

Agreement at Completion Point

A. Introduction

1. This is the second country programme evaluation (CPE) by the Independent Office of Evaluation of IFAD (IOE) in the Federal Republic of Ethiopia since the Fund started its operations in the country in 1980. The first CPE was completed in 2008. The current CPE had three main objectives, to: (a) assess the performance and impact of IFAD-supported operations in Ethiopia; (b) generate a series of findings and recommendations to enhance the country programme's overall development effectiveness; and (c) provide relevant information and insights to inform the formulation of the future Ethiopia Results-based country strategic opportunities programme (COSOP) by IFAD and the Government.
2. Based on the analysis of cooperation during the period 2008-2015, the CPE aims at providing an overarching assessment of: (i) IFAD-funded projects being implemented from 2008 to 2015 as well as the performance of partners (in particular of IFAD and the Government); (ii) non-lending activities (knowledge management, policy dialogue, grants and partnership-building); and (iii) the COSOP in terms of its relevance and effectiveness. This Agreement at Completion Point (ACP) contains a summary of the main findings from the CPE (see section B below).
3. The ACP has been reached between the IFAD management (represented by the Programme Management Department -PMD) and the Government of the Republic of Ethiopia (represented by the Ministry of Agriculture and Natural Resources - MOANR), and reflects their understanding of the main findings from the CPE as well as their commitment to adopt and implement the recommendations contained in section C of the ACP within specified timeframes.
4. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.
5. The ACP will be signed by the Government of Ethiopia (represented by the Minister of Agriculture and Natural Resources) and IFAD Management (represented by the Associate Vice President of the Programme Management Department). IOE's role is to facilitate the finalization of the ACP. The final ACP will be submitted to the Executive Board of IFAD as an annex of the new COSOP for Ethiopia. It will also be included in the final Ethiopia CPE report.

B. Main evaluation findings

6. The CPE rates portfolio performance as satisfactory, with all the criteria assessed as 'moderately satisfactory' or above. Seven out of the eight loan projects examined have met or likely to meet their development objectives, with good prospects for sustainability.
7. Among the strongest features of the portfolio were the emphasis given to human and social capital, and project designs that were fully aligned with the Government's decentralization thrust. Sustainability, scaling up and gender were also areas that yielded satisfactory results. IFAD has been able to scale up its support in the case of pastoral development and rural finance, and there is potential to do so in the case of small-scale irrigation. A strong and effective partnership with the World Bank and the programmatic approach spanning over three lending operations and 15 years, were particularly noteworthy features of the pastoral support that could be replicated in other operations.

8. The programme is noteworthy in handling the gender aspects satisfactorily. The strong emphasis on gender empowerment was fully reflected and each of the projects had specific targets for women's participation as beneficiaries and these were largely met.
9. Knowledge management and partnerships aspects were generally satisfactory. There was a commendable effort by the country management to generate useful knowledge from the various operations, although more could have been done to disseminate the experiences and link these to lessons learnt and policy dialogue. The overall assessment of non-lending activities was rated as 'moderately satisfactory'.
10. COSOP performance. The CPE assessed the COSOP (2008) to be highly relevant based on its strong focus on poverty targeting and a largely appropriate choice of interventions to support the COSOP objectives. The COSOP based its interventions squarely in line with the Government's emerging decentralization thrust by partnering with institutions at local levels, and its highly regarded, although inadequately resourced, field presence.
11. IFAD's programme addressed key issues relevant to the rural population in all three agro-ecological areas of the country: moisture-reliable densely populated highlands (through the Rural Financial Intermediation Programme -RUFIP, the Community-Based Integrated Natural Resources Management Project -CBINReMP and the Agriculture Marketing Improvement Programme -AMIP), drought-prone highlands (through the Participatory Small-scale Irrigation Development Programme -PASIDP and RUFIP), and dry pastoral lowlands (Pastoral Community Development Project -PCDP). This is a sensible approach for the following reasons: poverty in Ethiopia is still widespread and the population is largest in the highlands, the income distribution (as measured by Gini coefficient) is relatively equal and the country needs a certain balance in its geographical progress; poor and vulnerable people in each agro-ecological area face a different set of constraints; and IFAD needs a diversification of its portfolio to manage risks in case one area does not develop as foreseen.
12. The COSOP effectiveness was assessed as 'moderately satisfactory.' The COSOP results framework was largely derived from the output indicators for the various project interventions and practically achieved for two out of three strategic objectives. But it was inadequate to assess performance against the overarching IFAD objective of poverty alleviation.
13. Despite the overall positive assessment, the CPE also identified weaknesses that need attention going forward, some at the overall programme and management level and others specifically related to the project portfolio.
14. The programme was spread too thinly over five thematic areas. The last CPE had recommended IFAD to concentrate its support in three areas where it had comparative advantage and a proven track record – pastoral community development, Small Scale Irrigation (SSI), and rural finance. So while accepting the CPE recommendation, IFAD nevertheless expanded its support in sustainable land management as well as continuing with the marketing project. More focus would have permitted more adequate attention and time to remedy to deficiencies in policy dialogue, knowledge management, and monitoring and evaluation (M&E), issues that have been identified for improvement in this CPE.
15. Most of the projects suffered from slow start-up and were of long gestation, thus detracting from their impacts. Except for PCDP, none of the projects were conceived as phases of a long-term conceived programme. Such a programmatic approach would have both allowed IFAD to support project phases in succession and avoid hiatus after project phase completion (as it faces in PASIDP), and take a

long-term view of institutional and policy development with more realistic sequencing.

16. Despite having been identified as a high priority already in the 1999 COSOP, M&E remained deficient as reported in the 2008 CPE which recommended using the grant facility for preparatory studies, baseline surveys and impact studies. Grants were not used and M&E continues to be weak until now which inhibited effective feedback and learning and also hinders reporting on evidence based results.
17. The programme's contribution to institutions and policies is not clear enough. Although country preferences necessitate that policy dialogue not be perceived as donor-driven, there is still room within this general framework for underpinning the dialogue with more formal policy papers/analyses and document IFAD's contributions. While the IFAD Country Director was highly regarded by the interlocutors and often called on for informal advice on a variety of topics relevant to IFAD programme, there were insufficient resources devoted to policy dialogue to have a well-articulated and reported progress on the policy agenda that had been identified in the COSOP. IFAD management could have made a greater use of country grants to advance the policy agenda.
18. As the ICO was overstretched, IFAD participation in sector working groups has not been as active as development partners wish it was and contributions to the large Government flagship programs have been suboptimal.
19. PCDP series of three project phases have yet to address the issue of pastoral livelihoods beyond the provision of social services. This includes mobility which is important for pastoralists' livelihoods and for using and managing natural resources in semi-arid areas. Pastoral livelihoods provide the required economic basis in these harsh environments. In addition, PCDP could have done more to take into account traditional pastoralist practices in designing specific interventions.
20. CBINReMP is generally on track, but the CPE questions the stand-alone nature of this project next to the sustainable land management flagship programme (SLMP) of the Government which is co-funded by several donors. There have been serious delays in completing studies envisaged in CBINReMP that are necessary to ensure and to underpin the necessary institutional and policy framework for sustainability. With only two years left until closure, a strong effort is needed to expedite the work.
21. PCDP and PASIDP will benefit from including lessons and experiences from CBINReMP and SLMP thereby addressing the growing environmental and climate change issues which affect rural livelihoods in drier and fragile areas. The watershed approach and land certification process are key elements thereof but need to be adapted to account for the agro-climatic and socio-economic differences in the drier areas.
22. In the case of PASIDP, mitigating possible tensions within communities can be attained through benefit sharing between households benefitting from additional irrigation and those who do not benefit directly. Options include either contributions from direct beneficiaries to a community fund which could be used through a participatory process, or project interventions benefitting specifically households without access to irrigation (such as improved stoves or vegetable production support as already done).
23. Agriculture marketing efforts by IFAD have proven to be unsuccessful, in large part because of weaknesses in design and institutional constraints within Ethiopia (AMIP).
24. RUFIP has still to deal with important issues of institutional and financial strategy for MFIs. Moreover, the development of RUSSACCOs has lagged. There are questions about whether the RUFIP Programme Coordination and Management Unit

(PCMU) based in Development Bank of Ethiopia is the right structure to support Rural Savings and Credit Cooperatives and Unions that are much more linked with rural poverty alleviation.

25. Overall, despite weaknesses discussed above, the CPE concludes that there has been a highly effective partnership between IFAD and the Government. IFAD has built trust and confidence with the Government of Ethiopia, based on the solid results on the ground and the constructive way of engaging. This is clearly demonstrated by the continuing strong demand for IFAD support by the Government and overall good portfolio performance.

C. Recommendations

26. **Recommendation 1: Focus on fewer thematic areas and enhance the quality of programmes.** This recommendation on fewer thematic areas repeats what was already a major recommendation of the 2008 CPE. Despite being a significant partner for Ethiopia, the IFAD programme, even if further financially augmented in the next COSOP cycle because of good country performance, is relatively small in the context of significant overall support from multiple donors. IFAD should use its limited resources to focus on those areas where it has a comparative advantage and where it has already established, or has the potential to establish, a leadership position. This CPE agrees with the previous CPE that PCDP, SSI and rural finance should be the areas for continued IFAD support. This portfolio also enables IFAD to maintain a focus on the poor and on food-deficit areas.
27. The CPE suggest that the issue of adequacy of human resources for the ICO be reviewed but in the context of the need to focus on fewer tasks. Staff turnover of is an opportunity to look at the skills mix of the ICO as a whole and consider the possibility of increasing staff.
28. The valuable experiences of CBINReMP and the SLMP on sustainable land and water management and climate change should be mainstreamed into PCDP and PASIDP. The CPE welcomes the renewed emphasis on environmental and social aspects in PCDP III and also the expansion of SLMP to the semi-arid areas of Ethiopia and recommends the close collaboration with SLMP and inclusion of these considerations in PCDP III and the new PASIDP II project.
29. More specifically, IFAD could enhance the quality of programmes through the following:
 - The issue of mobility to ensure the option of pursuing pastoralist livelihoods is to be addressed by PCDP.
 - IFAD does not need to support the next phase of CBINReMP since what was covered in this project has already been incorporated by the Government into a much larger, multi-donor-supported SLMP.
 - There are proposals being made by MOANR to include a marketing component in the next phase of PASIDP. The CPE recommends against it as it would once again divert the focus of both PASIDP and disperse IFAD's limited human resources. After a difficult and less than satisfactory start-up, PASIDP PCMU has only now been able to come to speed in its core functions of developing SSI and supporting services, improving coordinated delivery and cooperating with marketing initiatives of other partners. Marketing is clearly important but interventions in this area need to be based on a well-considered strategy that is yet to be developed, and IFAD should not try to do everything by itself.

Proposed follow-up

The Country Programme Management Team (CPMT) agrees with the CPE that enhancing thematic focus and quality should be considered a key principle in guiding the design of the new COSOP. This will be achieved based on an analysis of the operational and effective linkages between the thematic areas covered and the corresponding investments, both within the IFAD-financed portfolio, and beyond, including other Government and Development Partner supported initiatives. Based on this analysis, the key success factors for investment projects to achieve effective results, impact and sustainability will be more strongly emphasized and operationalized through the Result Management Framework of the Country Programme.

While the CPMT fully agrees with continuing the support in the three proposed areas, i.e. small scale irrigation, rural finance and pastoral community development, COSOP design will include a reflection on recent lessons, emerging trends and developments to define IFAD's role and intended results more specifically vis-à-vis the deliverables of other development partners, by means of:

- A close engagement with the World Bank and other key partners supporting Ethiopia's Financial Inclusion Agenda to map the rural and microfinance sector in a view to ensure complementarity and synergy of ongoing and future investment and initiatives, in line with the comparative advantage of each partner involved. On this basis, GOE and IFAD commit to adjust the work programming of the ongoing RUFIP, and inform IFAD's investment pipeline under the new COSOP.
- The lessons and good practice developed under CBINReMP will be considered in the PASIDP II design, given that small scale irrigation can serve as an excellent entry point for watershed management. That way, it is expected that the outreach of the project will be widened to benefit a larger population in the respective watersheds with enhanced productivity and resilience. Further, it will have positive effects on the sustainability of the schemes to be developed.
- Given the importance of market access to the success of small scale irrigation development, and the operational limitations to rely on external partners in developing market linkages, identify key aspects of value chain development in the design of PASIDP. The CPMT fully agrees that this should not involve a full market access component, but should be limited to (i) an analysis of existing value chains and market opportunities prior as an input to the selection of new schemes; (ii) support to the development of cooperatives and linkages to finance, inputs, TA and markets through facilitation by a competent service provider to ensure that new schemes bring about the desired benefits in terms of productivity, income and resilience.
- Regarding PCDP, engage with the Ministry of Federal Affairs and Pastoral Area Development, World Bank and other relevant partners on an assessment of the project's impact and risks with regard to mobility within the different livelihood systems among the pastoral and agro-pastoral communities to agree concrete recommendations for further implementation, within a holistic approach.

Responsible partners: Ministry of Finance and Economic Cooperation and Ministry of Agriculture and Natural Resources, Ministry of Federal Affairs and Pastoral Area Development jointly with IFAD/PMD

Timelines: September 2016 for PASIDP Design; December 2016 for COSOP; and December 2017 for PCDP III Mid-term Review

30. **Recommendation 2: Use a longer-term programmatic approach to lending.** Except for PCDP, where IFAD has followed the programmatic lending by the World Bank, all other IFAD projects have been conceived and implemented as discrete project phases. This often has meant a hiatus between phases (as is occurring in PASIDP), or one-off efforts that are missed opportunities for broader policy and institutional development (as in CBINReMP and AMIP), or missed opportunities for a more proactive role in policy and institutional development (RUFIP-I and II). In addition, most projects are designed for long gestation (eight or more years), with actual implementation often taking up to ten years. A succession of project phases is often a more effective way to introducing continuing improvements in institutions and policies over the long-term. Going forward, the CPE recommends that the new projects be conceived as a part of a long-term programme in the particular theme/sub-sector. The PCDP series of project phases provides a model in this regard. In contrast with many other countries, IFAD has a real opportunity to move towards programmatic lending in Ethiopia and be a catalyst for reforms, given its strong partnership with the country.

Proposed follow-up

In developing the investment pipeline for the forthcoming performance-based allocation system cycles to be covered by the COSOP for 2016-21 currently under design, IFAD will proactively engage with the Government of Ethiopia to define a higher-level road map. This will serve to identify mile stones and results for each of the identified areas of investment to be achieved through a sequence of short term projects within a longer term programmatic approach. This will be complemented by allocating investment resources to monitoring policy implementation and sector development as necessary to ensure continued relevance in a highly dynamic and changing development context. To ensuring relevance and effectiveness of IFAD's investment in Ethiopia, periodic COSOP reviews will be carried out to maintain flexibility in planning and timely fine-tuning and adaptation of the programmes to emerging developments and trends, while overcoming the challenges and inefficiencies in the transition from one project phase to the next as part of a longer-term programmatic approach to lending and cooperation.

Responsible partners: Ministry of Finance and Economic Cooperation and Ministry of Agriculture and Natural Resources jointly with IFAD/PMD

Timeline: December 2016

31. **Recommendation 3: Focus more clearly on non-lending services.** With its strong partnership with the Government and unique experience in small-scale irrigation, rural finance and pastoral community development, IFAD is well placed to play a much stronger role in being a source of advice on policy and sector development. It has done a good job in financing important projects but has not been as proactive in using the projects to move the policy and institutional agenda. There are few IFAD knowledge products or policy papers that would normally form the basis for policy discussions with the Government. There is potential to increasingly partner with CGIAR (Consultative Group for International Agricultural Research) centers for evaluations and to share development results through publications. The CPE notes that just because there were no formal documents prepared by IFAD does not necessarily mean that policy dialogue did not take place. What is needed, however, is to ensure that the policy dialogue agenda defined in the COSOP is realistic and then backed by a clear agenda for implementation that is appropriately documented. A positive aspect of the current COSOP is that the policy dialogue agenda was closely linked to IFAD projects, an approach that should be maintained in the next COSOP.
32. In part, enhancing non-lending services is an issue of adequacy of resources. A narrower focus on fewer areas as recommended above should help in this regard. But in part it is also due to the COSOP not defining the mechanisms or resources

needed to carry out the knowledge management and policy agendas that it had laid out. The CPE recommends that the next COSOP take care in defining a logical causality chain (or a Theory of Change) with outputs, outcomes and objectives at the strategic level, and few but well-chosen indicators. Collaboration with a centre of excellence would be an advantage to improve the whole system (e.g. International Food Policy Research Institute, which already collaborates with PCDP III on M&E and with MOANR on Strategic Analysis and Knowledge support). The Strategic Guidance of IFAD Management for grants in 2016, in which one of the four priorities is 'Better results measurement through improved M&E systems' is an opportunity to be seized. The COSOP should also lay out a clear and actionable agenda for knowledge management and policy dialogue, backed with a specific allocation of resources. It should also set out specific products that IFAD would produce to carry out the agenda.

33. Based on the good work of PASIDP and RUFIP, IFAD should consider further deepening and expanding its results by attracting partners with additional financial means (similar to its partnership with the World Bank for PCDP). In the case of PASIDP, IFAD should seek and engage with an appropriate partner/donor that would address marketing constraints.

Proposed follow-up

The Country Team agrees with the CPE that the IFAD supported projects should make a greater and possibly more visible contribution to the Government's initiatives for policy monitoring, knowledge management and sector development. Programme (COSOP) and project design will propose a clear agenda and tools for knowledge management and support to the Government's policy agenda backed by adequate resources for investment in these areas. IFAD's Country Office will facilitate the mobilization of additional financial and technical resources to back this agenda, including from IFAD's Policy and Technical Advisory Division and IFAD's Strategy and Knowledge Department linking with existing and emerging initiatives and partnership supported by other development partners, foundations, and donors. Strategic partnerships with the CG system and other research entities will be envisaged. Further, to ensure greater integration and linkage of knowledge initiatives with the investment portfolio, it is envisaged to

- Include non-lending activities within the investment projects for effective management and coordination. This may include research grants as well as the proposed M&E capacity-building initiative as part of the design of PASIDP II;
- Ensure adequate presence and engagement of PCMU and IFAD Country Office staff in the REDFS and associated fora for sharing and learning, better coordination and harmonization, and development with possible cofinancing partnerships, where appropriate and supported by GOE; and
- Proactively engage in a dialogue with key stakeholders involved in leading the Country's Financial Inclusion Agenda to support access to finance for IFAD's target group based on the operational experience from RUFIP.

Responsible partners: Ministry of Finance and Economic Cooperation and Ministry of Agriculture and Natural Resources, Ministry of Federal Affairs and Pastoral Area Development jointly with IFAD/PMD

Timeline: December 2016

Signed by:

His Excellency
Ato Tefera Deribew
Minister of Agriculture and
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Federal Democratic Republic of
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Addis Ababa

Date: _____

Signature: _____



Tefera Derbew
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Mr Perin Saint Ange
Associate Vice President
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IFAD, Rome

Date: _____

Signature: _____



Note: The Independent Office of Evaluation received the signed Agreement at Completion Point on 30 May 2016.