

## Executive summary

**Background.** This is the eighth Annual Report on Results and Impact of IFAD Operations (ARRI) produced by the IFAD Office of Evaluation (IOE). It presents a synthesis of the results and impact of IFAD-funded operations, and raises systemic issues and lessons learned that can contribute to further improving performance in the future.

This year's ARRI has devoted particular efforts to summarize the reasons for stronger or weaker performance (the why question), as derived from recent and earlier evaluations. It includes a new section, derived from country programme evaluations, on the performance of non-lending activities, and a more disaggregated analysis of performance using all six ratings, rather than the two broad categories of satisfactory and unsatisfactory.

However, emphasis continues to be placed on the trends in the three-year moving averages, rather than on evaluation data from one single year. That is, caution should be exercised in drawing conclusions about performance from a single year of evaluation data, as well as in making comparisons of the evaluation ratings from one year to another. This is because the sample of projects evaluated by IOE in a given year is relatively small and not chosen on a random basis. Using a three-year moving average however allows for the assessment of trends in performance over time, and helps smooth out biases that may result from the sample of project evaluations not chosen randomly.

As in the past, the ARRI is mainly based on evaluation of past projects. Therefore, it is fair to note that the assessment contained in this year's ARRI may not necessarily reflect the type and performance of projects designed more recently. This is most probably the case of projects that were analysed in the moving averages calculated for all evaluation data from 2002 up to around 2006. However, the ARRI also provides an appreciation of the performance of more recent operations based on the analysis of 44 projects that were evaluated in 2007-2009, which is the most recent point

in the three-year moving averages of the entire data set used as a basis for the ARRI. Finally, in an attempt to provide a more "real time" perspective in its analysis, this year's ARRI assessed the relevance of selected recent country strategic opportunities programmes (COSOPs) and project designs. The analysis reveals that IFAD is learning from the past, as more recent COSOPs and projects have more realistic objectives and are more results-oriented than older operations

**Project performance.** In terms of results, past project performance has improved since 2002 in a number of areas, including rural poverty impact, sustainability, innovation, and IFAD's own performance as a partner in the context of the projects it supports. In terms of overall project achievement (which is a composite of relevance, effectiveness and efficiency, and therefore a key evaluation criteria), performance has increased from 41 per cent moderately satisfactory and 17 per cent satisfactory in 2002-2004, to 55 per cent and 31 per cent respectively in 2007-2009.

In general, however, evaluations found that the majority of the past projects manifest a merely moderately satisfactory performance in most of the evaluation criteria, even in those areas where improvements are visible over time. There are few instances of satisfactory performance and even less of highly satisfactory performance. This represents a challenge for the organization.

Moreover, the performance of past projects continues to remain especially weak in natural resources and the environment, efficiency and scaling up. There are some recent initiatives underway to redress the weak performance in natural resources and environment as well as scaling up, but dedicated efforts will need to be devoted to improve project efficiency. The move to direct supervision and implementation support has been very important, even though there is scope for further improvements such as increased staff skills in providing implementation support and the timeliness of processing withdrawal applications, which also affect efficiency.

The performance of Government as a partner in the context of IFAD-funded projects – which is one of the most important factors for achieving results on the ground – has not shown improvement since 2002. On its side, IFAD has not done

enough in the past to build capacity within key institutions in borrowing governments involved in the design and implementation of IFAD-financed projects.

**Non-lending activities.** This year's ARRI contains a dedicated chapter on non-lending activities, namely policy dialogue, knowledge management, and partnership-building. It is important to underline that non-lending activities are integral components of country programmes supported by IFAD, and together with loan-funded projects and grant activities, contribute to achieving the strategic objectives in the COSOPs.

Fifty-five per cent of the eleven country programmes evaluated since 2006 were rated as moderately satisfactory, 9 per cent as satisfactory and none as highly satisfactory in terms of non-lending activities. Policy dialogue has mainly been limited to the project context. In most countries, IFAD has not engaged systematically and successfully at the national policy level or with donor coordination platforms. Knowledge management was generally found to be weak. Almost two-thirds of 2006-2009 CPEs rated knowledge management as moderately unsatisfactory. The main reasons for this were the lack of specific initiatives, mechanisms and resources attached to knowledge management at country level. Partnerships have been good with community organizations, NGOs and governments, but weak with donor organizations and the private sector.

**CLEs.** Two such evaluations were completed in 2010, on innovation and gender. The former found that the performance of IFAD-funded projects in promoting innovation has improved over time, but that scaling up remains weak. Past efforts to promote innovation have been too broad-based and insufficiently selective and context-specific. The evaluation recommended that the Fund develop a corporate agenda for promoting innovations. The performance of IFAD-funded projects in promoting gender equality and women's empowerment is moderately satisfactory, but there is variability across projects and countries. The evaluation underlines the need for deeper internalization of the country context in setting gender objectives and activities. The gender evaluation recommends that IFAD develop a corporate policy on the topic in 2011.

Both CLEs revealed that the performance of more recent projects (in terms of innovation and gender, respectively) were better than older operations.

#### **Efficiency as the 2010 learning theme.**

Efficiency was selected as this year's learning theme because it was, and remains, an area of noticeably weak performance. There is also scope to clarify the understanding and measurement of efficiency more widely within IFAD.

There are a number of factors that affect the efficiency of IFAD-funded operations. Some of them include complex designs with overambitious objectives that require multiple components and activities; inadequate institutional partners that have weak capacity to deliver services to the poor; ineffective project management; and weak monitoring and evaluation.

Selected corporate business processes – such as human resources management and loan administration – have major implications for both project efficiency as well as IFAD's institutional efficiency. The latter is a major challenge that IFAD will need to address in the near future. In this regard, there is potential to streamline a number of corporate business processes (e.g. human resources management) that can contribute to better institutional efficiency at large. The corporate-level evaluation planned for 2011 will provide an opportunity to deepen the analysis in all the aforementioned areas, and is therefore a timely undertaking.

**Conclusion.** Around 1.4 billion of the world's population live on less than US\$1.25 per day.<sup>1</sup> About seventy per cent of the poor live in rural areas. One billion people, or 15 per cent of the global population, are malnourished. One of the reasons for this alarming situation was the low level of investments in agriculture for the past three decades, which is the main source of livelihood for the majority of the rural poor in developing countries.

By promoting agriculture and rural development projects and programmes in developing countries, IFAD has an important role to play in improving the welfare of small farmers, women, fisher folk,

pastoralists and small entrepreneurs living in rural areas. Its comparative advantage and specialization – in particular, focus on smallholder agriculture – positions the Fund as a critical global player among multilateral development organizations to combat rural poverty.

The performance of past IFAD-supported operations, as measured by a number of internationally recognized evaluation criteria is, on the whole, merely moderately satisfactory. However, performance of these operations has improved over time in a number of areas (e.g. sustainability and innovation), but other areas (e.g. efficiency, and natural resources and environment) still remain a challenge. Recent projects analysed tend to be better than older-generation operations, *inter-alia*, as design and objectives are more realistic. They also devote greater attention to achieving results. However, all in all, the momentum gained in improving the performance of IFAD-funded projects needs to be sustained and built upon in the future.

The 2010 ARRI benchmarks the performance of IFAD-financed operations across the 2012 targets included in the results measurement framework for the eighth replenishment period. It also reviews the framework as an instrument for corporate results-based management. The benchmarking reveals that performance in relevance and innovation has already exceeded the 2012 targets, whereas the Fund is close to meeting the target for rural poverty impact. However, three other agreed targets have not yet been met, namely on effectiveness, efficiency, and sustainability.

With regard to the results measurement framework as an instrument, the ARRI found that:

- There is no dedicated composite indicator and target in the results measurement framework for measuring Government's performance;
- Rural poverty impact is not disaggregated according to the domains used in IOE evaluations (e.g. food security and agriculture productivity), which would provide a more accurate appreciation of impact in key corporate priority areas; and

- The measurements adopted for key indicators related to project and country programme performance do not allow for a more discernable appreciation of performance between moderately satisfactory, satisfactory and highly satisfactory performance.

Performance in sub-Saharan Africa continues to be weaker than in other regions, which can be attributed partly to the difficult and unpredictable situations of many countries on the continent. The other explanation is that the difficulty of the context has not been adequately analysed nor factored in at the time of design, often resulting in over-optimistic project objectives. This is not a new finding, as previous ARRIs have come up with the same conclusion. But, it does raise the issue whether dedicated measures are being deployed to improve performance in sub-Saharan Africa, as also recommended by last year's ARRI and by the recently concluded joint evaluation with the African Development Bank on agriculture and rural development in Africa.

The external benchmarking analysis shows that the performance of IFAD-funded projects is somewhat better than the agriculture sector operations of other multilateral development organizations. However, it is to be noted that the organizations compared work in a variety of sectors, whereas IFAD has an exclusive focus on agriculture and rural development.

This year's ARRI raises the question as to whether an overall "moderately satisfactory" performance can be considered sufficient for an organization such as IFAD which aspires to be a global leader in agriculture and rural development

## RECOMMENDATIONS

The Executive Board is invited to adopt the following recommendations:

- IFAD Management should organize a dedicated consultation (e.g. in the form of a learning workshop with all relevant stakeholders) to develop the Fund's capacity-building strategy. The workshop would also aim to define methods to support governments and their agencies that would ensure a wider and more

effective contribution to the design and implementation of IFAD-supported operations. This consultation should take place in 2011, and the Fund would provide a summary of the main findings and proposals for strengthening government ownership and performance in the context of next year's Report on IFAD's Development Effectiveness (RIDE).

- (ii) IFAD should renew efforts to achieve the targets included in the results measurement framework of the Eighth Replenishment period, especially those related to effectiveness, efficiency, rural poverty impact and sustainability – which are lagging behind at this time.
- (iii) The ARRI recommends that consideration be given to including the following recommendations in the new results measurement framework to be developed eventually for the forthcoming corporate strategic framework 2011-2015 and the Ninth Replenishment period: (a) introduce a dedicated composite indicator and target to track and report on the performance of government; (b) in order to facilitate comparisons in the achievements reported by the ARRI, disaggregate the rural poverty impact indicator in the results measurement framework according to the domains covered in the ARRI and establish corresponding targets; (c) develop indicators and targets to track and report on corporate performance in the RIDE on the three non-lending activities, namely policy dialogue, partnership-building and knowledge management; and (d) adjust the concerned indicators and analyse the results related to project and country programme performance, as appropriate, using moderately satisfactory, satisfactory and highly satisfactory performance as distinct categories. These recommendations will also have implications for the other components of IFAD's self-evaluation system (e.g. the results-framework of the COSOPs).
- (iv) In light of the relatively weaker performance in sub-Saharan Africa, it is recommended that the next edition of the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) contain a chapter specifically dedicated to the follow up on the recommendations contained in the IFAD-African Development

Bank joint evaluation on agriculture and rural development in Africa (also mentioned in last year's ARRI), which emphasized the need for improving performance in sub-Saharan Africa.

- (v) In the past the ARRI has highlighted the importance of direct supervision and implementation support in IFAD's rural poverty reduction efforts, and also illustrated the opportunities for improvements in this area. Therefore, in light of its importance for IFAD's development effectiveness, supervision and implementation support should be the learning theme to be treated in the context of the 2011 ARRI. The proposed timing of this learning theme would also allow IOE to identify hypothesis and key questions for the planned CLE on the same topic, which will be undertaken in 2012.