

EXECUTIVE SUMMARY

This, the third Annual Report on Results and Impact of IFAD's Operations (ARRI), presents a synthesis of the findings and insights contained in the 13 project, country programme and thematic evaluations completed by the Office of Evaluation (OE) in 2004. In addition, this edition of the ARRI consolidates the findings from all of the 29 projects evaluated since 2002 that have used OE's methodological framework for project evaluation. These project evaluations are broadly representative of the geographical and sectoral coverage of the IFAD portfolio.

In general, the 2004 evaluations confirm, and are consistent with, the findings of previous years, and with the Independent External Evaluation of IFAD (IEE). Almost all of the projects were rated as highly or substantially relevant, two thirds as substantially effective, and half as highly or substantially efficient. Rural poverty impact was rated as high or substantial in 48% of projects, and partner performance as high or substantial in 42%. About 58% of the projects evaluated between 2002 and 2004 obtained an overall performance rating of high or substantial. While there are some differences in a few of the ratings for 2004 compared with previous years, the sample sizes are too small to draw any conclusions from these differences. The time series is also too short to indicate any trends.

The analysis of the evaluations over the past three years and the findings of the IEE point to five key findings:

- around half of IFAD projects achieve substantial rural poverty impact, and almost two thirds have a significant positive impact on food security;
- a significant number of projects do not succeed in benefiting the poorest and most disadvantaged groups to the extent intended;
- a minority of projects are likely to be sustainable;
- less than half of the projects have had a substantial positive impact on the environment and common resource base; and
- IFAD's performance as a partner in design and implementation support has been satisfactory in only about 40% of the projects.

These key findings can be explained by a number of factors, but three general insights taken together account for a significant part of the variable and often disappointing performance observed:

- **Ownership is limited in project identification, design and implementation.** Positive impact and sustainability tend to be associated with high levels of ownership by the community concerned. In fact, the degree to which governments and implementing partners own IFAD's priorities – such as those relating to poverty targeting, gender and participation – strongly determines the extent to which these priorities are put into practice.

MAIN FINDINGS

UNDERLYING REASONS

- **Impact is significantly influenced by the policy and institutional context in which projects are implemented.** Projects in low-income countries with better policy and institutional environments tend to perform significantly better than those in poorer environments. Projects in Asia have performed uniformly well, while those in middle-income countries have performed relatively poorly with respect to rural poverty impact.
- **Performance shortfalls can often be attributed to the quality of project design and implementation support.** Criticisms of project design are contained in a number of OE evaluations, as well as in the IEE. Project effectiveness has also suffered from IFAD's limited engagement during implementation and from an inadequate in-country presence.

These findings have three main implications for IFAD's policies and operations:

- **Enhancing poverty impact through new approaches.** The message from these and other evaluations is that if IFAD is to make a real difference or impact in reducing poverty, it needs to offer a more diverse and customized range of services in order to meet the demands of different types of client countries.
- **Increasing effectiveness through better partnerships.** To increase its development effectiveness and make greater contributions to the attainment of the Millennium Development Goals, IFAD has to develop a better understanding of, and strategy for, its approach to partnerships.
- **Efficiency gains through better resource allocation.** The quality of IFAD's design and implementation support will depend on the number and quality of staff resources that are brought to bear on its programme in-country. Reallocating and/or increasing IFAD staff resources is one option. Optimizing partnerships is another.

The final section of this year's ARRI includes a number of recommendations that are in line with those of the IEE and that aim to increase IFAD's effectiveness in reducing rural poverty.