

## Executive summary

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

In addition to providing a comprehensive account of the results and impact of the evaluated operations, this year's ARRI report focuses more generally on learning, with the purpose of identifying the main determinants of performance and results. In short, it attempts to ask and answer the broad questions: "What was the performance?" and "Why was performance as it was?"

A review of previous ARRI reports by a professional statistician noted that a comparison of 2006 ratings with previous years - and indeed any comparison from year to year - was unreliable because of the small size and non-random nature of the sample. As a consequence, this year's report places less emphasis on such year-by-year comparisons. As in the past, however, it provides a summary of the 2006 evaluation data, plus an overview of the performance and impact of a larger sample, namely the 73 projects evaluated by OE over the period 2002-2006 and contained in the four previous editions.

With regard to learning, this ARRI report includes a specific section (6) devoted to two themes: sustainability and innovation, which emerged in past reports as areas in need of attention. The report builds on the inputs generated in two in-house learning workshops with IFAD Management and staff, and makes recommendations on how performance might be enhanced in these two key areas.

### SPECIFIC LEARNING FINDINGS

This and previous ARRI reports have identified sustainability as one of the most challenging areas in which the Fund's performance has not yet been satisfactory. While recognizing that sustainability

is also a concern for other development agencies, and that the Fund is already addressing this issue, evaluation reports and discussions at IFAD have identified a number of points that need to be considered in order to strengthen the Fund's performance in this critical area. For instance, some of the priorities identified for moving forward in addressing sustainability were the need to ensure that project objectives are realistically established, exit strategies are designed early in the project cycle, and systematic efforts are made to build ownership and improve the capacities of implementing institutions. Further, given its importance, this year's report recommends that IFAD develop a specific approach to increasing the sustainability of IFAD operations.

IFAD's performance in introducing innovations - for example in the area of on- and off-farm technologies, institutions and social engineering - has been moderately satisfactory. While the new IFAD Innovation Strategy is expected to further improve and structure IFAD's overall approach to innovation, the report observes that past performance in scaling up and replicating successful innovations has been weak. For this purpose, more resources and efforts must be devoted to partnership-building, knowledge management and policy dialogue, which are essential aspects of IFAD's innovation promotion process. Moreover, there is also scope for a wider use of grants in testing innovative approaches and in developing ways and means to systematically feed the results of grant-funded activities into loan-funded projects and programmes.

### GENERAL EVALUATION FINDINGS

The sample of projects evaluated by OE in 2006 dates mainly from the mid-1990s.<sup>1</sup> Consequently, the ARRI report can only present a lagged picture of IFAD's results and impact. It is not and should not be interpreted as an assessment of ongoing operations, where performance is likely to be better than has been the case for the operations analysed in the project evaluations, as some of the ARRI analysis already suggests.

Evaluation findings from the 15 projects evaluated in 2006 are broadly similar to those of previous years. Overall, the picture is satisfactory<sup>2</sup> in all but

one evaluation criterion. Eighty per cent of the projects evaluated in 2006 were judged satisfactory with respect to project performance (a composite of the ratings for the criteria of relevance, effectiveness and efficiency) and rural poverty impact. Relevance remains a strong point, as does the positive impact on human assets, food security and agricultural productivity. IFAD's performance as a partner was rated satisfactory in 60 per cent of the projects evaluated.

Along with these strengths, the 2006 evaluations identify shortcomings similar to those identified in previous ARRI reports: limited sustainability; difficulties in reaching poorer groups and in promoting gender equity; insufficient attention to markets; and poor monitoring and evaluation. Corporate-level and country programme evaluations reveal scope to improve non-project activities, such as policy dialogue, partnership-building and knowledge management.

An analysis of data from the 73 projects rated by OE from 2002 to 2006 provides a more reliable measure. Overall, IFAD's past performance was rated satisfactory in all evaluation criteria, with the important exception of sustainability, which was unsatisfactory in the majority of projects (55 per cent). Eighty-four per cent of the projects were rated satisfactory in terms of project performance and 65 per cent in terms of rural poverty impact. IFAD-funded projects have made their strongest contributions in the impact domains of physical and human assets, followed by food security and financial assets.

A comparison with other international financial institutions supports the overall satisfactory performance of IFAD as highlighted above. Notwithstanding the difficulties inherent in benchmarking, the Fund's project performance rating is broadly comparable with the outcome ratings, except for sustainability, of the agricultural and rural-sector operations of the World Bank. Its success rate in the Asia and the Pacific region is better than that shown in available data from the Asian Development Bank.

Scope for improvement remains. Operations have been less effective in the impact domains of environment and common resources, and institutions and services. While it is clear that IFAD has played a more active role in addressing gender issues - and

has gotten it right in places - it has not done so in some projects. Some evaluations suggest that more needs to be done to promote access to markets. However, all in all, weak sustainability remains the major problem, given its centrality to IFAD's overall development effectiveness.

It is important to recognize the steps IFAD has taken and is taking to address the weaknesses identified above. Foremost among these is IFAD's Action Plan for Improving its Development Effectiveness, approved by the Executive Board in December 2005. While this report acknowledges these steps, it does not attempt an assessment of their likely effectiveness. This would be outside the scope of the ARRI report, which is largely based on evaluations of completed operations. The performance improvements arising from the Action Plan and other measures will need time to be reflected in evaluation findings.

Two findings of the analysis of data from past ARRI reports stand out. First, project success was strongly correlated with the country context. Project achievement was markedly lower in low-income countries and those with more-challenging policy and institutional contexts.<sup>3</sup> Second, projects that became effective after end-December 1996 appear to have performed better, and to be more sustainable, than earlier projects. This is a good sign, as it suggests that IFAD is able to learn from past lessons and experiences.

## RECOMMENDATIONS

The report contains a recommendation that three issues be examined in more detail in future ARRI reports as a contribution to learning within IFAD. It is understood that a varying level of effort and resources will be required by OE and IFAD Management to appropriately address each of these topics:

- (i) Monitoring and evaluation at the project and programme level;
- (ii) IFAD's treatment of the characteristics and implications of country context; and
- (iii) Performance in three impact domains, namely the environment and common resources, institutions and services, and markets.

This year's report also includes a proposal concerning the future content of ARRI reports.