which have since been transferred to other countries in Latin America.

The ‘process’ of innovation has been far from straightforward, although it is possible to discern some sort of timeline. When FEAS was appraised in 1990, the first IFAD project had long since concluded, and the third was half way through implementation. Both were considered as belonging to the tradition of supervised credit projects. The present CPM, along with a few consultants with *Peru* experience, were determined to try something different – partly because they had little confidence in the Ministry of Agriculture, Livestock and Nutrition extension service.

In FEAS they attempted a different approach to extension design (using private Technical Assistance, or TA) and relaxing the ties to credit (where many beneficiaries would pay for their own investments). An unexpected shock almost derailed the process, as the Agrarian Bank, which was to execute the project, was abolished with all its rural branches. This forced the project team to rewrite the appraisal document, and return to the beneficiaries to determine under what circumstances they agree to a revised design; one that called for their own contributions to finance a small share of TA and all the business and farm investments that followed. The fact that the IFAD project did not finance the investments made it unique, and led to perhaps the most remarkable outcome of the series – the leverage on family investments.

This demand-driven feature – letting the groups decide what to do with the TA – was extended to other projects. MARENASS brought it forward from a sensible strategy to an overarching goal of development programming. Funds were transferred from the project to local control, thus enhancing the effectiveness of the demand-driven strategy.

Another successful innovation has been the use of project-supported competitions between families and communities, with project-financed prizes. While the use of competitions and prizes started in *Peru* in the late 1980s on a European Union rural development project, it was later carried to *Bolivia* by one of its originators, who then returned to *Peru* in 1994 and led the preparation team for MARENASS. This innovation can at least in part be attributed to IFAD, whose main role was to adopt and raise the prominence of an idea that had already attracted attention.

The idea of concentrating on regional economic zones was not new but CORREDOR was the first in *Peru* to organize a major programme using the zones as an anchor for its inputs. The government’s strategy now emphasizes corridors, the World Bank’s ‘Innovation and Competitiveness for Peruvian Agriculture’ pilot project operates in three corridors, USAID’s PRA project operates in 11 ‘mini’ corridors, IADB’s new project uses corridors, and FONCODES (CORREDOR’s sponsor) is switching to a division of funds based on corridors.

IFAD can thus take credit for having initiated or scaled-up a series of remarkable innovations. Indeed, the role of the CPM has been significant, though he himself credits much to the project staff. The CPM is also well connected in social science circles (for which the cities of Lima and Cusco are noted) and it was they as much as anyone who put a shape to the emerging project pipeline. Within IFAD, it would appear that the CPM operated largely single-handed in designing this innovative programme. There is no evidence that there was at any time a guiding spirit from headquarters that was helping him shape the emerging overall plan. The best that can be said about headquarters’ role in the evolution of this plan is that it provided the CPM and his project teams an environment of ‘no objection’ in which they could push along. Of course, headquarters’ acceptance of the plan and the use of these consultants during the 1990s, and its efficient processing of the loans, were indispensable to any success.

of four Peruvian projects (including MARENASS and CORREDOR) are regarded as highly innovative – an assessment supported by the 2002 OE thematic evaluation on IFAD’s innovative programming. The IEE has identified some thirteen ‘innovations’ with regards to the Peru programme (see Box 6).

4.13 There are also examples of IFAD promoting new ways of working. In *Mozambique*, NAFIP is considered to be fairly innovative although it is not specific components that are thought to be innovative but rather the integrated approach to rural development: in the fisheries sector, marrying general community development (water, health, education) with direct support for artisanal fishers (fishing inputs, techniques, research, credit, etc) was to many a definite innovation. Overall though, these innovations have involved only a small number of farmers. In WNRDP (*Egypt*), several small-scale initiatives (such as using organic crops to gain access to European markets) have been innovative. In *Pakistan*, the PFC-ADP management team was forced to improvise innovative solutions to an immensely challenging water re-

routing, but there are questions as to whether this approach will be replicated elsewhere in the Pat extension area.

4.14 PMD highlights other initiatives in countries not visited by the IEE. Box 7 contains an example from *Nepal*.

4.15 Overall evidence from the project sample shows that there is little to distinguish IFAD’s work from that of other development agencies. And in several cases, the work of IFAD seems outdated and falls behind that of other development agencies.<sup>174</sup> Much of development is about bringing old technologies and methods to individuals and communities. Indeed while some practices are new to particular locations and villages, the practices themselves are often not especially innovative. For example in *Guinea*, PD-PEF has brought

<sup>174</sup> In the OE *Indonesia* CPE (paragraph 120) for example, it was noted that while NGOs were using participatory techniques as early as the mid-1980s, IFAD had not fully integrated the participatory group approach into its projects until 2000.

### Box 7 Innovation in *Nepal*

This project included a new approach to forestry in *Nepal*: the transfer of 1ha parcels of degraded government forest land to poor people on 40 year leases. The original idea came from foresters in *Nepal*. An IFAD design mission recognized the potential of the idea. An IFAD/Dutch project piloted the idea, modified it, and expanded it. Government replicated it on a much larger scale and introduced the approach as a priority in the PRSP.

- Success of the up scaling of this innovation was influenced by the following driving factors.
- Successful scouting at the early stage of the process. While luck played a role in the identification of the opportunity, credit must go to IFAD for recognizing the potential of the new idea and supporting it financially in spite of major criticism from other donors.
- Clear advantages to the poor – the technology was simple and affordable for farmers, there was quick impact and hence strong interest from the beneficiaries.
- Strong political commitment for change – strong commitment from government partners in the early stages of the innovation process; also strong political commitment for up scaling at later stages of the innovation process.
- Flexibility and learning – big changes in design were accommodated during implementation (deletion/ introduction of components, introduction of new NGO partners during implementation, continuous adaptation of the technology itself).
- Need for strong innovation partners to undertake the R&D – the project benefited from a Dutch grant financed FAO, Technical Centre for Agricultural and Rural Cooperation (plus team) and strong innovative local NGOs.

Source: PMD report of first CPM forum.

several novelties for the men and women within the project area: using the bottom land area that was not being used for crop production, applying irrigation to the production of rice, forming a productive *groupement* or a financial association. This does not however mean that the project, as a development endeavour, has been innovative or is replicable. In *Bangladesh*, under SSWRDSP, IFAD's main innovative role was in the establishment of a process for the formation of WMCAs, and creating a new formal status for these organizations. Many of the farm practices/technologies had never been practiced in the area, although they were not new to *Bangladesh*. The IEE beneficiary survey shows that 60-75 per cent of respondents from SSWRDSP thought that the project activities were mostly new to people. For AqDP the main innovation was the development of community organizational arrangements, and most members found the approaches and technologies provided to be new. In PFC-ADP (*Pakistan*), IFAD came in at a late stage to the project, and it is difficult to argue that lower end, on-farm water distribution was an innovative element from IFAD – as it was originally to have been supported by AsDB. Since BADP replicates previous projects, the IFAD RRP states that there is “no innovative element” – except perhaps a few new design shifts. In *the United Republic of Tanzania*, half of the respondents from RFSP thought that the project activities were very new to them, and almost all management and partners interviewed felt that it is likely (or very likely) that other people in the area will adopt the activities currently offered by the project. Sixty six per cent from AMSDP felt that the project activities were mostly or very new – though given the few meetings undertaken to date, it is difficult to know if they are sufficiently aware of what the project activities and interventions will be. In summary, the views of beneficiaries on innovation amount to an assessment of “innovation for the village”, as opposed to “innovation for the country”.

4.16 In certain country contexts, IFAD is able to describe virtually any development initiative as ‘innovative’, regardless of its actual merits. In *Egypt* for example, given that the majority

of settlers in the area are either new to agriculture and/or new to newlands agriculture, it is not surprising that 84 per cent of EDNASP (and 90 per cent of WNRDP) respondents felt that the projects’ activities were either mostly or entirely new to them. This in itself however, is not a convincing definition of innovation and indeed some project partners argue that EDNASP was not especially innovative in its use of agricultural techniques, social development, etc. The case is similar for WNRDP. In *Armenia*, beneficiaries were mostly familiar with the activities of each component. Indeed few new technologies were applied, and irrigation rehabilitation used fairly orthodox approaches. Instead innovation relates mostly to the ‘newness’ of activities in a post-Soviet context, plus the extension of such activities to rural areas. This includes the creation of a cooperative bank providing agricultural loans, and the establishment of the Aniv Foundation to develop small enterprises. Also, in a transition country with an embryonic civil society, the creation of grass-roots organizations (water users associations; village associations; horticultural unions; civic action groups) was also fairly new to most beneficiaries. The post-conflict, market based economy of *Mozambique* offers similar opportunities to label development work as innovative. For PAMA, around two thirds of those beneficiaries surveyed considered the project activities to be either mostly or very new to them. The design of PDIMA (the marketing information programme) was confirmed to be unique in that it catered for all crops and all seasons unlike those of the past. The concept and promotion of local needs assessment teams, provincial PAMA consultative councils, and focal area reference groups are all new to the two provinces.

4.17 In summary, there are a few truly innovative projects. Even in the most innovative projects, it is difficult to see how IFAD contributes to the creation, promotion, replication and lesson learning in any systematic way. In *Peru* for instance, it appears that the CPM (and project staff) operated in a largely isolated fashion from IFAD headquarters, with no evidence of an interchange or influence from headquarters once the loans were approved.

At best it can be said that headquarters provided the CPM with an environment of ‘no objection’ in which to operate.

- 4.18 In an assessment of IFAD’s innovative culture, the results from an independent quantitative study (by the University of Brighton) on innovation show that, *IFAD compares poorly with a wide cross-section of organizations that have been reviewed, using (their methodology) IFAD scored in the bottom 10 per cent.*<sup>175</sup> The OE Evaluation of Innovation (paragraph 3) supports this view: *The current approach to innovation is individualized, decentralized and unsystematic, and is determined by individual and chance factors rather than by a well-defined and acceptable sequential process. While innovations do take place, this fragmented, ad hoc style does not lend itself to good use of IFAD resources.* The OE innovation evaluation also stated that knowledge management should perform a key role in learning from and promoting innovations, and yet it has not reached its full potential.<sup>176</sup>

### Knowledge sharing

- 4.19 IFAD aspires to be, *a leading source of knowledge on the eradication of rural poverty* – and in many circumstances, “the voice of the poor” in policy forums. Yet, there is little evidence that IFAD is regarded as a leader in its field, indeed often quite the contrary. In *Guinea*, IFAD has been a follower rather than a leader with regards to development trends (the logical framework approach is still not applied; the ‘women in development’ approach has not given way to a wider gender approach; and little is being paid to environmental issues). IFAD has made a contribution of its own in the area of micro-finance (e.g. the 1996 stocktaking study), but similar initiatives are missing in other much needed fields such as land tenure, promoting peasant organizations, fighting environmental degradation, etc. Some approaches have been prematurely abandoned without sufficient analysis of their failure (e.g. the *groupements* approach), and perhaps most damning of all, IFAD has fallen short in an area that it should have specific expertise: testing sustainable agricultural development in different agro-ecological contexts, social groups and with due consideration of women and youth.

Similarly in *Burkina Faso*, almost nothing has been achieved in terms of advocacy, catalysis or leadership, with most stakeholders instantly dismissing the questions on IFAD being a leader. Indeed for many observers, IFAD is even less visible than its presence in terms of projects would suggest. In *Egypt*, partners are clear that IFAD is an advocate for the rural poor, but that IFAD simply does not have enough of a country presence to advocate for much within the sector. There is no evidence that IFAD plays a leadership role in *Egypt*.

- 4.20 Part of the problem is that there is very little systematic capture and sharing of field-based knowledge. In *Pakistan*, no evidence was found of any systematic process to share IFAD knowledge, nor was IFAD regarded (by either donor or borrower) as a current knowledge leader. Some donors and partners do however acknowledge a debt to IFAD’s early focus on rural poverty. In *Armenia* too, there is limited evidence that the experience and knowledge of IFAD is being used in an advocacy, leadership or catalytic way within the country. The rapid pace of operations has meant that the systematic capture and synthesis of knowledge has not always been achieved, particularly outside a small group of individuals. Inter-regional knowledge exchange is especially under-developed. In *Bangladesh*, both of the sample projects show poor performance in terms of sharing knowledge and lessons more widely beyond the implementing agencies and their partners. Overall, neither project had established systems for the rigorous capture of experience and lessons. Similar findings were reported in *Bolivia*, *Mozambique* and the *United Republic of Tanzania*.

<sup>175</sup> Report on the Evaluation of IFAD’s Capacity as a Promoter of Replicable Innovations in Cooperation with other Partners, Understanding at Completion Point and Executive Summary, Report No. 1325, November 2002, Office of Evaluation and Studies.

<sup>176</sup> The OE *Indonesia* CPE also highlights that: *In order to develop programmes at the cutting edge of rural development and to fulfill its mandate effectively, IFAD must be more responsive and innovative... Stronger analysis of known technologies during project design and critical learning from IFAD’s own experience (written and oral) would greatly enhance IFAD’s approach, its programme performance and its credibility with development partners.*

**Box 8** New developments in innovation

Management has responded to concerns about innovation raised in the OE evaluation. Three recent initiatives are geared towards supporting innovation: the 2003 policy for grant financing; the Field Presence Pilot Programme; and most specifically an IMI for which there is financial support in the form of a matching grant from the United Kingdom.

A December 2003 information note to the Executive Board stated the broad *goal* of the IMI to enhance IFAD capacity to promote innovations that will have a positive impact on rural poverty. The three primary *results* expected from IMI implementation, which derive directly from its central *objectives*, are: (i) enhanced IFAD innovation culture and capacity; (ii) improved quality and impact of innovation in the field; and (iii) improved innovation learning, and the application and sharing of such learning. The intention is for IFAD to develop a distinctive style of innovation that is demand-driven, participatory, replicable, policy-directed, mainstreamed and impact-oriented.<sup>177</sup>

A draft 'Operational Framework for the Main Phase' (EB 2004) was in preparation at the time of writing. A central feature of the approach is the recognition of the challenge of trying to change the work culture **Providing incentives for staff**. Promotion of innovation requires an appropriate system of incentives and rewards to motivate staff. A major element of motivation would be derived from gaining the time and freedom to pursue good ideas, associated with gaining access to IMI funding. This should be reinforced by the professional recognition associated with successful innovations. Therefore the following should be introduced:

- non-financial rewards to motivate staff, competency development, results achievement, client feedback and incentives for learning and sharing;
- the release of staff time for participation in immersion opportunities, training and promotion of innovations;
- integration of the innovation support function into job descriptions;
- a system for evaluation of IFAD staff performance in relation to innovation promotion; and,
- a mentoring arrangement between junior and senior staff members."(paragraph 36)

The IEE welcomes the draft document. In view of the clearly recognized need to strengthen learning and to tackle the organizational culture, the approach would be strengthened if the text had stronger links to core initiatives such as the new HR policy, to demonstrate how changes in HR will support innovation and how the IMI might support the HR policy. The approach would also benefit from a more detailed presentation of the behavioural changes that are needed to achieve the outcomes and a set of objective monitorable indicators of change and the outcomes. A logframe would be a helpful addition.

- 4.21 Where knowledge sharing does occur, it is mostly with regards to building on the experience of past projects.<sup>178</sup> Plus, some of the more promising examples of knowledge management were reported in *Mozambique*: (i) knowledge sharing is more structured between IFAD headquarters and individual projects, particularly at the project inception stage; (ii) the IFAD/International Labour Organization Turin training programme for project managers and staff was consistently cited as one of the most valuable processes to transfer knowledge from IFAD headquarters to new projects; and (iii) knowledge sharing between IFAD projects at a regional level is also programmed, through the IFAD/UNOPS Annual Regional Implementation Workshops.

**In summary:**

- IFAD's aspiration to become a, "leading source on the eradication of rural poverty" is severely undermined by the limited (and unsystematic) capture of field experience and knowledge.
- This further undermines IFAD's potential to be an advocate on behalf of the rural poor.

**Organizational partnerships**

- 4.22 Across all CWPs, the general sense is that IFAD is distant and disconnected from potential partners. In some countries, this lack of engagement is proving especially serious in the context of donor harmonization processes.

**Box 9** New approaches to aid planning and management challenge  
IFAD's traditional business model

*The United Republic of Tanzania* is now one of several more advanced low income countries, where government and donors are moving steadily to replace traditional projectized aid modalities with a domestic process founded on increased dialogue, shared perspectives and harmonized approaches to policy and organizational reform and financing. This process is at different stages in different countries, but trends are very similar: increased local dialogue, leading to unified donor support around government sector reform policies; formal sector-wide approaches; basket-funding arrangements financing jointly-agreed interventions and harmonized reporting, and, in the most advanced cases, budget support.

The COSOP (October 2003) offers verbal comfort that IFAD programming is articulated with national processes but the reality is very different. The operational form of the ASDS is the Agriculture Sector Development Programme. The ASDP is a process not a document and it is important to understand the complex and contested nature of that process in *the United Republic of Tanzania*.

It is well-established that progress on agriculture and rural development sector-wide approaches is much more complex and difficult than for those in the social sectors. More ministries are involved, normally with conflicting interests; defining appropriate public-private functions is much more challenging; key ministries can face down-sizing or abolition rather than the enhanced resources which normally reward health and education ministry involvement in sector strategies. Further, in *the United Republic of Tanzania*, as elsewhere, the ASDP process is itself embedded in a complex network of other reforms: the civil service reform programme; budget planning, execution and salary reform, and, importantly, the government's decentralization effort and local government reform programme. The inter-relationship between sector strategies and decentralization is notoriously difficult to design and implement in all countries and a push-pull between line ministries and the local government ministry is now underway in earnest. The central point – underscored by all donor and central ministry informants – is that in the absence of decentralized country presence and authority IFAD has no prospect of even understanding day-to-day developments on these issues, let alone of ensuring that its programming is consistent with them. The implication from the COSOP that there is a fixed agriculture strategy from which Rome can somehow read-off appropriate programming priorities is a significant error.

Against this background, the reason why key partners see IFAD as not just disengaged, but potentially regressive, is clear. The central issue is IFAD's traditional programming, identification and formulation *modus operandi*. IFAD does not appear to have internalized the nature of the government-donor processes in *the United Republic of Tanzania* which have emerged over the past half- decade.

In *the United Republic of Tanzania* (see Box 9), all donor interviewees and several government and private sector informants view IFAD as almost entirely disconnected from the very significant changes underway in government-donor relations in recent years. More seriously, IFAD's traditional *modus operandi* is seen to be regressive and at odds with the new aid coordination context in the country. Three recently prepared IFAD projects have faced intense opposition from different partners – over issues ranging from the nature of identification and formulation processes, to more detailed design issues.

- 4.23 IFAD's so-called 'partnerships' frequently extend little beyond contractual relationships, or a core group of implementing agencies. In *Peru*, IFAD has no real partnerships. Both

MARENASS and CORREDOR have been very influential and developed organizational relationships beyond the project structure, but this has resulted from the projects' reputation for innovation and achievement rather

<sup>177</sup> Information note: IFAD Initiative for Mainstreaming Innovation (EB 2003/80/INF.4)

<sup>178</sup> In *Burkina Faso*, PAMER has learnt from a similar project in *Senegal*, and uses projects in neighbouring countries to train and enlighten staff. In *Egypt*, IFAD has progressively learnt from the experiences in Minya and Fayoum and incorporated these into the project design for APIP. In *Bolivia*, the design documents of both projects reflect lessons learned on other projects, and interviews with project coordinators and staff confirm their knowledge of previous experience. Similarly in *Bangladesh*, the country portfolio has been developed from lessons of past experience, both of IFAD projects and more generally in *Bangladesh*.

than from a determination by the projects to seek out organizational partnerships. In *Burkina Faso*, none of the partnerships have contributed in any meaningful way to the objectives as set out in IFAD V and IFAD VI. Indeed partnerships with government services have not led to sustainable changes, and those with the private sector have not led to anything other than the completion of work as contracted. It should also be noted that the PDRSO partnership with the Netherlands Development Organisation and FBS were perceived as negative (by those partners), as was the failure to relate to the neighbouring complementary German Technical Cooperation project. Likewise, in *Guinea*, relations with the public sector at the central level have been mainly formal or non-existent. At the field level the relationship has consisted of subcontracting activities, not in establishing a real partnership (with exchanges of view and a joint identification of needs, concerted planning and execution of activities, joint monitoring and analysis). In *Egypt*, and away from the central implementing partner, it is less clear how extensive and creative IFAD's relationship with other partners is – even with substantial partners in the projects under review.

- 4.24 There are some instances of relationships being developed within host ministries – although it is not clear that IFAD has any particular policy influence in this context. In *Egypt* for example, relationships between IFAD and the Ministry of Agriculture and Land Reclamation are good and there is an acknowledged sense of two way dialogue and respect that allows for supportive mutual criticism.
- 4.25 In *the United Republic of Tanzania* and *Mozambique*, liaison officers have contributed to improved relations with key donor partners. The evidence from *Mozambique* and *the United Republic of Tanzania* is that the appointment of local, relatively junior, under-resourced, liaison officers helps to improve communication. But they lack status, have no authority in relation to identification, formulation or implementation and cannot speak on behalf of IFAD. In *Mozambique*, IFAD is supporting ProAgri, and relations with donor

partners are good, possibly influenced by the fact that donors are currently becoming more circumspect about the benefits of sector and basket support to the country. However, prior to the opening of an IFAD Liaison Office in *Mozambique* two years ago, there was not a single formal mechanism for exchange of experiences between IFAD projects and those of other donors. Since the opening of the IFAD office, IFAD is now represented in seven permanent forums.

#### In summary:

- IFAD field-based partnerships are often little more than contractual relationships, and the organization as a whole can sometimes appear distant and disconnected from key agencies.
- Liaison officers have helped to improve some relationships, but more is needed to improve the connectivity between IFAD headquarters and the field.

#### Policy dialogue

- 4.26 There have been some instances of policy impact. In *Bangladesh*, the most notable policy impact (under SSWRDSP) was the project's key role in convening and facilitating the preparation of new guidelines in participatory water management in Bangladesh – something which is now mandatory for all water management projects. The project has also contributed to the formulation of the national water policy. RFSP in *the United Republic of Tanzania* has played a significant role in contributing to national policy reform in microfinance provision and cooperative organization, while NAFP in *Mozambique* has made some notable inroads on policy, in particular (i) the adoption of a national fisheries policy and strategy; (ii) new legislation to legalise fisheries co-management committees; and (iii) a new policy and legislation of fishing zones and nets. PAMA *Mozambique* has also demonstrated important policy achievements, namely: (i) draft legislation on registration of farmer associations; and (ii) a position paper on modification of the agricultural concession's policy.



4.27 In general though, the evidence at country-level shows that IFAD has not engaged much in policy dialogue. This is closely related to IFAD's underperformance in its knowledge management and organizational partnerships (see previous sections). In *Pakistan*, there is little evidence of significant policy dialogue in relation to both sample projects. Under PCF-ADP, it is surprising that no attempt was made to begin to address the issue of inequitable land distribution (and problems of tenant relationships), given its very large impact on poverty. Similarly policy issues relating to maintenance remain largely unresolved and should have warranted greater attention. For BADP too, there are significant areas of policy dialogue that should have received more

attention, such as: the control of interest rates to borrowers (in relation to micro-finance), and the implications of the devolution process currently underway in *Pakistan*. Likewise in *the United Republic of Tanzania*, despite the project achievements of RFSP, no government or donor informant could cite evidence of corporate IFAD impact on national policy, nor IFAD acting as a catalyst/leader in rural poverty reduction. The desk review concluded that *the United Republic of Tanzania* COSOP was, "a poor vehicle for communicating IFAD country strategy..." and this seems corroborated by the apparent minimal impact on government and donor agencies. In *Egypt*, the IEE found no evidence to suggest any major impact of IFAD-related

#### Box 10

#### Policy impact depends on sustainable implementation and enforcement

IFAD's experience in *Mozambique* shows that policy change without attention to implementation and enforcement is unlikely to make an impact. A sharp and consistent focus on policy reform through the Nampula Artisanal Fisheries Project contributed to at least five distinct changes to fisheries policy: (i) introduction of a 3-mile trawler exclusion zone to enlarge artisanal fishing grounds; (ii) reduction in import duties/taxes for fishing inputs; (iii) new legislation on minimum mesh sizes to enforce a ban on the use of mosquito nets; (iv) legislation to promote community co-management of the fisheries resources; and (v) waiver on "closed season" restrictions in Nampula province to allow year-round fishing by the poor. However, with a few exceptions many of the above policy changes have lacked implementation and enforcement confining their impact largely to paper.

For instance, in order to promote enforcement of the new trawler exclusion zone, NAFF provided a patrol vessel and recurrent resources for surveillance to the Department of Fisheries Administration. However, when the NAFF pipeline dried up at project closure, the government also discontinued trawler surveillance for lack of O & M resources. The results were obvious: unabated violation of the new law by industrial fishing vessels and continued conflict between them and artisanal fishers. The large vessels continue encroaching into artisanal fishing grounds destroying fishing gear and sometimes causing fatal accidents with small-scale fishers at sea.

The experience raises an important question about effectiveness and sustainability of policy change. The government treats the trawler vessel exclusion zone and the surveillance of national waters as matters of top priority but lacks the means to put in place effective and sustainable systems. At present, government plans to establish a satellite-based vessel tracking system with funds from the European Community, but the EC facility has no provision for patrol vessels and the department is already aware it will be an incomplete intervention. It is in such areas where IFAD could play a value-adding role, assisting older projects to carry forward the institutional development process. A project that seeks to achieve policy change is incomplete unless it also supports the creation of sustainable capacity for policy enforcement within the relevant authorities.

In another example of failure, the waiver on closed season restrictions intended to benefit poor fishers in Nampula was not supported with a strong exclusion mechanism for the rich. The benefit has since leaked to industrial fishing firms and fishers from outside the province, and it is feared that it might be leading to more rapid depletion of the fisheries resources in the area. This experience is clearly typical of good intentions with bad results.

The above evidence points to additional roles for IFAD. Firstly, there is a clear need to address issues of policy implementation and enforcement in addition to policy development and change. Second, IFAD should support the continuous monitoring and review of the performance of the new policies. The opportunity to review policies is usually availed through government's usual five-year cycle of planning, normally linked to general elections. Results from IFAD's work could feed strategically into this process.

policy initiatives; to aspire to being a lead agency in a sector implies a level of resources and engagement that IFAD clearly does not have. IFAD could have much more impact in cooperation during implementation, talking through with partners the changes that are needed and learning the lessons of working together. Furthermore, the nature of dialogue with partner organizations in *Egypt* is largely underdeveloped, and IFAD has a notable absence of tangible instruments for training and practice. Similar situations were reported in *Armenia*, *Bolivia*, *Burkina Faso* and *Guinea*.

- 4.28 There remains a huge potential for IFAD to contribute to policy. In *Peru*, despite MARENASS being considered a success, it has not generated a dialogue on policies for rural development either at the local or sector level. This position is beginning to change with PREVAL's more aggressive publicity campaign including the new book, *Ten Keys*. Some stakeholders felt that IFAD had sufficient experience to exert influence but did not use it (i.e. from a platform above the level of the CPM). In *Armenia*, both NWASP and ASP have contributed to changing the institutional landscape, with the creation of the only cooperative bank (and main lender to rural areas) in the country, plus the Aniv Foundation, which lends to small entrepreneurs and start-up business (while others have focused more on medium enterprises).

## 5. Project performance

- 5.1 There are some high performing projects in IFAD's portfolio but many projects are less than satisfactory. Table 7 provides a summary of the main performance ratings generated by the project evaluations. In terms of relevance to corporate objectives and country development priorities, IFAD financed projects are doing well. All the projects evaluated sought to reduce poverty, either directly or indirectly, and poverty reduction is one, if not the overarching priority of the majority of IFAD borrowing countries. Effectiveness is substantial in two-thirds of cases, but this leaves one third of projects underachieving against development objectives. Efficiency is satisfactory (high/substantial) in only half of the projects evaluated and less than fully satisfactory in the remainder. IFAD financed projects of course rely heavily on the performance of the borrower for successful implementation. In most of the IEE projects the borrower performs reasonably well, although there are clear grounds for improvement. The performance rating for CIs and IFAD combined is marginally lower than that of the borrower, reflecting mainly problems with supervision and delayed action on the part of IFAD to correct underperforming projects. While the sample is characterized by a few outstanding projects, the IEE finds that the current operating model fails to lift project performance more generally.

**Table 7** Summary of project performance ratings<sup>179</sup>

(sample size: N = 20 projects except where stated)	High	Substantial	Modest	Negligible	N
<b>Relevance:</b> The extent to which the project fits country development priorities, IFAD strategy and beneficiary needs.	60%	40%	-	-	20
<b>Targeting:</b> The extent to which the design targeted the right people with appropriate activities.	10%	55%	35%	-	20
<b>Effectiveness:</b> Achievement (or expected achievement) of the development intervention's major objectives.	-	67%	33%	-	18
<b>Efficiency:</b> the economical conversion of inputs/resources into outputs and outcomes.	20%	25%	50%	5%	20
<b>Performance of the borrower:</b> The overall performance of project management and implementers.	25%	35%	40%	-	20
<b>Performance of CI and IFAD:</b> The overall performance of IFAD and the supervisors.	10%	45%	45%	-	20

Source: IEE ratings (form 5).

% high and substantial	IEE sample	ARRI 2003	ARRI 2002
Relevance	100	90	80
Effectiveness	67	70	60
Efficiency	45	50	50
Impact on poverty	55	50	50
Sustainability of impact	61	50	40

Source: ARRI of IFAD Operations, 2003.

- 5.2 There is a high degree of similarity between the results of the IEE country studies and those of the OE ARRI 2003. In terms of project performance (relevance, effectiveness and efficiency) the aggregate results are remarkably similar, as well as in terms of rural poverty impact and sustainability (see Table 8). This provides support to the findings of the IEE, especially as the ARRI examines a different subset of the IFAD portfolio.<sup>180</sup> The ARRI draws upon four country programmes, two thematic issues, and one corporate topic evaluated in 2003. Apart from the country studies (20 projects, 10 countries), the IEE also builds upon evidence from a desk review of 42 projects across 21 countries.
- 5.3 Comparing the performance of IFAD with other development organizations is difficult because of the lack of readily comparable data. Many IFIs (ADB, AsDB and IADB) and other development agencies do not disaggregate data for the rural sector. The World Bank rural portfolio therefore provides the nearest comparison to IFAD. For completed projects, World Bank figures show an average 67.5 per cent of rural sector projects achieved a satisfactory outcome between 1994 and 2003, compared to 68.9 per cent for the portfolio as a whole.<sup>181</sup> In FY02 the figure for the rural portfolio increased to 81 per cent satisfactory outcome, reflecting substantial efforts on the part of the Bank to improve portfolio quality in its rural sector operations. The Bank's outcome rating is a combination of relevance, efficacy (effectiveness) and efficiency.

Averaging the IEE results for all 20 projects across the three criteria produces an 'outcome rating equivalent' of 70.7 per cent for the period, which is close to the Bank's estimate. When restricted to closed projects only the IFAD figure falls to 61 per cent. The sample of closed projects is very small and the comparison should be taken as indicative at best, but the indication is that, even if IFAD is claiming to work differently from other organizations such as the World Bank, it cannot afford to be complacent about its levels of project performance.

### Relevance of IFAD investments

- 5.4 Overall, there is a high degree of congruence between project investments and the country development priorities, IFAD strategies and beneficiary needs.<sup>182</sup> This is not particularly surprising as the development priorities of the countries concerned are often expressed in broad terms, and beneficiary expectations are frequently high. In *Mozambique* for example, the objectives of PAMA (to promote agricultural market linkages) clearly fit with the government strategy of commercializing smallholder agriculture and its commitment to liberalizing the economy. Indeed the government has withdrawn direct intervention in agricultural markets, and at a faster pace than the growth of the private sector, thus creating a void within the marketing system into which PAMA work. In *the United Republic of Tanzania*, almost all respondents from RFSP and AMSDP reported that the projects are either

<sup>179</sup> The modal class(es) are shaded. The 'not rated' column covers projects in the early stages of implementation, where it was considered inappropriate to rate effectiveness (plus, impact and sustainability): BADP, *Pakistan* and AMSDP, *the United Republic of Tanzania*.

<sup>180</sup> Although different projects in both *Burkina Faso* and *Guinea* were evaluated by the ARRI and the IEE.

<sup>181</sup> This refers to the percentage of satisfactory projects by number, not by disbursements. The figure weighted by disbursement is higher both for the rural portfolio and the Bank as a whole.

<sup>182</sup> Four projects (PRODESIB, PROSAT, NWASP, ASP) cite a high degree of congruence with IFAD strategic documents (the strategic framework, the relevance regional strategy and the COSOP) though this partially because the project design predates these strategies.

**Table 9** Beneficiary assessment of relevance

Relevance: Of all the help you need to improve your lives, how important is this project to you? (sample size: 20 projects)						
	Extremely important	Highly important	Quite important	Not really important	Other	N
Late/closed projects	19%	49%	25%	7%	-	701
Early/middle projects	36%	37%	20%	6%	2%	775
<b>All projects</b>	<b>28%</b>	<b>42%</b>	<b>22%</b>	<b>7%</b>	<b>1%</b>	<b>1 476</b>

Source: IEE beneficiary survey (form 4) data.

highly or extremely important to their lives. This is entirely consistent with the aggregate of beneficiary responses (Table 9), yet it seems to be biased by a high degree of desire-to-please; AMSDP has only just started with field operations in March 2004 and with most groups having had only an initial meeting with the contracted organizers (partner agencies).

- 5.5 While development priorities are often broad, and beneficiary expectations high, IFAD's strategic statements are a weak guide to operational selectivity. The IEE desk review (page 16) notes about the strategic framework 2002-2006: The intellectual and policy framework is largely permissive, ruling almost everything in and very little out. Its impact on projects... is hard to discern and it would be hard to rule out 'fit' in almost all cases.

The same report finds that the regional strategies are performing a critical function, not least in filling part of the strategy/operational vacuum left by the strategic framework.

Important weaknesses are however noted, including the limited recognition of international best practice and knowledge about growth and rural poverty reduction at the regional level, plus a lack of clear indicators for monitoring progress against the regional objectives (ibid, pages 16-17).

- 5.6 COSOPs are not providing the rigorous filter required at project identification. The desk review highlights a number of general weaknesses in COSOPs (as summarized in Table 10), but most importantly these country strategies are not adequately limiting and shaping the project pipeline. In *Pakistan* for example, the identification of issues, constraints and

**Table 10** Key findings from the desk review of COSOPs

Criteria	Key issues
Relevance	<ul style="list-style-type: none"> <li>■ Only 50 per cent of COSOPs rated satisfactory on consistency with national priorities and poverty reduction strategies - although a large number were prepared before the finalization of national PRSPs</li> <li>■ Relatively high share of COSOPs did not provide an adequate description of IFAD's development niche in the country (with later COSOPs being rated more poorly on this theme)</li> </ul>
Effectiveness	<ul style="list-style-type: none"> <li>■ COSOPs less good on the analysis of governance and institutional issues.</li> <li>■ Improving, but weak clarity and consistency of COSOP objectives and the articulation of indicators</li> </ul>
Efficiency	<ul style="list-style-type: none"> <li>■ COSOPs do less well in the rationale for innovation and scaling up, or in leveraging and catalyzing others</li> <li>■ 80 per cent of COSOPs rated unsatisfactory for arrangements for monitoring and evaluating at programme and strategy level</li> </ul>

Source: IEE desk review (pages 18-21); Sample of 21 COSOPs

### Box 11 Reservations about IFAD's investment decisions

In *Pakistan*, the beneficiaries of PFC-ADP rate the relevance to their lives as high, yet the project is barely above 'modest' in other respects. This is due to concerns about the fit with IFAD's rural poverty alleviation objective, namely:

- it does not target the poorest areas in the province;
- the project has a poor rate of return in support of the economic growth argument;
- the equity impact of bringing water is skewed by the pattern of land ownership;
- the project does not attempt to address the underlying causes of poverty (skewed land ownership).

The rating for BADP also has qualifications, including the relevance to the target group of agriculture and livestock when these practices currently contribute only 20 per cent of farm income.

In *Egypt* there is, on the one hand, a clear fit between what the government wants to achieve and where IFAD can make a contribution: to assist with new lands reclamation and settlement and make viable livelihoods for the dispossessed and unemployed. On the other hand, development of the reclaimed desert areas is not without its controversy, and IFAD's involvement in agriculture is not necessarily the highest priority of many beneficiaries (where there is an absence of even basic infrastructure and services). Indeed, there is some debate as to whether IFAD is working with the poorest in *Egypt* as a whole - with farmers in *Upper Egypt* being poorer and an increasing number of agencies turning their attention to this region.<sup>183</sup> Furthermore, the Ministry of Agriculture and Land Reclamation is not a natural partner for participative, bottom-up planning and intervention, plus the more innovative aspects of community development and gender work. One way forward could be to introduce the Ministry to the innovative work of NGOs such as CARE whose action research on small-farmer cash cropping in Upper Egypt has recently been recognized with a World Bank grant.

priority directions in the COSOP are generally quite convincing, yet the leap to the three-project, partially defined, lending programme is abrupt and not connected. There is no explicit application of the given strategic filters to the selection, and in none of the descriptions of the three potential projects is the opportunity for policy dialogue or enhanced access to resources explored. In Peru, the COSOP is practically invisible, though IFAD is not (with the CPM being a well respected actor in Peru's rural development community).

- 5.7 At times, weak strategic filters and identification processes have resulted in IFAD making questionable investment decisions. The IEE rating of relevance is a measure of the 'fit' to national development priorities, IFAD strategy and beneficiary needs. It does not assess whether the project investment was the best possible use of resources (that could have been designed at the time of the project formulation). In at least one quarter of the projects surveyed, there are strong reservations about whether the investment decision was correct (see Box 11).<sup>184</sup> The reasons for this are varied, including: (i) *Pakistan*: strong

#### In summary:

- IFAD investments are broadly congruent with national priorities, IFAD's strategies and beneficiary needs.
- The IFAD strategic framework, and to a lesser extent the regional and country strategies do not provide the necessary filters for selectivity. Plus, there is limited sector work, to provide a strong case of when and where not to work (i.e. there is no clear basis on which to turn down a project).
- There is no real challenge at identification such as through a concept note process, which challenges CPMs from technical and cross-cutting areas.

<sup>183</sup> For the *Egypt* programme as a whole, the CPE (2004, page 5) also notes that there is less relevance to the poorest.

<sup>184</sup> It is problematic to provide exact figures as the reservations are particular to individual projects as well as more general country approaches. The estimate of 'one quarter' is based on at least five of the twenty projects (25 per cent) or three of the ten countries (30 per cent).

concerns that projects do not fit with IFAD's objectives; (ii) *the United Republic of Tanzania*: IFAD's traditional project approach runs contrary to the sector-wide approach of the donor community; and (iii) *Egypt*: IFAD's unilateral support of the government undermines its position to pursue a more desirable development agenda.

### Targeting the rural poor

- 5.8 Under the Agreement Establishing IFAD, the organization is clearly required to work with the rural poor: *...to introduce, expand or improve food production systems and to strengthen related policies and institutions* (Article 2); and, *...to increase food production and to improve the nutritional level of the poorest populations...* (Article 7). For many this has meant working with the 'poorest of the poor'.
- 5.9 Effective targeting is also strongly linked to better project performance.<sup>185</sup> On paper at least, the IEE DRR rated targeting as mostly satisfactory (83 per cent). The report also notes (paragraph 3.58) that, *the best project formulations provide defined criteria by area and social group, which the borrower and project management can directly operationalize. The less-than satisfactory cases variously fail to state why the project area was selected; give non-operational definitions ('the poor') or fail to note the existence of key groups (e.g. bonded labourers)*. In the country studies, SSWRDSP (*Bangladesh*) is one such example, where the discussion of target groups is difficult to follow in the design documents, and it refers to all categories of people from destitute women to fishers and medium to large farms. There are also examples where
- a failure to grasp the underlying causes of poverty has undermined the overall impact of the investment. In *Pakistan* (PFC-ADP), there has been a failure to take account of underlying issues of land ownership. The original intentions of selectively supporting poorer distributaries or reaches was likely to end up as about as regressive as land ownership. In *Guinea*, PD-PEF identifies the poorest as those farming less than three hectares, but no reference is made to the characteristics of the land or the rights to access (ownership or usufruct), yet these are of great importance to determining the benefit that can be drawn from cultivating a particular plot. Furthermore, because the project focuses on developing the bottomland, it has in practice not focused on the poorest who cultivate mainly the hillsides.
- 5.10 Pro-poor project designs do not always lead to on-the-ground success. Results from the country studies indicate concerns with targeting: 65 per cent of the sample are rated high/substantial for targeting overall – in terms of poor areas and poor functional groups (smallholders, artisanal fishers) – and 40 per cent rated high/substantial for targeting poorer people within those areas and groups (see Table 11). This suggests that there have been problems with targeting during implementation.<sup>186</sup>
- 5.11 In *Bangladesh*, SSWRDSP is a jointly financed project between IFAD and AsDB. The design documentation of IFAD differs from that of AsDB, but there is no evidence that the IFAD version of the targeting – with an emphasis on the more vulnerable and extreme poor -

**Table 11** Assessment of targeting<sup>187</sup>

(Sample size: 42 projects)	% satisfactory	% unsatisfactory	Sample size
Overall targeting (design)	83	17	42
Overall targeting (implementation)	65	35	20
Women (design)	81	19	42
Women (implementation)	58	42	19
Poorer people (implementation)	40	60	20

Source: IEE desk review and Form 5 ratings.

ever influenced the way the project was implemented by LGED or supervised by AsDB. In *Guinea*, the main investment of rehabilitating the Telimele-Samanko-Sangaredi link (under PAPE-BGN) may be important, but its priority is not to connect small villages and the productive areas to the main artery. Under both PAPE-BGN and PDPEF in *Guinea*, investment in the bottomland areas is a strategy that will not reach the poorest. In *Pakistan*, the area chosen by PFC-ADP is by no means the poorest part of Balochistan (and plans to target the poorest groups along watercourses were impractical). The examples continue:

- AqDP (*Bangladesh*): the pond aquaculture component was redefined during the MTR, and the resultant component now focuses primarily on larger ponds. These are generally owned by better-off households, thus missing poorer households that owned small ditches (*doba/pagar*).
- PDRSO and PAMER (*Burkina Faso*): In both projects, the resultant work has led to an impact on the better-off, as evidenced in the well-being ranking exercises and those surveyed.
- NWASP and ASP (*Armenia*): There is an increasing emphasis by project management to focus on the more entrepreneurial/productive poor under ASP (the follow-on project). Beneficiary surveys show that 69 per cent of those asked stated that the majority of beneficiaries under ASP were either richer or much richer, as compared to 49 per cent for NWASP.
- EDNASP and WNRDP (*Egypt*): The projects are intended to target landless farmers and unemployed graduates, but there is some concern as to whether IFAD is targeting the poorest in *Egypt* across the whole portfolio – with farmers considered to be poorer in *Upper Egypt* (in the south).

5.12 Implementation mechanisms are often inadequate to prevent benefit capture. In many cases it is not appropriate (or even desirable) to target specific groups, though targeting can remain an issue. In BADP (*Pakistan*) for instance, the appraisal report and RRP provide surprisingly little explicit targeting

protocol. In the absence of tighter selection procedures, there is an incentive for NGOs to keep costs down by selecting potentially more ‘fruitful’ (and less poor) targets – plus there is no procedure to track assistance given to communities and so help ensure that it is fairly distributed. The lessons for implementation are threefold:

- Provide an explicit targeting guidance and procedures for implementing partners
- Design and implement mechanisms that prevent capture by the richest groups
- Track and monitor the assistance provided, feeding these back into management decisions

5.13 And, it is not always the poorest that are the intended focus of IFAD investments. Projects in *Armenia*, *Bangladesh* and *the United Republic of Tanzania* demonstrate a purposeful focus on the more ‘productive’ poor or those who represent a better investment opportunity (small entrepreneurs, owners of large fishponds, etc). Sometimes this is justified: In *Peru*, CORREDOR does not work with the poorest in the region. Percentages of ‘extremely poor’ and ‘very poor’ for the fifteen provinces included in CORREDOR are 6 per cent and 37 per cent respectively, which compares with 27 per cent and 50 per cent for the department overall.<sup>188</sup> The project

<sup>185</sup> A review of targeting by Coady, D., Grosh, M. and Hoddinott, J. (2003) found that targeting does work: Typically, the median program provided a quarter more resources to the poor than random allocations would have. The ten programs with the best incidence delivered to the poor two to four times their per-capita share of benefits. Progressive allocations were possible in all country settings, in countries at markedly different income levels, and in most types of programs. (World Bank, Social Safety Nets Primer Notes, Issue 10, 2003).

<sup>186</sup> In a recent review of targeting in 122 programmes (projects) in 48 countries, Coady, D. et al (2003: 64-5) concluded that, the quality of implementation matters tremendously to the targeting outcome.

<sup>187</sup> The % satisfactory and % unsatisfactory is the aggregate of high/substantial and modest/negligible respectively.

<sup>188</sup> In *Peru*, departments are divided into provinces, which are further divided into districts.

aims to strengthen the commercial linkages between populations in the “corridor”, and the project does not target communities with limited access to commercial relationships such as due to the lack of reliable roads or great distance. This means that while the outermost belt of isolated communities (where severe poverty is practically universal) was excluded, to include these would undermine the “linkage” concept of the project (and also necessary to keep administrative costs low).

- 5.14 IFAD is not alone in facing the difficulties of targeting. A report on the World Bank’s rural portfolio also highlighted weak targeting in the rural portfolio, especially to the poorest countries or regions within countries.<sup>189</sup> The Bank programme of assistance to the rural poor does however extend beyond the rural portfolio, and includes sector work, policy dialogue, and lending that indirectly affects rural populations. IFAD’s ability to influence does not extend much beyond its lending programme. The combination of weak project design, weak implementation mechanisms and a strategic shift away from a clear focus on the poorest to a much wider range of rural poor groups may begin to undermine IFAD’s ‘specialist’ position within the rural sector.

### Effectiveness of implementation

- 5.15 Two thirds of IFAD financed projects are expected to achieve their development objectives, but one third are lagging behind. Overall, 67 per cent of projects are rated as highly or substantially effective. This is consistent with the 2003 ARRI, where the equivalent result is 70 per cent. If effectiveness were to be narrowly interpreted as a measure of the project achieving its own objectives (i.e. “how well has the project done what it set out to do?”) then the figure would probably be higher. This however would mean comparing projects on a different basis, with some projects seemingly scoring better just because their objectives are set lower.
- 5.16 Effectiveness is affected by the quality of a project’s initial design. During project start-up it is reasonable to expect some changes in the design and implementation arrangements – though better design does lead to
- improved effectiveness (see Box 12). Occasionally, reformulation can have a very positive outcome. In *Peru*, the MARENASS project underwent a reformulation of objectives initiated by project management a year after start-up. This is said to have been necessary to reconcile the overarching goals of the project with giving full initiative to communities to assert their own priorities.
- 5.17 Implementation problems are a major cause of poor project effectiveness. Of the 16 projects in the sample where implementation is well underway or completed, half have suffered from major implementation problems (not including the two *Bolivia* projects, which were *force majeure* interrupted). Three projects (two in *Guinea*, and PDRSO in *Burkina Faso*) experienced major mutually reinforcing weaknesses: the size of the working area, the target population, and the number of components were too great, and the selection of the project management team was not well done. In *Egypt*, EDNASP was considered a failing project due to weak management, poor staff recruitment, lack of project infrastructure, slowness in contracting, difficulties in reclaiming land, etc. The project was redesigned following the mid-term review and has improved significantly. In *Bolivia*, both PRODESIB and PROSAT had major institutional problems and were re-designed through reorientation missions. In *Pakistan*, PCF-ADP underwent a substantial redesign at MTR. In *Mozambique*, NAFP had its non-feasible components cancelled at the MTR stage with new simpler ones added.
- 5.18 Some of the implementation difficulties are beyond IFAD’s control. Two projects (MARENASS, *Peru* and RFSP, *the United Republic of Tanzania*) have required modification as a result of the non-appearance of budgeted cofinance. The two projects associated with AsDB loans (SSWRDP, *Bangladesh* and PFC-ADP, *Pakistan*) have faced difficulties flowing from both design and implementation arrangements, and largely beyond IFAD’s control. The two big marketing projects required modifications in the early stages: PAMA (*Mozambique*) required modification of



## Box 12 Project design issues have impinged on effective implementation.

Design is an essential component of aid quality, and the quality of aid has a tremendous impact on its effectiveness.<sup>190</sup> The desk review (paragraphs 3.58-3.88) highlights some key areas where IFAD project design is in need of improvement. These can be summarized as:

- 60 per cent unsatisfactory definition, clarity and practicality of objective and output indicators
- 57 per cent unsatisfactory explanations of systems and responsibilities for monitoring
- 45 per cent unsatisfactory assessment of significant risks, assumptions, mitigating measures
- 43 per cent unsatisfactory analysis of institutional configurations and trends
- 40 per cent unsatisfactory evidence that beneficiaries were directly involved in project design

The CWP's highlight particular instances where weak project design had affected implementation:

- RFSP (*the United Republic of Tanzania*) has a confusing and overly prescriptive design, and most of the 27 risks identified in the logframe should have been clarified and internalized during formulation and loan negotiations. If no mitigation of risk was possible at design since the project was seeking to pursue a new and largely untested approach, it may have been preferable for this component to be explicitly described as a pilot initiative.
- PDRSO (*Burkina Faso*): the logic of the project was weak, and the notion that the community will identify its own priorities and ways of working is in itself not a development aim. Also, there was a lack of environmental impact assessment (of road building) and a high risk of developing valley bottoms (with only weak mechanisms for reducing risks as they became apparent).
- BADP (*Pakistan*): the logic of the intervention deserved more attention, including the fact that 80 per cent of income comes from off-farm sources, the problems with public services reaching the poor, and, the project appraisal documents' ignorance of the consequences of far reaching devolution in *Pakistan*.

component design, whilst AMSDP (*the United Republic of Tanzania*) has significant mistakes in the preparation of the (non-IFAD) infrastructure budget as well as major resources committed to a small-group organization approach which the appraisal report deemed to be high-risk.

- 5.19 Redesign is at the MTR, which appears more effective at turning around poor performers than periodic supervision visits. Seven projects in the sample of twenty (35 per cent) were severely delayed until major modification following the respective MTRs.<sup>191</sup> While it is to be expected that some design changes will occur in the first stages of implementation, in many cases these are not addressed until years later. IFAD prides itself on its flexibility, but a willingness to flex is of little value unless someone takes initiative to make it happen. The evidence is that for failing projects, no such initiative occurs, from borrower, IFAD or the supervisor, until re-design at mid-term and action thereafter.

## Efficiency and management arrangements

- 5.20 IFAD's economic analysis and planning has not kept pace with the changing nature of investments. The DRR highlights concerns with the quality of economic analysis, and the need to use more creative and useful efficiency indicators as well as incorporate practical design features to promote high returns and cost-effectiveness. An example from Pakistan clearly illustrates these concerns. The PCF-ADP project was uneconomic - when the previous AsDB funded R&I

<sup>189</sup> 'Toward sharpening the focus on rural poverty: A review of World Bank experience', by the Operations Evaluation Department, World Bank, 2002.

<sup>190</sup> As empirically demonstrated by Wane, W. (2004), *The Quality of Foreign Aid: Country Selectivity or Donors Incentives?*, World Bank Policy Research Working Paper 3325, June 2004

<sup>191</sup> These were: ADP (*Bangladesh*), PDRSO (*Burkina Faso*), EDNASP (*Egypt*), PD-PEF (*Guinea*), PAPE-BGN (*Guinea*), NAFF (*Mozambique*) and PFC-ADP (*Pakistan*).

project is included in the analysis. The project could only be economically justified on a 'sunk costs' argument, yet this was never addressed at appraisal. There was no economic rate of return analysis at project completion (though AsDB say they will attempt one), and the final economic rate of return would probably be low, because: (i) investments took about three years longer with a proportionately more modest reduction in total costs and with a consequent lag in benefits; (ii) area covered by watercourses was barely half of that planned; (iii) the impact study farm income increments at about 70 per cent were lower than the optimistic up to 200 per cent increments assumed in the appraisal report; and (iv) the impact study cropping intensity increment may be a little higher than assumed at appraisal but not enough to outweigh the other negative shifts.

- 5.21 The long waits for re-orientation action at mid-term undermine effective project management in the interim and reduce efficiency. Only 45 per cent of the project sample was rated as having a high or substantial level of efficiency, with half showing a modest performance. These results are similar to the 2003 ARRI, which rated 50 per cent as high/substantial. Economic planning is poor, and the efficiency of IFAD investments varies hugely. An estimate of cost per beneficiary shows a range from USD 23 to USD 717 per person – with half of the sample in the range between USD 100 and USD 400 per person, a quarter below USD 100 and a quarter above USD 400 (see Table 12).

**Table 12** Estimates of costs per beneficiary

Cost per beneficiary	Frequency	
Up to USD 100	5	25%
USD 101-USD 200	2	10%
USD 201-USD 300	5	25%
USD 301-USD 400	3	15%
Over USD 401	5	25%
<b>Totals</b>	<b>20</b>	<b>100%</b>

Source: PPMS data, IFAD.

### Borrower performance

- 5.22 Good examples of project management do exist, and the use of open competition has been a significant factor. This is supported by the studies of *Peru*, *the United Republic of Tanzania* and *Mozambique* (PAMA) where the management teams were hired using open competition. The selection of capable managers and project staff translates into improved decision-making as well as on-the-ground performance. In *Peru* the performance by the borrower is rated as high for both projects in the sample (MARENASS and CORREDOR). The project management is distinguished by its small size. The total staff complement for MARENASS is only 22, all of whom are recruited following a national competition. Together they cover a target area of 360 of the total 560 communities. Each zonal office has one car, the M&E agents ride public transport, a few community promoters have motorcycles and the rest ride buses or walk. CORREDOR has a professional staff complement of 14, again recruited through national competitions. Other project management units seen as performing well include: *the United Republic of Tanzania* (RFSP and AMSDP); *Armenia* (NWASP and ASP); *Mozambique* (NAFP and PAMA); *Burkina Faso* (PAMER) and *Bangladesh* (SSWRDSP).
- 5.23 But, in many cases project management is less than satisfactory. In 8 out of 20 projects (40 per cent), the performance of the borrower is rated as *modest*. Plus five of the projects in the sample are very new, and there has not been much time for management problems to emerge. The desk review (paragraphs 3.83-3.85) also pointed to concerns with project management, namely the analysis of current capacity and commitment amongst intended implementers. There are two main issues that have emerged from the country studies: (i) that major management problems are allowed to occur in the first place; and (ii) where less severe management problems do exist they persist largely unchecked and for a number of years.

- 5.24 Four projects (20 per cent) had major management problems. These were PD-PEF and PAPE-BGN (in *Guinea*) plus PRODESIB and

PROSAT (in *Bolivia*). In *Guinea*, management costs for PD-PEF are enormous, with the number of project staff reaching 82 persons at one stage, plus the cost of the project unit representing 26 per cent of the total project costs, and the cost of studies and consultations another 22 per cent (nearly 50 per cent in total). For PAPE-BGN, the number of project staff in 2002 amounted to 96 technicians and 32 fieldworkers, and yet the project unit acts as a subcontracting unit and not as an executing agency. Administrative and management costs are very high at around 58 per cent of the total cost. Both PRODESIB and PROSAT (in *Bolivia*) suffered from major institutional problems on both a large scale with government reorganization, and with personal relationships and weak capacity. The problems were partly aggravated by the national political situation of *Bolivia*, and management has improved since reorientation.

5.25 A further five projects (25 per cent) show a range of problems that have been allowed to persist for at least a number of years.<sup>192</sup> In PDRSO (*Burkina Faso*), the project was fraught with delays creating a long period between project design and implementation. Project management is seen as intensely bureaucratic with a heavy emphasis on financial management and completion of activities. Management lines are also made overly complex by the partnership with the BSF responsible for the health component. In EDNASP (*Egypt*), the project management experienced difficulties in the first two years, including with the delivery of the outcomes. The management team and project director eventually had to be changed. For AqDP (*Bangladesh*), several reviews have identified weaknesses in the Department of Fisheries and the Local Government Engineering Department, regarding project accounting and project-specific engineering support. Performance under the first project coordinating director was poor, but has improved under the second and maintained under the third. In PFC-ADP (*Pakistan*), there were quite serious project management issues during the first three years, with seven project directors over the life of the project. The NGO contracted for assisting implemen-

tation, turned out to have serious management problems of its own and the contract was terminated. Project management is now much improved.

#### In summary:

- Economic analysis and planning has not kept pace with the changing portfolio of investments.
- Institutional analysis during formulation is inadequate, with limited assessment of project management and institutional capacity. There is a need to plan management arrangements earlier, and learn from lessons where competition has been used.
- IFAD does not intervene early enough during implementation to address failing situations. Too much becomes concentrated in reorientation processes and the MTR.

#### Supervision and IFAD support

5.26 The current arrangements for supervision can be made to work, but more often than not supervision underperforms. This suggests weaknesses in the operating modality.<sup>193</sup> Nine of the twenty projects (45 per cent) are rated as modest for supervision performance (an assessment of both CI and IFAD), and the remaining 55 per cent show concerns that are not necessarily reflected in a single digit rating. The emerging issues are:

- A clear failure by some CIs in their supervisory role.
- A general tendency by Cooperating Institutions to focus on fiduciary and administrative issues at the expense of development objectives.<sup>194</sup>

<sup>192</sup> This includes PFC-ADP (*Pakistan*) which was rated as 'substantial' overall, despite having significant problems initially.

<sup>193</sup> The evaluation of supervision modalities (2003) suggests that the IFI model in supervision currently used in IFAD supported projects may not be the most effective modality to enhance project performance.

<sup>194</sup> From a much larger sample, the evaluation of supervision modalities (2003) concluded that CIs have consistently performed better on fiduciary aspects whereas implementation support, particularly for IFAD's specific requirements (and strategic imperatives), lagged behind.

- The central role of the CPM relationship, where an active CPM can overcome many of the inadequacies of the supervision arrangements.
  - A lack of project interaction outside the close CPM-project relationship, with little technical, policy, sectoral or cross-cutting support from IFAD.
- 5.27 The 2003 ARRI found clear differences in the performance of IFAD and the CI. IFAD's performance was rated as modest in two-thirds of the evaluations. Only three OE evaluations judged IFAD's performance to be good or very good. Weaknesses were mostly in areas of design, implementation support, and the creation of effective partnerships for implementation. In contrast, CI performance was rated as 'substantial' in about two-thirds of the evaluations. In seven of the ten projects reviewed, the CI was either the World Bank or UNOPS. The findings broadly confirm the conclusion on supervision modalities: UNOPS and the World Bank generally showed a stronger supervision performance than the regional, smaller CIs.
- 5.28 Sometimes the CI has clearly failed in its supervisory role. In *Peru*, MARENASS was supervised by the Andean Development Cooperation (CAF). To date, CAF has sent only a few missions and has not submitted a formal supervision report in four years. In *Bolivia*, both PRODESIB and PROSAT have had little support and coordination by CAF (the supervisors) – which are seen as obstructive, bureaucratic and over-controlling.
- 5.29 In a significant proportion of the sample however (40 per cent, or 8 projects), the CI has performed adequately but failed to tackle central development issues. This is sometimes due to lack of technical capacity, but more often than not, because the CI is overly focused on administrative and disbursement matters (Box 13).
- 5.30 It is therefore important that concerns about supervision are not simply equated with the performance of the CI, and thus exonerate IFAD.<sup>195</sup> CIs are generally performing adequately, and there is evidence that IFAD's supervision budget falls well below costs incurred by the World Bank on its own projects and this results in cost-cutting tactics. Also, supervision reporting of performance has not been an active topic for analysis and Executive Board discussion, and there are key areas where IFAD needs to take greater responsibility, namely: (i) in the selection and monitoring of supervisors; (ii) taking corrective action where CIs are failing in their role; (iii) be more responsive to supervision missions and reports;<sup>196</sup> (iv) provide additional technical or sectoral support in order to attain development objectives. The evaluation of supervision modalities (2003, recommendation v) also found a need to improve supervision quality assurance in IFAD to facilitate monitoring of CI performance.

### Box 13 Making supervision work within the current system

In *Armenia*, supervision by both the CI and the CPM is viewed positively by project management and welcomed as part of the process of improving performance. The proactive and pivotal role of the CPM is a strong contributory factor, including:

- An active input during identification and formulation to ensure good project design
- Asserting some influence in ensuring that a capable supervisor is selected
- Using the CI to its strengths, including checking loan conditions, disbursements, and providing fiduciary expertise
- Visiting projects at least once a year, and up to three times during the first critical stages
- Developing a good relationship with project management, including frequent communication (such as quick responses to emails/faxes)
- Active participation on MTR missions, including field visits and report writing

**Box 14** Supervision of administrative and financial matters at the expense of development objectives

- AqDP (*Bangladesh*): Supervision was undertaken by UNOPS which have been reportedly good at supervising the accounts and auditing the project, but lack the capacity on technical and social monitoring and supervision – which is seen as essential given the limited social analysis and development capacity of the lead government agency.
- PDSRO (*Burkina Faso*): Supervision of PDSRO is deemed satisfactory, although the failure of supervision to lead to a redesign in the face of overwhelming evidence is seen as a serious weakness.
- AMSDP (*United Republic of Tanzania*): The modest rating for AMSDP stems from the finding that although project management argues a sound case for modification in details of design, they feel that the CI is overly wedded to implementation in accordance with the original design and the loan agreement.
- MARENASS (*Peru*): Project staff and consultants active in the project have been critical of CAF performance, alleging that missions have been overly concentrated on administrative and financial affairs (to the detriment of important programming issues).
- PAMER (*Burkina Faso*): Supervision is well appreciated by project staff, though seen as inadequate by others due to the almost exclusive focus on administrative and financial matters.
- EDNASP (*Egypt*): The World Bank ably undertakes supervision of EDNASP within what they were asked to undertake, but are weaker in aspects to improve the project in development terms.
- PFC-ADP (*Pakistan*): The supervision achieved a satisfactory two missions per year, yet technical skills are very limited. The borrower also has concerns about CI supervision, mainly the number of decisions imposed.
- RFSP (*United Republic of Tanzania*): The RFSP is less concerned to make changes in the design: their concern is principally with the time pressure to achieve FLM targets in the absence of a planned start-up year. Interviews with management show that they see the performance of the CI as adequate or better, though the CI seems to be over-policing appraisal report targets.

5.31 The CPM-project relationship is critical to IFAD's supervisory role, and while most CPMs are viewed positively, the project usually has little interaction with other headquarters staff. In *Armenia* for instance, the communication and competence of the CPM(s) and CIs for both NWASP and ASP are viewed positively by the project coordinating unit. Beyond this close circle however, there are few other IFAD staff actively involved. Similarly in *Burkina Faso*, project staff are generally satisfied with the level of CPM support. There is however a low level of engagement between project staff and IFAD staff at headquarters (such as those engaged in policy or technical matters). In other instances the CPM (and thus IFAD) can appear distant: In *Pakistan*, supervision by IFAD is seen as fairly remote across both projects, with the borrower expressing a preference for closer interaction with IFAD. Likewise in *Guinea*, IFAD is considered to be a distant and almost absent partner for both projects, with its responsibilities delegated to UNOPS.

5.32 One of the responses to IFAD's 'arms-length' model of supervision to emerge out of IFAD VI consultations is the possibility of extending IFAD's field presence. The IEE does not attempt to substitute the on-going study of field presence, but instead it draws together much broader evidence to consider the implications of field presence. Firstly, a rapid and universal decentralization of CPMs will not necessarily address underlying structural weaknesses in the headquarters-field relationship. Frequent contact and support is often

<sup>195</sup> The 2003 ARRI (paragraphs 91-99), makes a clear distinction between 'modest' IFAD performance and 'substantial' CI performance.

<sup>196</sup> In PD-PEF (*Guinea*) for example, the supervision reports contain repeated comments concerning bad management, yet this does not seem to have been sufficient to sound the alarm.

most critical,<sup>197</sup> and while the CPM-project relationship is central to achieving this, project management staff are generally poorly connected to IFAD headquarters. There are for instance, few sectoral or crosscutting challenges to the work of the CPM. This ‘free agent’ CPM culture can produce good quality implementation without field presence, in other cases it fails to perform. The quality of poor performing CPMs must be addressed.

- 5.33 Secondly, the case for field presence needs seems most pertinent where there are advanced donor-government coordination mechanisms (in which IFAD should engage), or where projects are failing. The liaison officer initiative has been helpful in some respects, but for some stakeholders this has been lessened by the absence of any real authority within IFAD. The initiative has begun to close the communication gap, but locally hired liaison officers lack any authority over identification, formulation or implementation. They are under-resourced and have no authority to speak for IFAD or action implementation support in the way the decentralized CPM in Latin America has achieved in *Peru* (though with a lack of influence in *Bolivia*). In countries where donor programming is increasingly driven by official government-donor coordination mechanisms, the liaison officer is in a particularly invidious position. With the crucial identification decisions made through traditional Rome-to-Minister channels, formulation teams

#### In summary:

- IFAD needs to better select, monitor and intervene when supervision falls short of expectations.
- There is a real gap in the technical and sectoral capacity of supervising CIs. IFAD needs to address this, if development effectiveness and impact is to be improved.
- Field presence is unlikely to be a panacea. There are serious structural weaknesses in how the field relates to headquarters.

assembled and tasked from Rome, liaison officers are essentially observers. Similarly, if a project is in difficulty, their role is solely to email the supervisor or the CPM.

## 6. Concluding remarks

- 6.1 Whilst the IEE finds examples of high performing projects, the overall impact is found to be modest. Improved crop production for consumption is a significant impact, with corresponding increases in household income. The impact of financial services and investments in road and irrigation infrastructure has been modest, though with some critical exceptions. Despite representing a minor share of IFAD investment, health and education components have had a substantial impact (especially in terms of potable water supply). The impact on social capital and institutional development has been well below expectations, and sustainability remains a key concern. In terms of targeting the poorest, performance has been modest, in part due to problems of poor implementation and benefit capture.
- 6.2 IFAD’s lending programme lies at the core of its business. Yet, despite some stellar projects, there are significant weaknesses at all stages of the project cycle. Key issues include:
- The lack of serious challenge during the early stages of project identification, especially given the permissiveness of the strategy and policy context in IFAD.
  - Early intervention (plus resources) during the critical stages of project start-up.
  - Changes to the supervision model to ensure close and regular support throughout the project cycle.
  - Institutional analysis and economic analysis and planning in line with the current portfolio of investments.
  - Design, monitoring and improved mechanisms to prevent benefit capture during implementation.

<sup>197</sup> In relation to field presence, the evaluation of supervision modalities (2003, paragraph 140) also highlighted the importance of frequent contact and access to local level advice/support in the supervision process.

**Table 13** The country visit projects

Region	Country	ID	Name	Acronym	Stage at mid-2004	Project Type	Terms	Financing Type	IFAD Financing (USD '000)	Board Approval	Loan Signing	Effectiveness	Current Closing	CI
PN	Armenia	1038	North-west Agric. Services	NWASP	C	IRD	HC	E	12,961	4,12.97	5,12.97	14.4.98	31.12.02	IFAD
PN	Armenia	1177	Agricultural Services	ASP	M	IRD	HC	E	15,513	26.4.01	30.4.01	26.9.01	31.3.06	UNOPS
PI	Bangladesh	480	Small-scale Water Resources	SSWRDSP	C	Irrig., water and IRD	HC	C	10,400	6,12.95	15,12.95	10.6.96	31.12.02	AsDB
PI	Bangladesh	1074	Aquaculture Development	ADP	L	Aquaculture	HC	F	19,988	23.4.98	20.5.98	8.12.98	31.12.05	UNOPS
PL	Bolivia	373	Beni Indigenous People	PRODESIB	M	Land Tenure & IRD	HC	F	6,12.94	6,12.94	20.2.95	30.10.96	31.12.04	CAF
PL	Bolivia	1031	Small Farmers Tech. Assistance	PROSAT	M	TA & Extension	HC	C	8,099	29.4.97	5.8.97	30.4.98	30.6.05	CAF
PA	Burkina Faso	512	South West Rural Development	PDRSO	L	IRD	HC	F	14,816	11,9.96	22.1.97	12.1.98	30.06.05	BOAD
PA	Burkina Faso	1103	Rural Microenterprise	PAMER	M	SME dev't	HC	E	9,376	28.4.99	18.5.99	14.7.00	31.3.08	BOAD
PN	Egypt	1014	East Delta Agric. Services	EDNASP	L	IRD	HC	F	25,000	5,12.96	30.3.98	25.1.99	30.9.05	IDA
PN	Egypt	1204	West Noubaria	WNRDP	E	IRD	I	F	18,485	23.4.02	29.5.02	9.4.03	30.12.10	UNOPS
PA	Guinea	313	Smallholder Dev. Forest	PD-PEF	C	IRD	HC	E	13,820	2,12.92	22.1.93	23.2.94	30.6.02	UNOPS
PA	Guinea	478	North Lower Guinea Project	PD-PAPE	C	IRD	HC	F	15,200	14,9.95	18,10.95	1.7.96	31.12.04	UNOPS
PF	Mozambique	334	Artisanal Fisheries	NAFP	C	Sea Fisheries & IRD	HC	F	6,025	15,9.93	26.1.94	4,11.94	31.12.02	UNOPS
PF	Mozambique	1109	PAMIA Support Project	PAMIA	E	Agr. Marketing	HC	E	22,783	8,12.99	6,12.00	7.9.01	31.3.08	UNOPS
PI	Pakistan	353	Pat Feeder Command Area	PFC-ADP	C	Irrig. & IRD	I	C	28,550	19,4.94	28,9.94	2.2.95	31.12.03	AsDB
PI	Pakistan	1182	NWFP Barani	BADP	E	Irrig. & IRD	HC	C	14,448	26,4.01	16,8.01	9.5.03	31.12.09	AsDB
PL	Peru	475	Management of Natural Resource	MARENASS	L	TA & Extension	I	F	12,278	14,9.95	21,6.96	9.4.97	30,6.04	CAF
PL	Peru	1044	Puno Cusco Corridor Dev.	CORREDOR	M	SME dev't	O	E	18,923	4,12.97	7,12.99	17,10.00	30,6.07	IFAD
PF	Tanzania	1151	Rural Financial Services	RFSF	E	RFS dev't	HC	F	16,342	7,12.00	31,1.01	12,10.01	30,6.11	UNOPS
PF	Tanzania	1166	Rural Marketing Services	AMSDP	E	Agr. Marketing	HC	F	16,345	6,12.01	15,1.02	4,10.02	30,6.10	UNOPS

Stage: E = Early; M = Middle; L = Late; C = Closed  
 Project Type: IRD = Integrated Rural Development; TA = Technical Assistance; SME = Small & Medium Enterprise; RFS = Rural Financial Services  
 Terms: HC = Highly Concessional; I = Intermediary; O = Ordinary  
 Financing Type: C = Initiated by another institution and co-financed by IFAD; E = IFAD initiated and exclusively financed by IFAD; F = IFAD initiated and co-financed by an external partner

## Annex 5

# Terms of reference of the IEE

### 1. Introduction

1. During its deliberations, the Consultation on the Sixth Replenishment of IFAD's Resources endorsed a proposal to have an independent external evaluation (IEE) of IFAD. Accordingly, the Governing Council decided that the evaluation should be planned and begun in 2003 and completed in 2004, in time to allow for full consideration of the IEE report by the Executive Board, prior to its recommendation to the Governing Council on the Consultation on the Seventh Replenishment of IFAD's Resources. On 9-10 April 2003, the Executive Board considered a report by the chairperson of the Evaluation Committee; endorsed its recommendations on the governance and organization of the IEE and entrusted the Director of the Office of Evaluation (OE) with the preparation of detailed terms of reference (TOR) for submission to the steering committee for its review and endorsement<sup>198</sup>.
2. This document contains the terms of reference for the IEE, prepared in accordance with guidance provided by the Executive Board. It is intended to facilitate the selection of a service provider<sup>199</sup> through an open and international competitive bidding, in conformity with IFAD's rules and regulations, and to guide the conduct of the IEE. Bidders will have flexibility in proposing technical approaches and allocation of

consultant inputs within the parameters of the TOR.

### 2. Objectives of the Evaluation

3. The main objective of the IEE is to determine IFAD's<sup>200</sup> contribution to rural poverty reduction, the results and impact it has achieved in this area, and the relevance of the organization's mission and objectives in relation to international development goals and the national development strategies of IFAD borrowing countries. The evaluation is further expected to assess whether and what IFAD has learned from past experience and how the Fund's policies and operations have evolved in response to lessons learned from that experience, and finally, to offer recommendations on the policy directions IFAD should pursue and other steps it should take to improve its future performance.
4. The IEE is required to relate its findings and recommendations credibly to reliable evidence, in accordance with good development evaluation practice and sound professional methods and criteria. The IEE must be independent and external, and recognized as such by its client, the Executive Board, as well as by the international development community and the general public. It should meet the high-quality standards required to be able to contribute inputs to



the deliberations of the Consultation on the Seventh Replenishment of IFAD's Resources.

### 3. Scope and focus

5. Given the time and resources available, the IEE is expected to focus on the assessment of the sustainable impact and effectiveness of IFAD's development initiatives, including IFAD-supported projects, policy dialogue, advocacy work, corporate policies and strategies. This would include the management processes through which IFAD formulates development policies and strategies and its management of the project cycle in cooperation with other partners.
6. The IEE service provider may also extend the evaluation to other aspects of the workings of IFAD that it considers important and for which it has the time and expertise to deal with beyond the above-mentioned focus of the IEE. The service provider may recommend appropriate follow-up by IFAD if, for any subject outside its focus, a thorough and credible evaluation cannot be performed within the time and resources available to the service provider.
7. The focus of the evaluation will relate to the impact, effectiveness and national development relevance of IFAD-supported projects, programmes, strategies and policies that have been initiated or contributed to by IFAD at least over the last ten years. These include:
  - (a) completed and ongoing loan projects;
  - (b) non-lending activities such as technical assistance grants (TAGs)<sup>201</sup>, and policy dialogue and advocacy work that are not directly related to lending operations;
  - (c) the country strategic opportunities papers (COSOPs) that guide IFAD's cooperation with its developing country partners;
  - (d) the regional strategies<sup>202</sup> that guide the operations of the five regional divisions of IFAD;
  - (e) the corporate policies, the overall Strategic Framework for IFAD 2002-2006<sup>203</sup> and its predecessor for 1998-2000, and the guidelines and provisions laid down by the various consultations on the replenishment of IFAD's resources;<sup>204</sup> and
- (f) the contribution to policy dialogue that IFAD has made over the years through its participation in regional, international and global development forums and conferences.
8. In selecting specific countries as well as lending and non-lending operations for detailed scrutiny, the service provider will ensure that the samples used are representative of IFAD operations and free from any biases that could undermine the independence, impartiality and credibility of the evaluation. It is expected that the service provider will employ stratified, multistage random sampling methods for this purpose.<sup>205</sup>
9. The processes employed by IFAD to formulate the IFAD Strategic Framework, regional strategies, COSOPs and corporate policies are also part of the IEE. So, too, is management of the project cycle,<sup>206</sup> from project identification (inception) and formulation to approval, implementation and self-evaluation, including

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<sup>198</sup> For further information, please see the Report of the Chairman of the Evaluation Committee on the Independent External Evaluation of IFAD, available at <http://www.ifad.org/evaluation/iee/chairman.pdf>.

<sup>199</sup> The term 'service provider' indicates a private or public entity or firm, whereas the term 'consultant' indicates an individual service provider.

<sup>200</sup> For an overview of IFAD, its mandate and activities please refer to the IFAD Basic Documents (<http://www.ifad.org/pub/basic/index.htm>), and to IFAD's Annual Report (<http://www.ifad.org/pub/ar.htm>).

<sup>201</sup> For further information please refer to the IFAD Grants section on the IFAD corporate website under <http://www.ifad.org/operations/grants/index.htm>.

<sup>202</sup> Formal regional strategy documents are available from 2002. Regional strategies are also discussed annually by the Executive Board during review of the annual work programme and administrative budget. All regional strategy documents are available on the IFAD website at <http://www.ifad.org/pub/index.htm> for viewing and downloading.

<sup>203</sup> The Strategic Framework for IFAD(2002-2006) can be viewed at <http://www.ifad.org/pub/index.htm>.

<sup>204</sup> Such as the IFAD V: Plan of Action (2000-2002). This document is available at <http://www.ifad.org/operations/action/index.htm>.

<sup>205</sup> Annex I lists some of the factors considered important for stratified, multistage random sampling.

<sup>206</sup> Annex II gives an illustrative list of processes that may warrant attention during the IEE.

the process through which IFAD assures quality and flexibility in project design and implementation, as well as the selection process and roles of IFAD consultants and cooperating institutions,<sup>207</sup> which are of particular importance during the project cycle. The IEE will also pay attention to the process through which IFAD ensures the adoption and implementation of recommendations generated by its self-evaluation<sup>208</sup> function and by OE.

10. Finally, it is expected that the IEE will take into account the national and global context within which IFAD operates and, in particular, the consensus of the development community, the specific potentials and constraints of its borrowing Member States and the evolving role of IFAD's development partners. This is critical to ensuring that the relevance of IFAD's operations is assessed in terms of: (i) its unique mandate and comparative advantage; (ii) the priorities endorsed by the international development community (such as the Millennium Development Goals – MDGs); and (iii) the objectives embedded in poverty-reduction strategies owned by its borrowing Member States.

#### 4. Major evaluation questions

11. The IEE will address two fundamental questions: Is IFAD properly focused on its rural development mission? Are the skills and resources of IFAD used in the best possible way, given IFAD's overarching goal of supporting rural development and helping developing countries eradicate rural poverty? To answer these questions, it will use a variety of evaluation instruments and techniques adapted to IFAD's mandate and in conformity with good development evaluation practices and criteria. The following concerns and questions should be taken as the point of departure for the IEE:
  - (a) What is the development relevance of IFAD's policies and programmes? What value does IFAD add to the international development community, particularly in relation to rural poverty reduction, improved food security, relevant national sector policies, national development and poverty reduction strategies, such as the PRSPs, and the international development goals, e.g. the MDGs?
  - (b) What has been the sustainable—quantitative and qualitative—impact of IFAD-supported projects on the ground? (As much as possible, the IEE is expected to quantify impact and, to that end, emphasize methodologies for quantitative data collection and analysis of impact.) And to what extent has IFAD contributed to rural poverty reduction? How successful has IFAD been in improving agricultural and rural development policies and stronger institutional capacities in partner countries?
  - (c) How effectively has IFAD promoted innovative approaches in relation to policy, partnerships, project implementation, technology and other aspects of IFAD-assisted operations that are meant to impact poverty? How has IFAD made use of local knowledge and technology in promoting innovative approaches? How have IFAD's innovative approaches been replicated and scaled up?
  - (d) How effective has IFAD been in pursuing its objectives? How and to what extent are IFAD policies adapted to the achievement of these objectives, and how clear, explicit and measurable are IFAD's objectives?
  - (e) How efficient has IFAD been in the use of lending and other budget resources and the deployment of skills? And how selective has it been in the allocation of its resources and the choice of institutions and partners? To what extent has IFAD promoted the ownership and partnership of relevant host country institutions, including those representing the poor?
  - (f) What explains IFAD's performance in terms of evaluation criteria and questions such as those mentioned above?
  - (g) How can IFAD enhance the impact and sustainability of its development cooperation, and contribute more to poverty-reduction efforts? What are the main recommendations that IFAD should consider adopting in the near and long term?

12. The service provider is expected to operationalize and fine-tune the questions outlined above. Within that scope, it is also encouraged to add sub-questions and issues that help address the objectives of the IEE. The outputs of the service provider, however, must be fully compliant with the letter and spirit of this TOR.

## 5. Main tasks and methodology

13. The role of OE in the IEE has been defined by the Executive Board and is outlined below in section 8 on Governance and Organization. OE, which previously reported directly to the President of IFAD, now reports directly to the Executive Board by virtue of a decision made by the Board at its Seventy-Eighth Session in April 2003 and is now truly independent of IFAD management.<sup>209</sup> OE will facilitate the work of the service provider during the evaluation in a number of ways, including the following:
  - (a) At the inception stage, and as often as necessary, OE<sup>210</sup> will brief the service provider on the operations, governing bodies and organizational structure of IFAD, relevant documents and data sources, and OE's work programme of independent evaluations for 2003-04.
  - (b) OE will also provide written comments to the service provider on all its deliverables in order to facilitate and enhance the compliance of the evaluation with the agreed TOR and methodology. These comments will address any deviation from the requirements of the TOR, in addition to methodological issues and any factual issues or inaccuracies concerning IFAD that OE may consider relevant to the IEE. However, OE will neither support nor contest IEE findings and recommendations.
  - (c) A number of the evaluation reports contained in OE's 2003-04 work programme are being prepared independently of IFAD management as a consequence of the April 2003 Board decision<sup>211</sup> that OE should report directly to the Executive Board. The service provider may wish to consider these OE reports as independent evaluations that

augment the field-based independent validation proposed below and add value to the IEE in general.

- (d) Before commencement of the field-based independent validation, OE will identify, in consultation with the relevant IFAD regional divisions, a national evaluation counterpart for the service provider in each selected country.<sup>212</sup>
14. The IEE is conceived as a process consisting of a number of stages and tasks. The first task (*Task 1*) of the service provider is to interact with OE in developing the detailed scope and final work plan of the IEE. In specific terms, the service provider will:
    - (a) take into account the perspectives of the client, in this case the Executive Board of IFAD, by reviewing Board minutes and other documents;
    - (b) develop a common understanding of the TOR among the consultants and the OE Director and his two senior independent advisers, and fine-tune and operationalize the scope, focus, main questions, methodology and tasks within the TOR framework endorsed by the steering committee;

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<sup>207</sup> For further information regarding cooperating institutions and their role in IFAD operations, please refer to the Report of the Joint Review on Supervision Issues for IFAD financed Projects at <http://www.ifad.org/evaluation/iee/gc-20-1-10.pdf>.

<sup>208</sup> Please refer to the Progress Report on the Project Portfolio (see <http://www.ifad.org/gbdocs/eb/78/e/EB-2003-78-R-16.pdf>), and to the stocktaking of monitoring and evaluation (M&E) undertaken by OE (M&E systems at project level, available at <http://www.ifad.org/gbdocs/eb/ec/e/25/EC-2000-25-W-P-3-REV-1.pdf>).

<sup>209</sup> At the same session, the Executive Board also approved the IFAD Evaluation Policy, which assigns the independent evaluation function within IFAD to OE and codifies the principles, policies and main procedures for independent evaluation. The evaluation policy is available at <http://www.ifad.org/gbdocs/eb/78/e/EB-2003-78-R-17-REV-1.pdf>

<sup>210</sup> In addition to IFAD management and staff as required.

<sup>211</sup> For more information on OE's work programme for 2003-04 please refer to OE's Work Programme and Budget for 2003 which can be seen at <http://www.ifad.org/gbdocs/eb/ec/e/33/EC-2003-33-WP-3.pdf>

<sup>212</sup> The national evaluation counterpart is a facilitator selected for the purposes outlined in paragraph 29. As opposed to the national evaluation teams, the national evaluation counterpart is not a member of the service provider's team.

- (c) determine those aspects of the work of IFAD that the service provider considers important but which are not part of the focus of the evaluation. Within these aspects of IFAD's work, the service provider will distinguish between those that can be addressed by the IEE, given its expertise and the time available, and those that cannot, and for which the service provider will propose appropriate follow-up by IFAD in accordance with paragraph 6 of the TOR;
- (d) select 20-25 countries through stratified, multistage random sampling (as suggested in Annex I) for detailed scrutiny, half of which would be selected randomly for conducting independent validation through original field research. In the same way, select 40-50 loan projects, which came into effect between 1994-2002, and 4-6 TAGs in the above-mentioned selected countries;
- (e) prepare a list of documents and other information for use in the IEE, with inputs from OE and other IFAD units, including all corporate-level and thematic evaluations and relevant project and country programme evaluations prepared by OE;
- (f) fine-tune the timetable of the IEE and the consultants' deployment schedule, including the total amount of person/months to be spent in the field;
- (g) address any other issues that need to be resolved during the inception phase, including the maximum length of the final report; and
- (h) summarize the outcome of all the preceding sub-tasks in one inception report
15. **Task 2** is to conduct a desk review, as follows:
- (a) The desk review will include the country programmes, loan projects and TAGs identified in Task 1 and other aspects of IFAD's work identified under the scope and main questions in this TOR. Half the country programmes, projects and TAGs selected for desk review will be selected randomly for independent field-based validation by the service provider. Before commencing field work, however, the service provider will conduct an evaluability assessment of the sample and determine whether the data and information required for impact analysis are available. Projects and country programmes that are not found to be evaluable to a reasonable standard of evaluability, or lack data, information or effective monitoring and evaluation required for impact assessment will be listed and reported as such. The service provider will devise an appropriate approach to evaluability and determine whether or not to replace, through an additional round of sampling, the projects and country programmes that are found to be non-evaluable.
- (b) The desk review will consist of two parts. In the first part, the service provider will prepare a preliminary evaluation report on the IFAD strategic frameworks, replenishment consultations, regional strategies and corporate policies. This will focus on a desk review of the IFAD strategic frameworks, the guidelines and provisions laid down by the replenishment consultations that took place in the period 1994-2003, the regional strategies, and the corporate policies that IFAD has developed since 1994. The review will include an evaluation matrix<sup>213</sup> for the strategic frameworks, the replenishment consultations and the corporate policies along the lines of the matrix developed for the IFAD V: Plan of Action (2000-2002).<sup>214</sup> The review will be based on IFAD documents, including OE reports, as well as interviews and meetings with IFAD management and staff. Meetings with the Food and Agriculture Organization of the United Nations (FAO), the World Food Programme (WFP) and a sample of the representatives of Member States may also be included in this task.
- (c) The second part of the desk review will focus on documents pertaining to COSOPs and country programmes for selected countries and the selected loan projects, and to non-lending activities (e.g. TAGs), including their contributions to advocacy and policy dialogue. This

- will include a review of all evaluation reports prepared by OE on the projects and non-lending activities selected for inclusion in the IEE. Interviews with relevant IFAD staff and management will also be part of this task. Based on this desk review, the service provider will prepare a preliminary evaluation report on IFAD projects, TAGs and other non-lending activities. This will include the selection of 10-12 countries, 20-25 loan projects and 2-3 TAGs for independent validation.
16. **Task 3** is to obtain independent validation through original research in the sample of countries, projects, and TAGs selected during the completion of Task 1 (this validation will be augmented by the independent evaluation reports prepared by OE, see paragraph 13 [c]). Task 3 will be undertaken in order to validate and enrich both parts of the desk review mentioned above and to identify new findings that may confirm or refute the conclusions of the desk review. This task also includes consultations and interviews with government representatives, civil society, the private sector, development agencies, existing in-country co-ordination groups and the rural poor and their organizations. For the independent validation in the field, the service provider will organize national evaluation teams, as required in section 7.
  17. **Task 4** is to prepare the draft final report, including the incorporation of comments received on the completion of Task 3.
  18. **Task 5** is to prepare the final report, reflecting comments received on the draft final report. A presentation of the final report to the IFAD governing bodies is also part of this task.
  19. **Task 6** consists of the submission of bimonthly progress reports on the deployment of consultants, the completion status of the above-mentioned tasks, steps taken to solve any management problems that may have caused deviations from the plan, and the financial data required under the service provider's contract. This task includes submission of progress reports to the Executive Board according to the timetable given in Annex III.
  20. It is understood that different aspects of IFAD's development work (for example, projects, policies and advocacy work) may require different evaluation methodologies. Accordingly, service providers are free to address methodological issues in a differentiated manner in the technical approach they propose for desk reviews and field work. Their proposals are expected to be consistent with good evaluation practice and use a broad range of techniques such as triangulation, literature review, desk studies, interviews, surveys, focus groups, field investigations, and criteria such as, for example, those described by OECD/DAC and OE's methodological framework. The OE evaluation criteria are: impact<sup>215</sup> (six domains), sustainability, innovation and replicability/scaling up, performance of the project/policy (relevance, effectiveness and efficiency), and performance of implementation partners (IFAD's management and operations, borrowing countries and implementation authorities, cooperating institutions, etc). The IEE is expected to determine IFAD's contribution to rural poverty reduction in quantitative and qualitative terms and to differentiate by gender and other target groups the results and impact achieved.
  21. In the technical proposals, service providers will propose how best to undertake the above-mentioned tasks within the available time and resources. They will also provide details of the methodology they propose to use. The methodology should be participatory and

<sup>213</sup> Containing objectives, measures, performance criteria and achievements.

<sup>214</sup> The IFAD V: Plan of Action (2000-2002) can be viewed at <http://www.ifad.org/operations/action/index.htm>

<sup>215</sup> For further information, please refer to OE's Methodological Framework for Project Evaluation under <http://www.ifad.org/evaluation/iee/framework.pdf>.

should use triangulation techniques and OE's methodological framework for evaluation as much as possible. The evaluation process should be as independent, objective and impartial as possible.<sup>216</sup>

## 6. Deliverables and milestones

22. The deliverables of the IEE process correspond to the main tasks described above. These deliverables will be produced according to the following outline plan, which will be finalized at the conclusion of Task 1:
  - (a) **Deliverable 1** is an inception report corresponding to Task 1, required within two months of the award of the contract. The Director of OE will approve this report.
  - (b) **Deliverable 2** is a desk review as described in Task 2, required within two months of the approval of the inception report. The desk review will consist of two parts:
    - a review of IFAD strategies, regional strategies and corporate policies; and
    - a review of IFAD COSOPs, country programmes, projects and non-lending activities.<sup>217</sup>
  - (c) **Deliverable 3**, based on Tasks 1-3, is a complete report on the evaluation of IFAD country programmes, projects and non-lending activities, prepared after the completion of independent validation through original research in a sample of the borrowing Member States. This report will also take into consideration OE's independent evaluation reports referred to in paragraph 13(c). It will be submitted within six months of the submission of Deliverable 2 (that is, eight months after the approval of the inception report).
  - (d) **Deliverable 4** is the draft final report, to be submitted no later than nine months after the approval of the inception report.
  - (e) **Deliverable 5** is the final report, required within 12 months of the award of the contract.
  - (f) **Deliverable 6** consists of various progress reports required under this TOR, as described in Task 6.
23. Each report will be as concise as possible and submitted in English. The language should be reader friendly and direct. It will avoid euphemisms when describing problems and shortcomings, but convey respect for and empathy with the people evaluated by the IEE. The consultants will provide 15 copies of each report to OE.
24. The length of the final report, which will be translated into the other three official languages by the Secretariat of IFAD, and the length of the executive summary will be determined during the inception phase. A clear rationale for annexes or appendices would also be agreed at that time. The report should be organized in such a way that it becomes clear that it provides answers for the questions and issues raised in the TOR. A convincing account of the reasons why certain issues could not be addressed should be included. The final report will be distributed widely within and outside IFAD to all partners and stakeholders and posted on IFAD's website.
25. The service provider will submit all the above-mentioned deliverables to the Director of OE. OE will share these deliverables, as described below, with the Executive Board, the steering committee and IFAD management, which will provide comments as follows:
  - (a) The steering committee may comment on any aspect of all the deliverables that helps to ensure that the Evaluation Team conducts its work in accordance with its TOR.
  - (b) On Deliverables 1-3, IFAD management will provide comments that relate exclusively to factual matters.
  - (c) IFAD management will provide comments on factual matters as well as matters of judgment upon receipt of Deliverable 4 (the draft final IEE report). Upon receipt of Deliverable 5 (the final report), it will, in addition, provide a management response to the Executive Board that contains the management reaction to the IEE and sets forth its views on the feasibility or otherwise of the IEE recommendations. The management response will explain why certain recommendations, if

any, are considered non-feasible and how management would propose to implement the recommendations that it finds acceptable. The management response will be included as an appendix to the final IEE report.

- (d) The Executive Board will receive, discuss and comment on the draft final IEE report (Deliverable 4).
26. In line with the IFAD Evaluation Policy, the service provider will decide which of the comments it receives should be incorporated in the final report. The policy sets forth the general rule, which will also apply to the IEE, that:
- (a) The final report must incorporate comments that point out factual errors or inaccuracies.
  - (b) Judgements that differ from those of the Evaluation Team may be incorporated by means of a note in the report.

## 7. Team composition and profile

27. IFAD expects that the Evaluation Team fielded by the service provider will consist of the following key personnel: a team leader (for 12 months) and two other senior experts (for a total of 17 person-months). The bidders are expected to propose additional personnel on the basis of their approach to the TOR, and to provide individual task responsibilities and TOR as part of their technical proposal. Funds have been allocated for a total of 14 person-months for these additional personnel. Thus the service provider's core team will consist of a team leader, two other senior experts and other personnel (for a total of 43 person-months), all of whom will be evaluated at the proposal stage.
28. The team that IFAD expects to recruit for the IEE will "meet the high-quality standards required to be able to contribute inputs to the deliberations of the Consultation on the Seventh Replenishment of IFAD's Resources," an expectation that is stated first in paragraph 4 of these TOR. The selection of the team will be based on careful consideration of several factors, some of which are considered important for the core team, some for the Team

Leader and others for the team as a whole. These factors will be elaborated, qualitatively and quantitatively, in the Request for Proposal that will be sent to short-listed organizations and are outlined below:

- (a) **Key personnel (team leader and two senior experts).** Each of the key personnel will have at least 20 years experience of diverse work in the field of development, with a considerable part of their work in developing countries. Each of them will have demonstrable leadership ability, internationally recognized achievements, and superior communication ability and conceptual and empirical analytical skills. Their evaluation experience will include complex institutional evaluations, agricultural and pro-poor rural development programmes (particularly those supported by international financial institutions), and the assessment of global, regional and national development strategies and issues and development-oriented corporate policies at the corporate, country and regional levels. Other experience will include working on poverty issues, the design and implementation of participatory approaches (particularly social mobilization), experience in the five IFAD regions, and working with international financial institutions, United Nations development agencies and civil society organizations.
- (b) **Team leader only.** Leadership and communication abilities and experience with complex institutional evaluations are vital for the Team Leader's position and considered more important for the Team Leader than for the two Senior Experts.

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<sup>216</sup> These terms may be understood with reference to the IFAD Evaluation Policy available at <http://www.ifad.org/gbdocs/eb/78/e/EB-2003-78-R-17-REV-1.pdf>

<sup>217</sup> Non-lending activities are defined in paragraph 7(b).

(c) **Other personnel of the core team.** Other members of the core team will have experience in evaluation, participatory approaches (particularly social mobilization), agricultural and rural development, the five IFAD regions and the specific areas of expertise for which they are proposed by the service provider.

(d) **The team as a whole (comprising the team leader, two senior experts, other personnel of the core team and national evaluation teams).** Overall team composition will be guided, in addition, by the following important and essential considerations:

- The team will include expertise in the quantitative and qualitative methods of social and economic research.
- The team, as a whole, will represent regional and gender balance and the required language expertise. In addition, it would be desirable for the core team to possess diverse regional experience and language skills.
- There should be no conflict of interest. That is, the consultants selected should not have any concurrent assignments with IFAD; they should not have had any involvement (either as staff members or consultants) in the Process Re-Engineering or Strategic Change Programmes undertaken by IFAD, or in any of the earlier external assessments/reviews/evaluations of IFAD; or a work history with more than 15 per cent of working days with IFAD.
- The service provider and its team must demonstrate that they can organize in-country research and national resources, including national evaluation teams for the field-based part of the IEE.

29. The service provider will organize national evaluation teams in each of the countries in which the IEE will carry out independent validation. These teams may be recruited from among individuals or national service providers such as consulting firms, non-governmental organizations and academic institutions. The service providers are not

expected to identify these teams at the proposal stage, but they will provide lumpsum budget estimates if invited to submit a cost proposal. The service provider will ensure that the national evaluation team members have the experience and skills required for the task assigned to them and have no conflict of interest in terms of the IEE's TOR. In addition, OE will assist the service provider, in consultation with the Programme Management Department of IFAD, in identifying a suitable national evaluation counterpart in each country, who will organize access to selected IFAD-assisted projects and relevant officials and other stakeholders.

## 8. Governance and organization

30. The evaluation will be conducted under the overall supervision of the Director of IFAD's Office of Evaluation on behalf of the IFAD Executive Board.
31. A steering committee, composed of representatives of IFAD member countries, will serve in an advisory capacity to the OE Director and the service provider, providing comments on draft documents and other issues as further described below. In specific terms, it is expected that the steering committee will: (a) review and endorse the TOR; (b) endorse the selection of the Evaluation Team, as recommended by the OE Director under procedures described below in paragraph 36; and (c) review the IEE reports, as mentioned in paragraph 25 (a).
32. The OE Director will serve as the service provider's primary counterpart, ensuring that the Evaluation Team conducts its work in accordance with its TOR, and will facilitate the work of the service provider as specified in this TOR. In this capacity, the Director may seek the advice of the steering committee. The OE Director will be supported in his task by two senior independent advisers of international standing, who will interact with the service provider at key stages of the evaluation process and review draft interim reports and the draft final report, as mentioned in paragraph 13 (b). They will provide comments on the evaluation methods used and processes followed, as an input into a report that the OE



Director will make available to the steering committee and the Executive Board, together with the final IEE report. If at any point during the evaluation the Director believes that the service provider is deviating materially from the requirements of its TOR, he may require corrective measures to be taken. He will inform the steering committee and Executive Directors/Alternates of any such actions. He will also provide a status report on the progress of the evaluation at each Executive Board session during the evaluation.

33. The OE Director will not be responsible, however, for the findings, recommendations and other contents of the IEE reports. The duties and role of OE in the IEE are described in paragraph 13 above.
34. IFAD will provide adequate office space, photocopying, and telephone connections to the Evaluation Team while it is based in Rome. The service provider will make its own arrangements from the approved budget for travel, accommodation, long-distance communication, and in-country visits and work.
35. In accordance with the IFAD Evaluation Policy, approved by the Executive Board on 9 April 2003, IFAD management will ensure that IFAD officials and IFAD-assisted projects promptly provide all documents and other information required and participate and cooperate actively in the IEE. The Programme Management Department of IFAD will assist the Evaluation Team in selecting a national evaluation counterpart or liaison officer in each of the countries selected for independent validation. Furthermore, IFAD management and operations will provide comments on the service provider's deliverables as described in paragraph 25 (b) and (c) above.

## 9. Selection procedure

36. The OE Director will manage the process for selecting the external and independent service provider. The Evaluation Team will be recruited as a unit through an open and competitive international bidding process (consisting of a technical and financial proposal and presentations by the three top-ranked bidders) in accordance with the rules and regulations employed by IFAD for this purpose. From a short list of at least three qualified candidate service providers, the OE Director will recommend a selection for the steering committee's endorsement.

## Annex I

### Considerations for constructing a stratified, multistage random sample of projects and countries

1. For the desk study and subsequent field validation, the IEE will consider a sample of IFAD projects (stratified by region) that came into effect between January 1994 and December 2002.
2. The IEE will conduct a detailed desk review of 20-25 country programmes encompassing 40-50 projects, as well as 4-6 TAGs. These countries and projects will be selected through stratified, multistage random sampling, as indicated below under paragraphs 3, 4 and 5. TAGs will be selected randomly, taking into account the need to represent different categories of activities financed through TAGs and their size. Half of these country programmes, projects and TAGs will be selected randomly for independent, field-based validation based on the sampling considerations given below.
3. The sample will include country programmes from the five IFAD regions, namely, Asia and the Pacific, Western and Central Africa, Eastern and Southern Africa, Latin America and the Caribbean, and the Near East and North Africa (including Eastern Europe). The number of countries selected in each region will reflect the relative importance of that region in the total IFAD portfolio of loans for 1994-2002 (the weights will be the volume of loans and/or the number of projects).
4. Once the number of countries per region has been determined, the actual selection of countries within the regions will be carried out randomly, taking into account – to the extent possible – some or all of the following criteria: (i) income classification, (ii) size of countries' portfolios in the period 1994-2002 (expressed in terms of volume of loans and/or number of projects), (iii) size of countries' rural populations, (iv) relative size of the agricultural sector, (v) IFAD lending terms to the countries, (vi) human development index ratings of the United Nations Development Programme.
5. Within each of the selected countries, projects will be chosen randomly, taking into account the need to: (i) represent the main sectors into which IFAD projects are classified, (ii) cover different financing modalities and implementation arrangements (such as cofinancing and the flexible lending mechanism), and (iii) consider implementation difficulties arising from security concerns. To allow for a more meaningful assessment of results and ensure full interaction with project management and other stakeholders, a relatively larger proportion of the sample will be assigned to projects in the last year of implementation.

## Annex II

### Processes to be considered by the IEE

1. Formulation, approval and implementation of:
  - IFAD strategic frameworks (2002-06 and 1998-2000);
  - the five regional strategies; and
  - COSOPs.
2. Identification of the need for corporate policies, and their formulation, approval and implementation.
3. All stages of the project cycle, including:
  - project identification (inception);
  - formulation (including selection of project components and implementing partners, and the role of consultants);
  - appraisal;
  - loan negotiation;
  - loan approval;
  - loan effectiveness; and
  - implementation (including M&E systems, supervision by IFAD and/or its cooperating institutions, and self-evaluation by the Programme Management Department).
4. IFAD's independent evaluation, and the process for tracking adoption and implementation of independent evaluation recommendations by IFAD management.

## Annex III

### Timetable for the IEE

15.04.03	Request to the List Convenors to initiate proposal of members of the steering committee (SC)
04-11.05.03	Preparation of the TOR; organization of the entire IEE process
15.05.03	Deadline for the presentation of the members of the SC to OE
18.06.03	Dispatch of letter inviting expressions of interest
Jun./Jul. 2003	Preparation of detailed budget, related Board document for September 2003 and request for proposals (RFPs)
10.07.03	Deadline for submission of expressions of interest (EOIs)
15.07.03	Endorsement of the TOR by the SC
11-31.07.03	Screening of EOIs and short-listing for RFPs
01.08.03	Dispatch of RFPs to qualified respondents
08.09.03	Deadline for receipt of technical and financial proposals
08-26.09.03	Ranking of proposals
10-11.09.03	Presentation of the IEE budget proposal for approval and the first progress report to the Executive Board
06-10.10.03	Top three bidders to make presentations in Rome. Final selection by OE
17.10.03	Approval of selection by Contracts Review Committee
20.10.03	Review and endorsement of selection by the IEE steering committee.
22.10 – 10.11.03	Negotiation and award of contract
24.11.03	Start of work by the contracted Evaluation Team
17-18.12.03	Presentation of the second progress report to the Executive Board
04.04.04	Presentation of the third progress report to the Executive Board
Dec. 04	Completion of the IEE
Jan. 05	Distribution of the IEE report by the IFAD Secretariat to the Executive Board
Feb. 05	Discussion of the IEE report in a special/informal reunion of the Executive Board

## Annex IV

### Illustrative allocation of level of effort (LOE)

Deliverable and Calendar Time	Consultants and LOE	Distribution of Time	
		Rome Up to:	Field As little as:
1. Inception report (two months)	Up to 3 consultants:		
	i. Team leader (2 months)	100%	0%
	ii. Senior consultant No. 1 (1 month)	100%	0%
	iii. Senior consultant No. 2 (1 month)	100%	0%
2. Desk review (two months)	Up to 4 consultants for 2 PM* each:		
	i. Team leader	100%	0%
	ii. Senior consultant No. 1	100%	0%
	iii. Senior consultant No. 2	100%	0%
	iv. Other personnel No. 1	100%	0%
3. Evaluation report on IFAD projects and non-lending activities (six months)	Up to 7 consultants for 3-6 PM each:		
	i. Team leader		
	ii. Senior consultant No. 1		
	iii. Senior consultant No. 2	15% on average	85% on average
	iv. Other personnel No. 1		
	v. Other personnel No. 2		
	vi. Other personnel No. 3		
	vii. Other personnel No. 4		
	Plus (for 2-3 months each):		
	■ 11 National evaluation counterparts	100%	0%
■ 11 National evaluation teams	100%	0%	
4. Draft final report (one month)	Up to 3 consultants for 1 PM each:		
	i. Team leader	100%	0%
	ii. Senior consultant No. 1	100%	0%
	iii. Senior consultant No. 2	100%	0%
5. Final report (one month)	Up to 2 consultants:		
	i. Team leader (1 month)	100%	0%
	ii. Senior consultant No. 1 (1 month)	100%	0%

\*PM = person-month(s)

Note: For purposes of budgeting, it is assumed that half the total level of effort will be spent in the field. Standard IFAD travel and DSA rates apply to all work.

## Annex 6

# The Comments of the IEE Senior Independent Advisors

1. As requested, the Director of OE received regular progress reports on the IEE at all stages of its preparation. This note summarizes our joint views on the evaluation process and its outcome.
4. The process of selecting the consulting firm to undertake the IEE was managed by OE in a fully transparent manner, which also facilitated communications among Executive Board Directors, IFAD management and the consultants. It also provided logistical support and information to the evaluators, and monitored their compliance with the terms of reference, agreed IEE methodology, processes and deadlines. Care was taken to ensure that the comments of management, the steering committee and senior independent advisors were reviewed by the consultants. Finally, OE offered guidance and professional advice to the evaluators without 'crossing the line' or undercutting the integrity of the process.

### A unique process

2. The President, Executive Board Directors and members of the steering committee scrupulously respected OE's independent status and the role it played in supervising the evaluation; this, together with the excellent logistical support provided by OE, were instrumental in the successful completion of the IEE. The process would not have been so credible had OE been less independent.
3. The governing bodies of the organization recommended that an independent, external evaluation be made of IFAD, and Executive Board Directors played a prominent role in designing the entire process. A steering committee endorsed the terms of reference and consultant selection process; it also reviewed the draft reports prepared, which led to several rounds of multi-stakeholder interaction. While this unusual and somewhat cumbersome arrangement added significantly to the costs borne by OE and the consultants, it ensured IFAD's 'ownership' of the process and avoided any undermining of the independence of the evaluation.
5. The scope of the evaluation report is comprehensive and its analyses are generally sound. Going well beyond an ex post assessment of replenishment undertakings, the terms of reference required the consultants to carry out both an impact assessment and a corporate evaluation. Either task would have been demanding in itself: the combination of both tasks amounted to an extraordinarily tough challenge in view of the tight deadlines involved, elaborate overview arrangements and paucity of self-evaluation information.
6. All in all, the process yielded sound and credible results, especially with regard to

### Compliance with terms of reference

operational aspects. As per the terms of reference, the final report sets out strategic conclusions and offers a number of valuable recommendations. If used by management and the Executive Board to guide IFAD's renewal process, the report could be of considerable value to the institution.

### Adequacy of evaluation methods

7. In the absence of clear corporate performance data, agreed metrics and reliable measurements, reliance on professional judgment was inevitable. The consultants had to 'make do' with a pervasive absence of baseline data and a paucity of verifiable performance indicators at all levels (project, country and corporate)<sup>218</sup>. Faced with these constraints, they opted for a triangulation method that relied on desk reviews, syntheses of OE and internal audit reports, country visits, extensive face-to-face interviews and a staff survey.
8. The consultants did a very good job in terms of collecting and interpreting evidence. Team management was competent and responsive to advice; the team members' professional qualifications were appropriate; the decision to employ local consultants for country work proved to be sound; the analytical methods were sensible, transparent and in line with good development evaluation practice; the random sampling method was properly applied; and good judgment was used in rating project performance and synthesizing the results.
9. The report would have benefited from: (i) a fuller examination of rural development literature; (ii) more searching assessments of IFAD's operational and budget performance in relation to other development agencies (benchmarking); and (iii) systematic opinion surveys of government officials and beneficiaries. On balance, however, the report is adequately grounded in evidence and reflects – in a fair manner – the extensive findings of the desk review, ten country reports and project assessments. It also takes account of the probing comments furnished by OE and IFAD management, and adds considerable value to prior external evaluations of IFAD in terms of its rigour, independence and originality.

### Comments on the diagnostic

10. We endorse the evaluation's central messages. IFAD's mission remains central to the development enterprise. There are still more rural than urban poor, progress in reducing poverty has been lagging, the easy gains from the Green Revolution have tailed off, second-generation policy reforms have proved hard to manage, and the volume of aid targeted to the rural poor has declined. The MDGs will not be achieved without a more coherent and effective set of action geared to rural poverty reduction.
11. Reaching the unreached and amplifying the voice of the voiceless is IFAD's unique role in the development system. For IFAD to reach its potential, it should develop a new business model that leverages the Fund's contribution and emphasizes creativity, innovation and outreach. This will require a change process focused on improved quality assurance, stronger self-evaluation processes and businesslike partnerships. Every attempt should be made to connect to like-minded partners and generate cofinancing without compromising on basic objectives.
12. Most of all, IFAD should aspire to become a learning organization that helps the rural poor to help themselves. It is not for IFAD to deploy its resources to influence macro-policies that should be driven at the national level. Instead, IFAD should concentrate on the actions that governments and their partners should take to replicate cost-effective methods of poverty eradication, leaving to others the task of probing the frontiers of rural poverty research. In support of the MDGs, the organization should build on its principal strength, viz. the legitimacy of its pro-poor, pro-women and pro-livelihood orientation to rural and agricultural development.
13. IFAD's strength should be on scaling up innovation – i.e. do-how based on the best available know-how. An important method of poverty reduction in predominantly agricultural and rural countries is the enhancement of the productivity, profitability and sustainability of major farming systems. Therefore, IFAD should seek out hard-to-reach rural

areas inhabited by ecologically and economically disadvantaged communities. Accordingly it should develop methodologies for engineering sustainable livelihood security programmes and specialize on delivery systems for social and nutritional safety net programmes.

14. In fulfilment of its mandate, IFAD should remedy the operational weaknesses highlighted by ITAD Ltd. At the country level, country strategies should be more focused; the country presence more effective; the interface with other partners more proactive; and the operational practices less burdensome for developing countries through harmonization with other partners and alignment to developing country goals. At the operational level, quality management needs to be strengthened in terms of real-time tracking of project quality; diversification of IFAD's tool kit to emphasize innovation and adaptable lending; and emphasis on innovation, creativity and flexibility. At the corporate level, human resources policy and budget management need further strengthening and adaptation.
15. Given its pioneering mandate, IFAD should be highly selective in the choice of its operations and more rigorous in the arrangements that it makes for tracking the development results of its operations. But the Performance-Based Allocation System should not discriminate against fragile, conflict-prone and conflict-affected countries with a large number of endemic difficulties, including infrastructure deficiencies and governance weaknesses. IFAD has much to contribute in the enhancement of human security in difficult operating environments. Well-defined project objectives and performance and output indicators should be put in place at the time of project preparation.
16. Finally, we agree that the Executive Board should play a more active role in priority setting and policy oversight. Management should concentrate on adapting the organization to its core mandate and on reaching out to partners. This will require goal-oriented partnerships designed to amplify IFAD's pro-poor, pro-women and pro-livelihood impact. Transaction costs will need to be reduced and this calls for a seamless commitment to shared values, participatory policy development and human resources initiatives of the kind recently launched by the President.
17. A global organization dedicated to finding solutions to the complex dilemmas faced by the rural poor in developing countries is badly needed. Now more than ever, the world needs a centre of excellence dedicated to rural poverty reduction. If IFAD did not exist, it would have to be invented.

Professor M. S. Swaminathan

Dr Robert Picciotto

Rome, March 2005

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<sup>218</sup> These gaps, having been identified, should be filled to guide corporate management and policy development.

## Annex 7

# IFAD management's response to the IEE

During the past year, IFAD has undergone its most comprehensive evaluation ever. The Independent External Evaluation (IEE) was probably the most ambitious evaluation of its kind for a UN agency, breaking new ground in addressing institutional performance in terms of impact. This evaluation also set new directions by encouraging an open and transparent process that shared each draft report with the Executive Board members and staff.

We welcome the evaluation and agree with the main thrusts of its conclusions and recommendations. The evaluation confirms conclusions we have drawn and the relevance and direction of changes already under way. We intend to build on the evaluation by designing and implementing a comprehensive plan of action. This document sets out proposed building blocks of that plan.

### The context

This evaluation comes at a critical time, when the international community is taking stock of its progress in achieving the Millennium Development Goals (MDGs) and considering its approaches to eradicating poverty. Recognizing the links between security and development, a strong partnership is emerging to defeat poverty. The call is for a comprehensive approach, where developing country actions, official development assistance (ODA), debt relief, a development-enhancing trade regime and direct foreign investments all come together in the cause of poverty eradication. Today, ODA is increasing, debt-relief efforts are gaining momentum and the Doha Development Round is addressing the links between poverty and world trade. Increasingly, countries are realizing that rural poverty eradication is essential to achieving the MDGs.

### Our mission

This is the context in which the evaluation confirms the relevance of IFAD's mandate. The IEE found that IFAD is "The only international organization established to focus exclusively on the situation of the rural poor" and that "The problem that IFAD was created to tackle continues, and is likely to continue, in the foreseeable future".

### The challenge of achieving the MDGs: The centrality of rural poverty reduction

On 18 January 2005, the three Rome-based UN agencies launched the report of the UN Millennium Project in Rome as part of a global process. The challenge is immense: an estimated 1.1 billion people live on less than one dollar a day. Of these women and men, over 800 million – or about 75 per cent – live in rural areas. For now and many years to come, the principal challenge to achieving the MDGs lies in the rural areas of the world where the majority of poor people depend on agriculture, forestry, fisheries and related activities for their livelihoods. Increasing incomes for rural poor people, through increased productivity, production and employment opportunities, remains the central development issue.



In the international architecture for poverty eradication, IFAD's mission and responsibilities remain essential. While there appears to be growing interest and engagement in the social and infrastructural aspects of rural development, IFAD is one of the few organizations that supports the productive activities of the rural poor, both in agriculture as well as in related off-farm activities.

We will work with others to develop and implement effective, coordinated and harmonized projects and programmes, bring more material resources to rural poor people and, equally important, bring understanding and knowledge to bear – knowledge that is developed with poor people and their institutions.

The Fund's target group includes the rural poor in low income countries, particularly in sub-Saharan Africa, but also in parts of Asia and Latin America, in which they account for a large part of the population, sometimes even the majority. But there are significant groups of rural poor in other developing countries as well, who need support to help them to work their way out of poverty. Supporting programmes for the latter often provides insights and lessons which can prove useful in low income countries.

Since 2002, IFAD's work programme has risen by 28 percent from just under US\$400 to US\$500 million in 2005. IFAD projects attract co-financing of over one United States dollar for each dollar of IFAD lending. Thus, in 2005, the total investment costs of IFAD-supported projects and programmes are likely to total over USD 1 billion. Recognizing the need to serve more rural people and to have greater impact, we are committed to continuing this growth and are proposing a significant increase in the Seventh Replenishment. The international community is gearing up to increase the resources it provides to poverty eradication, and this provides a growing opportunity for IFAD to play an important part. As the IEE points out, this will require new ways of working and more resources.

## **Our evolving role**

A rapidly changing global economy and political environment today place a premium on innovation – on new answers to old and new problems. We concur with the IEE conclusion that, in a general context of rapid and continuous change, IFAD must pursue innovation with its partners – not for its own sake, but to generate new solutions to these challenges and to promote their replication and scaling up.

At IFAD, we are committed to exploring innovative and effective solutions to the challenges faced by rural poor people. We will support our development partners as they apply these solutions on a large scale within coordinated, country-led processes.

As the number of partners engaged in rural poverty eradication hopefully increases, it becomes all the more important that we contribute our field-based experience and knowledge to enriching country-led

## **IFAD and other international financial institutions**

The IEE states: "In terms of performance IFAD appears to be on a par with other IFIs". With a relatively small staff and with operational arrangements that leave many key activities in the hands of third parties, the operational effectiveness of IFAD projects and programmes has been comparable to that of other IFIs. IFAD has already begun implementing a broad range of reforms to enhance results, impact and sustainability. The IEE points to the need to complete ongoing key reform processes, in areas such as human resource management. It also calls on IFAD to develop new capabilities for accelerating rural poverty reduction in response to a growing global concern about the basic vulnerabilities of rural poor people – so clearly demonstrated by the tsunami in Asia.

policy dialogue, harmonization and the scaling up of proven solutions. We need to ensure that decisions are made with full awareness of the constraints and opportunities that domestic liberalization and external globalization bring to rural poor people.

### Enhanced performance

The emergence of a global focus on poverty has opened new opportunities for influence, and has necessitated the rapid generation and communication of experience and knowledge. At the same time, strong subscription to country leadership and to the development and implementation of country poverty strategies has led to systematic decentralization of development assistance and to new forms of financing and programming. We agree with the evaluation's conclusion that to get better results, IFAD must re-configure itself in response to these changes.

The area of human resources management is a key element of ongoing changes at IFAD. In other areas, proposed changes go beyond technical refinement and streamlining, to involve, in the words of the IEE, a new "business model". We fully agree on the direction and need for change, and these are elaborated in the section on building blocks.

IFAD's broad membership, and the role all members play in the funding and governance of the institution, shapes IFAD's operations in many ways, and accounts for some of the differences between IFAD and similar institutions. Sustainable change in IFAD will require the support of all its members. Recognizing the need for consultation, dialogue and consensus, IFAD management's response to the evaluation identifies the building blocks that will form the framework of the Way Forward for the Seventh Replenishment and lead to a comprehensive plan of action for further strengthening the institution.

### Building blocks for change

The evaluation calls for IFAD to work on six key areas to enhance its effectiveness:

- clarify IFAD's strategic niche
- develop a new business model
- adopt smarter ways to skills and learning
- address causes of low impact
- provide direction for development effectiveness
- manage change

IFAD's response to the evaluation addresses these areas by defining six building blocks for change to cover the issues identified. These responses are highlighted next, followed by a more detailed framework that sets out specific actions and results.

### Management response: The driving force

The driving force behind IFAD management's proposals is a commitment to increasing the development effectiveness of the rural poverty eradication effort. It will involve developing stronger mechanisms for managing for results, setting objectives and measuring performance, and creating new instruments and relations to achieve impact. This will include new and improved ways of managing staff resources, developing and managing partnerships, and working with governments.

## **1. Clarifying IFAD's role and focus**

This involves the clear articulation of IFAD's role and focus within the current international architecture. It includes:

- strengthening opportunities for the rural poor who have productive capability
- supporting country leadership and harmonization
- strengthening the effectiveness of national poverty reduction programmes by promoting the scaling up of innovative responses to key issues
- raising globally-linked local development issues in international fora
- raising the overall level and impact of assistance to rural poverty reduction and seeking new and more effective ways to eradicate poverty

This role and focus will be articulated in the new Strategic Framework.

## **2. Develop a new operating model**

The model will ensure that IFAD's operations are organized on a country-programme basis by effective country teams. It will change IFAD's participation in supervision and enable a more flexible system of country presence. These changes will be underpinned by enhanced staff training and recruitment. IFAD will shift from quality control to quality assurance, introduce a new accountability framework, develop stronger self-evaluation systems and improve knowledge management. A stronger Policy Division will inject knowledge about local constraints and opportunities into global policy dialogue. The change in supervision modalities will require a change of the articles of agreement establishing IFAD.

## **3. Strengthen knowledge management and leverage external institutional skills**

IFAD will build staff capacity for developing skills and managing knowledge. A strengthened knowledge management system will leverage external institutional skills and use IFAD's operations as a basis for knowledge development in an explicit, focused and monitored fashion. IFAD will adopt an inward and outward-oriented, network-based approach to knowledge management, mobilizing a limited number of partnerships with regional and country networks as well as international centres of excellence. External expertise and knowledge shared through structured and long-term relationships will strengthen IFAD's internal development and quality-assurance processes.

## **4. Strengthen the culture of results and performance**

An accountability framework will be developed to embed quality assurance into operations. This framework will be integrated into corporate planning, budgeting and monitoring and will incorporate RIMS, PBAS, and inputs from the Office of Evaluation and the Office of Internal Audit, based on the three-year medium term plan. It will enhance quantitative performance reporting and analysis, and strengthen self-evaluation systems. IFAD will mobilize external

quality-assurance expertise for performance assessments. IFAD's key partners will contribute to the institution's corporate performance reviews. In implementing all these, improved management of staff performance will be a key priority.

## 5. Enhance leadership for development effectiveness

Management will consult with the Executive Board on ways to improve the Board's ability to lead and support IFAD's quest to enhance development effectiveness. The Executive Board will consider and approve a new Strategic Framework. Management will present to the Executive Board a three-year medium-term plan and a review of impact and effectiveness. The Executive Board would be provided with more time to review development effectiveness.

## 6. Manage change

The President will manage the change process, with individual and collective accountabilities assigned to the senior management team. A change management strategy will be part of the costed action plan. Management will retain an external quality-assurance group to advise on action plan implementation. Management will also review budgetary allocations against action plan objectives and priorities, and report to the Executive Board on plan implementation and performance.

Taken together, these proposals represent a comprehensive response to the challenges identified by the evaluation. They largely incorporate the recommendations of the IEE, and in some areas go beyond them.

IFAD's management did not agree with the IEE in two areas and has elected to defer two other areas for further discussion. With regard to the IEE's recommendation on the need for a managing director, we believe the intended results would be better achieved by strengthened senior management oversight and direction, more effective planning and reporting and enhanced opportunities for the Executive Board to monitor progress. With regard to Executive Board approval of projects, we recommend that the Executive Board continue to approve projects. We defer comment on the development of new financial instruments and more flexible approaches to serving fragile states pending fuller consultation with the Executive Board.

Overall, we intend to build on the IEE and the experience of our partners to make IFAD an institution characterized by effectiveness, collaboration and transparency of operations and governance with the capacity to deliver a growing programme of work. A higher-level Seventh Replenishment will enable IFAD to play this role. We expect the action plan to be developed with institutional costs fully recognized. Implementation of the action plan should commence in 2006 and be completed during the Seventh Replenishment period from 2007 to 2009.

### Six building blocks of change

IFAD's management agrees with the importance of the six areas identified by the IEE for future emphasis and performance enhancement, and commits to a plan of action that will:

- clarify IFAD's role and focus
- develop a new operating model
- strengthen knowledge management and leverage external institutional skills
- strengthen the culture of results and performance
- enhance leadership for development effectiveness
- manage change

## Clarify IFAD's role and focus

### IEE recommendation: Clarify IFAD's strategic niche

#### Results

- IFAD focuses on rural poor people who have productive capability, in particular women as well as marginalized groups such as indigenous peoples and ethnic minorities. The Fund applies selectivity at the country and sector levels to improve access of rural poor people to assets, technology, markets and rural institutions including financial ones.
- IFAD-funded operations work with rural poor people and other partners to identify new, more effective ways to catalyse the scaling up and replication of innovations through communication, policy dialogue and resource mobilization partnerships that are linked to national poverty reduction strategies. This involves mobilizing greater investment resources and increasing the capacities of national institutions and processes.
- IFAD partnerships build on country ownership, including support to national groups and institutions as leaders of local development. These efforts provide, through participation in development assistance coordination and harmonization processes, new perspectives and solutions for poverty eradication that are based on experience and results.
- IFAD's Strategic Framework focuses on raising the level and effectiveness of national and international efforts to enable rural poor people to overcome poverty, helping countries to achieve the MDGs.

#### Actions

- Include a comprehensive statement of IFAD's development objectives and modalities in the Seventh Replenishment Consultation Report.
- Produce a new Strategic Framework, to also guide the medium-term plan and the annual work plan and budgets for 2007-2009.
- Prepare updated regional strategies that are guided by the Strategic Framework.
- Develop and implement a strategy to enhance impact of IFAD's projects and programmes.
- Develop policy partnerships to help bring a pro-rural poor perspective to global forums and processes.

## Develop a new operating model

### IEE recommendation: Develop a new business model

#### Results

- Country programmes, as more than a compilation of projects, are the core of IFAD's country activities. Developed through consultations with governments, other national partners, and development assistance coordination processes, country programmes establish:
  - major activities and processes to be supported by loans and grants
  - objectives for innovating and scaling up, in conjunction with PRSPs, SWAPs and other processes
  - objectives for influencing policy and developing institutions
  - national and international partnerships for supporting activities
  - frameworks for performance measurement and accountability that reflect PBAS findings on key institutional and policy issues in rural development, RIMS and project portfolio risk assessments.
- Country teams are IFAD's interface with countries. They work in partnership with national players and representatives of development assistance institutions. At IFAD, planning and follow-up involve cross-unit collaboration.
- Enhanced country presence engages IFAD in national processes, supporting the development and management of partnerships, policy dialogue, implementation, harmonization and knowledge management. The form of country presence varies according to the scope of IFAD operations, range of possible local partnerships, costs and benefits.
- Supervision is reorganized for greater development effectiveness.
- CPMs and others are recruited and trained for policy dialogue, partnership development, implementation support and team-building – and are motivated with incentives.
- Global dialogue on poverty eradication is enriched by perspectives and issues identified in country development and assistance processes.

#### Actions

- Make a strategic, results-based COSOP the core instrument for managing country programmes.
- Revise the project cycle and undertake country programme reviews, encompassing assessment of project and non-project activities against objectives.
- Include performance of country teams in individual performance evaluations.
- Reassess staff competencies across IFAD in the development of a new operating model, and train staff accordingly.
- Develop and implement a human resources strategy to enable CPMs to acquire competencies required for policy dialogue, managing partnerships and conducting team-based operations.
- Present an approach on enhancing country presence to the Seventh Replenishment Consultation.
- Amend IFAD's Articles of Agreement at the Governing Council session in 2006 to enable IFAD to pursue a broader range of supervision options, including national and direct supervision.
- Produce a supervision policy in 2006 that defines supervision modalities and selection criteria.
- Subject supervision processes to annual performance reviews and internal quality assurance, and integrate supervision findings into knowledge management and performance management systems.

## Strengthen knowledge management and leverage external institutional skills

**IEE recommendation:** Adopt smarter ways to skills and learning

### Results

- A knowledge management strategy is integrated into country operations, as well as in regional and country strategies. Knowledge management reflects local conditions and is included in unit and individual performance measurements.
- Knowledge management is strengthened and focused: IFAD plays a vigorous role in developing and disseminating knowledge – and in using its in-country programmes for innovation, scaling up and influencing policy.
- IFAD stimulates knowledge development and dissemination by external centres of excellence, focusing on key rural poverty issues.
- Loan and grant programmes have knowledge objectives, specific partnerships and measurable performance benchmarks. These programmes flow from IFAD's Strategic Framework, regional strategies and COSOPs and include engagement in policy processes, innovation, and the building of local assets and institutions.

### Actions

- Revise planning and review processes to ensure that all activities supported by IFAD have specific knowledge objectives and concrete mechanisms for capturing and sharing knowledge at appropriate levels.
- Implement an inward and outward-oriented, network-based approach to knowledge management through investments in regional networks of institutions (such as project-based knowledge networks, farmers' associations, research centres and key NGOs) to deepen knowledge and enhance exchange among country and regional rural poverty eradication practitioners.
- Invest in knowledge partnerships with international centres of excellence in key strategic areas. They will maintain thematic information inventories, supervise research activities, and manage exchanges with national and regional networks.
- Mobilize institutional knowledge partnerships selectively to support IFAD's own internal processes, including quality assessments, review processes, and production of major policy and programme materials.
- Incorporate knowledge management and innovation objectives into staff performance assessments and incentive systems and provide necessary time and training.
- Develop the Rural Poverty Portal and systems for knowledge dissemination through strengthened internal capture and sharing of learning.

## Strengthen the culture of results and performance

**IEE recommendation:** Address causes of low impact

### Results

- A comprehensive system to embed quality and impact assurance is implemented. The system is based on a clear accountability framework and is informed by medium-term planning and monitoring, RIMS, PBAS, and the inputs of the Office of Evaluation.
- IFAD's country-level partners focus on results for the rural poor.
- There is enhanced Executive Board accountability for development effectiveness, made possible by improved monitoring and reporting.
- Staff members are accountable for results and rewarded for performance.

### Actions

- Fully implement the human resources management reforms currently under way, linking pay and promotion to performance within a transparent human resource system based on careful planning, monitoring and reporting.
- Link strategy to action by consolidating a planning, budgeting and monitoring system that focuses work on clear results, impact and performance targets through annual and three-year plans.
- Establish capability for quantitative monitoring of corporate performance, establishing key performance indicators relative to strategic objectives, such as innovation and scaling up, in collaboration with partners and centres of excellence.
- Establish a system of internal quality assurance for programmes at entry and during implementation, including the quality of supervision.
- Engage an external quality assessment group to assist IFAD's management in reviewing qualitative performance systems.
- Include IFAD's key partners in reviews of performance.
- Fully deploy the project Results and Impact Management System (RIMS).
- Fully implement a system of self-evaluation based on strengthened programme reviews and project reporting processes.
- Collaborate with national and international partners to develop local capacities for participatory monitoring of national programmes for rural poverty eradication.



## Enhance leadership for development effectiveness

**IEE recommendation:** Provide direction for development effectiveness

### Results

- Executive Board provides more effective oversight of IFAD's efforts to improve direct and indirect development effectiveness.
- Executive Board approves projects in a new format, including approving their objectives and funding levels.

### Actions

- Obtain Executive Board endorsement of the new Strategic Framework.
- Produce benchmarks for evaluation and improvement of IFAD performance.
- Submit to the Executive Board a three-year, medium-term plan as a framework for determining annual work plan and budgets.
- Develop reports on effectiveness for the Executive Board.
- Increase the time available for the Executive Board to review development effectiveness targets and performance.
- Develop a new project approval format that seeks Executive Board approval of project objectives, funding level and results frameworks.

## Manage change

### IEE recommendation: Manage change

#### Results

- Major changes for increased development effectiveness are strategically managed by being carefully planned, financed, implemented, monitored and evaluated.

#### Actions

- Submit a Way Forward document to the Seventh Replenishment Consultation that sets out the principal methods for enhancing IFAD's development effectiveness within the context of the MDGs.
- Develop from the Seventh Replenishment Consultation an action plan, which includes:
  - major changes required in IFAD
  - measurable change indicators and milestones
  - costs of individual changes and financial implications of the overall change programme
  - a strategy to manage the change agenda
- Retain an external quality consultant to support IFAD's management in implementing the action plan.
- Produce a zero-based budget for 2007 reflecting changed institutional priorities and structures in the core budget mechanism.
- Report to IFAD's governing bodies on achievements against change targets.

## Annex 8

# Excerpt from the Minutes of the Eighty-Fourth Session of the Executive Board<sup>218</sup>

### Report on the Independent External Evaluation of IFAD (agenda item 3)

1. The report on the Independent External Evaluation (IEE) of IFAD (document EB 2005/84/R.2), as submitted by the Director of the Office of Evaluation (OE), was initially reviewed at an informal meeting with Members of the Consultation on the Seventh Replenishment of IFAD's Resources. Presentations and introductions were given on the four parts of the document, followed by a question-and-answer discussion period. The Board subsequently formally considered the draft final report at its reconvened session, when Directors provided their comments both to the service provider team – ITAD Ltd. – and to Management on the external evaluation and Management's response to it.
2. The OE Director gave a presentation on the IEE process, highlighting its distinguishing features and concluding that the IEE was among the first evaluations of its kind for multilateral development organizations. The OE Director also explained how the governance arrangements laid down by the Board had worked in practice and concluded that the complex governance had worked remarkably well. He reported that the evaluation team had completed a daunting task professionally, on time and within the budget approved by the Board and recorded his appreciation of the cooperation provided throughout the process by IFAD Management and staff, and the value added at various stages by the steering committee and OE's two senior independent advisers.
3. The Chair of the IEE Steering Committee, Mme Françoise Mailhot, reported that the IEE was a thorough and rigorous exercise based on a sound methodology and extensive consultation. She recalled that the Board had assigned only an advisory role to the steering committee, which, therefore, was not charged with approving any of the deliverables of the evaluation team. She highlighted that the steering committee consisted of evaluators as well as other development experts, including IFAD Executive Board Directors, and that several Member States participated in its deliberations as observers at various stages. She concluded, with satisfaction, that the IEE had been carried out in an independent and external fashion; and that the draft final report fully met the terms of reference, was well grounded in evidence and was of high quality.

<sup>218</sup> The Eighty-Fourth Session of the Executive Board was held in Rome on 18-20 April 2005.

4. The two senior independent advisers, Professor M.S. Swaminathan and Dr Robert Picciotto, presented their assessments of the IEE to the Board and discussed some of its implications for the Fund. They commended the transparency of the IEE process as well as the extensive stakeholder participation that had enhanced IFAD's ownership of the IEE. They characterized the report as comprehensive; its analyses were generally sound and adequately grounded in evidence; and its recommendations were valuable for guiding IFAD's renewal process. They drew attention to a number of trends and concerns around the world that are relevant to IFAD, including the feminization of agriculture and rural poverty, the problems of the poor in fragile states and the challenges of enhancing agricultural productivity and skills to help the rural poor. They also drew attention to the challenges faced by the Fund in the evolving global environment and reiterated the high relevance of IFAD's mandate in it.
5. Representatives of the evaluation team from ITAD Ltd. presented an overview of the draft final report of the IEE. They outlined the methodology used in the evaluation, and presented in detail its findings and recommendations.
6. The President of IFAD introduced the response provided by IFAD Management to the IEE and highlighted the high degree of consistency between the IEE recommendations and the ongoing as well as planned changes outlined in Management's response. IFAD endorsed the broad thrusts of the draft final report, including its findings and recommendations. In this respect, the President elaborated, in particular, on the building blocks Management had defined to address the latter, namely to: (i) clarify IFAD's role and focus; (ii) develop a new operating model; (iii) strengthen knowledge management and leverage external institutional skills; (iv) strengthen the culture of results and performance; (v) enhance leadership for development effectiveness; and (vi) manage change. The President informed that a more detailed action plan specifying the directions of change and identifying the nature of resources required, as well as responsibilities, time lines and performance indicators would be presented to the Executive Board in September 2005 as a follow-up to Management's response. He invited the Board's views and guidance in this respect so as to assure an approach is adopted that would be synchronized with the replenishment process. As a particularly important example of ongoing changes, the Director of Human Resources elaborated key elements of IFAD's human resources policy and clarified how they would be implemented. The President noted, however, that IFAD Management did not agree with the suggestion that a managing director be appointed to manage the process of change that is required. Nor did it agree with the recommendation that most of the loans and grants should be approved by the President of IFAD without involvement by its Executive Board.
7. The Executive Board welcomed the draft final report and commended the OE Director for effectively supervising the IEE process within the established timeframe and budget, as well as in accordance with the terms of reference and within the overall provisions laid out by the Board. It also congratulated ITAD for an extremely useful and high-quality evaluation report. It further welcomed Management's response to the IEE and endorsed it as the framework for an action plan that would be presented to the Board in September 2005 for its consideration.
8. The Board acknowledged that the IEE was indeed the first evaluation of its kind compared to similar evaluations of other multilateral organizations. Its focus extended not only to an assessment of impact and performance, but also to key corporate processes and policies that have a significant bearing on IFAD's development effectiveness. Its governance was complex but allowed considerable participation at important stages of the process. The IEE was open and transparent, and its governance turned out to be highly impressive despite its complexities and might serve as a good example for other similar evaluations.

9. The Executive Board found the IEE report to be thorough and rigorous. It presented concrete conclusions in direct language, and pragmatic and realistic recommendations for future directions. The Board felt, however, that the recommendation for appointing “a person with broad executive powers and charged with the task of ... driving through change to revitalize the Fund” was not justified convincingly by the evaluation team. Moreover, the Board suggested that the final IEE report specify the role of the Board in monitoring and providing advice to IFAD Management with regard to the change processes that the Fund should implement in response to the IEE. The Board also felt it would be useful if the final report were to include a realistic indication of the pace of the proposed change processes. Finally, the Board asked that the final IEE report shed more light on the various notions of targeting that are currently available within the institution and which affect the way IFAD approaches the issue of targeting.
10. The Board agreed that the following specific areas of concern, highlighted in the evaluation, needed to be addressed as soon as possible: articulating IFAD’s specific role and focus; establishing a new operating model; ensuring that IFAD country strategic opportunities papers (COSOPs) truly provide strategic guidance and a broad framework for all IFAD activities in a given country rather than just serving as an instrument for justifying a set of project interventions; managing change; implementing the IFAD policy for human resources; dealing with the questions of field presence and strengthening project/ programme supervision within the context of the evolving operating model; assuring the quality of operations in a culture of learning; engaging in pro-poor policy dialogue; pursuing and scaling up innovative solutions for rural poverty reduction; establishing meaningful partnerships; clarifying IFAD’s targeting approach; enhancing impact and sustainability; and strengthening the role of the Executive Board in scrutinizing development effectiveness.
11. The draft final report will be duly revised by ITAD Ltd. to reflect the comments made at the Board session, in accordance with standard evaluation practice and, in particular, in line with the provisions of the IFAD Evaluation Policy. The relevant extracts of the minutes of the Executive Board discussion on the IEE will be included in the final report of the Independent External Evaluation of IFAD, which will then be disclosed and published as outlined in document EB 2005/84/R.2.

