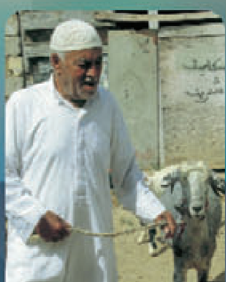
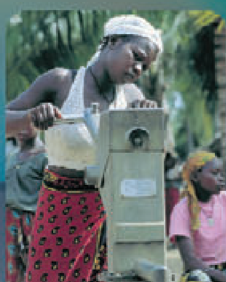
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

IFAD

OFFICE OF EVALUATION

Annual Report
on the Results and Impact of Operations Evaluated in 2003

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FOREWORD

The need to focus on development effectiveness, determine and understand the results that IFAD has achieved in its efforts aimed at rural poverty reduction, is an ongoing priority for the Fund. To this end, this second issue of the Annual Report on the Results and Impact of IFAD Operations (ARRI), prepared by IFAD's Office of Evaluation (OE), seeks to provide a systematic overview of the results and impact of the Fund's operations. This report also evaluates the performance of IFAD, its cooperating institutions and the borrowers in alleviating rural poverty. Moreover, the ARRI includes insights on a number of cross-cutting issues and themes, and offers recommendations that aim to enhance the performance and impact of the Fund and its partners in the future.

The report draws on the findings of OE evaluations, namely ten project evaluations, four country programme evaluations, two thematic evaluations and one corporate-level evaluation conducted in 2003. The ARRI builds on OE's Methodological Framework for Project Evaluation (MFE), which has been consistently applied in all the ten project evaluations. The core of the MFE is to assess the *performance of the project, impact on rural poverty and performance of the partners* through a methodology which allows for rating and aggregation of key evaluation criteria.

The report contains a number of conclusions on the results of IFAD operations. For example, *the performance of the project* was rated as substantial in 80% of the projects evaluated. *Performance of the project* is measured as a combination of its relevance, effectiveness and efficiency in combating rural poverty. Overall the *impact on rural poverty* was rated as substantial in 50% of the projects evaluated, whereas the overall *performance of the partners* was rated as substantial in 70% of the projects. However, one area of concern is sustainability, where only 50% of the evaluated projects were likely to be sustainable.

Comparison with last year's ARRI provides confirmation of a number of findings and issues. For example, the performance of IFAD-supported projects has been systematically strong in the area of people's empowerment and social capital, whereas project impact has been modest in combating environmental degradation and strengthening institutions and policies. In 60% of evaluated projects, impact has been rated as substantial in terms of increasing access to financial services and markets. However, promotion and scaling up of replicable innovations were not strong elements of project performance.

The ARRI includes three strategic implications for the future. Firstly, it suggests that IFAD defines its poverty objectives more clearly, in particular that the Fund develops a more coherent and common understanding of the prime beneficiaries of IFAD assistance. Secondly, the report underlines the need for IFAD to operate more actively beyond the project as a strategic partner at the national level. Finally, the ARRI advocates a wider and more externally integrated perspective on projects, ensuring that they are appropriately linked within the wider development context at the country level.

I hope you find this report of interest and that it stimulates further discussion on how rural poverty can be more effectively reduced in the future. OE would be glad to receive any feedback you may have, which will contribute to enhancing the next ARRI in 2005.

Luciano Lavizzari
Director, OE

EXECUTIVE SUMMARY

This report presents a synthesis of the findings and insights contained in the 17 evaluations completed by the Office of Evaluation in 2003, including ten projects, four country programme evaluations (Benin, Indonesia, Senegal and Tunisia), two thematic studies and one corporate-level evaluation. The statistics are based on the ten project evaluations, which used the Office of Evaluation's Methodological Framework for Project Evaluation. These cover a reasonably representative range of regions and project types, but underrepresent projects considered as "underperforming" by IFAD's Programme Management Department. The methodology is based on three composite evaluation criteria: performance of the project, impact on rural poverty and performance of the partners. Overall achievement is measured by the consolidation of performance using these three criteria.

MAIN FINDINGS

Relevance and effectiveness were rated as substantial[1] for 90% and 70% of the projects respectively. Efficiency was more mixed, with 50% of the projects likely to be highly or substantially efficient. Taken together, **performance of the project** was rated as substantial in 80% of the projects evaluated.

Rural poverty impact was most highly rated in the domains of social capital and people's empowerment, physical and financial assets, and human assets. Food-security impact was more mixed. Substantial impact was not evident in the domains of the environment and communal resource base, and of institutions, policies and regulatory framework. Sustainability of impact was likely in 50% of the cases. Overall **impact on rural poverty** was rated as substantial in 50% of the projects.

Overall **performance of the partners** was rated as substantial in 70% of the projects. IFAD's performance was rated as modest in two thirds of the projects and high and substantial in one third. The performance of other partners (cooperating institutions, governments, etc.) was generally rated more highly, with the exception of cofinanciers.

In accordance with the request of the Executive Board, this year's Annual Report on the Results and Impact of IFAD Operations (ARRI) has experimented with differential weighting for various evaluation criteria, and also with a six-point rating system for estimating overall achievement. Using an unweighted four-point scale, overall performance in the projects evaluated during 2003 was high and substantial in 70% of the cases. Using an unweighted six-point scale, 40% of the projects evaluated in 2003 were rated as successful and 30% as moderately successful. Applying weights to different criteria makes only a slight difference in the results.

CONCLUSIONS

Comparison with last year's ARRI provides confirmation of a number of findings and issues:

- Performance of IFAD-supported projects has been systematically strong in the area of social capital and people's empowerment, i.e. building poor people's collective capacity and strengthening their local-level institutions.

- Project impact is modest in two areas: the environment and communal resource base, and institutions, policies and regulatory framework.
- Project impact is mixed in the key area of providing financial services to the poor.
- The poorest do not always benefit to the same extent as the less-poor from infrastructure development or new agricultural technologies and related services.
- Sustainability and the promotion and scaling up of replicable innovations were not strong elements of project performance. They were systematically stressed by the evaluations as the two areas where improvement is mostly needed.
- Projects were not, overall, designed and implemented with appropriate priorities, processes, mechanisms and resources to ensure the promotion and scaling up of innovation.
- Project monitoring and evaluation systems are generally weak.

The two least successful projects in this year's sample were in post-conflict situations. These are particularly difficult and demanding conditions for project implementation. At the time of their design, IFAD experience in this area was limited. More generally, poor performance was related to weaknesses in design and implementation support. These could have been ameliorated had monitoring and supervision been more effective.

Local institutional development is a challenging and long-term process. Its sustainability often requires a longer time commitment than that of a single project. In some cases, there are more fundamental institutional issues that need to be addressed if sustainability is to be assured. These relate to establishing relationships and networks with service providers, civil society, local authorities and regional- and national-level institutions.

One general conclusion is that IFAD needs to look and operate beyond the project. The scale and sustainability of IFAD's development contribution have been constrained by the local focus of its projects, and also by an overreliance on projects as a development instrument. Projects need to be more externally integrated and innovative, better aligned with the framework conditions, and IFAD needs to operate more actively as a strategic partner at the national level. This will require increased attention to external linkages with institutions, policies and partners, and more emphasis on replicable innovations, their scaling up, and policy dialogue. This will be difficult to achieve without an increased and more permanent IFAD presence in country and a reorientation of the mindset and competencies of those involved in the design and implementation follow-up of IFAD-supported operations.

IMPLICATIONS

The recurrent issues raise two types of challenges for IFAD. In some cases – such as the environment and communal resource base and influence on policy and institutions – there is a need for further, detailed evaluation in order to understand why performance is poor and variable, and how impact can be improved. Other areas – such as sustainability and the scaling up of innovative approaches –

require greater priority and clarity in project design and implementation, with specific strategies and allocated resources.

The 2004 ARRI also raises three strategic issues for IFAD's consideration:

- IFAD needs to be clearer about its **poverty objectives**. For example, to what extent can or should IFAD assist the poorest? This is a central issue for IFAD, given its mandate, and the fact that many donors are now directing their efforts towards poor people. One option to consider is that IFAD reposition itself and redefine its focus, in terms of innovative solutions to address problems faced by the "bulk of the rural poor" with productive potential, taking into consideration local conditions.
- A wider **and more externally integrated perspective on projects** is needed. This means ensuring that projects are designed and managed in a way that maximizes their linkages with, and their impact upon, the wider institutional and economic context.
- **IFAD needs to operate more actively beyond projects as a strategic partner at the national level**, notably in policy dialogue and advocacy. This wider approach has implications for the mix of project and non-project initiatives and instruments, and for the scale and permanence of IFAD's country presence.

I. INTRODUCTION

BACKGROUND

The new IFAD evaluation policy approved by the Executive Board in April 2003 emphasized the role of the independent evaluation function at IFAD in promoting accountability and learning in order to improve the performance of the Fund's operations and policies. An Annual Report on the Results and Impact of IFAD Operations (ARRI) was an essential part of this policy. The independent evaluation perspective contained in the ARRI is intended to complement the annual self-assessment undertaken by the Programme Management Department (PMD) – and embodied in the Progress Report on the Project Portfolio – as well as any reports to be produced by PMD using the Results and Impact Management System.

This is the second ARRI. Last year's represented IFAD's first attempt at consolidating and synthesizing the results and impact of IFAD operations, based on the ten projects and two country programmes evaluated during 2002, as well as the two corporate-level evaluations undertaken in the same year. This 2004 ARRI does the same for the ten projects and four country programmes evaluated during 2003, as well as two thematic evaluations and one corporate-level topic undertaken in the same year. It broadly follows the same approach and structure, but with a few minor changes.

The introduction in 2002 of the new Methodological Framework for Project Evaluation (MFE) provided a common framework to be used systematically across all IFAD project evaluations. Following experience gained in the first year, a review workshop was held to discuss the practical difficulties encountered in using the MFE and the ways in which it could be improved. This led to revision of the MFE.[2] Most of the ten project evaluations summarized in this report followed the revised framework. Some of the evaluations began before it was issued and thus used the earlier one. While minor problems of consistency and interpretation remain – and will be addressed in further guidance to be issued by the Office of Evaluation (OE) – the implementation of the revised MFE has led to a much more consistent and complete set of evaluation reports.

The first ARRI was intended to provide a basis for discussion within the Evaluation Committee (EC), Executive Board and IFAD on how OE could best present a synthesis of its evaluations, and to generate suggestions on how the report could be improved. This 2004 ARRI has considered the comments received from the EC and the Executive Board.

METHODOLOGICAL FRAMEWORK FOR PROJECT EVALUATION

The MFE produced in September 2003 made some changes to the structure and content of the original one. The evaluation criteria are designed to reflect the *Strategic Framework for IFAD 2002-2006*, to meet the need for stronger evidence of impact, and to aid assessment of IFAD's contribution to achievement of the Millennium Development Goals (MDGs). The criteria are broadly consistent with those used by other international financial institutions (IFIs) and by members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

The MFE consists of three main composite evaluation criteria (i) performance of the project; (ii) impact on rural poverty; and (iii) performance of the partners. Each main criterion is divided into a number of elements or subcriteria. The MFE is explained in more detail in Annex I.

METHODOLOGICAL ISSUES AND INTERPRETATION

This report uses the same approach as last year to aggregating project ratings. A brief description of the rating methodology used is contained in Annex V. This annex also discusses the possibility of weighting the different criteria and projects, and makes some suggestions in this regard.

It is important to stress that the value of this report does not lie only in the statistics presented. It also lies in the evaluation discussions of the varying impacts and performance of IFAD-supported projects and of the range of factors that appear to have contributed to these. The report indicates areas in which IFAD-supported projects have performed relatively well or less well, lessons that have been or need to be learned, and further work that needs to be done to improve the performance of IFAD's policies and operations.

The report follows the structure implied by the MFE. Section II provides an outline of the projects and country programmes evaluated. Sections III-V provide a synthesis of the project evaluations in each of the main evaluation criteria: performance of the project (section III), impact on rural poverty (section IV) and performance of the partners (section V). Section VI summarizes overall achievements of the projects evaluated. Section VII examines the contribution to IFAD's strategic objectives and the MDGs. The main insights and lessons arising from all the evaluation studies are discussed in Section VIII. Finally, the conclusions and implications are presented in section IX.

II. PROJECTS AND COUNTRY PROGRAMMES EVALUATED

EVALUATION COVERAGE

The report draws upon the findings of 17 evaluations in 2003 covering ten projects, four country programmes, two thematic issues and one corporate topic (Box 1). While the ten project evaluations provide the bulk of the evidence for rating performance, the insights and lessons also draw upon the other evaluations. The ten projects are not necessarily fully representative of the portfolio as a whole. The analysis presented below nevertheless shows that they provide reasonable geographical and sectoral coverage of the different areas of IFAD's work.

Box 1: List of Evaluations, 2003*

INTERIM PROJECT EVALUATIONS

- Benin – Income-Generating Activities Project
- Brazil – Community Development Project for the Rio Gaviao Region
- Burkina Faso – Special Programme for Soil and Water Conservation and Agroforestry in the Central Plateau
- Ecuador – Indigenous and Afro-Ecuadorian Peoples' Development Project
- Ghana – Root and Tuber Improvement Programme
- Guinea – Smallholder Development Project in North Lower Guinea
- Nepal – Hills Leasehold Forestry and Forage Development Project
- Venezuela – Support Project for Small Producers in the Semi-Arid Zones of Falcon and Lara States

PROJECT COMPLETION EVALUATIONS

- Eritrea – Eastern Lowlands Wadi Development Project
- Lebanon – Smallholder Livestock Rehabilitation Project

Total costs: USD 254 million
IFAD loans: USD 140 million
Government contributions: USD 53 million

COUNTRY PROGRAMME EVALUATIONS

- Benin
- Indonesia
- Senegal
- Tunisia

Total costs: USD 1 325 million
IFAD loans: USD 544 million
Government contributions: USD 337 million

THEMATIC EVALUATIONS

- Local Knowledge Systems and Innovations in Asia
- Innovative Approaches in Peru

CORPORATE-LEVEL EVALUATIONS

- Supervision Modalities in IFAD's Supported Projects

* Detailed project data may be found in Annex III.

The combined IFAD loan value of the ten projects was USD 140 million, with a range of USD 9-20 million per project. The total cost of the projects (i.e. including contributions from cofinanciers) was USD 254 million, with a range of USD 10-50 million. Government contributions amounted to USD 53 million. The total cost of the four country programmes evaluated amounted to USD 1 325 million, with total IFAD loan and government contributions of USD 544 and 337 million respectively. Summary details of each project are contained in Annex III.

GEOGRAPHIC COVERAGE AND PROJECT TYPE

The ten projects evaluated cover a wide cross-section of sectors and activities, spread across all five regions. All but one – the national Root and Tuber Improvement Programme in Ghana – were area-based development projects targeting from 25 000 to 815 000 people in less-favoured regions. The sample reflects relatively well the geographical distribution of IFAD's ongoing portfolio, although Africa I (PA) and Latin America and the Caribbean (PL) are overrepresented and the other regions (Africa II – PF, Asia and the Pacific – PI and the Near East and North Africa – PN) slightly underrepresented (Annex II, Table 2). Three of the ten countries are classified as upper-middle income (Brazil, Lebanon and Venezuela); one as lower-middle income (Ecuador); and six as low income (Benin, Burkina Faso, Eritrea, Ghana, Guinea and Nepal). Two of the projects were in post-conflict countries (Eritrea and Lebanon).

In terms of sectoral coverage, most of the major sectors are represented, as are a very wide range of project activities. However, this year's sample is dominated by rural and agricultural development projects[3] (Annex II, Table 3). Analysis of project costs by impact domain shows that 40% of planned project expenditures were directed towards increasing physical and financial assets. Activities directed towards improving food security accounted for one quarter of planned project expenditure. Direct expenditure on human assets (water, health, education, etc.) accounted for the smallest share (6%) of project expenditure.

Table 1: Project Costs by Impact Domain[4]

Impact Domain	%
Physical and financial assets	39
Human assets	6
Social capital and people's empowerment	10
Food security	25
Environment and communal resource base	12
Institutions, policies and regulatory framework	8
	100

[4] Please note that costs for project management and monitoring and evaluation (M&E) have not been included in the calculations for this table.

All but two of the 2003 project evaluations (Eritrea and Lebanon) were interim evaluations, which are mandatory before a second phase. As with last year's ARRI, this might have resulted in a sample biased towards better performing projects. In terms of the performance ratings given by PMD to projects and reported in the project status reports (PSRs), the sample of projects evaluated underrepresents the category of project classified by PMD as "underperforming" (i.e. substantially below target or making little or no progress towards development objectives). Of IFAD projects completed in 2003, 19% fell into this category, compared with none of the evaluated projects (Table 2). For OE's sample to be representative of the portfolio as a whole, it should contain 20-30% of projects rated by PMD as underperforming.[5] The fact that the 2003 sample contained no such projects (and the 2002 sample only 10%) has implications for OE policy (see Section IX).

Table 2: PMD Scores for All Projects Completed in 2003, and for Projects Evaluated

Scores/Ratings	PMD Scores for Completed Projects 2003	PMD Scores for Projects Evaluated by OE in 2003
1 – Problem-free	26% (7)	20% (2)
2 – Minor problems	55% (15)	80% (8)
3 – Major problems, but improving	11% (3)	0
4 – Major problems and not improving	8% (2)	0
Underperforming projects (3 and 4)	19% (5)	0
Total rated projects	**100% (27)**	**100% (10)**

COUNTRY PROGRAMME, THEMATIC AND CORPORATE-LEVEL EVALUATIONS

Country programme evaluations (CPEs) provide a much broader perspective on IFAD operations than do project evaluations. In addition to assessing the results and sustainability of IFAD's programme, CPEs assess the overall cooperation and compatibility between IFAD and its partners, and the strategic role of IFAD in relation to national strategies. On the basis of this, CPEs also provide insights and recommendations for future IFAD country strategy and opportunities papers (COSOPs). Four CPEs were produced in 2003, for Benin, Indonesia, Senegal and Tunisia.

Thematic evaluations are commissioned to explore the experience relating to particular aspects of IFAD's work, to derive lessons from that experience and to address core elements of regional strategies. In 2003 a regional thematic evaluation was done on Local Knowledge and Innovations in the Asia and the Pacific Region. A country-specific thematic evaluation on Innovative Experiences of IFAD Projects in Peru was also produced.

Corporate-level evaluations (CLEs) are conducted to assess the effectiveness and impact of IFAD-wide policies, strategies, instruments and approaches. A major CLE was completed in 2003 on the Supervision Modalities in IFAD Supported Projects.[6]

III. PERFORMANCE OF THE PROJECT

RELEVANCE OF OBJECTIVES[7]

The objectives of all the projects were judged to be substantially relevant at the start, and all but one remained so at the time of evaluation. In the case of the project in Lebanon,[8] the evaluation concluded that the objectives were highly or substantially relevant at the time of design, which immediately followed the civil war, but that this relevance was now reduced for some of the objectives (e.g. institutional strengthening of the Ministry of Agriculture).

The fact that the projects scored so uniformly well in terms of the relevance of their objectives at the start reflects well on the projects. However, this does not necessarily mean that the evaluators were uniformly positive about the relevance of the project designs. Attention to marketing issues was inadequate in two of the projects (Ghana and Lebanon). In two others, there was no operational plan to translate important objectives – gender in the Benin project and farmer organization in Eritrea – into sufficient action. Elements of the participatory approach were weak in Brazil, Nepal, and Lebanon. The evaluators were particularly critical of the project design in Eritrea: the projections for crop-production increases were overoptimistic; the irrigation and road components were undercosted, and the water component was inadequately designed.

EFFECTIVENESS[9]

The revised MFE provides for specific reporting on effectiveness. This allows more specific identification of areas in which these projects have been particularly effective or ineffective. Effectiveness has been particularly strong for objectives related to the physical assets of farm households, and people's organizations and institutions. Projects have generally been less effective in empowering producers in the marketplace. Performance in some other areas was more mixed (i.e. some projects were very effective in these areas, others less so). The areas include household food security (including agricultural production and income), access to financial services, and reducing the workload of women and children.

Qualitative information contained in the reports tends to confirm a common outcome: while a large part of the benefits have gone to poor people, in some cases the less-poor have benefited more, and the poorest less. In Ghana, the project was wrong to assume that poor farmers would readily adopt the new technologies – adopters tended to be the better-off – although the project is still likely to reach close to its target of 720 000 households by its end. In Lebanon, the dairy technology was not appropriate for many of the small-scale farmers that comprised the initial target group, nor did the livestock distribution arrangements favour resource-poor farmers. Nevertheless, of the 1000 loans for rural women, 75% did reach poor people, even though the poorest may have been excluded by the loan conditions. The Senegal CPE also highlighted the difficulty in reaching the poorest people through the projects. In many instances, in spite of geographical targeting, it is the better-off that have the means to benefit most from project activities.

A possible solution, as suggested by the Tunisia CPE, would be to target the community as a whole and engage all its members in finding ways to curb the poverty processes within their community. A much more positive picture emerges from the Benin project evaluation. Decreasing poverty was observed among the priority target groups: landless women and peasants with very small landholdings. The same was observed in Venezuela, where most of the beneficiaries belonged to the poor/poorest section of the communities. In Brazil and Burkina Faso, the poorest people have benefited from certain components only, such as rural education and some infrastructure activities in the former, and the water component in the latter.

In most projects, effectiveness tends to vary by objective. Overall, effectiveness was rated as "substantial" in 70% of the projects, and "modest" in 30%. None were rated as "high" or "negligible".

The revised MFE asks evaluators to make a systematic assessment of how many and who have benefited from the project (e.g. poor, poorest, and less poor), compared with the expectation at approval. While this year's reports contain more information on these questions, this remains one of the less complete and consistent parts of the evaluations. One main reason is the weakness of the project M&E systems on which the evaluators must largely rely, but there is also scope to improve evaluation guidance.

EFFICIENCY[10]

Last year's ARRI reported that efficiency questions were not particularly well covered in the evaluations reviewed, partly because data were not available. This observation remains true. As the evaluation of the project in Lebanon made clear, it is only possible to calculate an ex post economic rate of return if some information on benefits and the number of beneficiaries has been collected by the project (or if the evaluation teams have far greater survey resources at their disposal). Some fault for the thin coverage of this topic must, however, rest with the evaluators. Four of the evaluations provided very little information on efficiency, and only one (Lebanon) made an attempt at economic analysis.

In the absence of ex post cost-benefit analyses for most of the projects, the 2003 ARRI used cost per beneficiary at completion compared to the corresponding ratio at appraisal as a rough measure of efficiency. OE recognizes that this is an approximate measure, but it continues to face the same problem: a dearth of ex post data on actual beneficiaries. This year's report has therefore experimented with two alternative measures of efficiency:

- ratings contained in, or derived from, evaluation reports;
- cost per beneficiary adjusted for impact.

Most of the evaluation reports do contain some assessment of efficiency. Three of the projects (Burkina Faso, Ghana and Venezuela) were judged to be substantially efficient. In the case of the project in Venezuela, costs were lower than planned in all components. In contrast, three of the projects (Eritrea, Lebanon and Nepal) were rated as only modestly efficient. In Nepal and Eritrea this reflected a judgement that the approaches adopted – to leasehold forestry in Nepal and to spate irrigation and domestic drinking water in Eritrea – were relatively costly compared to alternative options.

The second measure adjusts cost per beneficiary by the level of sustainable impact (as assessed in the rural-poverty impact ratings; see Section IV below)[11]. This 'cost-impact' measure is a better approximation of efficiency than cost per beneficiary alone. In practice, however, it makes little difference to the ranking of projects. Burkina Faso and Ghana are still the most efficient, and Eritrea the most inefficient, by a fair margin. Ratings based on this measure have been used in subsequent analyses.

It should be noted that some projects were rated lower for efficiency than for effectiveness. This reflects the judgement of the evaluators that, while the objectives may have been achieved, the benefits could have been achieved at lower cost. This was most pronounced in the case of the leasehold forestry project in Nepal. A simpler, lower-cost approach with expanded geographical coverage is required if the approach is to be efficient and sustainable. Generally, projects judged as relatively inefficient were noted to be mostly those with extended implementation periods (Nepal 12 and Eritrea 10 years).

CONCLUSION: PERFORMANCE OF THE PROJECT

Project performance is defined as the combination of relevance, effectiveness and efficiency. Project ratings with respect to each of these have been individually summarized above. Aggregating these ratings into a single project performance rating presents a number of methodological issues. These, and the issues related to weighting, are discussed in Annex V. Simple, unweighted ratings are used unless otherwise stated.

Table 3 presents the main project performance findings: 90% of the projects were rated as relevant. A high percentage were rated as substantially effective. The ratings for efficiency need to be interpreted with caution because of the approximate nature of the measure, but suggest that performance was more evenly split, with 50% of the projects likely to be highly or substantially efficient. Overall, 80% of the projects have a combined project performance rating of substantial, and 20% modest. The explanations and insights relating to this differential performance are discussed in the next three chapters.

Table 3: Aggregate Rating for Project Performance (% of projects)

	HIGH	SUBSTANTIAL	MODEST	NEGLIGIBLE
Relevance of objectives		90	10	
Effectiveness		70	30	
Efficiency	20	30	40	10
Project performance		80	20	

IV. IMPACT ON RURAL POVERTY[12]

Six domains of rural poverty impact, plus three overarching factors (sustainability; innovation and replicability/scaling up; and gender equality and women's empowerment) are assessed within this evaluation criterion. These impact domains are listed in Box 2 and defined at the start of each subsection. Impact within each domain is assessed in respect of specific questions or impact criteria. These are listed in Annex I, Table 1.

Box 2: Rural Poverty Impact

Impact Domains:

- Impact on physical and financial assets
- Impact on human assets
- Impact on social capital and people's empowerment
- Impact on food security
- Impact on environment and communal resource base
- Impact on institutions, policies and regulatory framework

Overarching Factors

- Sustainability
- Innovation and replicability/scaling up
- Gender equality and women's empowerment

Project performance based on these impact criteria is reported in two ways: in the text of the report and in the impact ratings matrix. It is important to emphasize that the ratings are a complex combination of objective information and the informed judgment of the evaluators. The final rating is 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. These are more often based on the informed judgements of the evaluators than on empirical measurements. Two conclusions follow: first, it is important to give due attention to the qualitative judgements in the evaluation text, not merely to the ratings. And second, it is important to recognize that the ratings are 'informed pointers' to areas of higher or lower impact. OE has tried to ensure that they are reasonably consistent and comparable.

PHYSICAL AND FINANCIAL ASSETS

For sustainable poverty reduction, poor people must have legally secure entitlement to physical and financial assets – land, water, livestock, tools, equipment, infrastructure, technology, information, and savings and credit. An asset, also referred to as "capital stock" or "endowment", is anything that can be utilized, without being entirely used up, to increase returns from labour, whether hired or self-employed, and thus helps to enhance production, income and consumption.[13]

More project resources were directed to increasing the physical and financial assets of poor people than to any other impact area. This was the largest cost item in six of the projects, and accounted for 39% of base costs on average (Table 1). General performance in this area has been reasonably good, with 60% of the projects reporting high or substantial impact. Significant improvements were reported for physical assets (farmland, water and livestock), infrastructure and markets (roads, schools, electricity, etc.) and to some extent access to financial services. Less significant impact was reported for other household assets (e.g. houses, bicycles, etc.) and financial assets (e.g. actual savings), partly because they are less directly related to project expenditures, but also because they reflect longer-term impact, which takes time to realize.

Very significant benefits have arisen from effective investments in water and road infrastructure. In Guinea, the substantial investment in roads has had an immediate and marked effect in terms of access to public services and markets. Improved access to markets has increased competition and returns to farmers, which have in turn encouraged a significant increase in agricultural production, incomes and, ultimately, domestic savings. In Venezuela, the project's success in overcoming domestic and agricultural water shortages is partly attributed to the effective establishment, motivation and involvement of grass-roots organizations. The contrast with Eritrea could not be starker. The initial lack of attention to farmer organization, and an unwillingness to listen to or involve farmers in the design of the irrigation infrastructure, arguably contributed to the costly failures that resulted from exceptional floods and to the subsequent loss of confidence in the project. Significant progress in farmer organization was achieved only later.

Most of the projects included a credit component. Performance in this area was mixed, as it was in 2002. Credit can be difficult to get right, and easy to get wrong. When it works it can be extremely beneficial, as in many of these projects, where it has significantly improved access to credit for the rural poor, especially women. Three general observations can be made. First, grass-roots, group-based credit and savings institutions have often proved more successful than official, subsidized credit schemes. Second, 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 – as in the case of dairy cattle in Lebanon – has been much lower. Third, the need to ensure institutional and financial sustainability was either overlooked when the credit schemes were established, or remains a challenge in a number of cases.

This last observation is confirmed by the findings in the four CPEs. In Benin and Indonesia, the projects have done a good job of setting up village-level financial associations or self-help groups. In Benin, 40% of the country's villages have at least one association. In both cases, however, many of these organizations remain small and isolated. Prospects for their sustainability are limited. The challenge remains one of supporting them in creating larger associations, and in linking up to formal or semi-formal financial institutions, beyond the projects, that can provide larger productive loans and support.

In Senegal and Tunisia, the challenge is perhaps even greater: the projects have had difficulties in setting up local savings and credit groups, and small farmers have generally had very limited access to credit. One of the main reasons is the difficulty of identifying qualified financial intermediaries – non-governmental organizations (NGOs) and community-based organizations (CBOs) – with experience in microfinance and group formation. Another is the limited monitoring and follow-up of credit components by project staff. In Senegal, only 40% of IFAD's credit lines have been used. The challenge here is to strengthen the capacity of small farmers to set up savings and credit groups using appropriate intermediaries, and eventually linking them to larger financial service providers that respond to their needs.

Box 3: Main Conclusions about Impact on Physical and Financial Assets

- Some 60% of the projects reported high or substantial impact on physical and financial assets.
- Significant social and economic benefits were derived from road and water investments. Effective participation and local institutional development are often key factors.
- Repayment rates by women's groups for small, short-term loans are high.
- Identifying good partners for financial intermediation in favour of poor people is often a major challenge.
- The performance of credit institutions was again variable. Institutional and financial sustainability are critical issues.

HUMAN ASSETS

Human assets are capital 'embodied' in people. They include nutritional status, health, education and skills. Human assets have intrinsic value in raising capabilities and instrumental value in raising income and improving livelihoods. These values can be realized directly, by applying improved skills or health to an initial endowment of labour and natural and physical assets; and indirectly, by using improved health, education and nutrition to control other assets that raise income and consumption.

Human assets are not normally a major direct focus of IFAD-supported projects. On average, investment in this area accounts for 6% of project costs. Only one of the projects (Guinea) included significant expenditure on social infrastructure (e.g. health clinics and schools). Most of the project investments were for domestic water or training.

Performance in this area was reasonably good, with 60% of the evaluations reporting a high or substantial impact on human assets. Impact was particularly positive in the three projects that contributed to improved drinking-water supplies for large numbers of people (Benin, Burkina Faso, Guinea). Up to 400 000 people have improved water supplies as a result of these and the other projects. In Guinea, a clear link between improved water supplies and reduced disease was noted. The project in Eritrea provides the one exception to this positive picture. A combination of poor design and poor implementation has resulted in no improvement. The United Nations Children's Fund (UNICEF) has almost exhausted the budget, mostly on equipment that remains unused in a warehouse.

The other significant area of expenditure has been on training, including adult literacy. Most of the technical training has been effective and appreciated. The impact of adult literacy classes has been more mixed. In Guinea, the adult classes have proved so popular that some have been continued after the project ended. The reported impact on workload has been mixed for women, but was more positive for children. Improved water supplies in two projects (Ecuador and Guinea) have reduced the workload on women and children, as has the introduction of leasehold forestry arrangements combined with stall-feeding in Nepal. On the other hand, caring for livestock has probably increased the workload for children (and men) in Lebanon, and the introduction of new production techniques is overburdening the women concerned in Benin, given the lack of access to appropriate equipment. Women's seasonal workloads, but also their cash incomes, have increased through their employment in production cooperatives in Lebanon.

Secondary impact on health and education was noted in a few cases, and has been substantial in some projects. Some improvement in health services, maternal mortality, primary education and girls' school enrolment was attributed to the projects. For example, in Eritrea, the construction of roads (although not ultimately funded by the project due to undercosting) has contributed to the positive trend in school attendance. The Benin CPE mentions an improvement in access to health services as a result of increased household income. HIV/AIDS was mentioned in only one of the project evaluations (Burkina Faso).

Box 4: Main Conclusions about Impact on Human Assets

- Direct investment in improving human assets was a minor component of most projects.
- Some 60% of the projects reported high or substantial impact on human assets.
- Impact was very positive in three of the four projects that aimed to improve domestic water supplies, and for most of the training interventions.
- Impact on primary-school attendance was noted not only due to direct investment in educational facilities but also indirectly through reduction of children's workload.
- The impact on women's workload was mixed. Some projects contributed to a reduction in workload. Others contributed to an increase in workload.
- HIV/AIDS was not treated as a cross-cutting issue in any of the projects or the evaluations.

SOCIAL CAPITAL AND PEOPLE'S EMPOWERMENT

Building poor people's collective capacity (their social capital) is essential for poverty reduction. Strengthening local-level organizations and institutions and promoting gender equality increase poor people's capacity to exploit potential economic opportunities and to develop stronger links to markets and external partners. A strong capital base will empower poor people and enable them to interact more equitably and knowledgeably with those wielding social power and to negotiate more effectively to improve their livelihoods. In the absence of strong social capital, investment in human and physical assets will fail to deliver sustainable benefits.

Although absorbing a relatively minor part of project costs (an average of 10%), building social capital is increasingly being recognized as a key activity for IFAD-supported projects. For these projects at least, project performance has been strongest in this impact area. Some 70% of the evaluations report substantial impact overall.

The greatest successes relate to local organizations and institutions established and/or supported by the projects. In Guinea, Nepal and Venezuela, the establishment of successful grass-roots organizations has increased social confidence and cohesion, encouraged the participation of women, and contributed to a profound change in attitudes among rural communities. In Lebanon, more than 1 000 women have experienced improved livelihoods and empowerment as a result of women's cooperatives. Most significantly for this post-conflict region, these cooperatives have had real benefits in terms of social cohesion.

Not all experiences have been so positive. In the Benin project, the major investment in new institutions has only had a modest impact on social cohesion, mutual help, gender relations and solidarity – given the existence of similar institutions prior to the project – and the sustainability of these new institutions is highly variable. Local empowerment has not been helped by an operational rather than strategic approach to participation: beneficiaries have been involved in identifying needs, and in implementing activities, but have been involved much less in developing strategies and solutions. In Ghana, over 80% of the 9 800 groups formed under the project were nonfunctional or had disintegrated at the time of evaluation. These groups, whose purpose had been to facilitate the dissemination of new technology, were not structured for sustainability and thus did not contribute to social capital and empowerment.

In Lebanon, the establishment of 12 milk-collection centres (MCCs) has given producers a greater sense of empowerment in marketing, but there are doubts as to whether these can be commercially viable. At the time of the evaluation, only one MCC was operational.

The need for a strategy for empowering local people's institutions is also highlighted in the Senegal CPE. The latter argues that it is important to foster links between the organizations set up through the projects and the relevant regional/national institutions in which decisions concerning the rural areas are made (such as the National Council for Rural Consultation and Cooperation in Senegal). This point is also relevant regarding sustainability.

The Indonesia and Senegal CPEs warn, however, against the risk of considering group formation an end in itself, rather than focusing on the productive activities that keep the group together and represent its raison d'être. The Senegal CPE thus argues that the strengthening of farmer organizations must go hand in hand with an increased access to financial services and other assets, support to diversification and the provision of basic services. The economic viability of the groups is a sine qua non for their sustainability.

The Indonesia CPE goes a step further and argues that IFAD should take a leading role in demonstrating that rural development reduces poverty. To do this, it needs to adjust its country strategy to better balance the current focus on empowering the poor with efforts to raise farm and non-farm productivity. This will require, inter alia, stronger linkages with research systems and more attention to marketing issues.

To address the limited economic viability (and sustainability) of some of the groups, the Benin CPE suggests emphasizing the individual capacities of the beneficiaries more, rather than the capacities of the group as a whole. Indeed, evidence from the project portfolio in Benin shows that individual productive activities tend to benefit more than group activities from loans, and that group loans are usually less well managed and effective when used for a group activity. Groups are still considered as important entities in terms of their social utility (for access to information, training, extension and as a guarantee for individual loans for example), but less so as a sustainable productive entity.

Box 5: Main Conclusions about Impact on Social Capital and People's Empowerment

- Project performance has been strongest in this area. Some 70% of the projects reported high or substantial impact on social capital and empowerment.
- As for credit institutions, institutional sustainability of grass-roots institutions is a key issue. Linking new organizations to existing local/regional/national institutions is crucial in this regard.
- The emphasis placed on group formation must not be to the detriment of developing the productive activities that form the raison d'être of the group, otherwise sustainability is at risk.

FOOD SECURITY

This domain is of major importance to IFAD's mandate. In an open economy, a food-secure household (or community) is one that has enough food available at all times, whether produced or purchased, to ensure a minimum necessary intake by all members. Key elements of food security are availability (production and trade), access (income, markets and prices) and stability of access (storage and other marketing arrangements at the household and local level).

Food security was the second most important area of project activity in financial terms, accounting for 25% of project costs on average (Table 1). Overall performance was mixed, with 50% of the evaluations reporting substantial impact, and 50% modest or negligible impact. Projects were most successful in terms of improving technology and practices (70% high or substantial impact), and in increasing agricultural production (60% high or substantial impact).

The projects in Burkina Faso and Guinea provide two notable success stories with respect to technology, food production, marketing and food security. In Burkina Faso, cereal yields have increased by 25%, and 90% of household cereal needs are now secured (compared with 80% before the project). In Guinea, wider knowledge of new technology and practices has led to a significant increase in, and diversification of, agricultural production and income. Improved road access has played a major part. The impact on production and food security of the root and tuber project in Ghana was also positive, but could have been more so.

There is no indication that the major investment in spate irrigation works in Eritrea has led to a significant expansion in the production of basic staple foods and food security. Some command areas are better-off as a result of the new irrigation structures, but some are worse off, and there are doubts as to whether the bunds in the current design can accommodate the flood peaks they were designed to control. Hence the sustainability of any positive food-security impact is in question. Estimates of likely project impact in the staff appraisal record were unrealistic, and the overall impact on food security seems modest.

Most project evaluations could not quantitatively assess the impact of projects on household income, but there is evidence that the level of income has increased overall for a good part of intended beneficiaries. In Ecuador, the levels of income have increased with the sale of fruits, vegetables and small livestock, even though much remains to be done in terms of marketing, while in Lebanon, income-generating activities have greatly helped women increase their share of household income. An increase in production has generally meant an increase in income, as in the case of Brazil, Burkina Faso and Ecuador, but this is not always the case. In Ghana, for example, yield increases of up to 40% have not translated into higher farm incomes and food security, largely because of increased production costs and lower prices of cassava. The project gave insufficient emphasis to helping farmers process and market their increased output. Processing and marketing were also indicated as problem areas by the Senegal and Tunisia CPEs. In certain areas, excessive emphasis has been placed on production to the detriment of marketing, thus reducing the potential impact of the project in terms of increases in income.

Three CPEs highlight an increase in income: in the Benin CPE this has occurred mainly due to a greater diversification of sources of income, while in Tunisia it was owing to the efforts made in intensification and diversification. The Indonesia CPE also points to positive income effects in five of the eleven projects reviewed, even though there have been few benefits in terms of income distribution. This was also observed by the Tunisia CPE: in some cases the proportion of the better-off benefiting from certain activities was higher than that of the poorest with increased incomes.

Box 6: Main Conclusions about Impact on Food Security

- Performance in this area was mixed. Half the projects had substantial impact on food security, and half modest or negligible impact.
- Increase in yields and agricultural production has not always meant an increase in household income or food security.
- A good number of projects had a positive impact on income (though not always quantified), but there is evidence that the gains have not always been distributed in favour of the poorest groups.
- A relative neglect of processing and marketing issues sometimes meant that improvements in agricultural technology and production did not translate into improved household food security.
- Only four of the ten evaluations reported any impact on child nutrition, and in only two of these cases was the impact rated as substantial.

Both the Benin and Tunisia CPEs emphasize the need to encourage diversification of the sources of household income, including through income-generating activities. In the case of Benin, the focus remains largely on agricultural production, but there is a need for diversification through combining food and cash crops to enhance income stability, while in Tunisia, the CPE calls for a move away from an exclusive focus on agriculture in those areas in which agricultural production is no longer the main source of income for the rural poor.

ENVIRONMENT AND COMMUNAL RESOURCE BASE

Environmental degradation is very often the manifestation of poverty and of poor people's struggle for survival. The extent to which a project contributes to rehabilitation of the environment (particularly of the agricultural resource base) in areas affected by natural resource degradation is strongly associated with its expected poverty impact.

On average, activities related to the environment and common resources accounted for 12% of project costs (Table 1). Environmental improvement was a major objective in two of the projects, and a minor objective in three others. As in last year's sample of projects, performance in this impact area was the weakest. Of the five projects with environmental objectives, only two showed substantial impact. For the ten projects as a group, impact was modest or negligible in 60% of them (Table 6). In some cases, such as in Brazil and Ecuador, this was because the environmental aspect was not given priority during implementation. In Brazil, the environmental sub-component was not implemented and a much-needed environmental management plan was not undertaken. In Ecuador, no real mechanisms were put in place to implement the environmental management plans. One reason may lie in the absence of beneficiary input into the design of these plans.

The two projects in which environment-related activities were a major focus achieved substantial impact. In Burkina Faso, the soil and water conservation (SWC) and agroforestry activities have led to: an overall improvement in plant cover and forage availability; rehabilitation of 5 000 ha of abandoned land for cereal production; reduction in erosion; and a general increase in soil fertility. In Nepal, the impact on the leasehold forestry plots has varied markedly, depending on the existing level of degradation and the level of external support and inputs. In the better, more resilient sites, there has been a significant increase in the number of trees and tree species. In some highland areas, however, intensive leasehold forestry has lower potential.

Some positive environmental impact was also noted in Benin (from improved cooking stoves and from environmental awareness-raising within communities); in Eritrea (from the reduction in the number of trees required to maintain traditional irrigation structures); and in Lebanon (from rangeland management and reseeding). The Senegal CPE indicated limited overall impact in terms of natural resources management. There have been substantial changes only when activities have taken place in a well-defined geographical or technical area (such as small-scale irrigation schemes). Negative environmental impact was noted in Ghana (from a reduction in soil nutrition) and in Guinea (from increased fuelwood exploitation as a result of improved road access).

The Tunisia CPE highlighted a number of achievements in terms of SWC and rangeland development that have helped curtail the effects of drought. Their impact could have been greater, however, had more attention been granted to farmer strategies in devising suitable technologies, and to their participation in the research and development process aimed at finding workable solutions. In many respects, the diffusion of standardized solutions has led to the inability of farmers to manage the technologies appropriately during and after project implementation.

In Venezuela, the objective of “rational management of natural resources” was only marginally achieved because of weaknesses in implementation and in the approach set out in the project design. The evaluation concluded that the typical combination of agronomic improvement and SWC does not necessarily include all the elements necessary to achieve an effective balance between production and fragile ecosystems. Integrated, watershed-scale approaches are required that take account of other social and economic actors (such as woodcutters and large-scale herders) and coordinate actions between the public sector, private enterprises and small rural producers.

Box 7: Main Conclusions about Impact on the Environment and Communal Resource Base

- As in last year’s ARRI, project performance was weakest in this area.
- Focused effort is required for success. The two projects in which environmental improvement was a major objective and investment achieved substantial impact. Projects in which environmental objectives were minor or lacking (with no appropriate cost allocation) generally did not, and negative consequences followed.
- Environmental activities included in design documents should receive due attention in terms of human and financial resources during implementation.

INSTITUTIONS, POLICIES AND REGULATORY FRAMEWORK

Existing institutions, policies and regulatory frameworks significantly influence the lives of the rural poor. Supporting the capabilities of existing local public institutions to serve the rural poor and reorienting institutions' existing policies in favour of poor people are increasingly objectives of IFAD's operations.

Project support in this impact area accounted for 8% of base costs, mostly in relation to rural financial institutions. As with the environmental domain, impact in this area was rated as modest or negligible in 60% of the cases. There were, however, some notable successes in rural financial services. New institutions providing improved credit and savings services for poor women and men were features of the projects in Benin, Lebanon and Venezuela. The establishment of women's production cooperatives in Lebanon has also demonstrated the usefulness of these as self-help organizations.

Impact on national/sectoral policies or regulations is much less apparent. In Ecuador, however, the project has supported a number of key changes in the country's legislation in favour of indigenous peoples' rights. The main reason for the lack of national and sectoral impact lies in the local character of most of these projects, and the lack of national engagement by IFAD (including weak policy dialogue). This is borne out by the CPEs. As the one for Indonesia observes, while the IFAD programme has had substantial institutional impact at the local level, such impact at the national level has been nil. This is a direct result of IFAD's lack of engagement with the Government and other development partners in policy-related discussions. And even the substantial local-level achievement (more than 100 000 self-help groups) will be short-lived unless ways to ensure the long-term economic viability of these groups are identified and implemented.

Box 8: Main Conclusions about Impact on Institutions, Policies and Regulatory Framework

- Impact was rated as modest or negligible in 60% of the cases.
- Some notable successes were achieved in strengthening financial service institutions for the benefit of poor women and men.
- Impact on national/sectoral policies or regulations was rare. The main reason for this lies in the local character of most of the projects, and the lack of national-level engagement by IFAD.

OVERARCHING FACTORS

Sustainability

Assessment of sustainability requires a judgement as to whether the net benefits generated by the project will be maintained. The concept of sustainability includes features that contribute to, or threaten, the maintenance of net positive changes over the long term, together with any arrangements to insulate these changes from unforeseen events and changing circumstances. Assessments of sustainability are in turn used to derive ratings for sustainable impact and, together with other overarching factors, contribute to determining the overall rating for impact on rural poverty.

For the factor of sustainability, a four-point rating scale of "highly likely", "likely", "unlikely" and "highly unlikely" was used. Overall sustainability was mixed, with sustainability in 50% of the projects being rated as likely and 50% as unlikely (Table 6). However, sustainability varied within projects by impact area and by component. Table 4 identifies particular impact areas of stronger, mixed or weaker sustainability. Inclusion in the first row for example (sustainability likely or highly likely) indicates that sustainability in a majority of projects is likely or highly likely in the subdomains listed in the second column. Conversely, sustainability for the majority of projects is unlikely or highly unlikely in two subdomains: empowering rural producers in the market place and strengthening people's organizations and institutions (last row). The middle row indicates that sustainability for a majority of projects has been mixed with respect to the five subdomains listed in the second column.

Table 4: Project Sustainability – Areas of Particular Sustainability or Unsustainability

Sustainability likely or highly likely	- Increasing farm households' physical assets - Improving people's access to potable water - Increasing agricultural production - Improving farming technology and practices - Increasing social cohesion and local self-help capacities - Improving gender equality and/or women's empowerment
Mixed sustainability	- Improving rural people's access to financial services - Improving household food security - Reducing women's and children's workload - Improving adult literacy and/or access to information - Improving infrastructure and people's access to markets
Sustainability unlikely or highly unlikely	- Empowering rural producers in the marketplace - Strengthening people's organizations and institutions

There is an interesting contrast between impact and sustainability in one impact domain: social capital and people's empowerment (strengthening people's organizations and institutions). This has been a major focus of most projects, and has also been relatively effective and successful, with 70% of the evaluations reporting substantial impact. However, this appears to be one of the weaker areas in terms of sustainability. Two-thirds of the evaluations reported concerns about institutional sustainability, and overall sustainability in this domain seems to be least assured (Table 5).

Table 5: Sustainability by Impact Domain (% of projects)

	HIGHLY LIKELY	LIKELY	UNLIKELY	HIGHLY UNLIKELY
Physical and financial assets		66	34	
Human assets	12	55	33	
Social capital and people's empowerment		34	66	
Food security	12	55	33	
Environment and communal resource base		83	17	
Institutions, policies and regulatory framework		55	33	12

This contrast does not necessarily indicate that there is a problem with building social capital. Local institutional development is a difficult and long-term process. Building an irrigation channel is quick and simple in comparison. Most of these were also interim evaluations of projects that were likely to have a further phase of IFAD support. In the case of the financial service associations in Benin and Guinea, for example, although they may not be sustainable now, there is a reasonable presumption that they could be with further support and training.

In some cases, however, there are more fundamental institutional issues that need to be addressed if sustainability is to be assured. The establishment of grass-roots organizations (including rural banks) in Venezuela, which were virtually non-existent at the start of the project, has been extremely successful. But these remain vulnerable, fragmented and unsupported by higher-level organizations. A similar observation was made in the case of the Brazil project, which was criticized for being institutionally isolated, as well as in the CPEs for Senegal and Tunisia. Future sustainability will depend on the links established with civil society, local authorities and national institutions.

Financial sustainability is often a key issue, particularly for rural credit institutions and cooperatives. Credit operations were not financially sustainable as structured in Lebanon, Nepal and Venezuela. In the first example, credit provision will stop at the end of the project because no autonomous, self-reliant mechanism has been established. This project also demonstrates the importance of financially viable marketing mechanisms. The MCCs are financially unviable in the absence of government subsidies, and the rural women's cooperatives need better marketing arrangements if they are ever to be independent and financially viable. In Benin, the great majority of the microenterprise groups are financially unsustainable as commercial enterprises (rather than as social groups), regardless of what additional institutional support they receive.

The sustainability of the physical infrastructure constructed by the projects depends upon the quality of construction and engineering, but particularly upon the institutional and financial arrangements for operation and maintenance (O&M). In Benin, the quality of construction and the O&M arrangements established provide a reasonable guarantee of sustainability. No such guarantee exists for the projects in Burkina Faso, Ecuador, Eritrea and Guinea. Management committees have been established in Guinea, but there are doubts about the source of funds for long-term maintenance. In Burkina Faso, the social organizations in charge of maintaining the structures are weak, while in Ecuador the communities have neither the training nor the funds to maintain the communal infrastructure that has been built. In Eritrea, there are questions about both the resilience of the flood structures and the capacity of the communities to maintain them.

All the CPEs addressed sustainability issues. The sustainability of financial services was a concern in the CPEs for Senegal and Tunisia. In Tunisia, the limited attention paid to rural organizational and capacity-building activities, and to participation more generally, meant that farmers took limited responsibility for managing and maintaining project investments. The Indonesia CPE was much more critical. It found little evidence of sustainability in completed projects, and judged the prospective sustainability in ongoing operations as unlikely. The main reasons for the lack of sustainability were inadequate choices of technology and weak or incomplete institutional development. It concluded that the lack of sustainability in the portfolio was its greatest weakness.

Box 9: Main Conclusions about Sustainability

- Overall, sustainability was rated as likely in 50% of the projects.
- While projects have been relatively successful at strengthening people's organizations and institutions, this is one of the weaker areas in terms of sustainability. In some cases, this is indicative of the length of time needed to create sustainable institutions. In others, more fundamental institutional and financial issues exist.
- In a significant number of cases, insufficient attention to the financial and institutional arrangements for O&M, and to participation and capacity development more generally, mean that the sustainability of investments is not assured.

Innovation and Replicability/Scaling Up

Innovation is defined as the development of improved and cost-effective ways to address problems or opportunities faced by the rural poor. These encompass institutional and technological approaches, as well as pro-poor policies and partnerships. IFAD directly supports innovation and, together with its partners, promotes its replication and scaling up. Because of IFAD's relatively small size, its total impact on rural poverty using its own resources is limited. The Fund's policy is therefore to increase the outreach of its development activities by playing a catalytic role – seeking to influence other partners in the international community by promoting the scaling up of successful and replicable innovative approaches aimed at reaching the rural poor more effectively.

Less than half the project evaluations rated performance regarding innovation/replication as substantial. Substantial ratings were generally due more to innovative elements identified than to actual or potential replication/scaling up. The creation or introduction of new forms of financial service institutions was seen as an important contextual innovation in three of the projects (Benin, Guinea, Venezuela). In Ghana, the nationwide focus on a single commodity was innovative at a time when most IFAD projects were area-based rural development projects.

Some examples of potentially replicable innovation were noted. In Lebanon, the model of women's self-help cooperatives was innovative, and evidence suggests that it has been used elsewhere since. In Nepal, the design of the leasehold forestry scheme, which involves the actual transfer of land to very poor households, was an innovative approach that the Government has decided to extend to 16 new districts, with the eventual aim of nationwide coverage.

Two of the CPEs commented on innovation/replication. The Indonesia CPE contrasted the role IFAD had played – as a "purveyor of fairly routine projects" showing little evidence of innovation – with the role that it could play as an innovator of ideas and approaches, which could then be expanded nationwide by those with greater resources. The Senegal CPE also commented on limited replication. Project impact was generally limited to project/programme villages and rarely had broad spillover effects beyond the 4% of the rural population covered. If the IFAD programme aims to contribute significantly to the poverty MDG, it needs to move beyond its direct impact in programme villages to generate change in a wider sphere.

Two thematic evaluations looked at experience with innovation. Both concluded that giving greater decision-making power to beneficiaries was the key to project success. The evaluation of Local Knowledge Systems and Innovations in Asia found that the continuing exclusion of beneficiaries from design and implementation meant that their technical knowledge and capacity for innovation were rarely elicited and incorporated. The evaluation of Innovative Approaches in Peru found that the reality of placing communities and *campesinos* at the core of project interventions and decision-making was the main innovation that distinguished IFAD-supported projects from previous rural development projects.

The thematic evaluation in Asia recommended another key to successful project innovation, i.e. that IFAD needs to create an enabling environment for local knowledge and innovations. This includes a firm commitment to promoting innovation by translating regional and country strategies into pragmatic approaches to capturing and disseminating local knowledge. Investments suggested include: supporting science and technology; formulating a communications strategy for sharing innovative experiences among communities; providing local innovators with space in institutional structures; and encouraging a reward system for successful local innovations.

Box 10: Main Conclusions about Innovation and Replicability/Scaling Up

- Innovation and replicability were rated as substantial in 40% of project evaluations.
- Two of the CPEs were critical. Most projects in Indonesia were not innovative. There was little prospect of wider replication in either Indonesia or Senegal without a change in approach.
- Most evaluations rated innovative elements in the projects rather than actual or potential replication/scaling up. There was no evidence that projects had been designed with processes and mechanisms in place and resources allocated for this purpose.

Gender Equality and Women's Empowerment

Gender equity was part of the original MFE, and remains a specific question under social capital and empowerment. However, the revised MFE treats gender as a cross-cutting theme in the impact matrix, as it should be in IFAD operations. Since 2003 evaluators have been required to estimate the effects on gender equality and women's empowerment in assessing impact in all domains.

Some 80% of the evaluations rated the impact on gender equality and women's empowerment as substantial (Table 6). Most of the projects achieved improvements in the living conditions, economic independence, self-esteem, social status and participation of women. In a number of cases, these improvements have come from efforts during implementation rather than from a gender strategy in the design. In Benin and Venezuela, the projects have achieved positive impact despite the lack of a concerted strategy or operational measures. And in Ecuador and Lebanon, the traditional approach of a single component aimed at women – rural banks in Ecuador and women's cooperatives in Lebanon – has nevertheless had substantial impact. In Lebanon, the particular success of the project in enhancing women's livelihoods and social status is attributed to the care taken to learn about women's needs and interests prior to implementing project activities, and to the qualified and culturally sensitive extension agents.

While there is some evidence that significant impact can still be achieved without a gender strategy and/or a gender mainstreaming approach, some of the evaluations conclude that more could have been achieved had both been in place. A common reported problem has been that of not considering the specific constraints and needs of women right from the design stage. In Eritrea, the lack of a gender strategy led to missed opportunities for increasing project impact and for improving gender relations. It was also unfortunate that the one component that could have been particularly beneficial for women – drinking water – was a failure. In Ghana, weaknesses in design and implementation meant that the project lacked sufficient measures to ensure a better gender balance.

In some other cases, although project design may have been gender sensitive and activities specifically aimed at addressing women's constraints were included, they were not sufficiently stressed during project implementation, as was the case in Benin, Brazil and Ghana. In the last two cases for example, the project did not provide for sufficient and adequately qualified staff to ensure gender-sensitive implementation. In this respect, the Lebanon project represents a laudable example of firm commitment by staff towards improving women's economic status and empowerment.

In most cases where projects have had an impact on increasing women's socio-economic status and self-esteem, this was achieved through their participation in income-generating activities (IGAs), as was the case in Burkina Faso, Ecuador, Indonesia and, particularly, in Lebanon. The same, however, cannot be said of their participation in decision-making bodies – in many cases women have continued to be excluded from public decision-making arenas affecting their livelihoods.

Three of the four CPEs contained criticisms of the approach to gender. The Benin CPE concluded that IFAD's efforts to promote women were not sufficiently reflected in project implementation, while both the Indonesia and Tunisia CPEs found that limited gender impact stemmed from the absence of clearly defined, gender-oriented objectives and strategies to promote women. The Indonesia CPE did, however, conclude that the impact on women was improving as a result of gender entering explicitly into IFAD's project approach in the late 1990s.

Box 11: Main Conclusions about Gender Equality and Women's Empowerment

- Some 80% of the project evaluations rated the impact on gender equality and women's empowerment as substantial, but some criticisms were made in these and in the CPEs.
- While positive impact can be achieved without a comprehensive gender strategy and/or a mainstreamed approach, clearly defined, gender-oriented objectives and strategies will generally increase impact.
- The commitments made in project design to gender aspects must be reflected in the amount of human and financial resources dedicated to these aspects during implementation.
- More attention should be given to translating the improvement in women's socio-economic status into their empowerment through a more active role in decision-making bodies.

OVERALL RURAL POVERTY IMPACT

Table 6 presents a summary of the ratings for each of the six impact domains, as well as for the overarching factors: sustainability, innovation and replicability, and gender equality and women's empowerment. A comparison with Table 1 (project costs) shows no clear relationship between investment and impact. Table 6 also presents a summary rating for overall rural poverty impact. This is an aggregation of the ratings in each of the six impact domains and the overarching factors.[14] Overall rural poverty impact was judged to be substantial in 50% of the projects evaluated in 2003.

Table 6: Impact on Rural Poverty by Impact Domain and Overarching Factor (% of projects)[15]

	HIGH	SUBSTANTIAL	MODEST	NEGLIGIBLE
Physical and financial assets	10	50	40	
Human assets	10	50	30	10
Social capital and empowerment		70	20	10
Food security		50	40	10
Environment and communal resource base		40	40	20
Institutions, policies and regulatory framework		40	50	10
Sustainability		50	50	
Innovation and replicability		40	60	
Gender equity and women's empowerment		80	20	
RURAL POVERTY IMPACT		50	50	

V. PERFORMANCE OF THE PARTNERS

Each project evaluation assesses how well individual partners fulfilled the role expected of them. While each partner is rated individually, it is their coordinated and composite performance that influences the outcome of a project. This area was more consistently covered in the 2003 evaluations than in the previous year.

IFAD PERFORMANCE

IFAD performance is defined as the extent to which services provided by the Fund ensured a sound project design; facilitated participation by the rural poor and other partners; resulted in a realistic appraisal proposal; supported implementation effectively directly and through the cooperating institutions (CIs); demonstrated flexibility to needed design modifications; responded promptly to partners' requests; created effective partnership for implementation; and promoted innovation and policy dialogue.[16]

Two thirds of the evaluations rated IFAD performance as modest. Only three evaluations (Venezuela, Brazil and Nepal) judged its performance to be good or very good. In Venezuela, IFAD provided excellent support to the project in terms of both continuity and specific advice on rural banks and gender aspects. The same good performance was noted in Brazil. In Nepal, IFAD was commended for its bold, innovative project, and for its contribution to policy dialogue.

The weaknesses identified in IFAD performance tend to fall into three categories: design, implementation support and the creation of effective partnership for implementation. In Eritrea and Ghana, for example, the design was weak in a number of significant respects. In Ghana, the approach to targeting was inadequate/inappropriate, and the lack of attention to processing and marketing was a major omission. In Eritrea, the design of all infrastructure components was questionable and/or undercosted, and there was no specific plan for involving or strengthening farmers' organizations. Specific design criticisms in various components were also made in other evaluations.

In terms of implementation support and partnership, two of the project evaluations (Eritrea and Lebanon), and three of the CPEs (Indonesia, Senegal and Tunisia), criticize IFAD for its limited success in establishing and supporting adequate M&E systems. Five of the project evaluations criticize limitations in oversight and in efforts to enhance effective partnership. In Guinea, failure by IFAD and the United Nations Office for Project Services (UNOPS) to control the cost inflation resulting from an early planning workshop had adverse financial consequences for the project. In Ecuador, IFAD was perceived as an absent partner, and coordination between it and the World Bank was poor and ineffective. In Lebanon, IFAD performed well in providing a relevant project design but less well in providing strategic guidance during project implementation in a post-conflict situation. And in Eritrea, IFAD oversight of and partnership with UNICEF – which had responsibility for the failed drinking-water component – did not achieve the desired result.

PERFORMANCE OF THE COOPERATING INSTITUTION

Cooperating institution (CI) performance, which in the final analysis is also IFAD performance, is a key factor in influencing the success of implementation. A CI that provides adequate and informed support can be an important factor in helping overcome the numerous difficulties that can be expected during implementation.

UNOPS and the World Bank were the CIs in seven of the ten projects. The findings of these evaluations broadly confirm the conclusion of the CLE on Supervision Modalities: UNOPS and the World Bank generally showed a stronger supervision performance than the regional, smaller CIs. The performance of UNOPS in Benin, Brazil and Nepal was rated as good. In Ghana, the World Bank's physical presence in the country was a strength, as was its innovative team approach to implementation support. Overall, CI performance was rated as substantial in about two thirds of the evaluations.

Table 7: Performance of the Cooperating Institution

Country	Cooperating Institution	Evaluation Rating of Performance	PMD Rating of Performance [17]
Benin	UNOPS	Substantial	Satisfactory
Brazil	UNOPS	Substantial	Satisfactory
Guinea	UNOPS	Modest	Satisfactory
Nepal	UNOPS	Substantial	Satisfactory
Ecuador	World Bank	Substantial	Improving
Eritrea	World Bank (International Development Association)	Negligible	Improving
Ghana	World Bank	Substantial	Satisfactory
Lebanon	Arab Fund for Economic and Social Development (AFESD)	Modest	Improving
Burkina Faso	West Africa Development Bank (BOAD)	n.a.	Improving
Venezuela	Andean Development Corporation (CAF)	Substantial	Improving

The poor financial supervision by UNOPS (and IFAD) in the case of the project in Guinea has already been mentioned. The resulting difficult financial situation is in great danger of undermining the good results elsewhere in the project. In Lebanon, the performance of AFESD was modest in guiding the project during implementation, particularly regarding outreach to the target group and overly optimistic assessments of impact, participation and monitoring.

The Eritrea evaluation was the most critical of CI performance, but this was directed at UNICEF rather than the World Bank. UNICEF had full responsibility for the drinking-water component. A number of things went wrong with this component, all of which were compounded by UNICEF's weak supervision, and by IFAD's problematic relationship with UNICEF. More than eight years after the memorandum of understanding was signed between IFAD and UNICEF, and after the expenditure of more than USD 1 million, there are few visible results and no improvement in drinking-water supply. Overall, the evaluation rating of CIs is consistent with PMD's except for the three cases of Ecuador, Eritrea and Guinea.

This mixed performance of CIs was confirmed on a much larger scale by the CLE of Supervision Modalities (2003). The evaluation concluded that CIs have consistently performed better on fiduciary aspects, whereas implementation support lagged behind, particularly for IFAD's specific requirements (and strategic imperatives). The supervised clients (project managers) expressed the need for more frequent and better access to local-level implementation support that is better acquainted with local conditions; more participatory supervision; and that the supervision frequency be changed according to the nature of the project and the implementation stage. The evaluation recommended more frequent interaction with locally based implementation advisers, particularly for process-oriented, community-driven projects (currently the majority of IFAD projects). Further, it suggested that the IFI model for supervision currently used in IFAD-supported projects may not be the most effective one for enhancing project performance. It stressed the importance of building on some pioneering work done in IFAD, through the use of regional technical assistance grant-funded programmes for capacity-building of local and regional institutions, in order to provide significant inputs into the supervision process in support of more effective project implementation. The evaluation also highlighted the need to improve IFAD's quality assurance of supervision in order to facilitate the monitoring of CI performance.

PERFORMANCE OF GOVERNMENT AND ITS AGENCIES

This performance is defined as the extent to which government and agencies promoted rural poverty reduction; assumed ownership of and responsibility for the project; ensured the quality of preparation and implementation; fostered stakeholder participation; and complied with covenants and agreements. (See the MFE for detailed evaluation questions on government performance.)

The performance was judged to be substantial in 70% of the projects evaluated. Central government was generally supportive, but there were delays and shortfalls in the provision of counterpart funds in Ecuador and Venezuela; a shortage of staff in Eritrea; and delays in procurement and the choice of contractors in Lebanon. These delays diluted the poverty impact of the projects.

The competence and effectiveness of project management units (PMUs) was praised in five of the evaluations (Benin, Burkina Faso, Ghana, Lebanon and Venezuela). In Venezuela, the quality and continuity of technical staffing was the key to the success of the project in a difficult context. A few criticisms were nevertheless made of these stronger PMUs. In Benin, takeover by beneficiaries was slow due to the lack of strategic participation, while in Ghana, the PMU focused on financial/technical targets rather than on whether the project was on track in meeting its higher-level objectives (outcomes and impact). The wider question of the appropriateness, sustainability and efficiency of the PMU approach also needs to be considered.

The one, common criticism in most of the project evaluations, and in three of the four CPEs, related to weak monitoring and evaluation. In Lebanon, the lack of an effective M&E system meant that project management lacked relevant information on development impact or beneficiary feedback to inform its decisions. Most projects lacked adequate M&E information. Nepal was the one project with an unusual abundance of monitoring information because of the technical-assistance support provided. But because of the way the assistance worked, the M&E system was not owned by the project, nor was the capacity of line agencies enhanced.

The issue of corruption was raised by the Indonesia CPE, highlighting more widely the importance not only of proactive anti-corruption measures by partner governments, but also of IFAD devoting serious attention to this phenomenon in the development projects and programmes it finances. In this regard, the CPE argued that IFAD needs to speed up the development and implementation of an anti-corruption policy and to strengthen relevant procedures. At the project level, for example, specific steps would include transparent recruitment and promotion processes for staff, and involvement of NGOs in the monitoring and reporting of financial matters.

NGOS AND CBOS

The important role of CBOs established by the projects has already been mentioned. NGOs tended to play a minor role and receive relatively little attention in most of the evaluations. Performance was, however, generally good in most of the reports in which they are mentioned. Two interesting observations were made in the context of the projects in Lebanon and Nepal. In the case of Lebanon, it was observed that neither cooperatives nor any other organization were considered full-fledged partners by the project, but merely service providers. But the most successful experience – rural women's cooperatives – came from the development of organizations as genuine partners. The Nepal evaluation questioned the role of NGOs versus government departments. While recognizing that NGOs can play a useful role until such time as the relevant capacities of line-agency staff exist, long-term sustainability requires that investments to strengthen existing government networks and to train government field staff should not be neglected.

COFINANCIERS

The evaluation reports contain few, but generally positive, observations on the performance of cofinanciers. Half of the evaluations rated their performance as substantial, and half as modest. There were no common themes, and performance varied from project to project. For example, the Organization of the Petroleum Exporting Countries (OPEC) was praised for being a full and active partner in Lebanon, but criticized for its slow administrative procedures in Guinea.

OVERALL PERFORMANCE OF THE PARTNERS

Table 8 presents a summary of the ratings of the five partners that make up this evaluation category.

Table 8: Aggregate Rating for the Performance of the Partners[18]

	HIGH	SUBSTANTIAL	MODEST	NEGLIGIBLE
IFAD	11	22	66	
Cooperating institutions		66	22	11
Government and agencies		70	30	
NGOs/CBOs	20	60	20	
Cofinanciers		50	50	
Partner performance		70	30	

VI. OVERALL ACHIEVEMENT OF THE PROJECTS EVALUATED

Table 9 compares and combines the achievements of projects evaluated this year (2003) with those of last year (2002). Overall, the 2003 projects are rated more favourably than were the 2002 projects, although there are few marked differences in the individual domain scores. Effectiveness and sustainability were rated more favourably this year, while the impact on food security and IFAD's performance were rated less favourably. Impact on rural poverty is the same overall, but the least impact was achieved in the domains of "the environment and communal resource base" and "institutions, policies and regulatory framework" in both years. Overall, 70% of the projects evaluated in 2003 scored high and substantial performance. The corresponding rate for 2002 was 50%. This should not be interpreted as indicating an improvement in the overall performance of IFAD-supported projects. Due consideration should be given to the fact that the sample of projects evaluated in 2003 is heavily biased towards better-performing projects, as explained earlier (Table 2).

Previous sections have presented the unweighted ratings for each evaluation category (rural poverty impact, project performance and partner performance) and have used a four-point rating scale. As requested by the Evaluation Committee and the Executive Board, this year's ARRI has experimented with weighting, as well as with a six-point overall achievement rating. This is explained in Annex V. The justification for weighting is that it more accurately reflects the perception that some criteria are more important than others. For example, the general view is that impact on rural poverty, especially for IFAD, should carry the highest weight, together with sustainability, innovation and replicability/scaling up. Table 10 presents a summary of the weights used in this year's ARRI as an experiment. Table 11 summarizes the unweighted and weighted results. It appears that weights make only a slight difference in both the four-point and six-point rating systems. (See Annex V for further explanation.)

Table 9: Summary Performance of Projects Evaluated in 2002 and 2003

	2002 % High and Substantial	2003 % High and Substantial	Both Years % High and Substantial
Project performance	60	80	70
Rural poverty impact	50	50	50
Partner performance	60	70	65
Overall Performance	**50**	**70**	**60**

Table 10: Weights

Main Categories	Weight	Subcategories	Weight
Rural poverty impact	50	Impact in the six domains	15
		Sustainability	15
		Innovation and replicability	15
		Gender equality and empowerment	5
Project performance	30	Relevance	6
		Effectiveness	18
		Efficiency	6
Partner performance	20	IFAD	6
		Cooperating institutions	4
		Government	6
		NGOs/CBOs	2
		Cofinanciers	2
Total	**100**	**Total**	**100**

Table 11: Overall Achievement 2003, Unweighted and Weighted

	% High/Substantial Unweighted	% High/Substantial Weighted
Project performance	80	80
Rural poverty impact	50	40
Partner performance	70	70
Overall Achievement	**70**	**60**

This year's ARRI has also experimented with a six-point rating for overall achievement. The justification for a six-point scale is that it provides a more graduated picture of project achievement, instead of bunching the projects in just two of the four-point ratings (substantial and modest), and it gives evaluators a wider space in accommodating diverse project circumstances. A six-point rating is also more consistent with emerging international practices, as most IFIs are currently using such a system. Table 12 presents the overall achievements of the ten evaluated projects using a six-point rating scale. Summary, unweighted ratings are presented for projects covered in last year's ARRI (2002) and the present one.[19] The likelihood that the sample of projects evaluated by OE is favourably biased needs to be borne in mind. Taking the two years together, over half (60%) of the 20 projects evaluated were classified as "successful" or "moderately successful".

Table 12: Overall Achievement of Projects Evaluated in 2002 and 2003 (% of projects, unweighted)

	Highly Successful	Successful	Moderately Successful	Moderately Unsuccessful	Unsuccessful	Highly Unsuccessful
2002		40	10	30	20	
2003		40	30	20	10	
Both years		40	20	25	15	

VII. CONTRIBUTION TO IFAD'S STRATEGIC OBJECTIVES

As in last year's ARRI, the rural impact ratings have been regrouped according to IFAD's three strategic objectives and the six main MDGs. Details of how the impact criteria map against these objectives and goals can be found in Annex I.

Table 13 presents the impact ratings for each of IFAD's 2002-2006 strategic objectives. Performance was highest in respect of the third objective, and lowest for the second. Last year's performance was highest for the first objective, but again lowest for the second.

Table 13: Project Impact by IFAD Strategic Objective 2002-2006 (% of projects)

	HIGH	SUBSTANTIAL	MODEST	NEGLIGIBLE
Strengthen capacity of the rural poor and their organizations		60	40	
Improve equitable access to productive natural resources and technology		50	30	20
Increase access to financial services and markets	10	60	30	

Table 14: Project Impact by Millennium Development Goal (% of projects)

	HIGH	SUBSTANTIAL	MODEST	NEGLIGIBLE	n[20]
Eradicate extreme poverty and hunger		50	40	10	10
Achieve universal primary education	14	43	29	14	7
Promote gender equality and empower women		80	20		10
Reduce child mortality and improve maternal health		50		50	2
Combat HIV/AIDS, malaria and other diseases		28	44	28	7
Ensure environmental sustainability (incl. safe water)		44	33	22	10

Grouping the ratings by IFAD strategic objectives provides a better measure of the projects' contribution than does grouping by MDGs. The six impact domains have their origin in the former, and were not designed to report against the MDGs. Many of the projects are not designed to impact directly on some of the MDGs (e.g. child mortality and maternal health). The ratings reported also take no account of indirect impact, such as the long-term effect of women's empowerment on extreme poverty. These reservations aside, the data suggest that the projects made their strongest contribution in respect of the third MDG (gender equality and the empowerment of women), followed by the second (universal primary education),[21] and the least contribution in respect of the fifth goal (combating HIV/AIDS, malaria and other diseases). Half of the evaluated projects were assessed as making a substantial contribution to the first goal (hunger and poverty).

VIII. BEYOND THE PROJECT

The purpose of this section is to present a thematic overview of the insights and lessons contained in this year's evaluation reports. While many of these are project- or country-specific, many have something in common as well. They reflect a wider analysis indicating that the impact and sustainability of IFAD's development contribution has been constrained by the limited focus of its projects, and also by an overreliance on projects as a development instrument. More specifically, the failure to look and link beyond its typical area-development project model is a common evaluation criticism. The remainder of this section develops this common theme, and discusses its implications for IFAD.

Half (50%) of the projects evaluated this year reported that IFAD-supported projects have achieved substantial rural poverty impact. The figure last year was also 50%. The Indonesia CPE estimated that nearly half of those IFAD projects have had a positive impact on poverty.[22] The corollary of these figures is that about half of IFAD's projects have had a modest or lesser impact on rural poverty. Three further observations make this a more serious issue for IFAD.

First, the positive impact achieved tends to be limited in scale. The Senegal CPE reported that impact was limited to project/programme villages, with little spillover effect on local development and no multiplier effect at the national level. At most, 4% of Senegal's rural population would be affected. Most of the project evaluations reported no discernible institutional impact at the national level. With the exception of the few national programmes (such as the Ghana root and tuber project), there are few examples of replication stemming from the area-based rural development projects that make up the bulk of the evaluated portfolio.

Second, the sustainability of project impact is a common concern. This year, 50% of the projects evaluated were rated as likely to be sustainable. Last year the figure was 40%. The Indonesia CPE concluded that few of those IFAD projects are likely to be sustainable. A reasonable overall conclusion is that sustainability is unlikely for significant activities in at least half of IFAD's projects.

Third, there is good reason to think that the project evaluations reported in this and last year's ARRI overstate the performance of the IFAD portfolio. Only 5% of the projects evaluated in the two-year period were classified by PMD as underperforming. This compares to 20% of completed projects in the period 2002-2003. To put it another way, 95% of the projects covered by this and last year's ARRI were classified by PMD as "problem free" or as having "minor problems", compared to 80% of all completed projects. It is reasonable to conclude that a more representative sample of evaluated projects, including more underperforming projects, would reveal a less favourable picture of impact and sustainability.

The 2003 evaluation reports contain a number of explanations for the limited scale and sustainability of impact observed. A common overarching feature is the need for IFAD and its projects to look beyond the confines of the typical, area-based rural/agricultural development project. Projects need to fit better within, and link better with, the framework conditions and wider institutional and economic environment. Projects need to be designed and implemented with an eye to a wider than local impact and influence. This implies real innovation that meets an identified, wider need, and real prospects for more extensive replication. And it means looking beyond projects as the main aid instrument if IFAD is to contribute to broader change in rural policy and practice, with consequently wider impact on rural poverty.

The evaluation evidence for the need to look beyond the typical stand-alone project can be found in a range of areas and issues, as indicated by the following examples drawn from this year's evaluations:

- The institutional and financial sustainability of many of the groups formed with project support is doubtful (including credit and savings groups). One major reason is the lack of linkages with wider institutional structures and networks (local, regional and national).

- The maintenance of new infrastructure is an issue in a number of projects. There are doubts about the availability of funds for long-term maintenance, which in many cases will exceed the economic capacity of the local community. Once again, this indicates the importance of integrating project investments, and the maintenance of those investments, within the local, regional and national government context.
- The absence of adequate links to, or consideration of, broader markets is mentioned in a number of project and country programme evaluations. The common conclusion is of the need for prior assessment of markets and market linkages, and for support that facilitates the integration of farmers and microenterprises (either individually or collectively) with wider public- and private-sector partners.
- The project evaluations identified relatively few examples of widely replicable innovation, nor did the CPEs. Overall, it does not appear that the design and implementation of projects have been sufficiently driven by the objective of promoting and then replicating innovative approaches to rural and agricultural development. This has major implications for the scale of IFAD's impact in-country. Unless project approaches are genuinely innovative, and can feasibly be replicated beyond the project with the resources likely to be available, impact will remain local.
- The Senegal and Indonesia CPEs both observe that individual projects seem to be scattered, with few links or complementarities between them. There is a need for more coherent, integrated country programmes, with projects that share a common strategic approach.

Another example of the need for a broader view is provided by the Tunisia CPE. This argues for a move away from an exclusive focus on agriculture, and towards a wider, rural-livelihoods approach aimed at addressing the needs and potential of poor households. In areas where the agricultural potential is quite low, and where agriculture is rarely the main source of income for the poorest groups, better integration with non-agricultural, peri-urban and urban sectors may offer a more productive route out of poverty. The need for a wider, more integrated approach was also mentioned in the context of natural resources management in Venezuela. The common theme is the need to consider more extensive social, sectoral and economic aspects and actors, and to align actions across the public and private sectors on a scale larger than the local area.

None of the above provides a strong challenge to the project as IFAD's main aid instrument. The evaluations do not provide a critique of projects as such, merely of their local focus and the need to improve their integration with the broader institutional and economic context. They also suggest that IFAD projects need to focus more clearly on IFAD's comparative advantage: rural development innovation and using the learning from that innovation to inform wider policy and practice.

However, two of the CPEs did raise questions about whether the project model, by itself, can contribute significantly to reducing rural poverty. The Senegal CPE argued that the programme needs to extend its action to a broader sphere if it is to move beyond local project impact. A mixture of local interventions, alliances with national programmes and partners, and policy reflection and dialogue is required for greater impact. The Indonesia CPE also argued that IFAD needs to develop a series of strategic partnerships, and to play a much more prominent role in rural development advocacy and policy dialogue. The stress on policy dialogue and advocacy contained in IFAD's strategic framework has not yet been sufficiently translated into practice.

IX. CONCLUSIONS

MAIN FINDINGS

This is OE's second ARRI. It follows a structure similar to last year's, and is mainly based on the ten project evaluations and four country programme evaluations carried out in 2003. Relevance and effectiveness were rated as substantial for 90% and 70% of the projects respectively. Efficiency was more mixed, with 50% of the projects likely to be highly or substantially efficient. Taken together, project performance was rated as substantial in 80% of the projects evaluated.

Rural poverty impact was most highly rated in the domains of physical and financial assets, human assets, social capital and empowerment, and gender equity. Generally, positive impact from financial assets was less evident than from physical assets. Food-security impact was more mixed. Substantial impact was least evident in the domains of environment and common resources, and in relation to institutions, policies and regulations. Overall rural poverty impact was rated as substantial in 50% of the projects.

IFAD's performance was rated as modest in two thirds of the projects. The performance of other partners (CIs, government, etc.) was generally rated more highly. Overall partner performance was rated as substantial in 70% of the projects.

This year's ARRI has used a six-point rating system for overall project achievement, and has experimented with a system of weightings. Using an unweighted, six-point scale, 40% of the projects evaluated in 2003 were rated as successful and 30% as moderately successful. The combined figures for 2002 and 2003 were 40% and 20% respectively. The application of weighting makes only a slight difference.

The evaluations reveal a range of factors that have affected performance and impact. Unlike last year, these do not easily group into a small number of factors associated with the more successful projects. However, the two least successful projects were in post-conflict situations. These represent particularly difficult and demanding situations for project implementation. More generally, poor performance was related to design weaknesses. These could have been ameliorated had monitoring, supervision and follow-up been more effective. In three projects, these design weaknesses contributed directly to a failure to deliver improvements that were relevant to the primary target group: the rural poor. In other projects, weak implementation support by cooperating institutions during implementation contributed to weak project performance and poverty impact. Indeed, as the CLE of Supervision Modalities highlighted, improving IFAD's quality assurance of supervision and monitoring of CI performance would facilitate better project performance.

One general theme was identified: IFAD needs to look and operate beyond the project (see previous section). The scale and sustainability of IFAD's development contribution has been constrained by the local focus of its projects and by an overreliance on projects as a development instrument. There is a need for projects to be more innovative, more widely integrated and better aligned with framework conditions, and for IFAD to operate more actively as a strategic partner at the national level. This will require increased attention to external linkages, replicable innovation and policy dialogue, and will be difficult to achieve without an increased and more permanent IFAD presence in-country.

Marketing exemplifies the importance of external linkages. The need for greater attention to processing and market linkages beyond the local confine of projects was mentioned in a number of this year's project and country programme evaluations. A relative overemphasis on production, and an underemphasis on marketing and processing, was a common criticism. Local markets are too easily saturated. This highlights the need for projects to look and link beyond area-specific agricultural production activities if sustainable improvement in the economic prospects of poorer households is to be achieved. As the Tunisia CPE pointed out, closer attention to the specific problems and potential of the target group might suggest a move away from an exclusive focus on agricultural production and towards better integration with the urban and peri-urban economy.

The importance of building social capital in the form of relationships and networks with more extensive institutions and service providers was another common theme of the evaluations. Considerable effort has rightly gone into building local, grass-roots organizations. However, if these are not to be short-lived, more attention needs to be given to how these groups can build relationships with each other, with existing local institutions, and with regional and national networks.

RECURRENT THEMES

One of the merits of an annual synthesis of this type is the comparison made possible with previous years' results and insights. While this is only the second ARRI, this year's evaluations provide important confirmation of some important issues:

- Empowering the rural poor, building social capital and real participation in project design and implementation are often the key to impact and sustainability.
- Project impact is least substantial in two areas: the environment and common resources, and institutions, policies and regulatory frameworks.
- Projects impact is mixed in the area of financial services for poor people, which is a crucial area for IFAD.
- The poorest groups do not always benefit to the same extent as the less-poor from infrastructure development, new agricultural technologies and related services.
- Projects need to be designed and implemented with sustainability and the promotion of replicable innovation as priorities, with specific strategies and allocated resources, if either objective is to be achieved.
- Project M&E systems are generally weak.

Recurrent issues. The importance of empowering the rural poor and of their participation in the IFAD projects evaluated in 2003 confirms the priority that IFAD has attached to these objectives. As regards the problem areas identified, IFAD has attempted to address two of these through improved policies and guidelines for rural finance (produced in April 2000) and for M&E. IFAD may wish to carefully monitor adherence to these policies and guidelines during design and implementation and to eventually revise the rural finance policy to address observed gaps.

The major challenges for IFAD lie in the other recurrent themes identified. These can be divided into two categories. First, areas that would merit further, detailed evaluation to understand why performance is poor or variable and how impact can be improved. These are: (i) the environment and communal resource base, and (ii) institutions, policies and regulatory framework. Second, areas in which greater priority and clarity are required in project design and implementation. These are: (i) sustainability, and (ii) promotion of repli cable innovation. Stricter and clearer tests are required at appraisal, as well as greater attention during implementation and supervision.

Strategic questions. The 2003 ARRI highlights three strategic issues for IFAD's consideration. The first is **the need for IFAD to be clearer about its poverty objectives**. The term "rural poor" is very broad. It and its subgroups (e.g. poorest, ultra-poor, poor with productive potential, etc.) need to be clearly defined. Does IFAD's target group include the poorest people, and can these be cost-effectively reached by IFAD-supported projects? Or is IFAD's objective to make the maximum contribution to reducing the number of poor people in rural areas in general? These are important questions for IFAD, given its mandate, and the fact that many donors are now directing their efforts towards poor people. One option is that IFAD reposition itself, and redefine its focus, in terms of innovative solutions to problems faced by the poorest people with productive potential in rural areas.

The second strategic issue relates to **the need for a wider and more externally integrated perspective on projects**. This will mean ensuring that projects are designed and managed in a way that maximizes their alignment with, and impact upon, the broader institutional and economic context. Higher priority needs to be attached to policy dialogue, institutional linkages, innovation, scaling up and sustainability.

The third strategic issue relates to **the need for IFAD to operate more actively beyond projects** as a strategic partner at the national level (notably in policy dialogue and advocacy). If IFAD is to play a more strategic role as a development partner in-country, and if it is to increase its catalytic impact, this will require an increase in the level of in-country staff and resources devoted to these objectives. Three of the four CPEs undertaken in 2003 conclude that IFAD's country presence needs to be increased and made more permanent. IFAD needs to recognize that one of the critical constraints on increasing the rural poverty impact of its country programmes is the level of human, and not only financial, resources that it commits in-country.

The MFE has been covered more consistently in this year's project evaluations. The process of producing this second ARRI has nevertheless identified some areas that need attention:

- Improved evaluation guidance and higher priority in evaluations are required for the cross-cutting issues of innovation, replication and scaling up, as well as for assessment of the efficiency criterion.
- Evaluators should put more systematic efforts into estimating the reach of projects quantitatively (how many households?) and qualitatively (who has benefited?).
- The sample of projects evaluated by OE appears to under-represent underperforming projects. OE should examine ways of increasing the representativeness of the projects evaluated. This may require revising the mandatory nature of interim evaluations as currently stipulated in the evaluation policy.
- OE should examine ways of improving the assessment of IFAD's contribution to the MDGs.

ANNEX I

METHODOLOGICAL FRAMEWORK FOR PROJECT EVALUATION

The MFE consists of three main, composite evaluation criteria: (i) performance of the project; (ii) impact on rural poverty; and (iii) performance of the partners. Each main criterion is divided into a number of elements or subcriteria (see chart below).

The first criterion – performance of the project – captures the extent to which the project objectives are consistent with the priorities of the rural poor and other stakeholders (relevance); how well the project performed in delivering against objectives (effectiveness); and how economically resources have been converted into results (efficiency).

The second criterion – impact on rural poverty – assesses the changes that have occurred by the time of project completion. Rural poverty impact is defined as 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. The estimation of impact includes assessment of the extent of IFAD's contribution to these changes. Impact has been divided into six domains, which are addressed by IFAD projects to varying degrees, and the overarching factors of sustainability, innovation and replicability/scaling up, and gender equality. The six impact domains are:

- physical and financial assets;
- human assets;
- social capital and people's empowerment;
- food security;
- environment and communal resource base; and
- institutions, policies and regulatory framework.

For each impact domain, every evaluation attempts to answer a set of key questions (see below). These and other questions provide the basis for a consistent assessment of changes in the life of the rural poor due to IFAD's interventions. Regrouping these questions allows also for reporting against IFAD's strategic objectives (Table 1 below).

The third criterion – performance of the partners – assesses the performance of the primary partners in the project: IFAD, the cooperating institution, government agencies responsible for implementing the project, NGOs/CBOs involved in project implementation and project cofinanciers. Here again, a number of questions are put forward in the evaluations.[23] They assess how well IFAD and its partners identified, prepared and supervised the project, and the contribution each made to project success during implementation.

The 2003 project evaluations have again applied a four-point rating scale to each criterion and subcriterion,[24] based on the combined judgement of the rural poor, partners and the evaluators, normally through a workshop at the end of the evaluation, as well as through empirical verification. The resultant ratings are recorded in a detailed matrix covering all impact criteria. This report is based on the ratings contained in these matrices and a thorough analysis of the evaluation reports themselves.

Methodological Framework

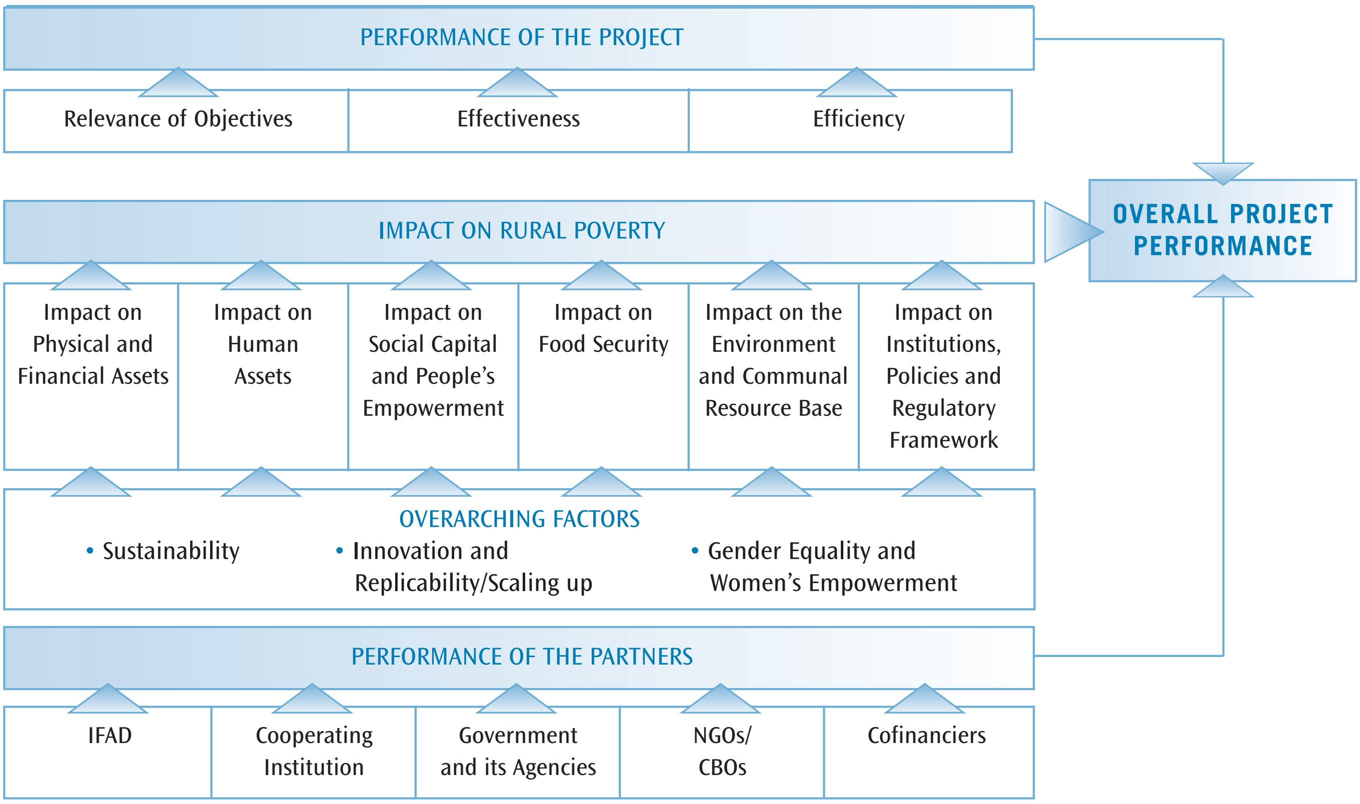

Table 1: Evaluation Framework – the Domains of Impact

Main Domains of Impact	Key Questions for Impact Assessment in Rural Communities Affected by the Project (changes to which the project has contributed)	IFAD Strategic Framework Objective	Millennium Development Goal
I. Physical and financial assets	1.1 Did farm household physical assets change? (farmland, water, livestock, trees, equipment, etc.)	2	
	1.2 Did other household assets change? (houses, bicycles, radios other durables, etc.)		Poverty and hunger
	1.3 Did infrastructure and people's access to markets change? (transport, roads, storage, communications facilities, etc.)	3	
	1.4 Did household financial assets change? (savings and debts)		Poverty and hunger
	1.5 Did rural people's access to financial services change? (credit, savings, insurance, etc.)	3	
II. Human assets	2.1 Did people's access to potable water change?		Environment (incl. water)
	2.2 Did access to basic health and disease-prevention services change?		Disease
	2.3 Did the incidence of HIV infection change?		Disease
	2.4 Did the rate of maternal mortality change?		Mortality rate
	2.5 Did access to primary education change?		Primary schooling
	2.6 Did primary-school enrolment for girls change?		Primary schooling
	2.7 Did the workload of women and children change?		
	2.8 Did the adult literacy rate and/or access to information/knowledge change?	2	
III. Social capital and people's empowerment	3.1 Did rural people's organizations and institutions change?	1	
	3.2 Did the social cohesion and local self–help capacity of rural communities change?	1	
	3.3 Did gender equity and/or the condition of women change?		Gender disparity
	3.4 Did rural people feel empowered vis-à-vis local and national public authorities and development partners? (Do they play a more effective role in decision-making?)	1	
	3.5 Did rural producers feel empowered vis-à-vis the marketplace? Are they in better control of input supply and marketing of their products?	1	
IV. Food security (production, income and consumption)	4.1 Did children's nutritional status change?		Poverty and hunger
	4.2 Did household food security change?		Poverty and hunger
	4.3 Did farming technology and practices change?	2	
	4.4 Did the frequency of food shortages change?		Poverty and hunger
	4.5 Did agricultural production change? (area, yield, production mix, etc.)	2	
V. Environment and communal resource base	5.1 Did the status of the natural resource base change? (land, water, forest, pasture, fish stocks, etc.)		Environment (incl. water)
	5.2 Did exposure to environmental risks change?		Environment (incl. water)
VI. Institutions, policies and regulatory framework	6.1 Did rural financial institutions change?	3	
	6.2 Did local public institutions and service provision change?	1	
	6.3 Did national/sectoral policies affecting the rural poor change?	1, 3	
	6.4 Did the regulatory framework affecting the rural poor change?	1, 2, 3	
	6.5 Were there other changes in institutions and/or policies?		

ANNEX II

REGIONAL AND SECTORAL REPRESENTATIVENESS OF PROJECTS EVALUATED

Table 2: Regional Representativeness of Projects Evaluated

REGION	% Distribution of Ongoing IFAD Projects at End 2003	% Distribution of Projects Evaluated
PA	21.8	40
PF	20.9	10
PI	19.7	10
PL	17.9	30
PN	19.7	10
Total	100	100

Table 3: Sectoral Representativeness of Projects Evaluated

	% Distribution of All IFAD Projects 1998-2003	% Distribution of Projects Evaluated
Rural and agricultural development	57	80
Credit and financial services	8	
Research/extension/training	9	
Irrigation	4	10
Livestock	3	10
Others*	19	
Total	100	100

*This category includes projects in the areas of fisheries, marketing and the flexible lending mechanism.

ANNEX III

PROJECTS SUMMARY TABLE

REG.	COUNTRY	PROJECT TITLE	BOARD APPROVAL	LOAN EFFECTIVENESS	ORIGINAL COMPL. DATE*	CURRENT COMPL. DATE	EXPECTED IMPLEM. PERIOD (YEARS)	REVISED IMPLEM. PERIOD (YEARS)
PA	Benin	Income-Generating Activities Project	Dec-95	Mar-97	Dec-03	Dec-04	7	7.8
PA	Burkina Faso	Special Programme for Soil and Water Conservation and Agroforestry in the Central Plateau	Dec-94	May-96	Jun-02	Jun-03	7	7.2
PA	Ghana	Root and Tuber Improvement Programme	Dec-97	Jan-99	Jun-04	Jun-04	6	5.5
PA	Guinea	Smallholder Development Project in North Lower Guinea	Sep-95	Jul-96	Dec-03	Dec-03	7	7.5
PF	Eritrea	Eastern Lowlands Wadi Development Project	Dec-94	Mar-95	Dec-00	Dec-04	6	9.8
PI	Nepal	Hills Leasehold Forestry and Forage Development Project	Dec-89	Feb-91	Jul-97	Jun-03	8	12.4
PL	Brazil	Community Development Project for the Rio Gaviao Region	Dec-95	Dec-96	Dec-02	Dec-05	7	9.1
PL	Ecuador	Indigenous and Afro-Ecuadorian Peoples' Development Project	Dec-97	Nov-98	Mar-02	Jun-04	4	5.7
PL	Venezuela	Support Project for Small Producers in the Semi-Arid Zones of Falcon and Lara States	Apr-91	May-93	Sep-98	Jun-04	7	11.1
PN	Lebanon	Smallholder Livestock Rehabilitation Project	Apr-92	Dec-93	Dec-98	Jun-01	7	7.6

* The dates are from the Loan Agreements of each project. Before 1999, the project completion date was often based on the expected implementation period and the date of loan signing rather than the date of loan effectiveness.

	SECTOR	MAIN ACTIVITIES	TOTAL Project Costs** (USD million)	IFAD LOAN (USD million)
	Rural development	Promotion of income-generating activities in rural areas linked to agricultural production and marketing, and strengthening of local institutions.	14.3	12.0
	Agricultural development	Soil and water conservation, agroforestry, agricultural intensification, smallholder self-help and rural credit, and village water supply.	24.4	17.5
	Agricultural development	Multiplication and distribution of planting material, IPM, on-farm adaptive research, and community support and mobilization.	10.0	9.0
	Rural development	Support to production, and to marketing and processing.	25.5	15.2
	Irrigation	Spate-irrigation development, agriculture and livestock development, road development, and provision of domestic water supply.	20.1	12.7
	Rural development	Regeneration of degraded forest lands, on-farm fodder and fuelwood development, livestock development, off-farm income-generating activities, terrace improvement, cooking-stove improvement, applied research and training.	20.4	12.8
	Agricultural development	Community development, productive development, and rural financial services.	40.4	20.1
	Agricultural development	Institutional strengthening of local organizations, support to the regularization of land and water rights, rural investment and credit, and institutional strengthening of ministries dealing with indigenous people.	50.0	15.0
	Agricultural development	Soil and water management, production support activities, and credit.	26.7	16.2
	Livestock	Agricultural extension, development of forage production, artificial insemination, agricultural credit, off-farm income-generating activities.	21.9	10.0
		TOTAL COST	253.7	140.5

ANNEX IV

POVERTY TARGETING IN THE SAMPLE OF PROJECTS EVALUATED

Country and Project	Project Coverage	Size and Composition of Primary Target Group	Income of PrimaryTarget Group (per capita per annum)	Gender Focus
Benin – Income-Generating Activities Project	The four departments of southern Benin with the highest concentration of poverty (exclusion of large urban centres).	125 000 families: half are landless, with income derived from precarious rural wage labour, and the other half have limited access to rented land.	Half of the target group has an income of USD 78 (poverty line), and the other half earns USD 120 per annum.	Women constitute the majority of the absolute poor and are the major beneficiaries of the project.
Brazil – Community Development Project for the Rio Gaviao Region	Rio Gaviao Region, characterized by widespread rural poverty. Total rural population of 32 000 families.	14 300 farm families, of which 9 500 are small farmers and 4 800 rural dwellers.	Total family income is less than USD 2 500 per year (or about USD 500 per capita). The extreme poverty line is USD 300.	Women constitute one third of the project beneficiaries.
Burkina Faso – Special Programme for Soil and Water Conservation and Agroforestry in the Central Plateau	Departments (24) belonging to the 7 central plateau provinces, with a population of 260 000 rural households.	40 000 smallholders farming up to 3 ha and 4 000 landless nemployed youth.	Average income is USD 75 per person (poverty line: USD 147).	20% of the target group was made up of woman-headed households.
Ecuador – Indigenous and Afro-Ecuadorian Peoples' Development Project	Those areas inhabited by indigenous and afro-Ecuadorian rural people: 29% of all rural parishes in the country.	815 000 indigenous and afro-Ecuadorian rural people.	Indigenous and afro-Ecuadorian rural people are among the poorest in the country. Credit beneficiaries' income falls below the poverty line estimated at USD 264.	The credit component was designed specifically to benefit women.
Eritrea – Eastern Lowlands Wadi Development Project	Two wadis in the eastern lowlands of the country: total population of 36 000 people.	29 000 people: 4 670 households owning 1 ha each.	USD 50-80, excluding food aid and occasional employment in public works.	Supply of domestic water and improvements in grain and oil-seed processing particularly benefit women.
Ghana – Root and Tuber Improvement Programme	National scope.	750 000 households that derive their livelihood mainly from subsistence-oriented farming.	Some 60% of the rural poor are food-crop farmers. Income not specified.	Priority is given to women that face the direct impact of poverty.
Guinea – Smallholder Development Project in North Lower Guinea	480 villages in North Lower Guinea with a total of 79 000 farms.	28 000 farms. Two types of households targeted: (i) those with below 2 ha and an average size of 1.5 ha, and (ii) those with 2-3 ha and an average size of 2.2 ha.	Not specified.	Women form a special target group and are the primary beneficiaries of the valley-bottom development, group formation, and medium-term credit for equipment sub-components.

Country and Project	Project Coverage	Size and Composition of Primary Target Group	Income of PrimaryTarget Group (per capita per annum)	Gender Focus
Lebanon – Smallholder Livestock Rehabilitation Project	The project covers one of Lebanon's provinces, Bekaa Mohafazat. Total population of 395 000 (22 000 farm families).	8 500 farm families, and 25 000 pastoralists.	USD 474, compared to a national per capita income in 1991 of USD 980.	Women are particularly involved in the livestock sector, thus many of the project components benefited women. They also benefited from more opportunities in off-farm activities.
Nepal – Hills Leasehold Forestry and Forage Development Project	Ten districts in the hilly areas of Nepal. Total population of 102 000.	14,600 households with less than 0.5 ha.	Average income is lower than the poverty line (i.e. USD 110).	Special care was taken to involve women heads of households.

ANNEX V

EVALUATION AGGREGATION AND WEIGHTING

Rating. All ten project evaluations undertaken in 2003 included a detailed framework of ratings for each of the questions listed in Annex I (and others), based on the combined judgement of partners, the rural poor consulted, and the evaluators. This 'triangulation of perceptions' was often informed by empirical data collected during evaluation fieldwork.

A four-point rating scale was applied to each evaluation question or criterion:

• High	4
• Substantial	3
• Modest	2
• Negligible	1

Sustainability is scored in a similar way, but using highly likely, likely, unlikely, and highly unlikely. The scales have four steps, so as to avoid 'fence-sitting', and are symmetrical (i.e. two positive and two negative ratings). Where no ratings had been given by the evaluation team, or were clearly inconsistent, ratings were deduced on the basis of the evaluation text and checked with the OE evaluator in charge.

The revised framework for 2003 requests evaluation teams to derive a specific rating for each impact subdomain (when relevant), and to provide overall ratings for each impact domain, overarching factors, subcriteria for evaluation and the three composite evaluation criteria.

Where these were not provided, they have been derived from the evaluation text when possible[25] and verified with the evaluator. Impact ratings were derived by combining the ratings for the "extent of change" and the "assessment of project contribution". Where mid-point ratings resulted (e.g. 2.5), these were rounded up.

Efficiency rating. In the absence of ex post cost-benefit analyses for most of the projects, the first ARRI used cost per beneficiary at completion compared to the corresponding ratio at appraisal as a rough measure of efficiency. OE recognizes that this is an approximate measure, but continues to face the same problem – a dearth of ex post data on actual beneficiaries. This year's report has therefore experimented with two alternative measures of efficiency:

- ratings contained in, or derived from, the evaluation reports;
- cost per beneficiary adjusted for impact.

The second measure adjusts cost per beneficiary by the level of sustainable impact (as assessed in the rural-poverty impact ratings. Efficiency index = project cost/(no. of beneficiaries x impact rating). For example, the project in Ghana had 600 000 beneficiaries, an impact rating of 2 and a project cost of USD 10.0 million. Its efficiency index is therefore 8. The project in Eritrea had 21 000 beneficiaries, an impact rating of 2 and cost USD 20.1 million. Its efficiency index is 479. A lower index indicates a more efficient project. Ranges for these indexes were defined to denote the four-point rating scale mentioned above.

AGGREGATION

Aggregated ratings for impact domains (e.g. human assets), evaluation criteria (e.g. project performance), and overall project achievement were derived from the frequency of ratings. Table 4 provides an example of how this was done. In Project A, the majority rating is 3, so the aggregate rating is 3. In Project B, it is 2. Where ratings were equally frequent, as in the case of Project C, the higher (i.e. more favourable) rating was used.

Table 4

	Project A	Project B	Project C
Criteria 1	4	3	3
Criteria 2	3	2	3
Criteria 3	3	2	2
Criteria 4	3	1	2
AGGREGATE RATING	3	2	3

A progressive approach was used to derive the aggregate ratings at each level. For example, an aggregate rating for physical and financial assets was first derived for each project on the basis of the subdomain ratings. On this basis (Table 6 of main text), one project was rated as having had a high impact (rated 4) in this domain, five as substantial (rated 3), and four as modest (rated 2). Aggregate ratings for impact on rural poverty were then derived for each project based on the ratings for each impact domain and overarching factor.

Finally, aggregate project achievement ratings were derived for each project based on the ratings in each of the three composite evaluation criteria: performance of the project, impact on rural poverty, and performance of the partners.

It is important to emphasize that the aggregate ratings are not the mathematical average of the percentage of projects in each subcategory. For example, in performance of the project (Table 3 of main text), the percentage of projects rated as high overall is not the average of 0% for relevance, 0% for effectiveness, and 20% for efficiency (i.e. 7%). An overall rating is first derived for each project by combining the ratings for relevance, effectiveness and efficiency as explained in the previous paragraph. In this case, no project warranted an overall rating of high for project performance based on these combined ratings. This also explains why, for example, one project was rated as negligible for efficiency, but no projects are rated as negligible for project performance overall. The one negligible rating for efficiency was counteracted by more positive ratings for relevance and effectiveness in this project. An analogous logic applies for the two high ratings for efficiency.

FROM A FOUR- TO SIX-POINT RATING SYSTEM

The MFE uses four ratings throughout: high, substantial, modest and negligible. The one problem with this system is that the vast majority of aggregated ratings end up as either substantial (3) or modest (2). The four ratings are effectively reduced to two. One way around this is to introduce six levels for the aggregated ratings. This has the effect of 'spreading out' the projects into a larger number of categories, eventually allowing evaluators to accommodate diverse project circumstances better, and it is more consistent with emerging IFI practices.

A project's position on the six-point rating system depends on the ratings for impact on rural poverty, performance of the project and performance of the partners. The combination of these three ratings determines the overall achievement rating, as shown in Table 5.[26]

Table 5

Overall Achievement Rating	Ratings Required
Highly successful	High in at least two out three criteria
Successful	At least substantial in all three criteria
Moderately successful	No more than one modest rating
Moderately unsuccessful	Modest in two out of three criteria
Unsuccessful	No more than modest in all three criteria
Highly unsuccessful	Negligible in at least two out of three criteria

A comparison of the four- and six-point systems is shown below. Both systems use unweighted ratings. Table 6 (four-point rating) has 70% of the projects in the substantial category and 30% in the modest category. Table 7 (six-point rating) has 40% in the successful category, 30% in the moderately successful category, 20% in the moderately unsuccessful and 10% unsuccessful categories.

Table 6: Overall Achievement: four-point rating (unweighted)

Overall Achievement	Projects	Number of Projects	Rural Poverty Impact	Project Performance	Partner Performance
High		0			
Substantial	a	7	3	3	3
	b		3	3	3
	c		3	3	3
	d		3	3	3
	e		2	3	3
	f		3	3	2
	g		2	3	3
Modest	h	3	2	2	3
	i		2	3	2
	j		2	2	2
Negligible		0			

Table 7: Overall Achievement: six-point rating (unweighted)

Overall Achievement	Projects	Number of Projects	Rural Poverty Impact	Project Performance	Partner Performance
Highly successful		0			
Successful	a	4	3	3	3
	b		3	3	3
	c		3	3	3
	d		3	3	3
Moderately successful	e	3	2	3	3
	f		3	3	2
	g		2	3	3
Moderately unsuccessful	h	2	2	2	3
	i		2	3	2
Unsuccessful	j	1	2	2	2
Highly unsuccessful		0			

No weightings were applied for most of the aggregations within categories. This implies that all the impact domains and evaluation criteria are similarly important. However, within effectiveness and rural poverty impact criteria, priority was given to the domain accounting for the largest percentage of expenditure. This gives a higher weight to the main intended impact of the project.

In accordance with the requests of the Evaluation Committee and Executive Board, this year's ARRI has investigated options for applying differential weights to aggregations across evaluation criteria and their subcategories (e.g. combining relevance, effectiveness and efficiency). The rationale is that all criteria are not equally important. However, moving to a weighted system requires a judgement to be made on the relative weightings to be applied. There are no internationally accepted norms, nor is it possible to derive these weights using any systematic or objective method. The general perspective is that impact on rural poverty, especially for IFAD, should carry the highest weight, together with innovation/scaling up and sustainability. Efficiency of interventions aiming at institution-building at the local level (as is the case in most IFAD projects) cannot be estimated accurately in most cases in the short or medium term. It is also often argued that relevance of objectives is always ascertained at the design stage and that partner performance is to some extent reflected in project effectiveness and impact. On these bases, Table 8 lists the weights applied this year. It should be noted, however, that most IFIs do not use weighting systems, and that the World Bank has not used weights in aggregating evaluation criteria since the late 1990s.

Table 8: **Weightings**

Main Categories	Weight	Subcategories	Weight
Rural poverty impact	50	Impact in the six domains	15
		Sustainability	15
		Innovation and replicability/scaling up	15
		Gender equality and women's empowerment	5
Project performance	30	Relevance	6
		Effectiveness	18
		Efficiency	6
Partner performance	20	IFAD	8
		Cooperating institution	4
		Government	4
		NGO/CBO	2
		Cofinanciers	2
Total	**100**	**Total**	**100**

The weights presented in Table 8 can be used to generate a four- or six-point overall achievement rating. A comparison of the 2003 weighted and unweighted results is given below.

Table 9: Overall Achievement 2003: four-point rating system (unweighted)

	HIGH	SUBSTANTIAL	MODEST	NEGLIGIBLE
Rural poverty impact		50	50	
Project performance		80	20	
Partner performance		70	30	
Overall Achievement		**70**	**30**	

Table 10: Overall Achievement 2003: four-point rating system (weighted)

	HIGH	SUBSTANTIAL	MODEST	NEGLIGIBLE
Rural poverty impact		40	60	
Project performance		80	20	
Partner performance		70	30	
Overall Achievement		**60**	**40**	

Table 11: Overall Achievement 2003: six-point rating system (unweighted)

	Highly Successful	Successful	Moderately Successful	Moderately Unsuccessful	Unsuccessful	Highly Unsuccessful
Overall Achievement		4	3	2	1	

Table 12: Overall Achievement 2003: six-point rating system (weighted)

	Highly Successful	Successful	Moderately Successful	Moderately Unsuccessful	Unsuccessful	Highly Unsuccessful
Overall Achievement		4	3	1	2	

It can be seen that the weighted option makes a slight difference in the four-point rating system. The overall split between projects rated as substantial, and those rated as modest is slightly affected (from 70:30 to 60:40). The weightings also make a small difference in the six-point system, where the split between moderately unsuccessful and unsuccessful changes slightly. Overall these are relatively small differences, and there is no guarantee that weighting will affect the figures in a consistent direction from year to year. The desirability of weighting and its contribution are therefore unclear.

ANNEX VI

SUMMARY PERFORMANCE OF PROJECTS EVALUATED IN 2002 AND 2003 (UNWEIGHTED)

Table 13: Summary Performance of Projects Evaluated in 2002 and 2003 (Unweighted)

	2002 % High and Substantial	2003 % High and Substantial	Both Years % High and Substantial
Relevance of objectives	80	90	85
Effectiveness	60	70	65
Efficiency[1]	50	50	50
Project Performance	**60**	**80**	**70**
Physical and financial assets	60	60	60
Human assets	50	60	55
Social capital and people's empowerment	60	70	65
Food security	70	50	60
Environment and communal resource base	30	40	35
Institutions, policies and regulatory framework	40	40	40
Sustainability	40	50	45
Innovation and replicability/scaling up	50	40	45
Gender equality and women's empowerment[2]		80	
Rural Poverty Impact	**50**	**50**	**50**
IFAD	60	33	47
Cooperating institutions	50	55	53
Government and agencies	60	60	60
NGOs/CBOs	70	80	75
Cofinanciers[2]		50	
Partner Performance	**60**	**70**	**65**
OVERALL PERFORMANCE	**50**	**70**	**60**

[1] A different method for estimating efficiency was used in 2002, thus these figures are not comparable.

[2] Not rated in 2002.

ENDNOTES

[1] A four-point rating scale is used unless otherwise stated: high, substantial, modest or negligible.

[2] A Methodological Framework for Project Evaluation: Main Criteria and Key Questions for Project Evaluation. Evaluation Committee, Thirty-Fourth Session, 5 September 2003 (EC 2003/34/W.P.3).

[3] Other project types are: credit and financial services, research/extension/training, irrigation, livestock and 'others' (e.g. fisheries and marketing).

[4] Please note that costs for project management and monitoring and evaluation (M&E) have not been included in the calculations for this table.

[5] Within IFAD's ongoing portfolio, 21% of projects were rated as underperforming by PMD in 2003 (Progress Report on the Project Portfolio, April 2004). Of the 44 projects completed in 2002 and 2003, 27% were rated as underperforming.

[6] Evaluation of supervision modalities in IFAD supported projects (EC 2003/35/W.P.2.)

[7] 'Relevance' assesses the extent to which the project objectives, as formally documented at the time of evaluation, are consistent with: the perceptions of the rural poor of their needs and potential at that time; the economic, social and policy environment; IFAD's mandate and its strategic framework and policies; IFAD's current regional strategy and country strategy as contained in the COSOP; and the country's current poverty-reduction policies and strategy.

[8] This report uses the country as shorthand for all the projects evaluated. The proper titles can be found in Box 1 and Annex III.

[9] 'Effectiveness' is defined as the extent to which the major relevant objectives, as understood and documented at the time of the evaluation, were achieved at project completion, or are expected to be achieved.

[10] 'Efficiency' is a measure of how economically inputs (funds, expertise, time, etc.) are converted to outputs. This can be based either on economic and financial analysis, or on unit costs compared to alternative options and good practices.

[11] Efficiency index = project cost/(no. of beneficiaries x impact rating). For example, the project in Ghana had 600 000 beneficiaries, an impact rating of 2, and costs of USD 10 million. Its efficiency index is therefore 8. The project in Eritrea had 21 000 beneficiaries, an impact rating of 2, and costs of USD 20.1 million. Its efficiency index is therefore 479. A lower index indicates a more efficient project (see Annex V).

[12] 'Impact' is defined as the changes in the lives of the rural poor, intended or unintended, to which IFAD's interventions have contributed. It is determined at the time of evaluation, and takes into account estimates of IFAD's contribution to these changes, expectations of future events (such as the completion of project works), and the likely sustainability of such changes. A basic requirement of impact measurement is that evaluation missions should work with the rural poor to obtain their perceptions of how their circumstances have or have not changed, and the extent to which the project was responsible.

[13] These and other definitions are taken from the MFE.

[14] See Annex V for an explanation of the aggregation method.

[15] The relatively low overall figure for rural poverty impact (50%) derives from the method of aggregation (see Annex V). The six impact criteria are first combined to give an overall impact rating, emphasizing the most important intervention areas in cost terms. The rural-poverty impact rating reflects the most frequent rating in the four categories of overall impact, gender, sustainability, and innovation and replication, emphasizing sustainability where ratings are evenly balanced.

[16] See the MFE, page 21, Box 11, for evaluation questions that assess IFAD's performance.

[17] The PSRs rate the CIs along a three point scale: satisfactory (minor/no problems); improving (moderate problems being dealt with); and unsatisfactory (major problems that require intervention).

[18] Ratings were available for nine of the ten projects evaluated in the case of the performance of IFAD, cooperating institutions and government, but for only five and six in the cases of NGOs/CBOs and cofinanciers respectively.

[19] Weighted results for 2003 can be found in Annex V.

[20] **n** refers to the number of project evaluations that provided ratings on the criteria relating to each MDG. For example, only two evaluations considered child mortality and maternal health relevant, or had sufficient information to provide ratings.

[21] The good performance on MDG2 is due to direct impact in a few projects, but also to the indirect impact observed. Three projects had direct support to primary-school construction and programmes and thus increased attendance: Brazil, Ecuador and Guinea. Indirectly, stall-feeding in Nepal increased school attendance by freeing children's time, and the construction of roads in Eritrea also supported a positive trend in school attendance.

[22] Equivalent figures are not available for the other CPEs.

[23] See MFE.

[24] These are high, substantial, modest and negligible, except for the factor of sustainability, where highly likely, likely, unlikely and highly unlikely are used.

[25] In a few cases, it was not possible to do this with reasonable confidence based on the available text.

[26] A six-point rating system has only been developed for overall achievement, not for rural poverty impact, project performance or partner performance, although in theory it could be.

ABBREVIATIONS AND ACRONYMS

ARRI	Annual Report on Results and Impact of IFAD Operations
CBO	Community-Based Organization
CI	Cooperating Institution
CLE	Corporate-Level Evaluation
COSOP	Country Strategic Opportunities Paper
CPE	Country Programme Evaluation
EC	Evaluation Committee
IFI	International Financial Institution
IGA	Income-Generating Activity
M&E	Monitoring and Evaluation
MCC	Milk-Collection Centre
MDG	Millennium Development Goal
MFE	Methodological Framework for Project Evaluation
NGO	Non-Governmental Organization
O&M	Operation and Maintenance
OE	Office of Evaluation (IFAD)
PA	Africa I Division (Western and Central Africa) (IFAD)
PF	Africa II Division (Eastern and Southern Africa) (IFAD)
PI	Asia and the Pacific Division (IFAD)
PL	Latin America and the Caribbean Division (IFAD)
PMD	Programme Management Department (IFAD)
PMU	Project Management Unit
PN	Near East and North Africa Division (IFAD)
PSR	Project Status Report
SWC	Soil and Water Conservation
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services

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