

## Executive summary

This is the seventh Annual Report on Results and Impact of IFAD Operations (ARRI) prepared by the Office of Evaluation (OE). It presents a synthesis of the main results and impact from evaluations conducted by OE in 2008. As in past editions and as agreed with the Executive Board, the ARRI also includes dedicated sections on two learning themes: (i) access to markets; and (ii) natural resources and the environment.

The seventh ARRI includes three new features. First, in addition to providing an account of the results achieved based on the evaluations undertaken in 2008, the ARRI analyses the three-year moving averages, starting from 2002, of the performance of IFAD operations. The use of moving averages allows for the assessment of trends in performance over time, and also rectifies any biases that may result from the sample of projects evaluated, which are not chosen on a random basis.

Second, it contains a quality-at-entry review. The main aim of this section is to assess the extent to which IFAD management is learning from previous operations and addressing the key areas of challenge identified in this and past ARRIs in new activities financed by the Fund. This section also serves to develop the ARRI one step further, by providing an assessment of recently approved activities, in addition to the traditional account of past operations.

The third aspect is that the 2009 ARRI is built on evaluations undertaken in line with the provisions contained in the new evaluation manual, which was considered by the Evaluation Committee<sup>1</sup> in December 2008. One change in the ARRI – in accordance with the new manual – is the reduction in the number of domains covered by rural poverty impact criteria from nine to five. Another change brought about by the new manual is a more comprehensive definition of relevance.

Included in chapter VII is a brief review of the ARRI itself. In preparing this seventh edition,

OE undertook a comparative analysis of annual reports similar to the ARRI produced by evaluation outfits in other development organizations. The main aim of this review is to identify features that might be of interest to IFAD for inclusion in the ARRI in the future.

## EVALUATION FINDINGS RELATED TO PERFORMANCE

The evaluations conducted in 2008 show that the two most important evaluation criteria, project performance and overall project achievements, are moderately satisfactory or better for the overwhelming majority (82 per cent) of IFAD-funded projects and programmes. This is a remarkable achievement, broadly similar to those reported in last year's document.

The results with regard to sustainability are encouraging, with 73 per cent of projects evaluated considered moderately satisfactory or better, compared to a low 40 per cent in 2002. Sustainability has improved steadily over the past few years. If similar trends are maintained in the future, the Fund will soon meet the sustainability targets set in IFAD's Action Plan for Improving its Development Effectiveness.<sup>2</sup> Efforts to promote sustainability should continue, since about 50 per cent of the projects evaluated in 2008 were considered only moderately satisfactory by this criterion.

One hundred per cent of the projects evaluated were rated moderately satisfactory or better in terms of innovation. This is also a laudable achievement and illustrates the efforts and resources devoted since the early 2000s to promoting pro-poor innovations. At the same time, it should be pointed out that IFAD's approach to replication and scaling up has been unsystematic and has not received as much attention as needed. While future evaluations and ARRIs will continue to review performance in innovation, they will also more comprehensively assess replication and scaling up, which is the ultimate test of IFAD's capacity to promote pro-poor innovations.

Performance on promoting rural poverty impact has been very good, with 91 per cent of the

projects rated moderately satisfactory or better. This is most evident with respect to human and social capital and empowerment, as well as in institutions and policies, followed by food security and agricultural productivity, and household income and assets.

As mentioned, this year for the first time the ARRI includes the calculation of moving averages using the entire ARRI data set since 2002. The three-year moving average analysis reveals, on the whole, a steady upward trend in results across all but a few evaluation criteria. This upward trend is further corroborated by the analysis of project performance by date of loan effectiveness, which confirms the hypothesis raised in past ARRIs that more recent projects and programmes perform better than older generation operations. These positive trends merit emphasis, and reflect the considerable efforts by the institution to implement far-reaching reforms and renewal over the past decade.

One of the new features of this year's ARRI – the quality-at-entry review – shows that on the whole IFAD is adequately incorporating lessons learned and good practices from past experiences into new strategies and projects. This is significant as it means that the Fund is redressing weaknesses found in past operations and further developing its comparative advantage and specialization. The review did however reveal the need for greater efforts to consolidate IFAD's country presence, strengthen implementation support, and define more accurately the human resources, time and skills for policy dialogue and knowledge management.

Benchmarking against other agencies illustrates that IFAD's project performance is largely similar to that of the World Bank's agriculture and rural development portfolio globally. The relevance and efficiency of IFAD-funded projects are better than those of the African Development Bank (AfDB) and IFAD's project performance and sustainability overall continue to be better than those of the Asian Development Bank (AsDB).

The overwhelmingly positive results should not lead to complacency. There are three specific areas that require attention in moving forward:

- (i) **The efficiency of IFAD-funded projects** is low across the board, especially

as compared to performance on other evaluation criteria (apart from natural resources and the environment). Improvements in efficiency are expected also to contribute to enhancements in IFAD's own performance, which remains unsatisfactory in one of every three projects financed. This is therefore an area that needs to be tackled head on;

- (ii) **Government performance** is increasingly emerging as a key determinant to achieving sustainable results in reducing rural poverty. Many countries, especially the fragile states, "bottom billion" countries and those with low country policy and institutional assessment (CPIA) scores, have generally weaker institutional capacity and policy frameworks than other countries. Government performance, particularly in these countries, warrants deeper attention in the future; past efforts to enhance performance (e.g. through the Action Plan) have been oriented mainly towards improving IFAD's own development effectiveness. Of course governments themselves are primarily responsible for taking key actions to improve results on the ground; and
- (iii) **Performance in sub-Saharan Africa** is relatively poor, especially as compared to the other three regions covered by IFAD operations. This may be partly explained by the challenging context and the heterogeneity of countries in sub-Saharan Africa. For instance, most IFAD operations in this region are in low-income countries that fall within the third and fifth CPIA quintiles. A large number of countries in sub-Saharan Africa have relatively weak government capacity, knowledge institutions and national statistic systems, which limits their capacity to formulate and implement effective pro-poor policies. It also acts as a constraint on the formulation of country strategic opportunities programmes (COSOPs) and project design, as well as supervision and implementation support. This points to the need for more comprehensive analytic work and skills, as well as

resources to generate the knowledge required. In-depth analytic work would also help improve IFAD's engagement in policy dialogue. Partnerships with other institutions can help fill the gap, but partnerships alone will not suffice, and in-house capacity will need to be built as well. The ARRI therefore raises the issue of whether a more highly differentiated approach should be taken by the IFAD management in allocating resources to countries with a more complex context in sub-Saharan Africa and elsewhere, rather than follow the "one size fits all" approach. This would endow such countries with the required resources to conduct more effective COSOP formulation, project design, and supervision and implementation support in the future. The IFAD management may also wish to establish a special financing facility for this purpose devoted to sub-Saharan Africa.

Despite the improvements in results, the ARRI found that a large proportion of projects evaluated in 2008 were only moderately satisfactory, with only a minority deemed completely satisfactory or better. Therefore, there is scope for further improvement overall, especially in IFAD's own performance, environment and natural resources management, and project efficiency as mentioned above.

Performance in natural resources and the environment remains relatively poor. In fact, it is the worst performing evaluation criterion, with more than 70 per cent of projects evaluated in 2008 showing a moderately unsatisfactory performance or worse. Moreover, the performance of IFAD-supported projects in institutions and policies, although it has improved markedly, has been modest over the period 2002-2008 as a whole.

## EVALUATION FINDINGS RELATED TO LEARNING

**Access to markets** was one of the learning themes in this year's ARRI. Improved access to

markets by the rural poor is essential for long-term poverty reduction. While past performance has been mixed, IFAD is now moving in the right direction. There is a more systematic and focused approach to market access and value chain analysis than in the past, and more examples of innovative practice. However, the fact remains that constraints to improving market access are enormous and there are no easy solutions. Five priority areas are identified for IFAD: understand value chains better; diversify approaches to rural financial services; innovate more widely; work on partnerships and policy; and share knowledge.

**Natural resources management and environment.** Performance in environment and natural resources management is widely acknowledged to be relatively poor. Most IFAD-funded projects have succeeded in "avoiding environmental harm". They have been less successful at "doing environmental good" on a larger scale. Many other agencies have a similar experience. IFAD has already taken very significant steps to improve its performance in this area, such as introducing procedures for environmental and social assessments. However, evaluation experience at IFAD and elsewhere suggests that these will not be sufficient in themselves. Five additional actions need to be considered. Two of these concern climate change, which is rightly seen as enormously important for IFAD. However, it is important that this priority strengthens, rather than detracts from, action to improve environment and natural resources management performance more generally.

## RECOMMENDATIONS

The Executive Board is invited to adopt the following recommendations:

- (i) IFAD management should implement the recommendations to improve performance in the two learning themes covered by the 2009 ARRI, namely promoting access to markets, and natural resources and the environment. The specific recommendations related to these themes – which were proposed in consultation with the management – are included in chapter 6;

- (ii) The Board agreed in December 2008 that OE should treat the weaker impact areas – institutions and policies, and social capital and empowerment – as learning themes in developing the 2010 ARRI. However, given the improvements in these areas (see table 3 and figure 3 of the main report) and the fact that the efficiency of IFAD-supported projects is emerging as one of the weakest performing evaluation criteria, requiring management attention, it is recommended that the efficiency of IFAD-supported projects be the only learning theme for the 2010 ARRI;
- (iii) OE will pay special attention to monitoring progress on performance in the two impact domains relating to institutions and policies, and human and social capital and empowerment. Accordingly, as and when required, OE will treat them as learning themes in future ARRIs; and
- (iv) IFAD management should reconsider its current allocation approach for conducting analytic work for COSOP development and project preparation. It should also consider developing a differentiated approach to the allocation of resources for supervision and implementation support. This new approach should aim to provide the additional resources required for effective analytic work, and assign staff according to their skills, experience and competencies to the countries with the lowest CPIA scores – including fragile states and “bottom billion” countries. This would ensure better COSOPs, project design, and supervision and implementation support in the future.