

15 EDITION

2017 ARRI



2017 ANNUAL REPORT ON RESULTS AND IMPACT OF IFAD OPERATIONS

Independent Office
of Evaluation



Investing in rural people

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* Available online at www.ifad.org/evaluation/reports/arri

Abbreviations and acronyms

4P	public-private-producers partnerships
ADB	Asian Development Bank
AfDB	African Development Bank
APR	Asia and the Pacific Division
ARRI	Annual Report on Results and Impact of IFAD Operations
AWPB	annual workplan and budget
CLE	corporate-level evaluation
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPM	country programme manager
CPO	country programme officer
CSPE	country strategy and programme evaluation
ENRM	environment and natural resources management
ESA	East and Southern Africa Division
ESR	evaluation synthesis report
FEDEC	Finance for Enterprise Development and Employment Creation Project (Bangladesh)
FMA	financial management assessment
FMD	Financial Management Services Division
GEWE	gender equality and women's empowerment
IFAD10	Tenth Replenishment of IFAD's Resources
ICO	IFAD Country Office
IFI	international financial institution
IOE	Independent Office of Evaluation of IFAD
KM	knowledge management
LAC	Latin America and the Caribbean Division
LICs	low-income countries
M&E	monitoring and evaluation
MICs	middle-income countries
NEDA	National Economic Development Authority (the Philippines)
NEN	Near East, North Africa and Europe Division
PCR	project completion report
PCR/V	project completion report validation
PESPA	Strategic Plan for the Artisanal Fisheries Sector (Mozambique)
PIU	project implementation unit
PMD	Programme Management Department
PMU	project management unit
PPE	project performance evaluation
PRAPO	Agricultural Rehabilitation Programme in Orientale Province (Democratic Republic of the Congo)
PROMES-GDT	Programme for the Mobilization of Surface Water and Sustainable Land Management (Djibouti)
PTA	Policy and Technical Advisory Division
RMF	Results Measurement Framework
RuMEPP	Rural Microenterprise Promotion Programme (the Philippines)
SAM	Smallholder Access to Markets – Evaluation Synthesis Report
SBAFP	Sofala Bank Artisanal Fisheries Project (Mozambique)
SDGs	Sustainable Development Goals
WNRDP	West Noubaria Rural Development Project (Egypt)
WCA	West and Central Africa Division

Acknowledgements

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The comments contained in IFAD Management's written response to the 2016 ARRI and feedback from the Evaluation Committee and Executive Board also have been reflected in the report.

Foreword

The Independent Office of Evaluation of IFAD (IOE) is pleased to present the 2017 Annual Report on Results and Impact of IFAD Operations (ARRI), the 15th edition of its flagship report. A synthesis of IFAD's performance based on evaluative evidence, this year's report highlights results and systemic issues based on independent evaluations conducted in 2016.

In 2003, IFAD was the first, and remains among the few multilateral and bilateral organizations to produce such an annual synthesis. Over the years, the ARRI has contributed to strengthening IFAD's results culture as a key instrument of IFAD's overall evaluation architecture. Its longevity is a testament to the Fund's commitment to promoting accountability and learning for better institutional and operational performance.

Producing the ARRI annually for the past 15 years has strengthened IOE's evaluative evidence base. The 2017 ARRI draws its quantitative findings from a sample of 295 project evaluations completed between 2002 and 2016, as well as 40 country strategy and programme evaluations, using a common methodology. We now have a collection of 1,953 ratings from our project evaluations, which allow IOE to update and refine its statistical analyses. The harmonization of the definition of our evaluation criteria with other institutions also allows IOE to compare

IFAD's performance with other international financial institutions. Conducting benchmarking analysis, the 2017 ARRI finds that on average IFAD project performance continues to outperform the Asian Development Bank and African Development Bank in the agriculture sector and is on par with the World Bank.

Besides accountability, the ARRI promotes learning within IFAD and presents a learning theme to showcase an area critical to improving IFAD's operational performance. Introduced in 2007, the first learning theme focused on innovation and sustainability. This year the learning theme focuses on financial management and fiduciary responsibilities in IFAD-supported operations, which draws attention to government performance and efficiency, two extremely important criteria for overall performance.

Overall, performance of IFAD operations shows improvement from 2009. Over 75 per cent of all evaluation ratings are moderately satisfactory or better in the period 2007-2015. Currently, 80 per cent or more projects assessed against the criteria of relevance, gender equality and women's empowerment, innovation and scaling up, and rural poverty impact were rated moderately satisfactory or better. Improvement in performance against these criteria, with the exception of rural poverty impact, was also confirmed to be statistically significant.

The 2017 ARRI highlights, however, that portfolio performance has recently begun to plateau, driven by moderately satisfactory ratings. In the period 2013-2015, overall project achievement, project performance, government performance, and rural poverty impact all declined slightly. Sustainability of benefits and efficiency remain longstanding bottlenecks for project performance, with the lowest means in the entire period 2007-2015. In addition, based on evaluative evidence, IFAD projects are performing below the IFAD9 and IFAD10 Results Measurement Framework targets set for most of the criteria.

At the country level, the 2017 ARRI highlights that knowledge management, partnership-building and country-level policy engagement are mutually reinforcing non-lending activities that need to complement IFAD's investment projects. While performance in knowledge management has improved, there is a declining trend in partnership-building and country-level policy engagement. Recent evaluations indicate the need to establish strong knowledge management platforms within country programmes to support key partnerships that result in more effective pro-poor country-level policy engagement.

The 2017 ARRI recommends that IFAD rise above the current plateau in performance and achieve greater impact on the ground. IFAD needs to build on its strengths by raising

its performance to satisfactory or better and address longstanding bottlenecks to maximize sustainable results. This requires a change in IFAD's modus operandi that includes a new approach to programme design which will enable IFAD operations to efficiently deliver more relevant and sustainable results.

In closing, it is our hope that this edition of the ARRI will stimulate greater discussion on ways to shift the performance of IFAD operations to higher levels. As IFAD moves forward to meet its ambitious IFAD10 targets, the Fund has the opportunity to build on its strengths and scale up its results to substantially contribute to eradicating rural poverty and achieving the Sustainable Development Goals.



OSCAR A. GARCIA

Director

Independent Office of Evaluation of IFAD



Kenya

**Smallholder Horticulture
Marketing Programme**

Farmer and wife in their greenhouse near Leshau, Nyandarua County. They own 27 acres of land and are able to make 3,000 to 4,000 Kenya shillings weekly (US\$35-US\$45) from selling tomatoes.

©IFAD/Susan Beccio

Overview

Background

1. This is the 15th edition of the Annual Report on Results and Impact of IFAD Operations (ARRI), which the Independent Office of Evaluation of IFAD (IOE) has prepared annually since 2003. IFAD is among the few multilateral and bilateral organizations to produce such a report on an annual basis, reflecting the Fund's continued commitment to strengthening accountability and learning for better development impact.
2. **Objectives.** The ARRI has two main objectives: (i) to present a synthesis of the performance of IFAD-supported operations based on a common evaluation methodology; and (ii) to highlight systemic and cross-cutting issues, lessons and challenges that IFAD and recipient countries need to address to enhance the development effectiveness of IFAD-funded operations. As agreed with the Executive Board last year, the 2017 ARRI includes a learning theme chapter on financial management and fiduciary responsibilities in IFAD-funded operations.
3. **New methodology and analyses.** The 2017 ARRI includes a number of changes in the criteria for project-level evaluations and nomenclature presented in the second edition of the Evaluation Manual: (i) inclusion of the sustainability of benefits criterion as the fourth component of project performance (in addition to relevance, effectiveness and efficiency) and introduction of two new stand-alone criteria: environment and natural resources management and adaptation to climate change; (ii) assessment based exclusively on qualitative evidence of rural poverty impact subdomains, as they are no longer rated; and (iii) new nomenclature – country strategy and programme evaluation (CSPE) replaces country programme evaluation (CPE), and project performance evaluation (PPE) replaces project performance assessment (PPA). Finally, this ARRI includes t-tests of the evaluation criteria to compare data sets for statistical significance.
4. **Context of the 2017 ARRI.** The 2017 ARRI is the first edition of the document produced under the Tenth Replenishment of IFAD's Resources (IFAD10) (2016-2018). It draws its qualitative findings from evaluations conducted in 2016. Completed from 2010 to 2015, this year's cohort of project evaluations strengthens the quantitative evidence base for the periods 2010-2012 and 2013-2015, which coincide respectively with IFAD8 and IFAD9. The more robust data for these two periods allow for additional statistical analyses to compare results between them, and to identify trends that are indicative of performance in the next triennium 2016-2018, which coincides with IFAD10.
5. According to the Report of the Consultation on the Tenth Replenishment of IFAD's Resources, IFAD will build on its recent performance achievements to scale up results and consolidate the strategic approaches of IFAD9 (2013-2015). As a result, the majority of the

IFAD10 priorities and areas of reform are the same as in IFAD9. Thus the 2017 ARRI also compares IFAD9 results against a number of indicators¹ of the IFAD10 Results Measurement Framework (RMF), which retained many IFAD9 targets, as the basis for prospectively identifying opportunities and challenges in light of the priorities for IFAD10 and beyond.

effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender equality and women's empowerment, innovation and scaling up, environment and natural resources management (ENRM), and adaptation to climate change. The latter two criteria were previously rated jointly as a rural poverty impact subdomain and are now separate stand-alone criteria.³

6. **Independent evaluation database and data sources.** The independent evaluation database is publicly available online and includes project ratings from independent evaluations carried out by IOE since 2002. The 2017 ARRI draws on ratings from 295 evaluations of completed projects and 40 CSPEs.
7. **Age of the portfolio.** Of the 35 newly evaluated projects included in this year's ARRI, eight were approved from 1999 to 2003, 25 from 2004 to 2008 and two from 2009 to 2010. All the projects are completed and closed: 4 were completed from 2010 to 2012 and 31 from 2013 to 2015. Average project duration was 7 years, with 4 projects having an implementation period of more than 10 years. Given the age of the portfolio of projects analysed in the ARRI, it is important to note that analysis of performance does not take into account recently designed projects and initiatives.
8. **Methodology.** The project evaluations informing the 2017 ARRI were performed in 2016 and thus follow the provisions of the second edition of the Evaluation Manual published in December 2015. This is the first year that this new methodology is reflected in the ARRI. The evaluation criteria and definitions included in the revised harmonization agreement² between Management and IOE, applied in evaluations conducted in 2017, will be fully reflected in the 2018 ARRI.
9. Each project is assessed and rated across nine evaluation criteria: relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender equality and women's empowerment, innovation and scaling up, environment and natural resources management (ENRM), and adaptation to climate change. The latter two criteria were previously rated jointly as a rural poverty impact subdomain and are now separate stand-alone criteria.³
10. IOE also has two composite evaluation criteria: project performance and overall project achievement. Project performance is an average of the ratings of four individual evaluation criteria (relevance, effectiveness, efficiency and sustainability of benefits – newly included), whereas overall project achievement is based on (but not an average of) all nine criteria now applied by IOE. Finally, each project is also evaluated for IFAD and government performance as partners, in line with the practice of other international financial institutions.
11. **Ratings scale and data series.** IOE uses a six-point ratings scale⁴ to assess performance in each evaluation criterion. The ratings, which are the foundation of performance reporting in IOE evaluations, are aggregated and used in ARRI analyses for reporting on IFAD's operational performance.
12. Project evaluation ratings are presented by year of completion in two data series in the ARRI: (i) all evaluation data; and (ii) project completion report validation (PCR/V)/PPE data only. The former presents project ratings from 295 evaluation reports starting in 2002; the latter contains only data from 157 PCR/Vs, PPEs and impact evaluations. Main trends in performance are explained through an analysis of the percentages of projects rated moderately satisfactory or better. The ARRI uses three-year moving averages to highlight long-term trends and smoothen short-term fluctuations.

¹ Given the nature and focus of independent evaluations, the ARRI is able to report on IFAD development effectiveness against levels 2 through 4 of the IFAD10 Results Measurement Framework: development outcomes and impact delivered by IFAD-supported programmes, country programme and project outputs, and operational effectiveness of country programmes and projects.

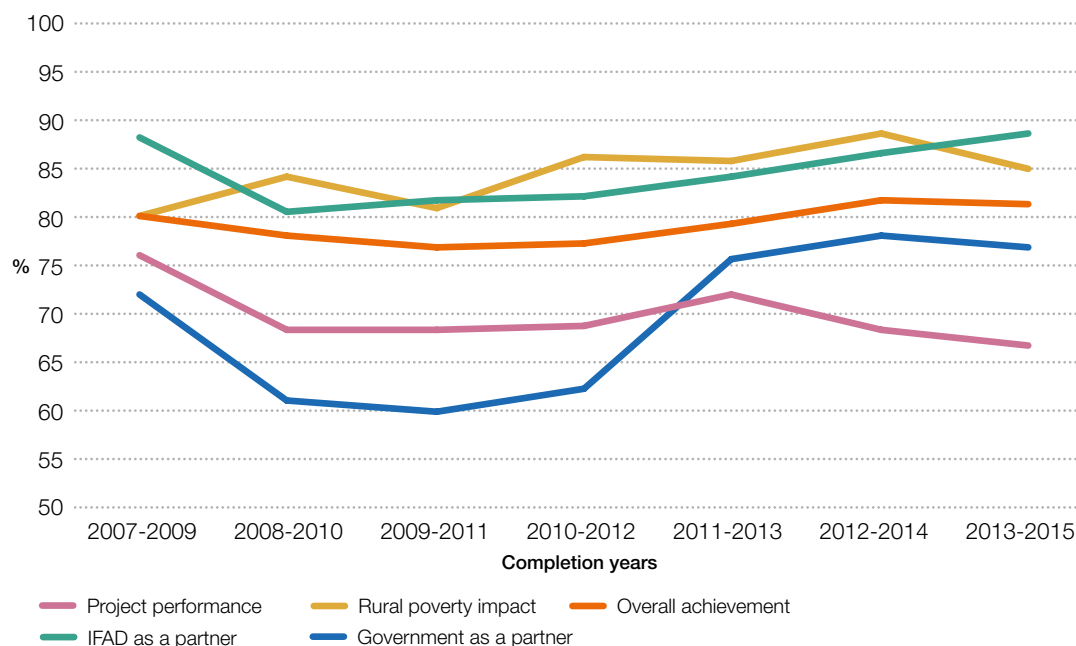
² Agreement on the Harmonization of IFAD's Independent Evaluation and Self-Evaluation Methods and Systems, Part I: Evaluation Criteria. <https://webapps.ifad.org/members/eb/120/docs/EB-2017-120-INF-2.pdf>.

³ In accordance with the new methodology, ENRM and adaptation to climate change are no longer included among the impact domains contributing to rural poverty impact. The four remaining impact domains (household income and net assets; human and social capital and empowerment; food security and agricultural productivity; and institutions and policies) are no longer rated.

⁴ Projects rated moderately satisfactory or better are in the "satisfactory" zone (4-6), while projects rated moderately unsatisfactory or worse are in the "unsatisfactory" zone (1-3).

Chart 1 Combined overview of the main evaluation criteria

Percentage of projects rated moderately satisfactory or better



Source: IOE evaluation database, March 2017.

Portfolio performance

13. Overall, the performance of IFAD-funded projects shows positive trends since 2009. Chart 1 provides an overview of the trends in project performance, overall project achievement, rural poverty impact and performance of partners. The chart confirms a shift in performance from a low in 2009-2011⁵ to a rise in 2011-2013.⁶ Over 80 per cent of projects evaluated in 2013-2015 were rated moderately satisfactory or better in terms of rural poverty impact (85 per cent), overall achievement (81 per cent) and IFAD performance as a partner (88 per cent). Government performance notably improved from 60 per cent moderately satisfactory or better in 2009-2011 to 77 per cent in 2013-2015. Project performance currently stands at 67 per cent of projects rated moderately satisfactory or better. The new definition of project performance, which includes sustainability of benefits, is reflected in the trend line from 2011 to 2015, the years in which the projects completed.

14. This positive trend in portfolio performance is further supported by the improved performance between IFAD8 (2009-2012) and IFAD9 (2013-2015). Analysis of ratings by replenishment period shows good performance of operations exiting the portfolio in IFAD9. The best-performing criteria in terms of highest percentage of moderately satisfactory and better project ratings are relevance (90 per cent), IFAD performance as a partner (87 per cent), and gender equality and women's empowerment (85 per cent). Improved performance between IFAD8 and IFAD9 is further confirmed for select criteria based on a two-sample t-test on PCR/PPE data. Relevance, IFAD performance as a partner, gender equality and women's empowerment, innovation and scaling up, and project performance all show statistically significant increases in their mean ratings.

15. Despite these improvements, portfolio performance has begun to plateau, driven by mostly moderately satisfactory ratings. In the period 2013-2015, although IFAD performance

⁵ The 2015 ARRI attributed the dip in performance to the fact that part of the evaluated projects completed in 2009-2011 were implemented in countries with fragile situations, and as a reflection of the introduction of IFAD's first Evaluation Manual in 2008, which was the basis for evaluating projects from 2009 onwards. Efficiency and government performance were particularly weak.

⁶ The 2016 ARRI attributed the improved performance to significant changes in IFAD's operating model since 2007 (e.g. ex ante review, direct supervision and decentralization), starting to be reflected in the evaluation data.

as a partner increased to 88 per cent of projects rated moderately satisfactory or better, chart 1 shows slightly declining performance in overall project achievement (81 per cent), government performance (77 per cent), rural poverty impact (85 per cent) and project performance (67 per cent). The decline in project performance can be attributed to declines in the percentage of projects rated moderately satisfactory or better in effectiveness (from 77 to 75 per cent) and efficiency (from 61 to 57 per cent), as relevance increased slightly (from 88 to 90 per cent) and sustainability of benefits remained flat at 65 per cent. Among the IFAD-specific criteria, innovation and scaling up increased slightly to 91 per cent, while gender and women's empowerment showed flat performance, with 85 per cent of projects rated moderately satisfactory or better, and ENRM declined to 77 per cent. Of the 28 projects including the new criterion adaptation to climate change, and completed in the period 2013-2015, 74 per cent were rated moderately satisfactory or better. Due to the criterion's novelty and resulting limited evidence, tracking adaptation to climate change experiences is more difficult than the more well-established ENRM criterion.

16. Efficiency and sustainability of benefits remain long-standing bottlenecks for project performance, with the lowest means in the period 2007-2015, respectively 3.62 and 3.67. In the 2013-2015 period, efficiency remains the weakest performing criterion due to high project costs, frequent staff turnover and implementation period overruns, owing to significant delays in project start up. While performance in sustainability of benefits has shown improvement, progress is slowing due to recurrent issues of fragile results at completion, limited beneficiary ownership and the absence of clear project exit strategies – which, notably, was a recommendation in the 2015 ARRI.
17. The overall trend in rural poverty impact is consistently positive, with an average mean

of 4.09 from 2007 to 2015 and 84.9 per cent of projects rated moderately satisfactory or better in 2013-2015. However, recent performance is flat and has declined slightly. In projects rated unsatisfactory for rural poverty impact, 2016 evaluations highlight issues with the targeting strategy and insufficient clarity on the target group. Targeting is also a key driver of performance in relevance, which is plateauing, with a percentage of projects rated satisfactory or better at 52 per cent.

18. The 2015 and 2016 evaluations consistently found that poverty analyses conducted at design do not sufficiently capture differences among groups of poor rural people. Project activities do not reach all target beneficiaries, in particular the poorest; and strategies are often not flexible enough to adapt to changes during implementation.
19. Women's specific constraints and needs were not always sufficiently analysed and incorporated into programme design and planning. The 2016 evaluations found that explicit consideration of women's specific needs and strategies targeting women are critical in ensuring that they benefit equally and that their strategic needs are addressed. Specific targeting strategies are especially required to address the diverse needs of women, especially from groups more likely to be left behind, such as very poor or landless people, indigenous peoples and women-headed households.
20. With regard to food security and agricultural productivity, IFAD has included two new IFAD10 RMF impact targets related to improved production and improved market access. However, these targets measure both agricultural and non-agricultural production, at the risk of neglecting agricultural productivity in terms of food security. This greater emphasis on commercial production is reflected in the sample of programmes evaluated in the Evaluation Synthesis Report

(ESR) on Smallholders Access to Markets, which concluded that improved access to markets alone does not necessarily lead to improved food security. Despite increased agricultural productivity, project impact on child nutrition was limited and diets remained largely unchanged. The issue of unchanged malnutrition rates is also related to the lack of disaggregated data.

Benchmarking project performance

21. Overall, IFAD's project performance remains strong – and on a par with the agriculture-sector operations of the World Bank, as shown in the following table. At the regional level, IFAD maintains the highest share of moderately satisfactory or better project performance ratings in the given period when IFAD-funded projects in the Africa and the Asia and the Pacific regions are compared with the African Development Bank (AfDB) and Asian Development Bank (ADB) respectively. Notably, the inclusion of sustainability of benefits in project performance ratings has strengthened the comparability of IFAD's results with the regional banks.
22. **Country performance.** CSPEs analyse and report on performance beyond the project level and identify lessons that cut across IFAD country programmes. They assess portfolio performance in non-lending

activities (i.e. country-level policy engagement, knowledge management and partnership-building). This year's ARRI includes four new CSPEs carried out in the following countries: the Democratic Republic of the Congo, Mozambique, Nicaragua and the Philippines.

23. Knowledge management, partnership-building and country-level policy engagement are mutually reinforcing actions to complement IFAD's investment projects. Chart 2 presents trends in the performance of non-lending activities from 2006 to 2016. The performance of non-lending activities improved significantly from 2006 to 2011, followed by flat performance from 2011 to 2014. The period 2013-2015 marks another shift in performance, with improvement in knowledge management (KM) and declines in country-level policy engagement and partnership-building. Notably, from 2014, partnership-building is no longer the strongest performing non-lending activity due to steady improvements in KM. However, the positive trend for KM from 67 per cent in moderately satisfactory country programmes since 2010-2012 to 75 per cent in 2014-2016 has now reached a plateau. The performance of country-level policy engagement declined from 73 per cent of country programmes rated moderately satisfactory or better in 2009-2011 to 58 per cent in 2011-2014, to decline further to 50 per cent in 2014-2016.

Benchmarking project performance

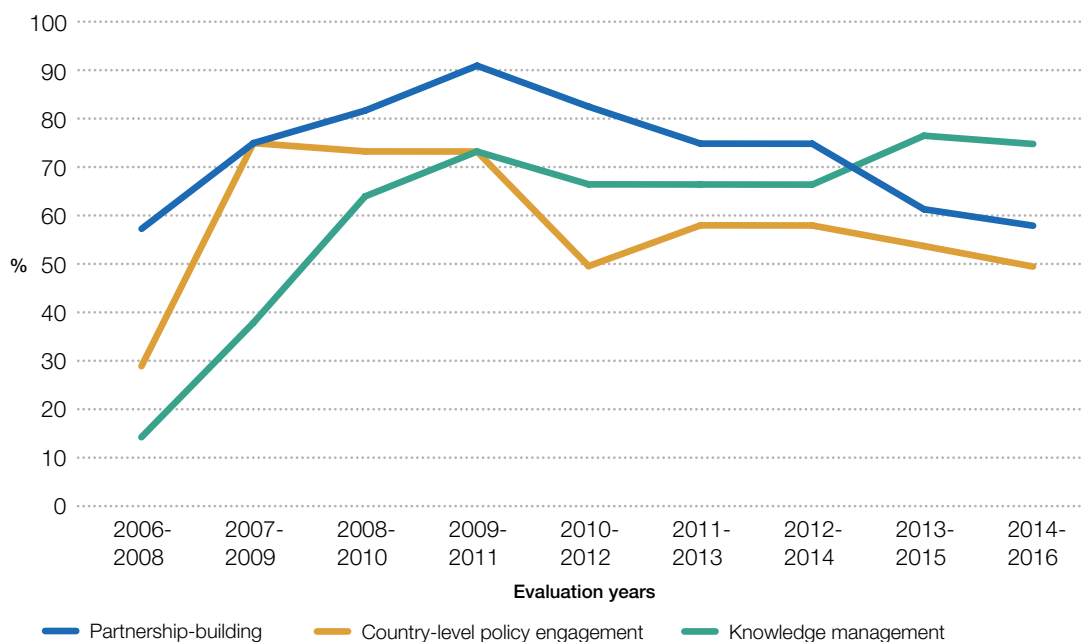
Percentage of agriculture and rural development projects rated moderately satisfactory or better (all evaluation data series)

Time period	IFAD					
	IFAD 2002-2015	IFAD Africa 2002-2015	IFAD Asia and the Pacific 2002-2015	World Bank 2002-2015	AfDB 2002-2013	ADB 2002-2014
2002-2015 (percentage)	75%	68%	88%	76%	44%	65%
Number of agricultural projects evaluated	279	129	73	662	131	92

Source: Independent evaluation rating databases of the Independent Development Evaluation Unit of AfDB, Independent Evaluation Department of ADB, Independent Evaluation Group of the World Bank and IOE.

Chart 2 Performance of non-lending activities 2006-2016 (year of evaluation)

Percentage rated moderately satisfactory or better by criteria



Source: IOE evaluation database, March 2017.

7 “Financial management” refers to the organization, budgeting, accounting, internal control, funds flow, financial reporting and internal and auditing arrangements by which borrowers/recipients receive funds, spend them and record their use (Financial Management and Administration Manual 2016, p. 3).

24. The 2016 CSPEs highlight the importance of non-lending activities as vehicles for enhancing the overall impact of the results of IFAD’s country programmes and identify factors to enhance IFAD’s capacity. Building strong KM platforms within country programmes is a critical first step towards enhancing non-lending activities overall. Such platforms allow the critical flow of knowledge from the programme management unit (PMU) to IFAD to government and eventually, external partners. Second, centring non-lending on the country programme and existing programme processes, given limited resources, contributes to better results. Third, a coherent system for non-lending activities is required that outlines how KM products contribute to partnership-building, and then how these partnerships lead to effective policy engagement that enhances country programme results. Finally, given the limited resources for non-lending activities, the 2016 CSPEs highlighted grants as a useful instrument for partnering, country capacity-building and country-level policy engagement.

2017 learning theme on financial management and fiduciary responsibilities

25. As agreed by the Executive Board in September 2016, the learning theme for the 2017 ARRI is financial management and fiduciary responsibilities in IFAD-funded operations. Since IFAD-financed projects are nationally managed using national public financial management systems, IFAD requires assurance from borrowers/recipients that they meet IFAD’s fiduciary standards, notably by maintaining adequate financial management arrangements.⁷ To that end, IFAD oversees the effectiveness of the financial management arrangements in place and supports the borrower’s fiduciary capacity, both at the project design stage and during implementation.
26. Five major lessons emerge from evidence drawn from evaluation reports and portfolio reviews that highlight drivers of and impediments to the successful management of fiduciary responsibilities.

27. **Lesson 1.** Introducing measures that address identified weaknesses in institutional and project management capacity, ahead of implementation, reduces unnecessary exposure to fiduciary risk. IFAD projects are exposed to multiple risks such as: country or sector governance issues (including corruption); complex, unclear or ineffective rules, regulations and legal structures; and weak institutions and capacities that weigh on project implementation and undermine financial management and fiduciary compliance. Financial management assessments (FMAs) are critical in identifying inherent risks⁸ as part of the overall project fiduciary risk (PFR) assessment process (introduced in 2012), which occurs initially during project design and is then reviewed at least annually throughout the life of the project. Project management structures, encompassing oversight by the steering committee, ministry senior management and the PMU, are essential organizational elements of an enabling implementation environment.
28. **Lesson 2.** Managing fiduciary responsibilities through national systems and regulations may entail a trade-off between short-term risks and longer-term sustainability. IFAD projects use national public financial management systems⁹ where feasible. As government systems regularly struggle to meet IFAD's fiduciary requirements (e.g. integrated workplan and budget, financial reporting and procurement), project implementation is bound to increase fiduciary risks.¹⁰ Measures to mitigate these risks usually involve capacity-building focused on the immediate project financial management environment. Yet, to the extent that more comprehensive national capacity-building is beyond IFAD's remit, project-specific measures shielding financial management from the risks inherent in the existing systems are necessary. Often reinforced by additional IFAD implementation support, they contain fiduciary risks in the short term, but also undermine the longer-term sustainability of project capacities.
29. **Lesson 3.** Effective fiduciary monitoring enhances financial management controls and fiduciary compliance, but does not eliminate fiduciary risks. Weak management remains one of the core challenges to fiduciary compliance. It is frequently linked to the failure to secure adequate staffing arrangements in terms of skills and numbers, combined with turnover of key positions. Insufficient management capacity translates into ineffective and often unrealistic planning, procurement delays, disrupted flow of funds, inadequate follow-up on project activities and, ultimately, suboptimal returns on investment. Insufficient financial controls frequently cause implementation delays and at times lead to project failure. To keep fiduciary risks in check, project-level monitoring of financial management must focus particularly on the following risk control areas: (i) disbursement/withdrawals; (ii) workplan and budget; (iii) audits for internal management and contractual compliance; and (iv) procurement.
30. **Lesson 4.** Project supervision contributes to fiduciary compliance if and when it is backed by credible enforcement and matched by effective implementation support. Project monitoring of fiduciary risks is complemented and reinforced through IFAD supervision. The purpose of this supervision is to: (i) oversee the functioning of project-level risk controls and thus to improve project compliance with loan fiduciary requirements; and (ii) enhance the capacity of projects to properly manage their activities in general, and finances in particular. To these ends, IFAD monitors possible performance shortfalls in the controls and provides appropriate incentives for improved control performance.
31. **Lesson 5.** Implementation support diminishes fiduciary control risks, but is limited by high transaction costs. Support measures boost fiduciary control as they address ongoing weaknesses in project financial management. Following up on problems identified in
- 8** A financial management assessment and fiduciary summary at the country level inform project-level FMA. They draw on reviews of the relevant documentation available on: governance; Transparency International's most recent Corruption Perceptions Index scores; findings of any recent donor-funded financial management diagnostic reviews; and any recent reports from donors and development partners (e.g. public expenditure and financial accountability assessments or similar reports). These are supplemented by data on each ongoing IFAD country portfolio and the financial management risk ratings assigned to it.
- 9** Including single treasury accounts, budgets, integrated financial accounting systems, internal audit institutions and administrative procedures for authorization of expenditures or Supreme Audit Institutions.
- 10** IFAD project status reports.

the course of project supervision, IFAD has provided advisory support to resolve specific problems and training to develop local capacities. By and large, its measures, spanning the whole range of fiduciary concerns, have helped improve the fiduciary performance of projects. Such measures include workplan and budget preparation and execution, technical issues, the monitoring and evaluation (M&E) system, reporting tools, the financial management system, procurement and other financial issues. Yet the de facto high cost of supervision missions has limited their frequency.

32. In sum, fiduciary compliance requires institutional and procedural responses that are carefully tailored to the highly diverse conditions and dynamics of countries. Sustainability of project results, in turn, calls for national institutions to drive these solutions, with IFAD standing by to assist in implementation. Thus, the primary guiding principle that emerges for IFAD is that successful management of fiduciary responsibilities needs rigour rather than rigidity in preparation, design, supervision, enforcement and backstopping of projects. Ultimately, the only way to address fiduciary risk is to help build institutional capacity: only a medium-to-long-term time horizon appears realistic in meaningfully reducing risk levels.

Conclusions

33. The 2017 ARRI provides the following conclusions that take into account cross-cutting issues and lessons.
34. The performance of IFAD operations shows improvement from 2009; however, performance is beginning to plateau. Between IFAD8 and IFAD9, there has been a statistically significant improvement in the means of selected criteria, such as relevance, innovation and scaling up, gender equality and women's empowerment, and IFAD

performance as a partner. Performance of other evaluation criteria, such as effectiveness, efficiency, project performance, impact, sustainability, natural resources management, government performance as a partner and overall project achievement, followed a plateau pattern in the recent period 2013-2015. Sustainability and efficiency continue to require IFAD's attention and remain the lowest performing criteria, the latter with a slightly declining path in recent years. Overall, evaluation ratings remain in the moderately satisfactory (4) zone.

35. Based on IOE ratings, the majority of the criteria are currently performing below the RMF targets established for IFAD9 and IFAD10. Four criteria (effectiveness, efficiency, sustainability of benefits and ENRM) are 10 to 20 percentage points below the 2018 targets, indicating the need for greater efforts in these areas. Three criteria (government performance as a partner, rural poverty impact and gender and women's empowerment) are five percentage points or less away. Innovation and scaling up has exceeded the target by one per cent. Adaptation to climate change has exceeded its conservative target. However, few observations are available for this criterion so far. While the above targets will be measured by Management's ratings, not IOE's, and IFAD10 is still ongoing, this brings to Management's attention the need for further improvement to reach these targets by 2018.

36. Good performance on the ground is linked to well-defined targeting strategies. IFAD projects that perform well are highly relevant to the socio-economic context, beneficiaries' requirements and institutional priorities. Well-defined targeting strategies ensure the coherence of the project's relevance, particularly to beneficiaries, from project design to achievement of the objectives. The main issues raised by evaluations relate to gaps in identification of the diverse socio-economic groups and the distinct

needs and demands expressed by each. Similarly, adjustments made during project implementation often do not fully capture the differentiated needs among the most vulnerable groups – youth and women in particular.

37. Promoting gender equality and women's empowerment (GEWE) is critical to meeting the 2030 Agenda challenge of improving food and nutrition security and eradicating rural poverty. Among the Sustainable Development Goals (SDGs), GEWE serves as both a goal (SDG5) and a means to achieving the SDGs to end hunger and poverty. The IFAD Strategic Framework (2016-2025) includes GEWE as a principle of engagement, and envisions scaling up its current gender mainstreaming practices to achieve transformative gender impacts that contribute to achieving the SDGs. According to IOE evaluations, GEWE remains among the better-performing indicators. However, there is space for moving beyond. The ESR on GEWE provides insights into how IFAD can stimulate more transformative impacts. The more effective practices break gender roles and stereotypes, enhance representation and voice in local governance, and provide functional training. Yet transformation also requires changes in cultural norms and practices, beyond individual capabilities, as well as systemic changes, for example in laws, policies and government capacities, where major gaps still exist.

38. The need to improve M&E data is widely recognized at IFAD. In the areas of ENRM, adaption to climate change, food security and agricultural productivity, the absence of disaggregated data is a specific concern. Management has taken steps towards strengthening its M&E systems in 2016, rooted in the IFAD Development Effectiveness Framework. However, the evaluations reviewed by this ARRI highlight the need for more disaggregated data for two criteria: ENRM and adaptation to climate change. During the IFAD9 period, these were merged,

which has resulted in a predominance of evidence on the former and limited evidence on the latter. The separation of the two under IFAD10 represents a positive step forward, if matched by an improvement in availability of data. The other area corresponds to the criterion of food security and agricultural productivity. Evidence is available predominantly on agricultural productivity, but limited for food security, particularly nutrition. Importantly, better food production and productivity may not lead automatically to better nutrition.

39. The 2017 ARRI learning theme recognizes the challenge of ensuring governmental agencies' fiduciary responsibility. Government performance is the primary driver with regard to financial management, procurement, audits, and ensuring coherence between implementation and planning. IFAD has a critical role in assessing and mitigating risks, as well as in providing supervision and implementation support.

40. Reliance on national systems and the uneven capacities of government institutions, particularly in procurement, is an issue for IFAD loan projects that contributes to slow implementation progress, affecting project performance. Given the diverse country contexts in which IFAD operates, addressing this situation requires tailored procedural approaches to financial compliance, driven by national institutions with IFAD's implementation support. This allows IFAD to maintain rigour in managing its fiduciary responsibility without constraining smooth implementation.

41. With the exception of KM, evaluations have found limited progress in non-lending activities in recent years. Non-lending activities – KM, partnership-building and country-level policy engagement – are mutually reinforcing in complementing IFAD's investment projects and leveraging the impact of IFAD-financed operations on the ground. KM has

experienced an improving trend, although it is now reaching a plateau. Partnership and country-level policy engagement show signs of a decreasing trend.

42. In sum, while significant improvements over the IFAD8-IFAD9 periods are noted, the recent flat performance is a call for action if IFAD is to fully meet IFAD10 targets. There is room for improvement to go beyond moderately satisfactory in areas of strength, including relevance, GEWE and innovation and scaling up. Improvement in the three cross-cutting areas – targeting, GEWE and non-lending activities – can serve as a catalyst of better performance on the ground in country programmes and substantially enhance rural poverty impacts. Unlocking their full potential will require concerted efforts by Management. The 2017 ARRI offers the following recommendations to address the most urgent challenges.

Recommendations

43. **Recommendation 1. Ensure that consolidation of IFAD9 achievements does not result in stagnation in IFAD10 and beyond.** The ambitious IFAD10 targets require that IFAD operations build on strengths and address long-standing performance bottlenecks to maximize sustainable results. Making this leap requires a change in IFAD’s modus operandi, including a new approach to programme design that allows IFAD operations to efficiently deliver relevant and sustainable results for targeted beneficiaries. This entails a holistic approach that improves articulation between the COSOP and the project pipeline, and reduces the gap between project design and implementation through the greater involvement of government, supported by a more decentralized IFAD. To initiate this paradigm shift, Management can set satisfactory or better targets for IFAD11 in areas of strength such as relevance, GEWE and innovation and scaling up to lift performance above the current plateau.
44. **Recommendation 2. Adopt transformative approaches that address the root causes of gender inequality and discrimination if IFAD is to contribute substantially to meeting the SDG goal of “leaving no one behind”.** Moving towards gender transformation requires IFAD to go beyond participatory processes, which are very important, but not sufficient. IFAD-supported interventions also need to address longer-term changes in cultural practices, as well as in laws and policies. For this, projects require a specific theory of change as well as indicators to monitor them throughout the project cycle.
45. **Recommendation 3. Systematize the three non-lending activities – KM, partnership and policy engagement – to unlock their potential to scale up country programme results.** Non-lending activities need to be recognized as a key ingredient in achieving IFAD’s mandate. Objectives for non-lending activities must be formulated more selectively, and with clear internal linkages between the activities and the resources needed to undertake them. Non-lending activities must be integrated into country programmes and related processes (such as supervision, country programme review and rural-sector performance assessment).
46. **Recommendation 4. Improve data granularity for selected strategic criteria to better monitor performance and enhance operational approaches.** Given the heightened focus on mainstreaming adaptation to climate change in IFAD10, supported by its separation from ENRM, there is a need to collect more tailored evidence to demonstrate achievements. Technological advancements, including in geospatial information and remote sensing, may provide cost-efficient opportunities for improved data quality. Central to IFAD’s mandate, food

security requires special attention to ensure that agricultural productivity leads to improved food security for IFAD's target groups. This requires including metrics of food security in the formulation of country strategies and project design and in their monitoring.

47. **Recommendation 5. Extend greater differentiation in financial management and fiduciary requirements to procurement, while supporting long-term national capacity improvement.**

- (i) In the short to medium term, IFAD must further differentiate fiduciary requirements based on the country context and risk profile. This requires an enhanced ex ante assessment of procurement risks at country, sector and agency levels, in return for a better-tailored approach to fiduciary requirements, notably for procurement.
- (ii) In the long term, the goal is to contribute to strengthening financial management and procurement capacities of implementing agencies, possibly with the support of IFAD grants. Depending on the country context, and in collaboration with other partners, IFAD may support establishing permanent PMUs responsible for all externally funded interventions in a specific sector or subsector.

48. **2018 ARRI learning theme.** "Targeting" the rural poor and food insecure is recommended as the learning theme for the 2018 ARRI. While selected evaluations have identified good cases of pro-poor targeting, there is still an issue of lack of clarity and analysis of the target group in project design and at the strategic (COSOP) level.



Egypt

**West Noubaria
Development Project**

Farmer doing the final
cleaning after threshing –
the wind separates the
impurities from the wheat.
Soliman village.

©IFAD/Marco Salustro

1 Introduction

Background

1. The 2017 Annual Report on Results and Impact of IFAD Operations (ARRI) is the flagship report of the Independent Office of Evaluation of IFAD (IOE). In line with the requirements of the IFAD Evaluation Policy,¹¹ IOE has prepared this report on an annual basis since 2003, making this the 15th edition of the ARRI.
2. When the ARRI was first presented, IFAD was one of the first development organizations to produce a report of this type. In fact, the Fund remains one of the few multilateral and bilateral organizations to produce an annual evaluation of this kind. The production of the ARRI is a reflection of IFAD's continued commitment towards strengthening accountability and transparency in reporting on results, as well as learning for better impact on the ground.
3. **Objectives.** The ARRI consolidates and summarizes the results and impact of IFAD-funded operations on the basis of independent evaluations conducted during the previous year. The report has two main objectives: (i) present a synthesis of the performance of IFAD-supported operations based on a common evaluation methodology; and (ii) highlight systemic and cross-cutting issues, lessons and challenges that IFAD and recipient countries need to address to enhance the development effectiveness of IFAD-funded operations.
4. **Audience.** The primary audiences of the ARRI are IFAD Management, staff and consultants, and the Fund's Evaluation Committee and Executive Board. However, the report is also of interest to recipient countries and the wider development community at large, including the United Nations Evaluation Group, the Evaluation Cooperation Group of the multilateral development banks, and the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Network on Development Evaluation.
5. **Comments on the 2016 ARRI.** During the preparation of the 2017 ARRI, IOE carefully revisited the main comments of IFAD Management, the Evaluation Committee and the Executive Board on last year's edition of the ARRI (2016). IOE was congratulated for producing the report in-house, which remains the case for the 2017 ARRI. IFAD's governing bodies agreed with the recommendations of the ARRI which indicated the need to raise performance from moderately satisfactory to satisfactory or better, through food security and nutrition mainstreaming, better targeting strategies, enhanced monitoring and evaluation (M&E) and better management of fiduciary responsibilities. The 2017 learning theme on financial management and fiduciary responsibilities in IFAD operations was welcomed and regarded as important for examining government performance in the areas of financial management. Finally, the Executive Board requested that the ARRI

¹¹ See <http://www.ifad.org/gbdocs/eb/102/e/EB-2011-102-R-7-Rev-1.pdf>.

highlight trends in performance and provide a simpler presentation of its recommendations. The Board further requested a learning event on the evaluation databases, which was held on 11 July 2017. Management proposed that the ARRI only rely on the project completion report validation (PCR/V)/project performance evaluation (PPE) data series in order to align better with the sources used in the Results Measurement Framework (RMF) and the Report on IFAD's Development Effectiveness. In addition, Management requested a greater focus on operational learning by highlighting good practices and programmes for scaling up and through targeted communications particularly directed to the IFAD country teams and counterparts, which IOE provided by participating in the Near East, North Africa and Europe Division (NEN) and the East and Southern Africa Division (ESA) regional implementation workshops.

6. **Learning themes.** Since 2007, each ARRI has focused on one or two learning themes. The topics for the learning themes are agreed upon with the Executive Board, with the aim of deepening analysis on selected issues that merit additional reflection and debate in order to enhance the performance of IFAD operations. Chapter 3 addresses the learning theme selected for the 2017 ARRI, namely financial management and fiduciary responsibility in IFAD operations.
7. **Process.** The draft ARRI document was internally peer-reviewed by IOE in June 2017. An in-house learning workshop was held on 5 July 2017 to discuss the ARRI's main findings and recommendations with IFAD staff. Moreover, Management had the opportunity to prepare written comments on the document. All major comments received by IOE on the draft 2017 ARRI have been duly considered in the final document.
8. **New methodology and analyses.** The 2017 ARRI includes some new aspects. First, it includes a number of changes in the criteria for project-level evaluations and nomenclature presented in the second edition of the Evaluation Manual: (i) inclusion of sustainability of benefits criterion as the fourth component of project performance (in addition to relevance, effectiveness and efficiency) and the introduction of two new stand-alone criteria – environment and natural resources management (ENRM) and adaptation to climate change; (ii) assessment based exclusively on qualitative evidence of rural poverty impact sub-domains, as they are no longer rated; and (iii) new nomenclature – country strategy and programme evaluation (CSPE) replaces country programme evaluation (CPE) and PPE replaces project performance assessment (PPA). Secondly, this ARRI includes t-tests of the evaluation criteria to compare data sets for statistical significance, and correlation analyses of PCR/V/PPE ratings to test for interrelationships among evaluation criteria. Greater details on the new methodology and analyses are included in the addendum, available online.¹²
9. **Document structure.** Chapter 1 discusses the background of the report, the various data sources used for the analyses and the context of this ARRI. Chapter 2 reports on the performance trends using independent evaluation ratings available from 2002, benchmarks the performance of IFAD operations against other comparable international financial institutions (IFIs) and internal targets adopted by the Fund, and highlights the major issues raised in the 2016 evaluations. Chapter 3 is devoted to financial management and fiduciary responsibility in IFAD operations, which is the learning theme of this ARRI. The main conclusions and recommendations are presented in chapter 4.

¹² <https://www.ifad.org/documents/10180/814e10bd-1a54-4d43-838f-7a471d615148>.

Context of the 2017 ARRI

10. The 2017 ARRI is the first edition of this ARRI produced under the Tenth Replenishment of IFAD's Resources (IFAD10) from 2016 to 2018. It draws its qualitative findings from evaluations conducted in 2016, whose ratings are reported on by their year of completion. As this year's cohort of project evaluations falls between 2010 and 2015, they strengthen the quantitative evidence base for the periods 2010-2012 and 2013-2015, which coincide respectively with IFAD8 and IFAD9. The more robust data for these two periods allows for additional statistical analyses to compare results between IFAD8 and IFAD9, and identify trends that are indicative of performance in the next triennium 2016-2018, which coincides with IFAD10.

11. According to the Report of the Consultation on the Tenth Replenishment of IFAD's Resources, IFAD will draw and build on its recent performance achievements to scale up its results and consolidate the strategic approaches of IFAD9 (2013-2015). As a result, the majority of the IFAD10 priorities and areas of reform are the same as in IFAD9. The four overall priorities for the IFAD10 period are presented in table 1. For each priority, a number of areas of reform are envisaged. The 2017 ARRI focuses primarily on the priorities of "increasing operational effectiveness" and "increasing institutional effectiveness and efficiency"¹³ particularly as a result of country presence and financial management. The 2018 ARRI is expected to address the areas of partnership and country-level policy engagement based on evaluative evidence

Table 1 **Priorities and areas of reform for the IFAD10 period (2016-2018)**

IFAD10 priorities	Areas of reform
1. Increasing operational effectiveness	<ul style="list-style-type: none"> • Innovation, learning and scaling up • Adaptation to climate change • Improved nutrition impact • Public-private-producer partnerships (4Ps) • Gender equality and women's empowerment (GEWE) • Country-level policy engagement • Global policy engagement • South-South and Triangular Cooperation • Rural youth • More differentiated country approaches
2. Increasing institutional effectiveness and efficiency	<ul style="list-style-type: none"> • Further enhancing the operations delivery model and tools • Enhancing financial management and risk assessment • Proactive human resources management • Upgrading communication and IT systems • Enhancing systems for procurement, facilities management and travel
3. Results Management System for IFAD10	<ul style="list-style-type: none"> • Impact assessment strategy • Results reporting
4. Strengthening IFAD's financial capacity and management	<ul style="list-style-type: none"> • Sovereign borrowing • Unrestricted complementary contributions

13 Within this priority area, the 2013 Corporate-level Evaluation of IFAD's Institutional Efficiency and the Efficiency of IFAD-funded Operations (EB 2013/108/R.3) thoroughly covered institutional efficiency and human resources reform.

produced from the related evaluation synthesis reports (ESRs) being conducted in 2017.

12. As the keystone of IFAD's results management system, the RMF sets indicators and targets for the Fund's country programmes and projects and measures performance against them. The IFAD10 RMF was included as an integral part of the Report of the Consultation on the Tenth Replenishment of IFAD's Resources.¹⁴ The IFAD10 RMF indicators encompass many of the areas of reform above and retained many of the same IFAD9 targets, on the premise that IFAD10 would consolidate IFAD9 achievements. Therefore, the 2017 ARRI also compares IFAD9 results against a number of indicators¹⁵ of the IFAD10 RMF as the basis for prospectively identifying opportunities and challenges in light of the priorities for IFAD10 and beyond.

14 IFAD10 RMF was refined in 2016 in consideration of IFAD's Strategic Framework (2016-2025), the IFAD9 impact assessment report findings, and the new Development Effectiveness Framework.

15 Given the nature and focus of independent evaluations, the ARRI is able to report on IFAD development effectiveness against levels 2 to 4 of the IFAD10 RMF, namely: Global poverty and agricultural development outcomes, development outcomes and impact delivered by IFAD-supported projects, development outputs by IFAD supported projects, and operational effectiveness of IFAD-supported country programmes and projects.

16 The database may be accessed at: <http://www.ifad.org/evaluation/arrri/database.htm>.

Independent evaluation database and data sources

13. In line with the Evaluation Policy, the IOE independent evaluation database,¹⁶ containing ratings from independent evaluations conducted since 2002, is available online. The aim is to enhance transparency and accountability, and make the IOE independent evaluation dataset available to IFAD staff, governing bodies and others interested in conducting further research and analytical work on smallholder agriculture and rural development.

14. The analysis presented in the 2017 ARRI is informed by the ratings from 295 project evaluations conducted by IOE using a common methodology since 2002. These 295 evaluations include ratings from 35 new individual project evaluations undertaken by IOE in 2016. The 35 project evaluations are listed in annex 5 and include: two reviews of project performance in the context of four CSPEs, 26 project completion report validations (PCRVs), one impact evaluation and six PPEs. Details on the objectives of the country programmes and individual projects evaluated can be found in the addendum. In addition, the corporate-level evaluation (CLE) on IFAD's decentralization experience and three ESRs (on IFAD's support to scaling up of results; smallholder access to markets; and what works for gender equality and women's empowerment [GEWE]) have been considered in the preparation of the 2017 ARRI.

15. The ARRI also assesses the performance of IFAD country programmes beyond the project level, using the assessments contained in CSPEs. Historically, a total of 62 CSPEs have been undertaken by IOE since the product was introduced in the 1990s. Of these, 40 CSPEs have been conducted since 2006, based on a consistent methodology including the use of ratings, which allows for the aggregation of results across country programmes. This year's ARRI includes four new CSPEs carried out in the Democratic Republic of the Congo, Mozambique, Nicaragua, and the Philippines. Annex 6 provides the complete list of CSPEs conducted by IOE and the total number of ratings available from CSPEs that have been used in the 2017 ARRI.

16. **Age of the portfolio.** Of the 35 new evaluated projects included in this year's ARRI, eight were approved from 1999 to 2003, 25 from 2004 to 2008 and two from 2009-2010. All of these projects are completed and closed: four completed from 2010-2012 and 31 completed from 2013 to 2015. The average project duration was seven years with four projects having an implementation period of more than 10 years. Thus, although some projects were designed 10 or more years ago, a large number of them were under implementation until recently. However, given the age of the portfolio of projects analysed in the ARRI, it is important to note that the analysis of performance does not take into account recently designed projects.



Sao Tome and Principe
Participatory Smallholder
Agriculture and Artisanal
Fisheries Development
Programme

Organic cocoa growing near Monte Forte. A farmer develops improved cocoa seedlings in a nursery. Growers belong to a cooperative that collects all of the cocoa beans and sells in bulk to France.

17. This chapter is divided into three sections. The first discusses project performance in the period 2000-2016, followed by an analysis of country programme performance in the second one. The third section benchmarks the performance of IFAD-financed projects against IFAD targets and the performance of other multilateral development banks.

Project portfolio performance

18. **Methodology.** The project evaluations informing the 2017 ARRI were performed in 2016 and thus follow the provisions of the second edition of the Evaluation Manual published in December 2015. This is the first year that this new methodology is reflected in the ARRI. However, the evaluation criteria and definitions included in the revised harmonization agreement¹⁷ between Management and IOE, applied in evaluations conducted in 2017, will be fully reflected in the 2018 ARRI.

19. Each project is assessed and rated across nine evaluation criteria: relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, GEWE, innovation and scaling up, ENRM and adaptation to climate change. The latter two criteria were previously rated jointly as a rural poverty impact sub-domain and are now separate stand-alone criteria.¹⁸

20. IOE also has two composite evaluation criteria: project performance and overall

project achievement. Project performance is an average of the ratings of four individual evaluation criteria (relevance, effectiveness, efficiency and sustainability of benefits – newly included), whereas overall project achievement is based on (but not an average of) all nine criteria now applied by IOE. Finally, each project is also evaluated for IFAD and government performance as partners, in line with the practice of other IFIs. The definitions for each evaluation criteria are found in annex 2.

21. **Ratings scale and data series.** IOE uses a six-point rating scale to assess performance in each evaluation criterion, in line with the Good Practice Standard for Public Sector Evaluations of the Evaluation Cooperation Group of the multilateral development banks. The rating scale is summarized in table 2. The ratings, which are the foundation of performance reporting in IOE evaluations, are used in the analysis of the ARRI for reporting on IFAD's aggregate operational performance.

22. As in the last couple of ARRIs, the analysis is based on two data series: (i) all evaluation data; and (ii) PCR/V/PPE data only. The 2017 ARRI primarily presents analysis based on the "PCR/V/PPE data" series given its homogeneity as compared to all evaluation data series. The PCR/V/PPE data series includes ratings from PCR/Vs, PPEs and impact evaluations completed from 2007 to 2015. The "all evaluation data" series consists of ratings from all evaluations conducted by

¹⁷ Agreement on the Harmonization of IFAD's Independent Evaluation and Self-Evaluations Methods and Systems Part I: Evaluation Criteria: <https://webapps.ifad.org/members/eb/120/docs/EB-2017-120-INF-2.pdf>.

¹⁸ In accordance with the new methodology, ENRM as well as adaptation to climate change are no longer included among the impact domains contributing to Rural Poverty Impact. The four remaining impact domains (household income and net assets; human and social capital and empowerment; food security and agricultural productivity; institutions and policies) are no longer rated.

Table 2 IOE rating system

Score	Assessment	Category
6	Highly satisfactory	Satisfactory
5	Satisfactory	
4	Moderately satisfactory	
3	Moderately unsatisfactory	Unsatisfactory
2	Unsatisfactory	
1	Highly unsatisfactory	

Source: IFAD Evaluation Manual, 2015.

19 This data series is considered until 2015, due to comparability with the PCR/V/PPE data series and due to the small sample size of projects completing in 2016.

20 Finally, the ratings discussed in the CSPE section (portfolio performance, non-lending activities and COSOPs) are included in a separate database by year of evaluation results between 2006 and 2016.

21 In order to determine whether there is a significant difference in the means of the evaluation criteria ratings between 2013-2015 (IFAD9) and 2010-2012 (IFAD8) periods, a two sample t-test is used. These two periods have been selected due to the sample size in each period, the consistency of the dataset and the number of missing values, assuring the representativeness of the periods under review to provide reliable results.

22 Ratings of 1 and 6 are considered outliers for the purpose of this analysis.

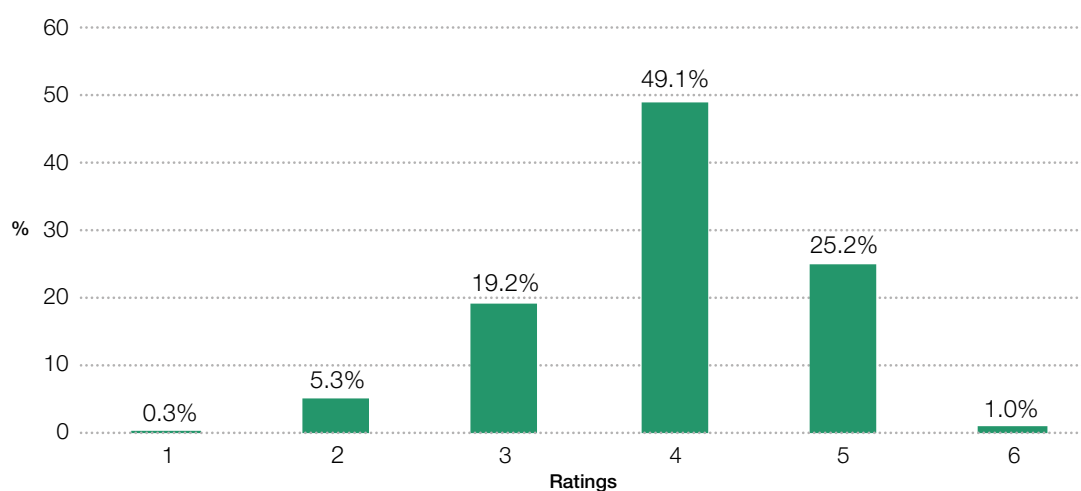
IOE since 2002,¹⁹ including CSPEs.²⁰ It is used to triangulate findings and for analysis benchmarking IFAD performance with other IFIs, as the sample sizes provided by “PCR/V/PPE data” series are currently too small for this exercise. As in the past, the 2017 ARRI also analysed independent evaluation ratings by IFAD replenishment periods from IFAD5 (2001-2003) to IFAD9 (2013-2015) to inform the relevant section analysing performance by replenishment period. Charts presenting the latter two data series and tables are available in the online addendum.

- 23. Analysis of ratings.** The main trends in performance are explained through an analysis of the percentages of PCR/Vs and PPEs that are rated as moderately satisfactory or better for each evaluation criterion. However, as requested by the Evaluation Committee, the proportion of ratings for each evaluation criteria falling within the full range of the six-point rating scale (i.e. from highly unsatisfactory to highly satisfactory) used by IOE are shown in the online addendum.
- 24.** The ARRI uses three-year moving averages to highlight long-term trends and smoothen short-term fluctuations. To provide an overview of results from 2007 to 2015, additional analysis was undertaken including: (i) a distribution analysis of PCR/V/PPE ratings; (ii) a block analysis with the overall mean and standard deviation by evaluation

criteria; (iii) t-tests²¹ of evaluation criteria to compare data sets for statistical significance; and (iv) correlation analyses of PCR/V/PPE ratings to test for interrelationships among evaluation criteria. A 2017 methodology note is included in the online addendum to provide further details on the data series, methodology and analyses.

- 25.** The distribution analysis of available ratings displayed in chart 1 shows that most of the ratings from PCR/Vs and PPEs in the period 2007-2015 are moderately satisfactory (4). Out of the total 1,953 ratings across the nine evaluation criteria, only 1.3 per cent are outliers.²² The majority (75.3 per cent) of the ratings are moderately satisfactory or better and 26.2 per cent are satisfactory or better. The normal distribution of the PCR/V/PPE data as shown in chart 1 allows the 2017 ARRI to conduct t-tests for statistical significance.
- 26.** The block analysis conducted on the PCR/V/PPE dataset in the period 2007-2015 presents the nine evaluation criteria ranked by mean (see table 3). The best performing criteria in the period 2007-2015, besides relevance, are IFAD performance, gender equality and women’s empowerment, innovation and scaling up, and rural poverty impact. This is positive given the mandate of IFAD to reduce poverty in rural areas. The weakest performing areas based on the average mean

Chart 1 Distribution of all ratings* – PCRV/PPE data series, 2007-2015 (N=1953)



Source: IOE evaluation database, March 2017.

* Impact domains criteria such as household income and assets, human and social and empowerment, food security and agricultural productivity, institutions and policy are no longer rated, therefore previous years' ratings have been removed in the quantitative analysis.

from 2007-2015 are operational efficiency and sustainability of benefits. The performance of adaptation to climate change is based on

a very small sample and is therefore only indicative of this new criterion.

Table 3 Ranking of averages and data dispersion per criteria – PCRV/PPE data, 2007-2015

Criteria	Mean	Standard deviation	
Relevance	4.32	0.71	Best performance
IFAD performance	4.22	0.72	
Gender equality and women's empowerment	4.21	0.84	
Innovation and scaling up	4.18	0.90	
Rural poverty impact	4.09	0.77	
Overall project achievement	3.98	0.75	
Effectiveness	3.97	0.87	Weaker performance
Project performance	3.95	0.76	
Environment and natural resources management	3.89	0.75	
Government performance	3.83	0.88	
Sustainability	3.67	0.78	
Efficiency	3.62	0.97	
Adaptation to climate change*	3.59	0.93	

* Indicative mean based on 35 projects completing from 2008 to 2011.

27. **Trend analysis.** This section presents the analysis of the independent evaluation ratings for the whole set of evaluation criteria assessed by IOE in its project-based evaluations according to: (i) trends in performance over time by moving averages; and (ii) trends in performance by replenishment periods.

Project performance

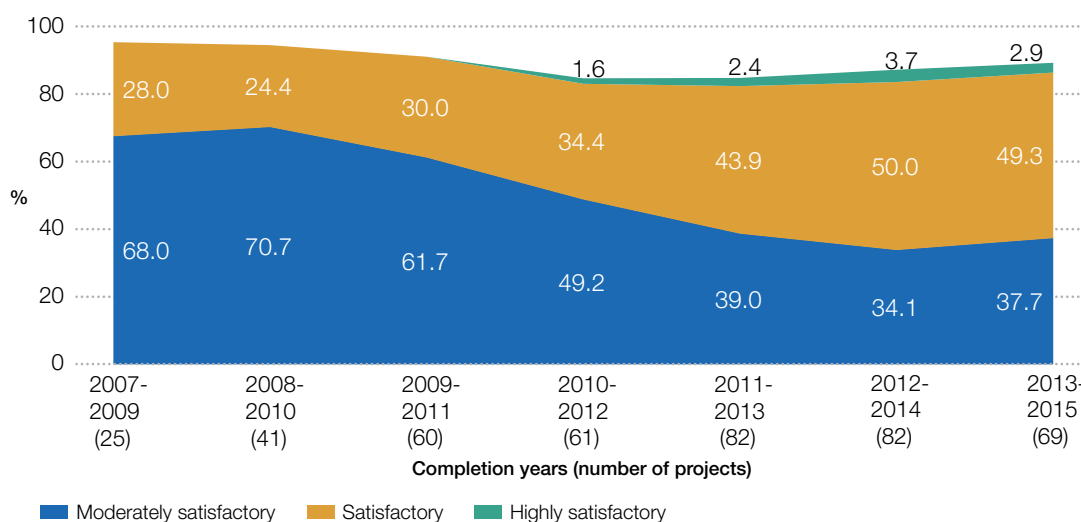
28. The analysis of project performance, which is a composite of relevance, effectiveness, efficiency and sustainability is presented in two parts. The first part discusses the trends in performance for the four individual criteria and key features of good or weaker performance where appropriate. The second part outlines the trends for the composite criterion and issues determining the relevance and effectiveness of the targeting strategies adopted by IFAD-supported operations.

29. **Relevance.** IFAD operations with good performance remain highly relevant to: the context in which they are implemented, beneficiaries’ requirements, institutional priorities and partner and donor policies. It however also requires a relevant project design and coherence in the achievement

of the objectives through, inter alia, an appropriate targeting strategy. Chart 2 reflects a consistently positive trend of the PCR/PPE data series. Of projects exiting the portfolio in 2013-2015, 90 per cent were rated moderately satisfactory or better. From 2010 until 2012-2014, this improvement was driven by an increase in the percentage of satisfactory or better projects, which reached 53.7 per cent. However, in the last cohort, there is a slight decline to 52.2 per cent of projects rated satisfactory or better and a 3.6 per cent increase in moderately satisfactory ratings.

30. Constraining features to relevance are often linked to limitations in project preparation and design, including the lack of (i) a proper targeting strategy (ii) ownership of the project by the respective implementing agencies and (iii) insufficient analysis of the socio-economic and political context of the project area and (potential) partners and institutions involved. These factors are highlighted in the PPE of the Agricultural Rehabilitation Programme in Orientale Province (PRAPO) in the Democratic Republic of the Congo, which rated relevance moderately unsatisfactory. The project had overly ambitious objectives and targets and poor consideration of the context – the post-

Chart 2 **Project relevance – three-year moving averages by year of completion**
Percentage of projects rated moderately satisfactory or better (PCR/PPE data series)



Source: IOE evaluation database, March 2017.

conflict situation; the weak capacities among public technical services; and an extremely isolated project area. Finally, the absence of a dedicated targeting strategy resulted in limited attention committed to vulnerable groups.

31. The learning theme of this year further emphasizes the importance of conducting thorough context and financial assessments. These and other precautionary principles help to identify weaknesses ahead of implementation and thereby avoid unnecessary exposure to project and fiduciary risks.
32. **Effectiveness.** The performance of projects in achieving development objectives has reached a plateau after improving slightly between 2010 and 2014. Although projects rated moderately satisfactory or better declined slightly to 75.3 per cent, the percentage of satisfactory projects has steadily increased from a low of 21.7 per cent in 2009-2011 (chart 3). However, no projects are rated highly satisfactory in the PCR/PPE data series.²³
33. The 2016 evaluations identify some key features that explain good and weaker results in the performance of a project. The CLE on decentralization found that higher

effectiveness ratings drove the significantly higher average project performance ratings in countries with IFAD country offices (ICOs). The PPE of the Bangladesh Finance for Enterprise Development and Employment Creation Project (FEDEC) considered the overall effectiveness of the project highly satisfactory based on: reaching the targeted number of microenterprises midway through the project; far exceeding its critical lending targets; and building the capacity of the implementing agency²⁴ and partner organizations to efficiently support microenterprise development. These successful results are being scaled up in the ongoing Promoting Agricultural Commercialization and Enterprises Project.

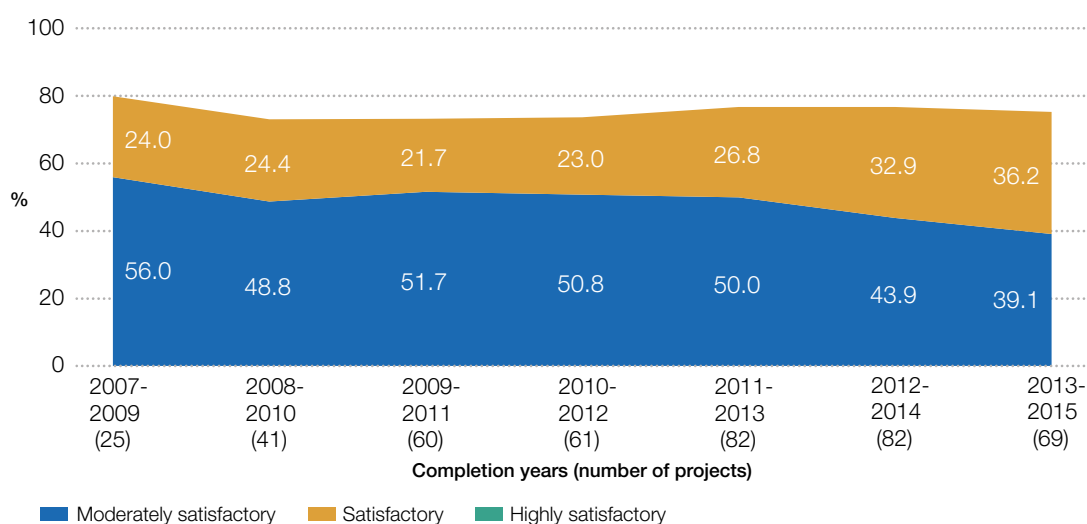
34. Instead, in weaker performing projects, poor performance against stated objectives is caused by (i) a deteriorating security situation; (ii) weak implementation capacity; (iii) slow progress in implementation; or (iv) a lack of adequate support and/or collaboration between the implementing partners. Other factors inhibiting effectiveness are described in the PPE of the Rural Livelihoods Support Programme in Malawi, such as too many interventions confusing communities;

²³ According to the IFAD Evaluation Manual, second edition, a highly satisfactory rating for effectiveness indicates that the project has achieved or surpassed all its main objectives and targets and could be considered as a model within its project typology.

²⁴ The Palli Karma-Sahayak Foundation, a government apex funding agency for NGOs.

Chart 3 Project effectiveness – by year of completion

Percentage of projects rated moderately satisfactory or better (PCR/PPE data series)



Source: IOE evaluation database, March 2017.

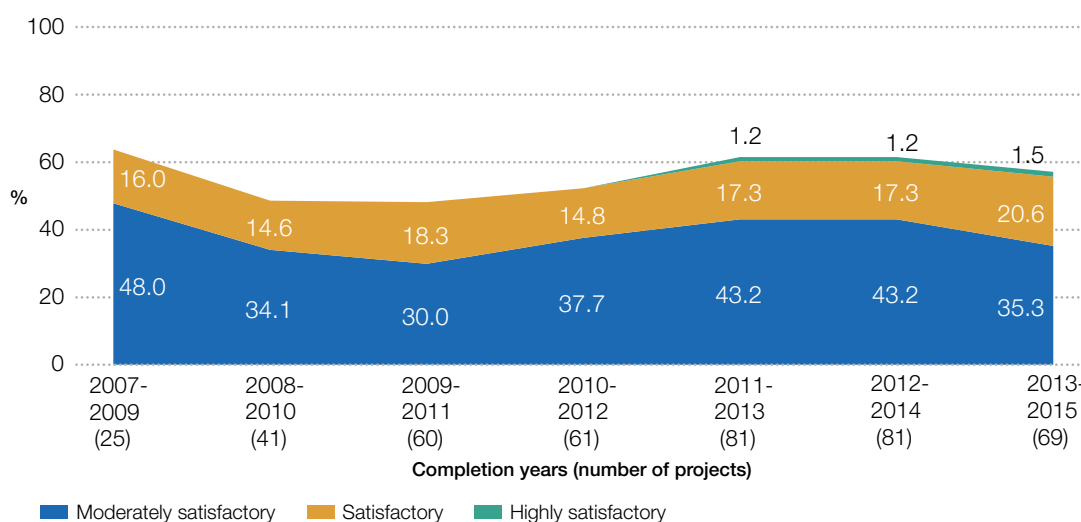
insufficiently engaging relevant government bodies and partners for the formation of farmers' organizations; and not promoting important interventions for beneficiaries to interact with input/output markets.

- 35. **Efficiency.** Operational efficiency remains the weakest performing criterion in the last cohort and the entire period covered by the PCR/V/PPE data series. Despite a rise in the percentage of moderately satisfactory or better ratings from a low of 48.3 per cent in 2008-2010 to a high of 61.7 per cent in 2011, performance has been flat and declined slightly to 57.4 per cent in 2013-2015. Notably, the number of projects rated satisfactory or better remained stable and increased slightly by 3 per cent from 2011 to 2015.
- 36. The 2016 evaluations highlight key factors inhibiting efficiency in IFAD-funded projects which are summarized in box 1. High project management costs are particularly cited, which in the PPE of PRAPO in the Democratic Republic of the Congo are attributed to underestimating the challenging and dispersed context and capacities of subcontractors, and consequently, the operating costs. This led to an overload of

administrative work and technical oversight for the project management unit (PMU) which resulted in significant implementation delays. According to the Rural Livelihoods Support Programme PPE in Malawi, the high programme management costs (40 per cent of the total) were due to high staff salaries, a dense implementation structure, and a long implementation period of nearly 10 years. Budget overruns in the West Noubaria Rural Development Project (WNRDP) in Egypt were attributed by the PPE to (i) extension of project implementation by four years, which was a consequence of slow implementation and later political instability; (ii) the Government handing over activities from an earlier IFAD project to the PMU; and (iii) five different project directors. In the case of the Philippines Rural Microenterprise Promotion Programme (RuMEPP) the project management costs remained low, which according to the PPE, may have been the result of underestimation of staffing requirements, which affected the implementation progress and under-investment in M&E.

- 37. The 2016 evaluations found that good project efficiency is overall based on smooth implementation and a high disbursement

Chart 4 Project efficiency – three-year moving averages by year of completion
Percentage of projects rated moderately satisfactory or better (PCR/V/PPE data series)



Source: IOE evaluation database, March 2017.

Box 1 Factors inhibiting operational efficiency – derived from the 2016 evaluations

- Significant start-up delays and time lag from approval to effectiveness
- Slow disbursement rate from IFAD and/or partners and low disbursement at time of completion
- Poor use of resources: underspending and overspending for project components
- High cost per beneficiary
- High cost of project management
- High staff turnover
- Low internal rate of return
- Cumbersome contract and procurement norms

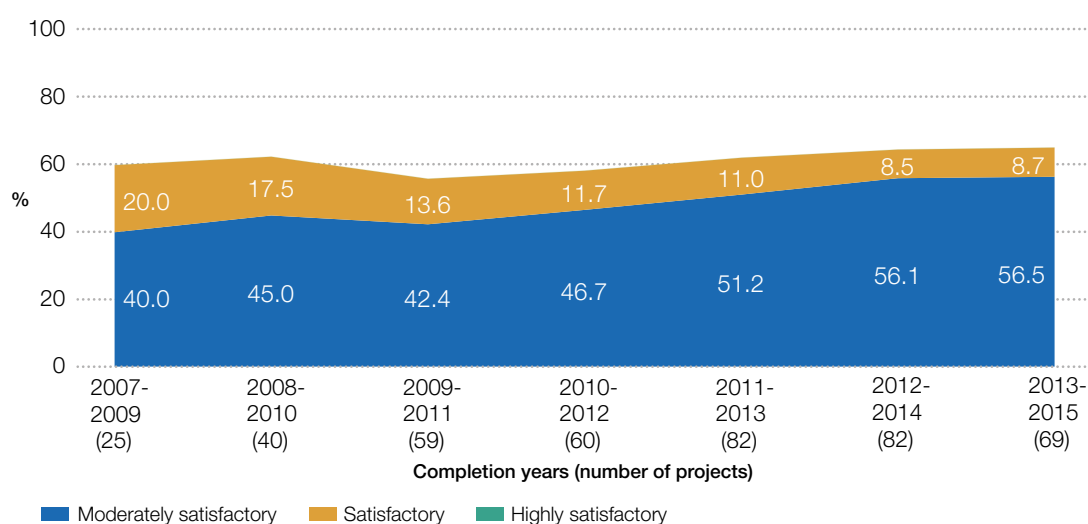
rate and financial return, and low programme management costs, as evinced in the impact evaluation of the Mozambique Sofala Bank Artisanal Fisheries Project (SBAFP) and the PCRV of the Colombia Rural Microenterprise Assets Programme: Capitalization, Technical Assistance and Investment Support. The PPE of the Bangladesh FEDEC project assigned a satisfactory rating to the operational efficiency as (i) the loan entered into force in 4 months versus IFAD's global average of 12.3 months; (ii) the loan proceeds were utilized within the originally prescribed project implementation period without extending the closing date, indicating high utilization efficiency; and (iii) the actual

programme coordination costs amounted to 0.4 per cent of total costs, compared to 1.6 per cent allocated at programme design, indicating higher management efficiency than planned. The learning theme chapter further emphasizes how the quality of the project team and its management are key to financial management and project success.

38. **Sustainability of benefits.** The prospects of sustained benefits generated by IFAD's operations have improved steadily from 2009. Sixty-five per cent of the projects completed in 2013-2015 were rated moderately satisfactory or better versus a low of 56 per cent of projects in 2009-2011 (chart 5).

Chart 5 **Project sustainability – by year of completion**

Percentage of projects rated moderately satisfactory or better (PCR/PPE data series)



Source: IOE evaluation database, March 2017.

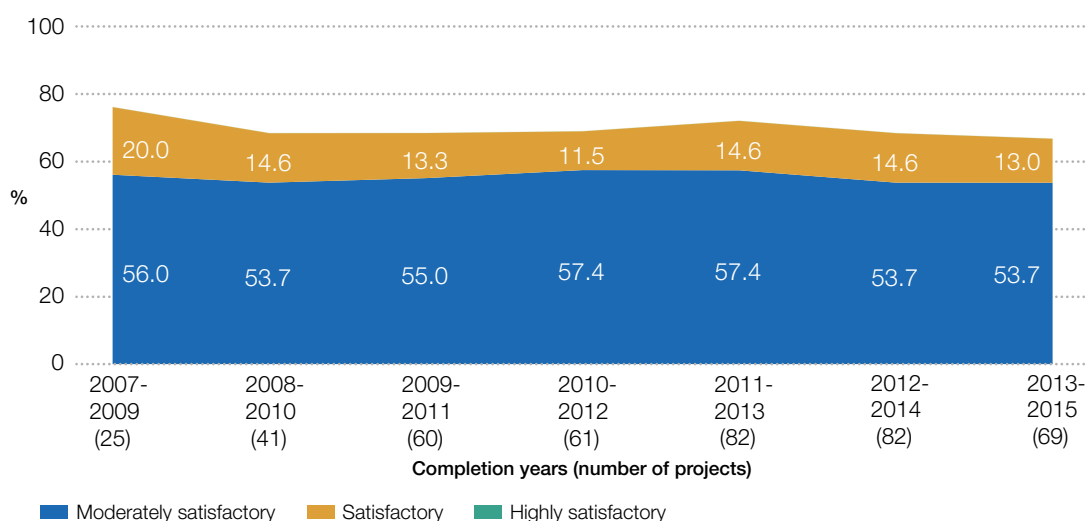
39. Despite this improvement, sustainability remains the second weakest performing criteria. In addition, the vast majority of projects are increasingly in the moderately satisfactory zone and the percentage of projects that are rated satisfactory are gradually diminishing, with no projects rated as highly satisfactory.

40. In particular, the most recurrent issues in the 2016 evaluations relate to (i) fragile results at completion; (ii) limited beneficiary ownership; (iii) lack of resources; and (iv) lack of a clear exit strategy, clarifying the roles and responsibilities of different institutions and actors in ensuring beneficiaries receive the necessary inputs and services after completion. The PCRV of the Small-scale Irrigation and Water Management Programme in Burkina Faso found that many activities were carried out in the last year of the project, leaving little time for farmers to learn how to manage them on their own. The PPE of PRAPO in the Democratic Republic of the Congo found sustainability of impact to be at risk due to the weak maturity of producers' organizations and limited capacity of public

and private service providers. Finally, the impact evaluation of the Mozambique SBAFP reports that grass-roots institutions were weak after completion because, by and large, they were not federated into apex organizations.

41. **Project performance.** This composite criterion is the arithmetic average of the ratings for relevance, effectiveness, efficiency, and sustainability of benefits (included in project evaluations conducted in 2016 for the first time) according to the second edition of the Evaluation Manual. The new definition of project performance was included in 28 projects which completed between 2011 and 2015. Chart 6 presents project performance ratings as they were recorded in their respective published evaluations. Therefore, it presents project performance ratings based on both old and new definitions. From this mixed methodology, 66.7 per cent of projects are rated moderately satisfactory or better in project performance. The overall trend is flat and slightly declining with the majority of ratings being moderately satisfactory.

Chart 6 **Project performance – three-year moving averages by year of completion**
Percentage of projects rated moderately satisfactory or better (PCR/PPE data series)



Source: IOE evaluation database, March 2017.

42. The impact evaluation of the Mozambique SBAFP project underlined that good performance on the ground is intrinsically linked to well-defined targeting strategies. The availability of in-depth thematic studies and elaboration of appropriate implementation strategies is a prerequisite to successfully achieving project outcomes, impact and sustainability. In particular, the development and implementation of strategies for gender mainstreaming, private sector engagement, microfinance, markets and food security based on rigorous studies would have helped in better understanding the opportunities, challenges and synergies across the several project components. Moreover, it would enable a better definition of the scope and the geographic, institutional and social targeting of the project.

43. In this regard, the 2016 evaluations continue to find several issues and constraining factors in terms of relevance and effectiveness of the targeting strategies adopted by IFAD-supported operations. A recurrent issue mentioned in the 2016 evaluations is that IFAD and its implementing partners need to ensure that projects have a specific targeting strategy to reach the most vulnerable people, based on a sound vulnerability analysis, and leading to differentiated support according to the needs of vulnerable groups, youth and women in particular.

44. The Programme for Mobilization of Surface Water and Sustainable Land Management (PROMES-GDT) in the Republic of Djibouti offers an excellent example of a good targeting approach. The targeting strategy was based on the outcomes of several identification missions and associated fieldwork and analysis. The target areas were selected in a participatory way, in consultation with both the administrative authorities and beneficiaries. Moreover, the participatory approach notably ensured that the traditional authorities were consulted over the choice of projects and targeting of

beneficiary households. The programme also followed a satisfactory social targeting strategy at community level, taking into account all socio-economic groups of the pastoral communities, with specific support to the most vulnerable and women-headed households.

45. At midterm review, the targeting strategy was adjusted to enhance the geographic and social targeting and keep effectiveness on track. This shows flexibility in the approach and adaptability to changes. Moreover, it is an example of why good monitoring of the distribution of project benefits according to the different target area and target groups is crucial throughout the implementation process.

Rural poverty impact

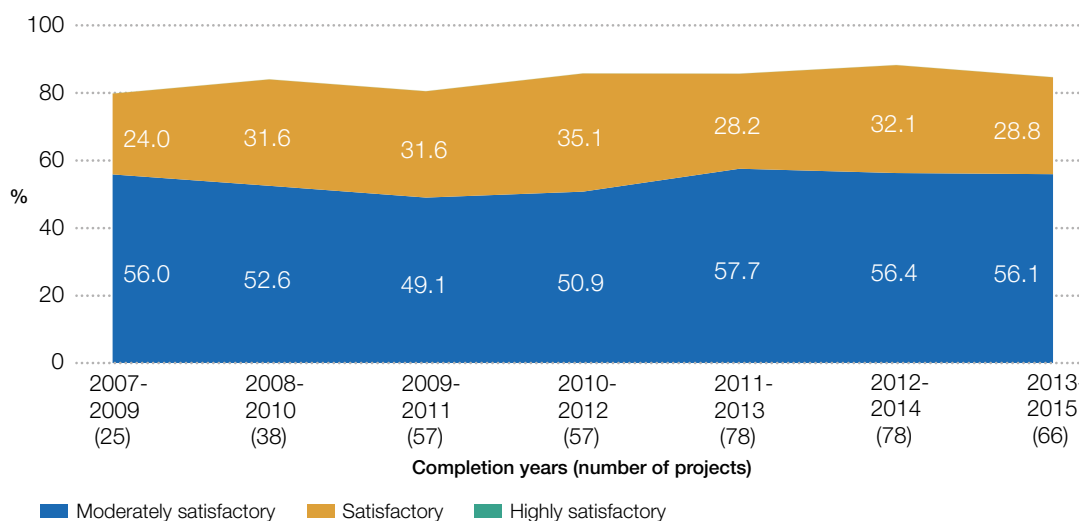
46. This section is devoted to the assessment of rural poverty impact which consists of four sub-domains (household income and assets, human and social capital and empowerment, food security and agricultural productivity, and institutions and policies). Given that the reduction of rural poverty is IFAD's most important objective, the key features of positive and less positive rural poverty impact are provided by sub-domain.

47. Rural poverty impact is consistently positive with the percentage of moderately satisfactory or better projects ranging from 80 per cent in 2007-2009 to 84.9 per cent in 2013-2015. However, the overall trend is essentially flat and driven by predominantly moderately satisfactory projects. The percentage of satisfactory projects is also stagnant with minor variations, and no projects are rated highly satisfactory.

48. **Household income and assets.** This rural poverty sub-domain provides a means of assessing the flow of economic benefits and accumulated items of economic value to individuals and households. For IFAD10, IFAD Management aims to have 40 million rural

Chart 7 Rural poverty impact – Three-year moving averages by year of completion

Percentage of projects rated moderately satisfactory or better (PCR/PPE data series)



Source: IOE evaluation database, March 2017.

people experiencing economic mobility measured as an economic change in status (10 per cent or more) in terms of income, consumption, wealth, food diversity or nutrition. In order to achieve the IFAD10 target and contribute substantially to the 2030 Agenda goal of eradicating poverty, IFAD needs to scale up its results for greater impact through partnership and policy engagement.

49. The 2016 evaluations found that IFAD projects made a positive contribution to raise incomes and diversify income sources, and helped build assets for the targeted population, though on a small scale. This has happened mainly through: (i) support to agricultural productivity; (ii) employment opportunities; (iii) diversification of livelihoods; (iv) support to investments in productive assets, including improvements in animal husbandry (livestock

Box 2 Drivers of better income and assets in beneficiary groups

The impact evaluation of the Mozambique SBAFP highlighted the following main drivers for the improved income and assets of the beneficiary groups by the project:

- Expansion of the fishing area through the formulation and adoption of sectoral policies and the diversification of fishing practices and technologies, which resulted in slightly higher fish production;
- Increased access of the artisanal fishery communities to informal microfinance (through accumulating savings and credit associations), which led to increased personal savings and improved investment capacity in the artisanal fishery subsector; and
- Training activities led to improved post-harvesting activities (e.g. salting and drying) and its infrastructure development component created better access to markets, which indirectly contributed to better incomes.

- and fisheries); (v) improved access to microfinance and markets; and (vi) improved post-harvesting activities. Box 2 highlights drivers of improved income and assets based on Mozambique's SBAFP which was rated 5 for rural poverty impact by the impact evaluation.
50. A number of 2016 evaluations reported positive impact on income and assets from livestock activities. For example, the Burundi Livestock Sector Rehabilitation Support Project had an impact on household income through the sale of animal products and recapitalization of small livestock that generated income when resold, and increased livestock productivity from improved rangelands. In Mali, the Northern Regions Investment and Rural Development Programme benefited 6,792 households through farming, income-generating activities and livestock loans which allowed households to accumulate assets. The programme also increased and diversified the income of people through nomadic livestock and agropastoral development. The revival of small livestock and diversification of agriculture were hallmarks of the programme. In Djibouti, livestock recapitalization was responsible for generating an additional US\$790 to US\$1,550 a year in income per household in PROMES-GDT.
51. Another prominent source of income generation in the 2016 PPEs and PCRVs was related to formal employment. The Northern Regions Investment and Rural Development Programme in Mali contributed to improving local incomes through the transfer of resources to local businesses, which developed outsourcing and job creation. The Employers' Association of Construction Contractors reported the creation of 160 permanent jobs and 600 temporary jobs for 40 companies mobilized as part of the Kidal Integrated Rural Development Programme (PIDRK) activities in Mali.
52. Despite these few positive examples, limited data on household income and assets was a major constraint in evaluating projects in 2016 for rural poverty impact. Limited evidence and data resulted from lack of baseline surveys; unclear definitions of how livelihood, social and human assets are defined in the surveys; lack of control groups or information on macro-economic change in the project completion report (PCR); no outcome or income level M&E data; or confusion in impact assessment methodology. The PPE of the Philippines RuMEPP adds that, in addition to the challenges of data availability, there also have been a number of complementary initiatives from other agencies, thus making it even more difficult to assess the level of contribution by RMPP to impact on household incomes and assets.
53. **Human and social capital and empowerment.** Empowerment is one of IFAD's key principles of engagement and is essential for sustainable reduction of poverty and hunger. IFAD's notable comparative advantage versus other IFIs is the targeting and participatory approaches promoted in IFAD operations, which have a positive impact on the empowerment of individuals.
54. IFAD-funded projects rated satisfactory in rural poverty impact by the 2016 evaluations have adopted IFAD's hallmark approach of enhancing the capabilities of rural poor people, by bringing together smallholder farmers into grass-roots institutions and organizations and improving their access to basic amenities and productive resources, as well as fostering their participation in local governance processes. This notably occurred in the Mozambique SBAFP project which the impact evaluation found contributed strongly to improved human capital in project areas through infrastructure that improved the quality and access to water, health services and education for poor artisanal fishery communities. The project also represents good practice in terms

- of actively engaging the artisanal fishery communities in local development processes and their empowerment in relation to local governments. The impact evaluation found the project contributed to raising awareness and knowledge about key policies introduced by the Strategic Plan for the Artisanal Fisheries Sector (PESPA) (e.g. mesh size, boundary, closed fishing season) in the treatment group.
55. Capacity-building through group formation featured prominently in the majority of IFAD-funded projects that the 2016 evaluations found contributed to enhancing human and social capital and empowerment. The Egypt PPE found that WNRDP improved human and social capital and filled an important gap left by the absence of public services. Remarkably, the community organizations that implemented the activities in a participatory manner were still functioning two years after project closure and the infrastructures visited were still functioning and in high demand, although their capacity to continue with maintenance had diminished. The positively evaluated projects in Nepal, Bangladesh, Niger, Djibouti, Mali, Burundi all applied a participatory approach for empowerment, which focused on improving the communities' capacity to organize and manage its own development.
 56. Participatory community-based development is a key feature of many successful IFAD projects. The Philippines CSPE finds the most significant and consistent impact across the projects is the contribution to enhancing the way government agencies and local government units work on rural development initiatives and how they work with the rural poor, e.g. a participatory approach, in tandem with efforts to strengthen organizations of the rural poor to effectively participate in such processes.
 57. In projects rated unsatisfactory for rural poverty impact, 2016 evaluations highlight issues with the targeting strategy and insufficient clarity on the target group. In the case of the Small-scale Irrigation and Water Management Project in Burkina Faso, the approach was not participatory enough and there was limited control over the project's choice of beneficiaries. The Democratic Republic of the Congo CSPE expressed doubts about the portfolio's impact on the most vulnerable people – women, unemployed youth, the landless and indigenous people – who may have been excluded from the farmer organizations that channelled most of the project support. The PPE of WNRDP in Egypt also stressed that although positive results have been achieved in this impact sub-domain, these results were mostly among the better off and to a lesser extent among the extreme poor.
 58. The importance of targeting and gender strategies is further reflected in box 3 which highlights the key findings from the ESRs on Smallholder Access to Markets (SAM) and GEWE.
 59. **Food security and agricultural productivity.** Food security lies at the heart of IFAD's mandate. To achieve this fundamental goal, in 2015 the organization issued an action plan for mainstreaming nutrition-sensitive agriculture during the IFAD10 period. Two of the new IFAD10 RMF impact targets relate to this sub-domain – 43 million rural people with improved production and 42 million people with improved market access. However, the increased production and value of production that is measured relates to both agricultural and non-agricultural production, which may exclude agricultural productivity for food security.
 60. This greater emphasis on commercial production is also reflected in the sample of SAM programmes evaluated in the ESR. Although almost all of them had an explicitly stated goal to improve food security and nutrition, only three integrated food security into programmatic outcome objectives,

Box 3 ESR on SAM and GEWE – key targeting and gender findings related to rural poverty impact

- **Targeting.** SAM programmes serve the rural poor in almost all instances, often with an express focus on the economically active poor. The most common approach was to target specific geographical areas, and in many cases this was combined with the selection of specific product types of value chains. Targeting focused on value chains had higher rated impact and relevance than most of those focused on a specific product and its production. Finally, programmes delivering market-oriented activities to target populations showed notable market relevance.
- **Gender equality.** Women's specific constraints and needs were not always sufficiently analysed and incorporated into programme design and planning. However, programmes focused on microenterprise development; interventions that sought to improve institutional stakeholder responsiveness; and member-based and no-bank financial institutions were responsive to gender-differentiated needs. Nevertheless, explicit consideration of specific women's needs and specific strategies to target women are critical to ensuring that women benefit equally and that their strategic needs are addressed. There is scope to better target the diversity of women along lines of ethnicity, religion, and life cycle through specific targeting strategies. Moreover, specific targeting strategies, combined with good contextual analysis are required to address the needs of different groups of women that are more likely to be left behind, such as the very poor, landless, single, young, and indigenous women and female-headed households.
- **Participatory processes.** To some extent, participatory processes are instrumental in addressing women's needs, and there are many positive examples of where highly participatory approaches have led to social change. At the same time, participatory approaches are often not effective in overcoming generally held beliefs about particular groups, in particular minority groups, which must be addressed through specific and targeted interventions.
- **Theory of change.** Projects are recommended to develop explicit theories of change to underpin targeting strategies for different groups of women, together with indicators to monitor them at the point of design, and offer tailored interventions based on available good practices.
- **M&E.** Explicit strategies have to be integrated into design and carefully monitored during implementation, based on thorough analysis. To facilitate the monitoring and enhance effectiveness and impact, beneficiary data needs to be further disaggregated.

and very few designed components or activities to improve food security. Even fewer programmes detailed how food security would be improved or reflected on risks smallholders are exposed to by altering traditional economic strategies – often involving food production for home consumption. Based on the mixed record of food security enhancement in the sample, the ESR on SAM concluded that improved access to markets alone does not necessarily lead to improved food security.

61. The mixed results found in the ESR on the SAM sample are also reflected in the 2016 evaluations where increased agricultural productivity and food security is not reflected in nutrition indicators. The Democratic Republic of the Congo CSPE finds that the portfolio had a noticeable impact on agricultural productivity and food security in the cases of PRAPE and PRAPO projects, with food security improved over the baseline situation due in part to higher yields from improved seeds and increased cultivated areas. However, project impact on child

nutrition was limited, as diets remained largely unchanged. In Egypt, the WNRDP project contributed to the highly diversified agricultural production which resulted in households in the treatment areas consuming 15 per cent more categories of food compared to the control group, indicating that these households potentially have a more nutritious and balanced diet. Despite these positive results, malnutrition rates have remained unchanged across the different survey periods.

62. The issue of unchanged malnutrition rates is also related to the lack of disaggregated data. The 2016 project evaluations noted that many malnutrition rates remained more or less unchanged, and that in some instances child malnutrition remained severe. The evaluations emphasized that the project results are mainly focused on productivity, with little to no evidence on nutrition. The ESR adds that while almost all programmes had food security/nutrition objectives, few were measurable or based on transparent risk-reward calculations regarding smallholders' food security. The absence of data on nutrition limits the full assessment of food security and agricultural production.
63. **Institutions and policies.** Institutions and policies are critical for the sustainability and scaling up of IFAD's country programme results. The National Agricultural Technologies Programme in Bangladesh offers another example of an IFAD project providing strong support for capacity enhancement and institutional development for agricultural research and extension services. While the key achievement of the project was completing the amendment of the Bangladesh Agricultural Research Council Act 1996, which provided a foundation for revitalizing agricultural research by improving its governance and management system, the project also contributed to the establishment of an innovative agricultural research organization; "one stop" extension services to farmers; and established grass-roots organizations focused on marginal farmers and small farmers. The project established groups on a pilot basis to improve marketing channels between small farmers and traders which contributed to achieving higher profits from the sale of high-value produce.
64. The impact evaluation of the Mozambique SBAFP finds the project was instrumental in instigating institutional changes which are still visible today. The project contributed to the establishment of a normative framework of policy and legislation in favour of artisanal fishing and adoption of a corresponding strategy – PESPA – in November 2006. SBAFP nurtured sound provincial-level approaches and practices, previously not in place, for the co-management of small-scale fisheries which became enshrined in PESPA. PESPA promoted three important fisheries management measures to the benefit of the artisanal sector.
65. The ESR on SAM shows that support to institutions and policies that are focused on enterprise development and trade have the highest ratings, whereas general agricultural policy has less notable ratings. The more market-oriented the institution and policy effort is, the more favourable the ratings. Indeed, formal institution-building, while limited in the SAM sample, have had key contributions to programmatic achievements. Institution-building has been effective in those instances where local needs and risks were addressed, and local actors were empowered within the broader SAM programme ecosystem.
66. Limited impact in terms of institutions and policies also resulted from project design and the country context. The Nicaragua CSPE notes that rapidly changing institutional dynamics required IFAD to make its programme more flexible. The Egypt WNRDP PPE finds the project design did not elaborate on how the community approach would be institutionalized. Thus, though supported institutions served a purpose during project

implementation in terms of planning and implementation of project activities and responding to a gap in the administrative system, their role has diminished post-project.

Other performance criteria

67. This section of the chapter analyses innovation and the potential for replication and scaling up; attention to GEWE; ENRM; and adaptation to climate change.

68. **Innovation and scaling up.** As of 2017, IOE rates innovation and scaling up separately, following the harmonization agreement. However, as this ARRI is based on 2016 evaluations, this section still reports on innovation and scaling up jointly. IFAD's contribution to promoting innovation and scaling up successful experiences for expanded and sustainable impacts has been improving since 2009, as shown in chart 8. The percentage of projects rated as moderately satisfactory or better increased from 73.7 per cent in 2009-2011 to 91.3 per cent in 2013-2015, out of which 40.6 per cent are satisfactory or better (chart 8). This is the highest proportion of moderately satisfactory and higher projects in the period covered by the PCR/PPE

data series. This strong improvement is further evidenced by the statistically significant increase of the mean from 4.03 in 2009-2011 to 4.34 in 2013-2015. This improvement is driven primarily by more moderately satisfactory projects rather than satisfactory and higher projects, which are stable.

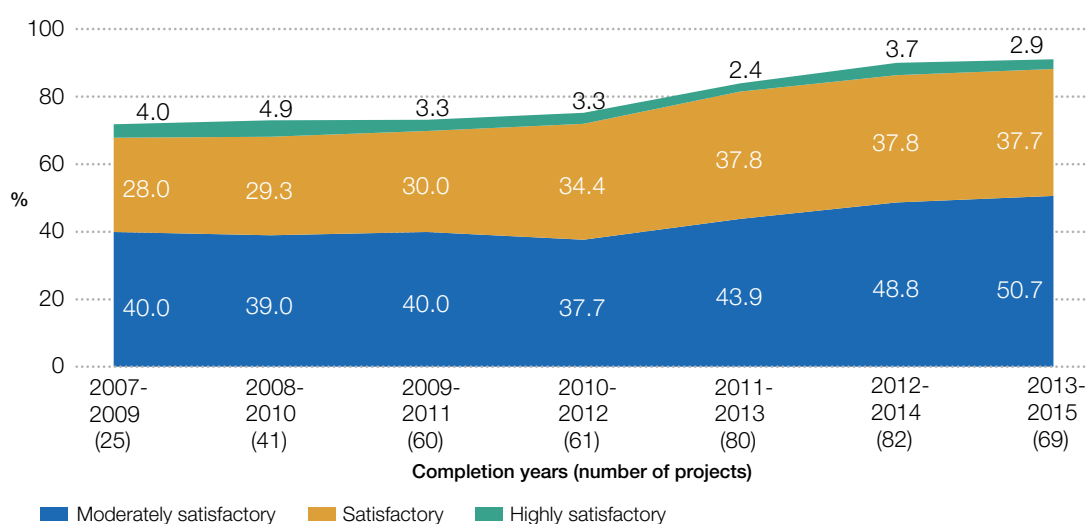
69. Innovation and scaling up remains a priority in IFAD10, with a target of 90 per cent of projects rated moderately satisfactory at completion in 2018. IFAD also committed to have a strategy for innovation, KM and scaling up in all project designs in the IFAD10 period. Its inclusion as a core principle of engagement in IFAD's Strategic Framework 2016-2025 indicates the strategic importance the Fund places on increasing the impact of its investments.

70. The assessment of innovation and scaling up by IOE focuses on the extent to which IFAD development interventions have (i) introduced innovative approaches to rural poverty reduction, and (ii) been scaled up by government authorities, donor organizations, the private sector and other agencies. The main reference document in assessing innovation and scaling up is the 2007 IFAD innovation strategy.²⁵

25 <http://www.ifad.org/gbdocs/eb/91/e/EB-2007-91-R-3-Rev-1.pdf>.

Chart 8 **Innovation and scaling up – by year of completion**

Percentage of projects rated moderately satisfactory or better (PCR/PPE data)



Source: IOE evaluation database, March 2017.

71. With regard to innovation, the 2016 evaluations found that projects were successful in introducing new rural finance products, improved technologies in agriculture, fisheries and irrigation, as well as methodologies previously unknown in the intervention areas, including participatory approaches. The Mozambique CSPE assessed innovation and scaling up as satisfactory. Several innovations previously unknown in the intervention areas, though already in use and well known outside Mozambique, have been introduced through the projects. Two IFAD regional grants with the National Agriculture Extension Programme Support Project enabled the piloting of both plant clinics and Diamondback Moth biological control in the project districts with promising results. The National Directorate for Agricultural Extension plans to gradually integrate these two initiatives in the public extension agenda throughout the country, where relevant. The SBAFP and ProPesca projects introduced a number of fishing gear and boat-construction technologies, including the use of ice on board, as well as solar-powered ice-makers and freezer systems that were innovative for the country.
72. The Egypt PPE of WNRDP highlighted three types of innovations introduced by the project,²⁶ among which was the successful introduction of drip irrigation. The PPE confirms that while drip irrigation was not necessarily innovative, it was considered innovative to this particular target population and was highly replicable as it was a relatively low-cost technology. Moreover, the materials were readily available and the farmers saw an immediate advantage which motivated them to use it.
73. IFAD also has been able to introduce innovative practices in other areas, such as the introduction of new financial products (seasonal loans) in the FEDEC project in Bangladesh and the systematic integration of marketing-related aspects into most of the interventions for the RuMEPP in the Philippines. During the SBAFP project in Mozambique, the project also introduced savings and credit associations where financial services were previously absent, and the development of skills in participatory strategies and bottom-up approaches to planning and implementation that were new to the institutions involved.
74. Scaling up is especially critical as a means for augmenting the impact of IFAD's country programmes to reduce rural poverty. As presented in the ESR on scaling up, IFAD has emphasized scaling up since 2002, with conceptual clarity sharpened after the 2010 Brookings review and the 2015 Operational Framework for Scaling Up of Results. Scaling up happens when other partners converge in supporting certain interventions and approaches. This requires extended support from IFAD, often through several project phases. In the first place, partners need to be convinced of IFAD's own buy-in. And even when interventions seem promising, they may need more fine-tuning or improvements, requiring further support from IFAD before they are ready to be scaled up.
75. While almost all country strategic opportunities programmes (COSOPs) since 2010 make reference to scaling up, few have articulated a strategy for it. On average, there was evidence of scaling up in about half of the evaluations examined. Most of the scaling-up cases observed consisted of: (i) an attempt to broaden project geographical coverage to new areas (95 per cent); (ii) project interventions informing public strategies or policies (41 per cent); and (iii) an IFAD-funded project being adopted by a larger programme, funded either by the government or a donor (16 per cent). Scaling up also is recorded more often in lower-income countries rather than upper middle-income countries, due in part to the availability of international funding; counter to the commonly held expectation that more space for scaling up exists in countries with higher income levels.

²⁶ Those innovations were: (i) linking farmers to markets; (ii) the adoption of drip irrigation and the way it was adapted to smallholders; and (iii) artificial insemination services through private inseminators.

Box 4 Enabling and constraining factors to scaling up

- **Government ownership.** Government support can create scaling-up opportunities, even with limited fiscal space. Governments were able to facilitate support, notably funding, from external donors when their own resources were insufficient. Government ownership was also manifested as the establishment of a central unit in a ministry or public agency.
- **IFAD leadership and extended engagement.** IFAD often continued to give support through multiple phases before other partners could recognize the validity of a given development approach – particularly in the case of innovative projects that required testing, development and fine-tuning.
- **Partnership.** Networking and partnership-building undertaken by IFAD staff or project coordinators were crucial to build interest and ownership by the government and other development actors. Without strong partnerships with national and local governments, even successful projects may remain in isolation with key decision-makers not familiar with their experiences (e.g. Lao People's Democratic Republic, Dominican Republic).
- **Knowledge management.** KM is instrumental in providing evidence to partners (including scalability analysis) of the success of an intervention. However, it is more challenging to engage partners when data and analytical work is insufficient (e.g. the Plurinational State of Bolivia with municipal governments).
- **Country-level policy engagement.** Approaches promoted through IFAD-funded projects informed state or country-level legislative initiatives and sectoral policies (e.g. India and Peru). In contrast, a non-conducive policy environment makes it difficult to scale up successful schemes. In the Republic of Moldova, it was difficult to scale up a successful long-term credit and revolving fund established by the IFAD-funded projects due to a policy environment which discouraged banks from offering long-term deposits.

Source: ESR on IFAD's support to scaling up of results.

76. According to evaluations reviewed in the ESR, scaling up was three times more prevalent in countries where IFAD had an office. Similar findings in the 2016 CLE on decentralization showed that opening country offices helped promote partnership with government, mobilize government funding and enhance opportunities to participate in donors' thematic coordination groups. Other factors related to scaling up are outlined in box 4.

77. **Gender equality and women's empowerment (GEWE).** 2030 Agenda promotes GEWE as basic human rights across all development goals. While addressing gender inequality and exclusion is a goal in itself (SDG5), it is also a means to other SDGs. Thus, the promotion of GEWE is critical to meet the challenge of improving food and nutrition security and eradicating rural poverty.

78. In line with the SDGs, the IFAD Strategic Framework (2016-2025) envisages IFAD consolidating its leading position on innovative gender practices by moving beyond mainstreaming and achieving transformative gender impacts. IFAD's Midterm Plan (2006-2018) also aims to ensure that at least 15 per cent of project designs are gender-transformative and at least 50 per cent achieve full gender mainstreaming.²⁷ Despite these ambitious goals, the IFAD10 RMF target for gender equality remains at 90 per cent of projects rated moderately satisfactory or better.

79. A review of IFAD's performance on GEWE over time shows that performance has plateaued. There was an overall positive trend in moderately satisfactory or better ratings starting in 2009-2011 at 78.3 per cent and reaching 85 per cent in 2013-2015. The improved performance is due to a steady

²⁷ The PTA Gender Desk has developed a six-point gender marker to assess programmes in which 5 signifies full gender mainstreaming and 6 indicates gender transformative.

increase in the percentage of projects rated moderately satisfactory and highly satisfactory, respectively 46.2 per cent and 4.6 per cent in the last cohort of the PCRV/PPE data series (chart 9). The mean of project ratings show a statistically significant increase from 3.49 to 4.15 in the respective periods of 2009-2011 versus 2013-2015 (online addendum). Yet the main driver of the overall improvement in the last two cohorts has been an increase in the percentage of project rated moderately satisfactory. At the same time, the proportion of satisfactory (full gender mainstreaming) and highly satisfactory (transformative) ratings has declined, which indicates that IFAD still must work harder to reach the above targets.

women’s self-improvement in transforming the power dynamics and structures that reinforce gendered inequalities. Such changes are required to achieve sustainable development as envisioned by the 2030 Agenda, and to ensure that women and girls are free from violence; have access to resources, knowledge and health services; and have a voice, strong leadership and are allowed to participate.

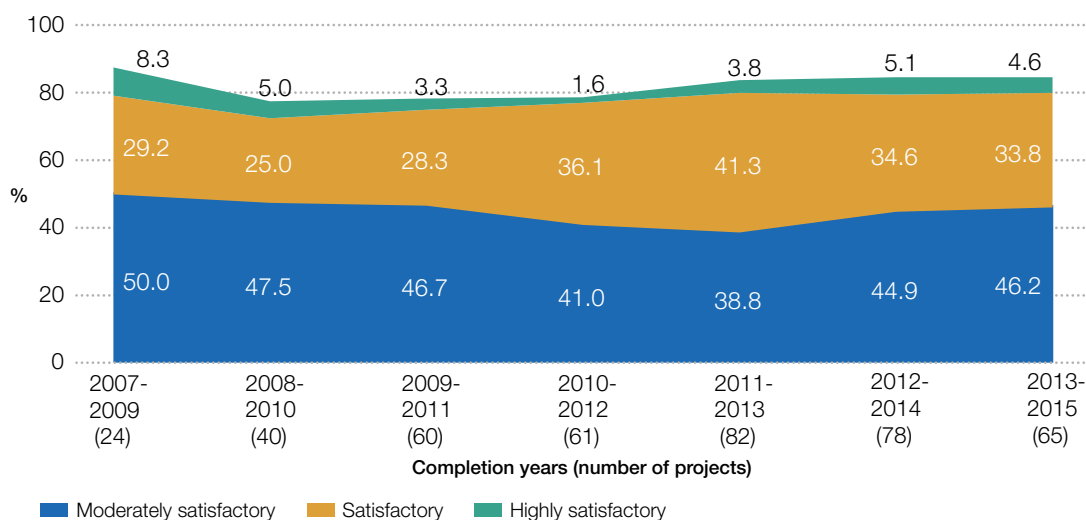
80. The ESR on “What works for gender equality and women’s empowerment – a review of practices and results” (ESR on GEWE) points out that, as yet, there is no agreed definition or operationalization of gender-transformative approaches at IFAD or elsewhere. The report defines gender-transformative approaches as addressing the root causes of gender inequality and discrimination by promoting sustainable, inclusive and far-reaching social change. Gender-transformative approaches go beyond

81. The ESR on GEWE provides some insights and suggestions on how IFAD can increase the share of transformative projects. Overall, the review confirmed that the guidance provided by IFAD’s corporate GEWE action plan²⁸ and policy has been relevant and effective to ensure interventions address key GEWE issues. IFAD’s investment focuses on access to resources, services and opportunities, which in many cases are effective in the economic empowerment of women. Interventions enabling women to take up a role in value chains and marketing can particularly make a contribution to GEWE, although gender scores on participation in value chains were low in the sample included in the ESR on SAM. Practices considered more effective and more common break

28 The objectives of the 2003 Gender Action Plan, which are well aligned to the gender policy, are: (i) expand women’s access to and control over fundamental assets – capital, land, knowledge and technologies; (ii) strengthen women’s agencies – their decision-making role in community affairs and representation in local institutions; and (iii) improve women’s well-being and ease their workloads by facilitating access to basic rural services and infrastructures.

Chart 9 Gender equality and women’s empowerment – Moving averages by year of completion

Percentage of projects rated moderately satisfactory or better (PCR/PPE data)



Source: IOE evaluation database, March 2017.

gender roles and stereotypes; enhance representation and voice in local governance; and provide functional skills training. Practices which are more effective but less common are the provision of labour-saving technologies; access to off-farm employment and technical and vocational training; and working with men. Backyard and home gardens can help enhance women's role in household food production and income generation, but were found less transformative. Finally, practices providing child-care support and promoting policy engagement and legal rights were less effective and less common.

82. With regards to GEWE impacts, the ESR finds that IFAD has addressed the underlying reasons for gender inequality and women's powerlessness, in particular illiteracy, exclusion from access to resources and limited social capital through participatory approaches and capacity-building. Highly participatory approaches are important for gender-inclusive outcomes, if combined with specific strategies to target women as mentioned in box 3. Measures to protect women from violence have enabled them to claim public spaces, which in some cases was among the factors transforming women's lives. Reducing drudgery and challenging gender norms has led to transformational changes in secluded and marginalized communities, where the provision of water as a common good had a catalytic effect. Overall, the ESR finds that the most significant changes identified in the synthesis sample were at the individual level (e.g. women's confidence and self-esteem, men's attitudes, and awareness about rights and entitlements) rather than formal systematic change (e.g. literacy and functional skills, incomes of women and men). However, transformation requires changes beyond individual capabilities which entails policy engagement and changing cultural norms and practices.
83. Finally, the ESR on GEWE finds that social mobilization and strengthened leadership has

helped women to claim political spaces. This is also reflected in projects in the Philippines portfolio that encourage participation and leadership in grass-roots organizations. Moving towards transformative GEWE, in the Second Cordillera Highland Agricultural Resource Management Project, the proportion of women in leadership positions is reported to range between 45 and 50 per cent in different types of groups, including irrigation associations. In addition, husbands generally support the business activities of their wives and they may also provide labour. In the Democratic Republic of the Congo, women's participation in farmer organizations and farmer field schools was relatively strong, which may have contributed to their economic empowerment and participation in production-related decision-making.

84. **Environment and natural resources**

management. For the first time this criterion is rated separately from adaptation to climate change, which is a positive step forward. Of the 28 projects that included this new criterion and completed in the period 2013-2015, 75 per cent performed moderately satisfactory or better in terms of ENRM. For the purpose of accountability, this figure will be used to measure against the RMF target for ENRM of 90 per cent (see internal benchmarking section, paragraph 170).

85. In chart 10, the ratings are presented along with the former combined criterion in order to observe the trend in ENRM's performance.²⁹ The performance increased from 77.8 per cent in 2011-2013 to 81.6 per cent of projects rated as moderately satisfactory or better in 2013-2015. While the majority of ratings are moderately satisfactory, since 2010 a few examples of highly satisfactory ratings have appeared.
86. The 2016 evaluations indicate overall positive environmental impact from the IFAD-funded investments. The Nepal Leasehold Forestry and Livestock Programme PCRV rated this

²⁹ Until 2015, ENRM was rated along with adaptation to climate change, however, the evidence presented for the rating was primarily based on ENRM performance and not adaptation to climate change. Therefore, past performance may be more reflective of ENRM than adaptation to climate change and can be presented with the new separated criterion ratings.

criterion as highly satisfactory due to its strong emphasis on ENRM and the impressive results attained. Through reforestation, the project reduced the likelihood of future degradation in those areas; 60 to 70 per cent of leased lands were rehabilitated. The Bangladesh National Agricultural Technologies Programme PCRV found performance in ENRM satisfactory, highlighting the development of an Environmental Management Framework as a proactive measure to minimize the adverse impacts of legally allowed pesticides; and the adoption of a system of environmental screening and process of environmental data collection and monitoring whose data was disclosed to the public.

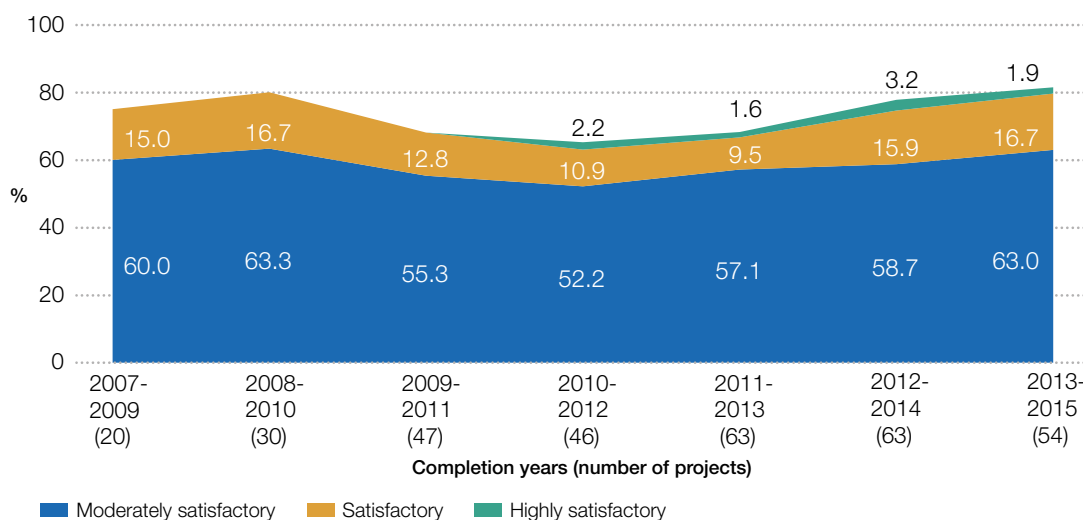
87. Notwithstanding overall improvement, the performance of IFAD’s operations in this area appears to be relatively low as compared to other criteria. As highlighted in the evaluation synthesis on natural resources management, attention to ENRM only began at the corporate level in IFAD9. Therefore, the projects analysed in the 2017 ARRI do not fully reflect the important steps undertaken in the last six years to strengthen the environmental sustainability of IFAD operations.³⁰

88. The 2015/2016 ESR on ENRM underlined some important areas of attention to improve IFAD’s performance in ENRM moving forward. First, there is need to improve coordination with relevant government and technical partners involved in ENRM with clear budget lines for ENRM activities and improved alignment with IFAD country strategies. Second, there is a need for greater linkages between ENRM, poverty and livelihoods. While there is evidence of direct results of ENRM activities (e.g. on soil and water management) there is much less evidence on how diversification of production or adaptation of more sustainable options have contributed to better use of natural resources and thereby improved farmers’ livelihoods. In fact, despite the increased prominence of ENRM in the strategic frameworks and replenishment consultations, ENRM remains an area that IFAD systems have difficulty in tracking reliably.

89. Therefore, greater attention is needed for environmental assessment, monitoring process and data collection. Also, there is a risk that increased focus on climate change objectives could lead to less focus on the persistent natural resources management

30 Examples of recent IFAD efforts towards improving its environmental impact are: the establishment of the IFAD Environment and Climate Change Division in 2010; the 2011 IFAD’s Environment and Natural Resource Management Policy; the Adaptation for Smallholder Agriculture Programme and the collaboration with the Global Environment Facility; the inclusion in the IFAD10 RMF of a dedicated indicator to assess “support for smallholder adaptation to climate change”; and the introduction in 2015 of the Social, Environmental and Climate Assessment Procedures.

Chart 10 **Environment and natural resources management – Moving averages by year of completion**
Percentage of projects rated moderately satisfactory or better (PCR/V/PPE data series)



Source: IOE evaluation database, March 2017.

issues. In some cases, for example, climate change appears to have displaced a strategic ENRM focus, or the ENRM funding is used for climate change adaptation only. While this may not always be a problem, it should be assessed carefully, as the issues frequently overlap with each other. The equilibrium between ENRM findings and evidence and those for adaptation to climate change is often unbalanced. This makes it difficult for evaluations to provide a thorough assessment of the two criteria.

90. **Adaptation to climate change.** IFAD has committed in IFAD10 to mainstream climate change into 100 per cent of project designs and COSOPs by 2018. The IFAD10 RMF also has introduced an impact target of 22 million people with greater resilience. As a result of its increasing importance in IFAD's work, adaptation to climate change is now a separate criterion from natural resources management and environment and was rated separately for the first time in the 2016 evaluations.
91. Of the 28 projects that included this new criterion and completed in the period 2013-2015, 74 per cent performed moderately satisfactory or better in terms of adaptation to climate change. For the purpose of accountability, this figure will be presented to prospectively gauge progress towards the IFAD10 RMF target for support for smallholder adaptation to climate change of 50 per cent (see internal benchmarking section, paragraph 170). This conservative target is appropriate given projects approved prior to the 2010 IFAD climate change strategy address ENRM rather than adaptation to climate change.
92. Due to the criterion's novelty and resulting limited evidence, tracking adaptation to climate change experiences is more difficult than the more well-established ENRM criterion. In the majority of 2016 evaluated projects, adaptation to climate change was not a specific objective of the project and as

such there has been very little systematic data collection and supervision in this regard. As a result, project documentation mention very little to no efforts or results in the area of climate change adaptation. The absence of information and data limits the assessment of adaptation to climate change in evaluations and the ARRI.

93. Examples of indirect strengthening of smallholders' resilience to climate change risks include, for example, the diversification of the production systems as in the case of the livestock sector rehabilitation support project in Burundi. This diversification may have reduced poor farmers' dependence on highly weather-sensitive farming activities, and allowed them to expand their capacity to take advantage of better years to recover from previous crises, and to be better prepared against future impact of climate change. Manure contributes to restore soil fertility and structure; soil degradation, including erosion, is contained and consequently, agricultural production increases. Therefore, households may be less exposed to climate shocks and more climate resilient.
94. Another good example of indirectly targeting climate change is PROMES-GDT in Djibouti. Even though the programme was not designed explicitly to take into account climate change, its activities were entirely focused on strengthening the country's adaptive capacity to flood and drought conditions. It supported improvements in the collection, conservation and use of surface water for human and livestock consumption, and contributed to the restoration of agro-pastoral areas and protection of forests. PROMES-GDT also introduced innovations to improve the design and efficiency of the infrastructures to make them more resistant to climate change (albeit with limited success). Other technical innovations, such as floodplain thresholds and water and soil conservation measures are also likely to have contributed to the country's resilience to climate change.

95. It is crucial that future projects give greater consideration to adaptation to climate change in the design and implementation phases and that the objectives and initiatives are clearly separated from ENRM. Moreover, as recommended by the Nicaragua CSPE, adaptation to climate change strategies should be aligned with national, municipal and communal policies and strategies to enhance project performance.

Overall project achievement

96. This is a composite evaluation criterion which provides an assessment of IFAD-funded projects drawing upon the ratings for project performance, rural poverty impact, innovation and scaling up, GEWE, ENRM and adaptation to climate change.

97. As shown in chart 11, overall project achievement is positive, with 81.3 per cent of projects rated moderately satisfactory and better, compared to a low of 76.7 per cent in 2009-2011. However, no projects are rated highly satisfactory and an increasing proportion of projects rated only moderately satisfactory.

Performance of partners

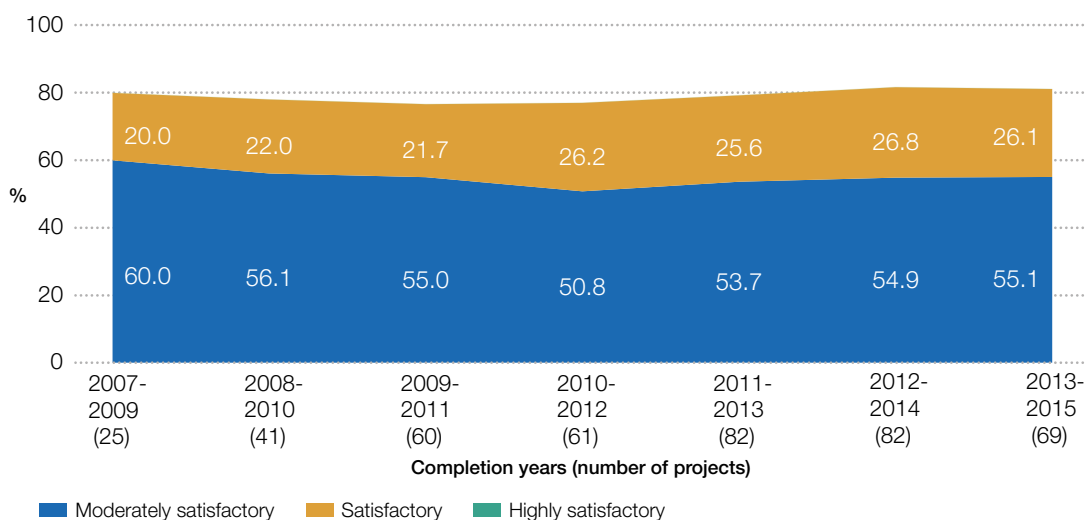
98. The following paragraphs assess the contribution of two key partners (IFAD and the government) to project design and execution, monitoring and reporting, and supervision and implementation support.

99. **IFAD's performance as a partner.** IFAD's performance as a partner was evaluated as moderately satisfactory or better in 88.4 per cent of the projects completed in the period 2013-2015 (chart 12). Nearly half of the projects are satisfactory having increased steadily from 2010. This is a positive trend although no projects have been rated highly satisfactory in either of the data series since 2010. The PCR/V/PPE data mean has also steadily increased from 4.10 in 2010-2012 and to 4.35 in the last cohort (annex III). The t-test confirms that the increase in the mean from 4.11 in 2009-2012 to 4.34 in 2013-2015 is statistically significant. Therefore, IFAD's performance as a partner has significantly improved since 2010.

100. The 2016 evaluations confirm that IFAD is valued and trusted by governments for the quality and timeliness of its support, and for its focus, flexibility and responsiveness. Evaluation

Chart 11 **Overall project achievement – by year of completion**

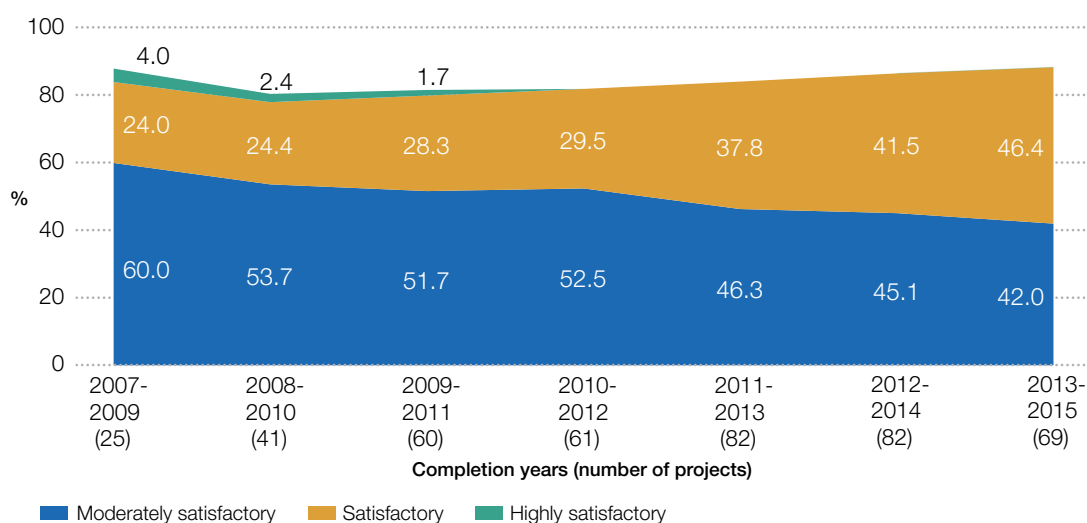
Percentage of projects rated moderately satisfactory or better (PCR/V/PPE data)



Source: IOE evaluation database, March 2017.

Chart 12 IFAD performance as a partner – by year of completion

Percentage of projects rated moderately satisfactory or better (PCR/V/PPE data)



Source: IOE evaluation database, March 2017.

evidence from the CLE on decentralization suggests that country presence strengthened an IFAD-government partnership which was positively correlated with domestic financing. The CLE on decentralization shows that ICOs contributed to better development effectiveness³¹ of IFAD-funded operations. In particular, bringing IFAD closer to its operations allowed for a better understanding of the institutional and policy context of countries and more regular and in-depth consultation with partners. This resulted in IFAD country strategies that respond better to country priorities and local needs. Most importantly, ICOs enable IFAD to provide more timely intervention when implementation issues arise. It is through this support that country offices contributed to better project performance and results, especially in terms of impact, gender, innovation and scaling up and sustainability of benefits. In fact, ratings for project performance and development results were significantly higher with country presence.

101. As described in the PPE of the Nicaragua Technical Assistance Fund Programme for the Departments of León, Chinandega and Managua, the appointment of a Nicaragua-based liaison officer allowed the

fund to be a proactive partner. Supervision missions were all carried out in a timely manner and it allowed the project to improve streamlining procedures and IFAD requirements, inter alia, in project management and fiduciary aspects.

102. However, this year's learning theme finds that supervision report findings and recommendations were not always sufficient for projects to adopt the necessary measures to overcome shortcomings with regard to fiduciary controls and financial management. In fact, the dedicated chapter discusses how certain issues can be avoided if risks are properly anticipated by IFAD, among which through the conduct of risk assessments during the design stage of the project.³² The importance of thorough assessments is also highlighted in the PPE of the Malawi Rural Livelihoods Support Programme, where necessary assumptions were not factored into the design and implementation, and consequently, the efficiency and sustainability of the project was affected.

103. Furthermore, the CLE on decentralization found room for improvement in the efficiency of IFAD's decentralization process. While

31 Ratings were also higher, but not statistically significant for the relevance and efficiency dimension of project performance.

32 This is discussed further under lesson one of the learning theme chapter.

IFAD managed to avoid cost escalation, it could further explore opportunities for efficiency gains. For example, there has been no in-depth analysis of how to best assign functions between headquarters, ICOs and international/national professionals at the country and sub-regional level, nor regarding reorganization of the divisions at headquarters. The report further highlighted an insufficient differentiation of expectations between the varying ICO types³³ and prioritization of functions for individual countries. In particular, the range of activities that country offices were to perform was very broad compared to the resource envelope allocated to them. Moreover, while a number of support functions to the ICOs have been introduced, the process of delegation of authority is progressing slowly. Moving forward, the CLE on decentralization has proposed five recommendations which are showcased in box 5.

33 ICO types: CPM-led, CPO-led, sub-regional hubs and regional service centre (Nairobi).

104. **Government performance.** The performance of governments appears to have improved

from a low of 60 per cent of projects rated moderately satisfactory or better in 2009-2011 to rise to 75.6 per cent in 2013, but plateaued at 76.8 in the last cohort. The predominant share of the ratings is moderately satisfactory with no highly satisfactory ratings since 2010-2013.

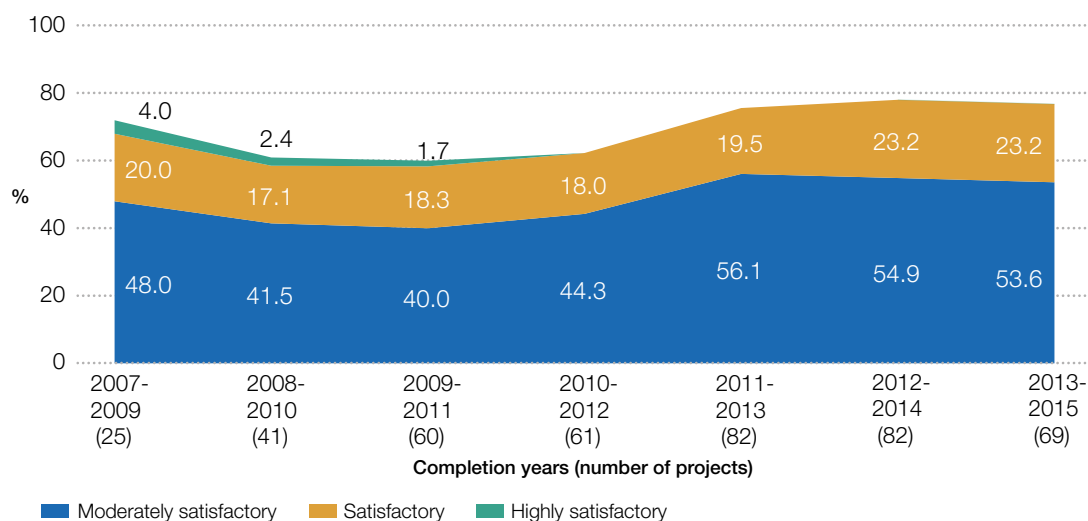
105. The 2016 evaluations include cases of both good and weaker government performance. The PPE of the Philippines RuMEPP assessed government performance as satisfactory, finding strong engagement from the National Economic Development Authority (NEDA). NEDA participated in practically all supervision missions and the two members took on responsibilities such as M&E, institutional issues and procurement. This good practice indicated strong ownership by the Government and promotes country capacity-building. Of note, IFAD and NEDA signed a memorandum of understanding in 2008 to promote collaboration in areas such as country-level policy engagement, knowledge-sharing and learning events,

Box 5 Five recommendations deriving from the CLE on IFAD's decentralization experience

- **Strengthen IFAD's country presence and enhance cost-efficiency.** Based on a functional analysis: (i) re-organize country presence around a selected number of sub-regional hubs; and (ii) re-organize staff levels between headquarters and country offices.
- **Better support to non-lending activities through decentralization to achieve stronger development results.** Introduce a more selective agenda for non-lending activities, based on consultation with national development partners. Differentiate the non-lending agenda and the expectations by type of country office and resources available.
- **Enhance delegation of authority.** Prepare a plan for delegating budget-holding authority to country directors, including provisions for training. Define a framework for further delegation of authority in relation to communication and for establishing a platform to facilitate access to analytical and knowledge products prepared by country offices and project teams.
- **Enhance staff incentives and capacity to operate in a decentralized environment.** Strengthen incentives for outposted staff (e.g. opportunities for career advancements), notably for those in countries with fragile situations. Develop a plan to better recognize and empower country programme officers (CPOs).
- **Improve the quality of data, monitoring and self-assessment.** Adjust IFAD financial management and accounting systems to monitor more comprehensively the cost of country programme management.

Chart 13 **Government performance as a partner – by year of completion**

Percentage of projects rated moderately satisfactory or better (PCR/V/PPE data)



Source: IOE evaluation database, March 2017.

supervision and implementation support and M&E. In the Tunisia Integrated Agricultural Development Project in the Governorate of Siliana – Phase II, the Government provided the appropriate financial and technical support as well as timely counterpart funds. The national steering committee met annually as planned to validate the annual workplan and budget (AWPB) and progress reports, and assisted the project in solving critical constraints of national jurisdiction, thus ensuring a more efficient programme delivery.

106. In contrast, the CSPE for the Democratic Republic of the Congo rated government performance as unsatisfactory. The government played an active role in project steering and supervision, but encountered frequent delays in processing recruitment and tenders. The performance of PMUs was very weak in all projects for the first three to four years of implementation, seriously affecting the performance of the projects. The liaison office, initially set up in 2005 as a liaison office in the capital for a project in Equateur Province, has played an important role in supporting logistics and representing the project coordinators in Kinshasa, but its mandate has gradually grown far beyond these roles, including

fiduciary supervision of projects and KM on their behalf, which has reduced the authority and autonomy of project coordinators and is duplicative of the ICO. The understanding and rigorous management of fiduciary aspects by governments depends largely on national capacities and the complexity of the country programmes, and ensuring efficiency and good governance of loans and grants is key, as detailed further in the learning theme.

Summary of project performance

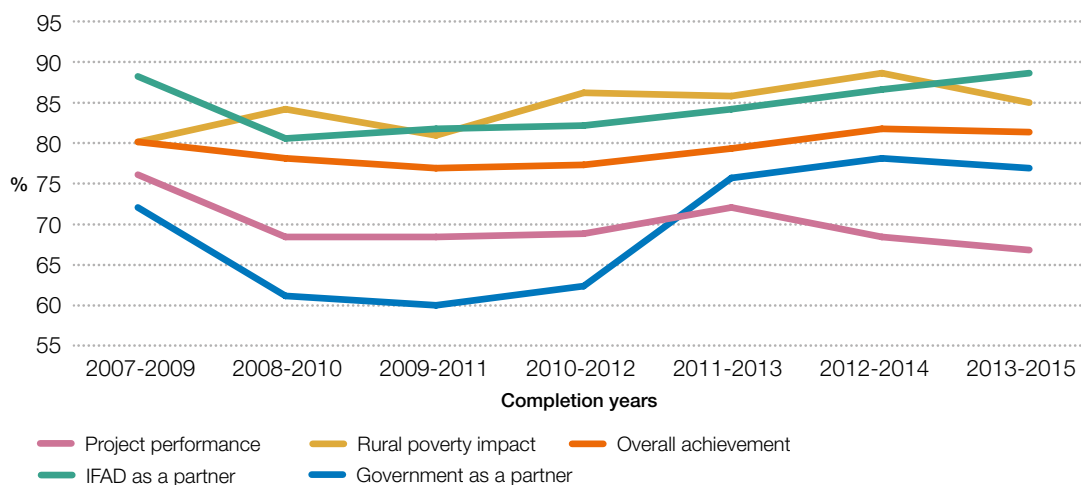
107. Chart 14 provides an overview of the trends in project performance, overall project achievement, rural poverty impact, and performance of partners. The chart confirms a shift in performance from a low in 2009-2011³⁴ to a high in 2011-2013³⁵ which has plateaued in the last two cohorts. Rural poverty impact, IFAD as a partner and overall achievement have historically performed consistently better, whereas project performance and government as a partner show weaker performance, though the latter improved significantly in 2011-2013. However, in 2013-2015, only IFAD as a partner shows improvement, having overtaken rural poverty impact as the strongest performing criterion, while the other criteria have declined slightly.

34 The 2015 ARRI attributed the dip in performance to the fact that part of the projects evaluated that completed in 2009-2011 were implemented in countries with fragile situations, and as a reflection of the introduction of IFAD's first Evaluation Manual in 2008, which was the basis for projects evaluated from 2009 onwards. Efficiency and government performance were particularly weak.

35 The 2016 ARRI attributes the improved performance to the significant changes in IFAD's operating model since 2007 (e.g. ex ante review, direct supervision and decentralization) starting to be reflected in evaluation data.

Chart 14 **Combined overview of the main evaluation criteria**

Percentage of projects rated moderately satisfactory or better



Source: IOE evaluation database, March 2017.

108. In chart 14, the project performance trend line includes past project performance ratings (which do not include sustainability) with the new project performance ratings from 28 projects evaluated in 2016 (which include sustainability ratings). The percentage of projects rated moderately satisfactory and higher for project performance (new definition) is about 1 per cent higher than the performance based on the old definition for the last three cohorts. This is due in part to the slightly improved performance of sustainability from 2011 to 2015 as shown in chart 5. Therefore, the slightly declining trend line of project performance in recent years reflects the flat and declining performance of effectiveness and efficiency.

Performance of IFAD operations by replenishment period

109. This section of the report provides an account of the performance of IFAD by replenishment periods, with a focus on the most recent periods IFAD8 and IFAD9 due to the limited number of evaluations completed during IFAD10. The “all data” series has been used for the analysis and reporting on performance by IFAD replenishment periods. This is because the ARRI reports on performance trends since the IFAD5 replenishment period

(2001-2003) onwards, and PCRV/PPE data is not available from that period.

110. The charts and tables displaying the ratings by replenishment period in the online addendum show good performance of operations exiting the portfolio in IFAD9. The best performing criteria in terms of highest percentage of moderately satisfactory and better project ratings are relevance (90 per cent), IFAD performance (87 per cent), and GEWE (85 per cent). The criteria with the lowest percentage of moderately satisfactory of better ratings are efficiency (55 per cent), sustainability (68 per cent) and project performance (71 per cent).

111. Overall improvement can be observed when comparing IFAD9 with IFAD8. The greatest improvement occurred in government performance which increased from 66 per cent to 78 per cent, followed by ENRM from 69 per cent to 77 per cent, and innovation and scaling up which increased from 76 per cent to 84 per cent. Although sustainability is the second weakest performing criteria in both IFAD8 and IFAD9, it also improved considerably from 61 per cent to 68 per cent.

112. For six indicators (relevance, effectiveness, sustainability, project performance, IFAD as a partner and government as a partner) improvement between IFAD8 and IFAD9 resulted from an increase in the percentage of projects rated “satisfactory”, indicating better quality of performance. Notably, thematic areas which are being mainstreamed such as gender equality, innovation and scaling up, adaptation to climate change and natural resources management all improved primarily due to an increase in the percentage of projects that are rated moderately satisfactory.³⁶
113. The improved performance between IFAD8 and IFAD9 is further confirmed for select criterion based on a two sample t-test on PCR/PPE data. This study detailed in the online addendum compares the means of the evaluation ratings between IFAD8 and IFAD9. The results from the t-test as shown in table 4 provide the statistical significance for the following five evaluation criteria: relevance, innovation and scaling up, project performance, GEWE, and IFAD performance as a partner. The positive differences in the IFAD8 and IFAD9 averages for these criteria are statistically significant, therefore suggesting improvement in overall project performance.
114. For IFAD10, relevance is no longer included among the monitored criteria by IFAD Management having reached 90 per cent in IFAD9. However, IOE will continue reporting on relevance as it is important in the assessment of quality of design, alignment to country needs and appropriateness of the intervention. Efficiency and sustainability, the two historically weakest performing criteria, will require special focus given the raised targets in IFAD10 of 80 per cent and 85 per cent respectively. Efficiency is an area of particular concern given its flat performance as compared to previous replenishment periods. Although rural poverty impact declined in the percentage of projects rated moderately satisfactory or better, this change is not statistically significant. There is scope for further improvement in the quality of performance since most projects are mainly moderately satisfactory in the evaluation criteria and a few criteria (relevance, effectiveness, efficiency, innovation and scaling up, and gender equality) have any “highly satisfactory” ratings. Moving forward, Management may consider “raising the bar” for criteria such as gender equality and the newly separated scaling-up criteria.
115. **Project completion reports (PCRs).** In PCRVs, IOE assesses and rates PCRs using four evaluation criteria. These are: (i) scope

³⁶ The IFAD10 mainstreaming approach entails ensuring 100 per cent of IFAD projects or COSOPs address these issues.

Table 4 **Difference in average ratings between IFAD9 and IFAD8 for statistically significant criteria**

Evaluation criteria	Difference between IFAD9 and IFAD8 averages	P-value
Relevance	+.21	.05**
Innovation and scaling up	+.30	.03**
Project performance	+.21	.08***
Gender equality and women's empowerment	+.66	.001*
IFAD performance	+.23	.04**

Source: IOE ratings database 2017, STATA.

Note: One asterisk, two asterisks or three asterisks respectively indicate significance at 1 per cent, 5 per cent and 10 per cent level.

Table 5 **Quality of PCR documents** (PCR/PPE data series)

Evaluation criteria for assessing PCRs	Percentage satisfactory or better			Percentage moderately satisfactory or better			t-test (means comparison) (p-value)
	2011-2013	2012-2014	2013-2015	2011-2013	2012-2014	2013-2015	2011-2013/2013-2015
Scope	41.5	34.6	32.8	81.7	86.4	85.1	0.58
Quality	14.6	14.6	15.9	69.5	78.0	76.8	0.05*
Lessons	54.3	52.4	53.6	91.4	93.9	94.2	0.00*
Candour	46.3	39.0	33.3	85.4	85.4	82.6	0.86
Overall rating for PCR document	29.6	21.1	16.4	78.9	85.9	83.6	0.00*

Source: IOE evaluation database, March 2017.

*Indicates significance at 5 per cent.

(e.g. whether the PCR has adhered to IFAD guidelines for PCRs); (ii) quality (e.g. report preparation process and robustness of the evidence base); (iii) lessons (e.g. whether the PCR includes lessons on the proximate causes of satisfactory or less than satisfactory performance); and (iv) candour (e.g. in terms of objectivity in the narrative, and whether ratings in the PCR are supported by evidence included in the document). Ratings for each of these criteria are aggregated in the PCRVs to provide an overall rating of the PCR document.

116. As seen in table 5, the overall assessment of PCRs in 2013-2015 improved compared to 2011-2013 with 83.6 per cent of the PCRs validated by IOE rated moderately satisfactory or better.³⁷ Previous ARRI have highlighted lessons and candour as areas of strength, and quality as the lowest rated criterion. The 2017 ARRI finds lessons and scope the strongest performing criteria. Notably, the improved performance of lessons from 91.4 per cent to 94.2 per cent rated moderately satisfactory is statistically significant. Although quality remains the weakest criteria, it shows improvement, whereas candour has declined.

Country strategy and programme evaluations

117. **Background.** CSPEs provide a broader assessment of the IFAD-government partnership in the reduction of rural poverty, and serve to inform the development of new country strategies and IFAD-supported activities in the country.
118. Since 2010, the ARRI has included a dedicated chapter on CSPEs, to analyse and report on performance beyond the project level and to identify lessons that cut across IFAD country programmes. In accordance, this chapter outlines IFAD's performance in relation to: (i) non-lending activities (i.e. country-level policy engagement, KM, and partnership building); and (ii) country strategies (i.e. the COSOP) in terms of relevance and effectiveness. It also includes a section on cross-cutting issues of importance to ongoing and future IFAD country strategies.
119. Historically, a total of 62 CSPEs have been undertaken by IOE since the product was introduced in the 1990s (see annex 6 for the complete list). Of these, 40 CSPEs have been conducted since 2006 based on a consistent methodology including the use of ratings,

³⁷ The t-test for the overall rating (for PCR documents) mean comparison between the two cohorts is statistically significant at 1 per cent level (P=0.001).

which allows for the aggregation of results across country programmes. This year's ARRI includes four new CSPEs carried out in the Democratic Republic of the Congo, Mozambique, Nicaragua, and the Philippines.

120. Twenty-five out of the 40 CSPEs carried out by IOE were conducted in middle-income countries (MICs) and fifteen in low-income countries (LICs). Two of the 2016 CSPEs were done in lower-MICs (Nicaragua and the Philippines), while the other two were done in LICs (Democratic Republic of the Congo and Mozambique), the former of which is also with a fragile situation. This provides an opportunity to compare the performance of non-lending activities in these different situations and regions.

Non-lending activities

121. **Trends in performance 2006-2016.** KM, partnership-building and country-level policy engagement are mutually reinforcing actions to complement IFAD's investment projects. They are increasingly recognized as essential instruments to promote institutional and policy transformation at country level and scale up the impact of IFAD operations for deeper results in rural poverty reduction.

122. Table 6 presents the consolidated results from the 40 country programmes evaluated since 2006. In summary, nearly 65 per cent of the country programmes are moderately satisfactory and 5 per cent satisfactory for overall non-lending activities, 30 per cent are moderately unsatisfactory and none highly satisfactory.

123. Half of the CSPEs assessed IFAD and government's combined performance as mainly moderately satisfactory in both KM and partnership-building. The latter has been the best among non-lending activities in the period 2006-2016, whereas country-level policy engagement remains the least satisfactory. However, the average rating is below 4 for the three non-lending activities throughout the period, with a marginal decline in all the criteria except overall non-lending, which remains stable.

124. **Trends in performance 2014-2016.** The next paragraphs discuss the trends in the performance of non-lending activities by three-year moving averages (chart 15) starting from 2006. The analysis focuses on the period 2014-2016 and the factors of good and less good performance emerging from the 2016 CSPEs.

Table 6 **Performance of non-lending activities 2006-2016** (year of evaluation) (N=40)

Rating	Knowledge management	Partnership-building	Country-level policy engagement	Overall non-lending activities
Highly satisfactory	2.5	0	2.5	0
Satisfactory	10.0	15.0	15.0	5.0
Moderately satisfactory	50.0	55.0	47.5	65.0
Total satisfactory	62.5	70.0	55.0	70.0
Moderately unsatisfactory	35.0	30.0	37.5	30.0
Unsatisfactory	2.5	0	7.5	0
Highly unsatisfactory	0	0	0	0
Total unsatisfactory	37.5	30.0	45.0	30.0
Average rating	3.8	3.9	3.6	3.8

Source: IOE evaluation database, March 2017.

125. Chart 15 shows that performance of non-lending activities improved significantly between 2006 and 2011 followed by flat performance between 2011 and 2014. The period 2013-2015 marks another shift in performance with improvement in KM and declines in country-level policy engagement and partnership-building. Notably, from 2014 partnership-building is no longer the strongest performing non-lending activity due to steady improvements in KM. However, the positive trend for KM from 67 per cent in moderately satisfactory country programmes since 2010-2012 to 75 per cent in 2014-2016 has now reached a plateau.

126. The performance of country-level policy engagement declined from 73 per cent of the country programmes rated moderately satisfactory or better in the period 2009-2011 to 58 per cent in 2011-2014, to decline further to 50 per cent in 2014-2016.

127. The downward trend is even sharper for partnership-building. In this case performance diminished from 91 per cent of country programmes assessed as moderately satisfactory or better in 2009-2011 to

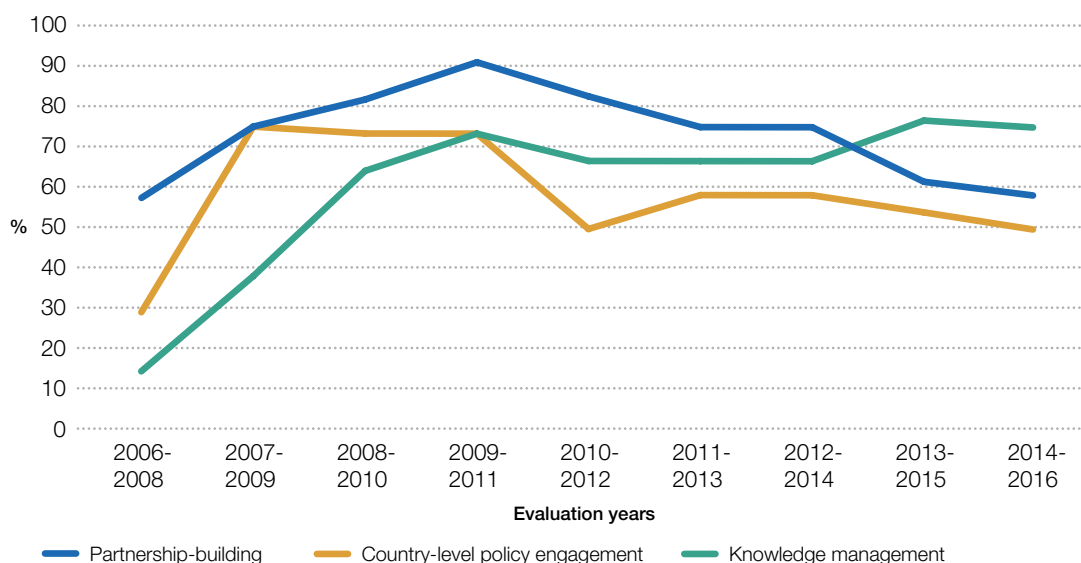
75 per cent in 2011-2014, to 58 per cent in 2014-2016. The decline in performance raises concerns in view of the IFAD10 targets for 2018, which are 85 per cent for policy engagement and 90 per cent for partnership-building.

128. **Knowledge management.** The IFAD KM framework, which updates the 2007 KM Strategy,³⁸ outlines a broad knowledge vision for IFAD. Noted as “in development” by the 2016 ARRI learning theme, an operational KM Action Plan was approved in 2016 for implementation in the IFAD10 period, which will be monitored and reported on by an interdepartmental KM Coordination Group. By identifying concrete actions and responsible divisions, the KM Action Plan moves towards addressing the recommendations of the KM learning theme to: systematize KM in IFAD, provide resources for KM, develop indicators for measuring performance in KM, enhance staff KM skills and provide incentives for staff to engage in KM.

129. The 2016 ARRI and CSPEs cited the need to strengthen country-level knowledge to lead to the scaling up of approaches. As noted in the CLE on decentralization,

³⁸ Implemented from 2008 to 2010, the strategy recognized that IFAD needed to improve its learning from development practice to deliver better results and impact.

Chart 15 **Performance of non-lending activities 2006-2016 (year of evaluation)**
Percentage rated moderately satisfactory or better by criteria



Source: IOE evaluation database, March 2017.

Box 6 Good practice – Systematic KM in the Philippines country programme

KM is well set up as an integrated part of the IFAD-supported country programme in the Philippines which established a number of platforms for systematic KM:

- (i) **Annual country programme review meeting** with representatives of active loans and selected grants, government departmental staff and IFAD staff help to improve implementation and share lessons among loans and grant projects.
- (ii) The **knowledge and learning market** is an annual, two-day public event which brings together stakeholders of the IFAD-supported country programme in the Philippines and the general public and showcases the activities, accomplishments and products of IFAD-supported projects and assisted communities.
- (iii) **IFAD Philippines gender network** is composed of gender focal points from the IFAD-funded projects, civil society organizations and implementing agencies. The network provides a forum where gender focal points discuss and analyse gender issues and formulate recommendations which contribute to experience sharing and cross fertilization.

To improve further, the Philippines country programme needs to: enhance evidence-based analysis and learning to inform key policy issues and larger programmes so that good practice can be scaled up; promote opportunities for wider or structured country-level policy engagement; and strengthened partnerships with other development agencies.

Source: Philippines CSPE.

ICOs have the potential to contribute to country-level KM by (i) acting as a hub for KM platforms and disseminating knowledge products; (ii) capturing and sharing lessons and best practices due to proximity to projects; (iii) providing KM training to local partners; and (iv) organizing study visits to other countries/ projects. The potential was illustrated in the Philippines CSPE, which found the role of the ICO in facilitating KM initiatives, presented in box 6, stopped short of channelling findings to inform policy discussions. The Mozambique CSPE also found a progressive intensification of KM activities over time which started with a rich informal and internal learning and stocktaking process for new project designs to engagement in agricultural information exchange platforms by ICO staff. However, the GLE rated ICOs contribution to KM as moderately unsatisfactory, finding that ICOs had limited resources and time to allocate to KM.

although it was included in the 2012 COSOP as an important activity with a well-defined mechanism. It lacked strong engagement from the PMUs and was regarded as the main responsibility of a communication and KM officer in the liaison office who produced a limited number of leaflets and articles and a few workshops. While project and ICOs produce project-related knowledge as evinced in the Nicaragua CSPE, IFAD's KM systems do not effectively organize it to allow others to easily retrieve it. As a result, IFAD staff and stakeholders outside of IFAD cannot make full use of the project-related knowledge that is produced.

130. In the Democratic Republic of the Congo CSPE, KM also lacked an operational strategy

131. **Partnerships.** The 2016 CSPEs report different levels of partnership-building between IFAD and governments, multilateral organizations and the private sector. Generally, IFAD has established close and effective partnerships with governments. Building partnerships with governments accounts for most of the time country programme managers (CPMs) spent on partnership activities. In Nicaragua, IFAD's strongest

partnerships also were with government entities, in particular relevant ministries such as finance and development as well as those implementing IFAD's programmes. The IFAD-supported country programme in the Philippines established extensive partnerships with a large number of government line departments and oversight agencies, with projects working through local government units to strengthen collaboration. The IFAD-supported country programme in the Democratic Republic of the Congo also strengthened and diversified its partnership with government institutions, though partnerships with government technical services did not perform well due to their limited capacities. Similarly in Mozambique, partnership with IFAD is highly valued by the Government especially, but not only, at the central level.

132. The new IFAD Strategic Framework (2016-2025) identifies partnerships both as one of its five principles of engagement and also as one of the means of strengthening the quality of IFAD's country programmes. In addition to strengthening existing partnerships (collaboration with the Rome-based agencies is a strategic priority) and developing new ones, especially with partners with complementary areas of expertise, the Framework calls for IFAD to continue to engage with the international development community to build support around global issues affecting rural communities. At country level it calls for IFAD to facilitate multi-stakeholder partnerships between governments, the private sector and small-scale rural producers; through, among other mechanisms, South-South and Triangular Cooperation.

133. In this regard, the 2016 evaluations find further scope for enhancement. The Philippines CSPE found that partnership with bilateral and multilateral agencies were fewer than planned. In the Democratic Republic of the Congo, IFAD successfully mobilized major cofinancing for

updating social services and roads, though was less successful in developing new partnerships for scaling up. In Nicaragua, partnerships with non-state actors, including the private sector, are limited, as is the incorporation of IFAD-funded regional project experiences into the programme. The Mozambique CSPE described two types of potential partnership-building that lagged behind: (i) cooperation with non-IFAD projects that could bring added value; and (ii) substantive collaboration with other IFIs in the country, like the World Bank, or the AfDB. These types of potential partnerships are particularly important in view of upscaling successful experiences from IFAD-funded projects.

134. While it is expected that ICOs would contribute to enhancing such partnerships, particularly with the Rome-based agencies, given the thematic affinities, evidence from the CLE on decentralization suggests that ICOs helped establish more regular contact, but did not strengthen significantly the substantive and programmatic collaboration. Although ICOs were members of the United National country teams, their participation was limited as meetings were viewed as not adding value to IFAD operations. ICOs also generally viewed IFAD's participation in One United Nations Initiatives as a low priority, given that IFAD's operating model is different and more akin to that of multilateral development banks.

135. In the Democratic Republic of the Congo, the few successful partnerships with the Food and Agriculture Organization of the United Nations (FAO) were funded by IFAD grants such as setting up of farmer field schools and community-based listening clubs. In Mozambique, involvement by the three Rome-based agencies in a European Union-funded programme also served as a catalyst for greater collaboration, as illustrated in box 7.

136. Partnership with the private sector is a particular priority in the IFAD10 period with

Box 7 Good practice – Rome-based agencies collaboration in Mozambique

In Mozambique, IFAD has developed solid partnerships with FAO and the World Food Programme (WFP) in the context of the European Union-funded Millennium Development Goal 1c implementation. Prior to the period under evaluation, between 2008 and 2011, IFAD, WFP and FAO had implemented the joint programme “Building Commodity Value Chains and Market Linkages for Farmers’ Associations” funded by the Spanish Millennium Development Goals Fund. This experience was a good stepping stone for FAO, IFAD and WFP to prepare a consolidated, though not joint project proposal in 2011 for the EU-funded grant “Support to Accelerate Progress towards MDG1C in Mozambique” (MDG1c).

Source: Mozambique CSPE.

the public-private producers partnership (4Ps) model as one of the approved themes for unrestricted complementary contributions.³⁹ The ESR on SAM explains that well-defined roles and responsibilities, with adequate incentives crafted to motivate and support smallholder empowerment, capacity development and market access were key to successful programme partnerships. Especially “market-knowledgeable” or “market-oriented” partnerships tended to have greater impact and relevance. Other success factors for private sector partnership are outlined in box 8.

137. However, 2016 evaluations found partnership with private entities limited, as found in the Nicaragua CSPE as mentioned above. While the Philippines CSPE also found that few private partnerships materialized, the CLE

on decentralization found cases in which country presence facilitated partnerships with private sector entrepreneurs, though they are more often initiated by PMUs rather than country offices (e.g. maize in Ghana, cocoa in Indonesia, oil palm in Uganda).

138. While KM has been strengthened, more opportunities are to be explored to expand the partnership and dialogue with international development partners and the private sector, which could leverage the scaling up of successful experiences and results. IOE is currently undertaking an evaluation synthesis on “Building partnerships for enhanced development effectiveness” to identify lessons relevant to different forms of partnership at country level. The findings will be presented in the 2018 ARRI.

39 Unrestricted complementary contributions are contributions by Member States which are included as part of the total replenishment contribution and performance-based allocation, but are earmarked by theme.

Box 8 Success factors for public-private-producers partnerships (4Ps)

The ESR on SAM highlighted eight enabling factors for successful 4P smallholder value-chain access programming:

- Define rationales and underlying assumptions
- Ensure clear market pull
- Prioritize farmers’ ownership of the 4Ps
- Align partner incentives and build trust
- Manage risks through their identification, distribution and mitigation
- Build capacity to respond to changes in complex market systems
- Take a proactive approach to public accountability and transparency
- Facilitate sustainable market systems

Source: ESR on SAM; Institute of Development Studies, 2005.

139. **Country-level policy engagement.**

Performance of country-level policy engagement has declined significantly to become the weakest non-lending area since IFAD8. IOE has previously highlighted weaknesses in IFAD's country-level policy work from: (i) overambitious COSOP policy agendas which are not followed through; (ii) a narrow focus on projects at the expense of KM and policy engagement; (iii) lack of capacity in terms of in-country presence and in-house skills; and (iv) lack of instruments and tools to support country-level dialogue. The forthcoming evaluation synthesis on IFAD's country-level policy dialogue, to be reported upon in the 2018 ARRI, will provide a comprehensive review of past evaluations in light of recent corporate initiatives, including the inclusion of policy engagement in the pillar knowledge-building, dissemination and policy engagement for results delivery in IFAD's Strategic Framework.

140. The country-level policy engagement approach was developed by Management to address these issues, which is a relatively new area of focus and attention in IFAD. A fundamental principle of this approach is that policy engagement must be led by the CPM with the support of two country-level policy officers from the Policy and Technical Advisory Division (PTA).⁴⁰ Thus, it is not surprising that the CLE on decentralization found that good coverage of country-level policy engagement issues in COSOPs and project design documents appear to be largely determined by the interests, experience and initiatives of CPMs. In addition, the turnover of CPMs and long delays in filling vacancies had an adverse impact on country-level policy engagement (e.g. Democratic Republic of the Congo). However, many CPMs are recruited for project management skills and are not necessarily experienced in country-level policy engagement. No corporate incentives exist to encourage CPMs or ICOs to undertake country-level policy engagement, and individual performance assessments

are more heavily driven by project approval, successful implementation and ensuring sound fiduciary matters than by non-lending activities. Therefore, overstretched CPMs and CPOs allocate little time to country-level policy engagement, particularly if there are implementation issues with the country programme, as was the case in the Democratic Republic of the Congo where the outposted CPM gave less attention to non-project activities.

141. In fact, the Democratic Republic of the Congo CSPE further emphasizes that country-level policy engagement activities were largely confined to participation by the CPM in donor-Government coordination mechanisms. Several opportunities for dialogue were missed, such as (i) participation in the process of formulating national strategies and policies; (ii) putting in place political conditions during negotiations for new project financing; (iii) conducting studies on policy issues to be addressed under the 2012 COSOP; and (iv) capitalizing on project results.
142. **Key factors for good performance in non-lending activities.** The 2016 CSPEs highlight the importance of non-lending activities as vehicles for enhancing the overall impact of the results from IFAD-supported country programmes. They draw further attention to factors to enhance IFAD's capacity to engage in non-lending activities more effectively.
143. First, building strong KM platforms within country programmes is a critical first step towards enhancing non-lending activities overall. Such platforms allow the critical flow of knowledge from the PMU to the ICO/CPM to government and eventually to external partners. Web-based knowledge platforms such as IFADAsia, further facilitate the exchanges between projects and IFAD and external partners.
144. Second, centring non-lending on the country programme and existing programme

⁴⁰ The Strategy and Knowledge Department also has two global engagement specialists and PMD has five regional economists to support policy dialogue at regional level.

processes, given limited resources, contributes to better results. For example, annual country programme reviews with project staff, government, IFAD staff and stakeholders provide a critical moment for knowledge exchanges and improving the country programme performance. Supervision reports that regularly provide a section on KM or learnings on good practices allow for systematic knowledge capture for dissemination. The rural sector performance assessment, if conducted in a participatory manner with government and in-country partners, provides an opportunity for country-level policy engagement directly related to the country programme.

145. Third, a coherent system for non-lending activities is required that outlines how KM products contribute to partnership-building, and then how these partnerships lead to effective policy engagement that enhances country programme results. This entails capturing required evidence which is shared with specific external partners to enhance IFAD's voice for promoting particular policies that are conducive to country programme objectives. This is evidenced in the Philippines CSPE which further noted how KM events led to improved linkages between the regional grants and country programme.
146. Fourth, the concentration of responsibility for non-lending on one position can limit activities and the overall impact. For country-level policy engagement, KM, South-South and Triangular Cooperation and partnership, CPMs can draw on the enhanced resources in PTA, Strategy and Knowledge Department and Office of Partnership and Resource Mobilization to improve linkages and scaling up country programme results with regional development plans and related thematic sectors.
147. Finally, 2016 CSPEs highlighted grants as a useful instrument for engaging partners, country capacity-building and country-level policy engagement. In Nicaragua, regional

grants implemented by the United Nations and private entities served to build the capacity of women's organizations, and regional and national institutions as well as promote policy dialogue. In a context of limited resources, grants may further country-level policy engagement as was seen in the Democratic Republic of the Congo, where IFAD supported apex farmer organizations with a grant to engage in dialogue with the Government on agricultural policies. While outcomes of this dialogue remain modest, the voice of farmer organizations in political fora has certainly increased. Several grants in the Democratic Republic of the Congo also provide direct support to project implementation and contributed to improving programme performance.

148. The Philippines CSPE highlighted a small country-specific grant to support results-based M&E. It contributed to the emergence of a new national results-based M&E system developed between NEDA and the Department of Budget Management. In Mozambique, regional grants were successfully integrated into the National Agricultural Extension System with good perspectives for institutional sustainability. Despite the examples above, more effort is required to capitalize on the grant instrument by strengthening the integration of grants in COSOPs and the linkages between regional grants and the country programme.
149. To summarize, non-lending activities are not an end in themselves but a crucial means to leverage and scale up IFAD impact from its country programmes.

COSOP performance

150. COSOPs are fundamental instruments to determine IFAD's strategic positioning in the country and to articulate the mix of interventions that will contribute to rural poverty reduction. Results-based COSOPs were introduced in 2006, which helped sharpen their results orientation. Each

CSPE includes an assessment and ratings for COSOP performance, which entails the review of relevance and effectiveness of IFAD country strategies. Based on these ratings, CSPEs also generate an overall rating for COSOP performance.

151. Table 7 summarizes the ratings from the 40 CSPEs done between 2006-2016. COSOP relevance is assessed as moderately satisfactory or better in 82.5 per cent of IFAD country strategies; effectiveness in 75 per cent; and COSOP performance in 81.3 per cent. The majority of the ratings falls in the moderately satisfactory zone, though over a quarter are satisfactory for relevance and performance, while none of the country strategies is found to be highly satisfactory for any criteria.

152. Evidence from the CLE on decentralization suggests that the establishment of ICOs contributed to better design and performance of COSOPs. For instance, the analysis of CSPEs and their ratings show that the presence of ICOs is associated with COSOPs that are more relevant (responsive to country priorities and local needs) and perform better in terms of delivering results. Ratings on relevance, effectiveness and overall performance for COSOPs in countries with an ICO were significantly higher than for those without.⁴¹

153. **Cross-cutting issues.** The 2016 CSPEs identified several cross-cutting issues that merit attention for improving ongoing and future IFAD country strategies. However, one-size does not fit all and the measures to

⁴¹ See table 10, annex IV of the CLE on decentralization.

Table 7 **Results of COSOP relevance, effectiveness and performance, 2006-2016 (year of evaluation)**

Percentage of country programme rated moderately satisfactory or better^a

Rating	COSOP relevance	COSOP effectiveness	COSOP performance ^b
6 Highly satisfactory	0	0	0
5 Satisfactory	30.0	9.4	25.0
4 Moderately satisfactory	52.5	65.6	56.3
Total moderately satisfactory or better	82.5	75.0	81.3
3 Moderately unsatisfactory	17.5	25.0	18.8
2 Unsatisfactory	0	0	0
1 Highly unsatisfactory	0	0	0
Total moderately unsatisfactory or worse	17.5	25.0	18.8
Average rating	4.1	3.8	4.1
Country programmes rated	40	32	32

Source: IOE evaluation database, March 2017.

^a The seven CSPEs completed before 2009 did not contain ratings for COSOP relevance, effectiveness and overall performance, since this rating was not required by the IOE methodology at that time. IOE thus decided to assign ratings on the basis of the evidence available in those CSPEs. This was possible for county strategy relevance in all seven cases, but there was insufficient evidence to provide reliable ratings for country strategy effectiveness and overall COSOP performance.

^b COSOP performance is a composite rating based on the individual ratings for COSOP relevance and COSOP effectiveness. This composite rating is not an arithmetic average of the individual ratings for relevance and effectiveness, but rather a round number based on the available evidence and the objective judgement of the evaluations.

address the issues need to be differentiated based on the fragility or income status of the country.

154. First, evaluations find that IFAD's specificity and comparative advantage could be better reflected in COSOPs, in terms of the target group and/or thematic areas with a clear pro-poor orientation, with a view to generating knowledge and lessons to inform investments by the government and other partners for scaling up. In countries in fragile situations, focused geographic coverage within the country over a longer period is especially advisable to achieve better effectiveness of supervision, M&E activities as well as non-lending activities.
155. Second, evaluations find that learning from project results and using information to support government policy is currently not an explicit element of the country strategy. The strategy needs to discuss the opportunities for diverse types of support apart from investment financing, for example, reimbursable technical assistance and facilitating knowledge-sharing with other countries, particularly for MICs. Capacity-building is a non-lending activity not assessed but is highly relevant for country programmes in LICs and in countries in fragile situations. In these situations, IFAD, in collaboration with government and project teams, needs to identify strengths and weaknesses, and document project approaches related to rural organizations and capacity development as well as promote lesson-sharing and ensure that annual joint portfolio reviews occur as a means of developing knowledge platforms.
156. Third, evaluations find that country strategies do not enhance the diagnostic analysis of potential target groups and a specific targeting strategy to reach most vulnerable people. They highlight the need for good quality diagnosis of different groups within the potential target population, a differentiated approach to reach them, and monitoring of the outreach, beneficiary profiles and the targeting performance. In countries with fragile situations, IFAD needs to limit projects and grants to selected provinces with high poverty rates but stable security situations, and remain there for a sufficient length of time. The geographical coverage of individual projects need to be limited to a single province and exchanges with other provinces promoted, when supporting agricultural value chains that cross provincial borders, to allow scaling up. In addition, the rigorous analysis of risks in the targeted areas is required for developing a risk management strategy and adapting the design and score of projects to the context.
157. Fourth, ICOs require appropriate resources to increase support to national policy and strategy issues. As found by the forthcoming evaluation synthesis on IFAD's country-level policy dialogue, IFAD is gaining increasing recognition as a respected and trusted partner. The growing number of ICOs offers new opportunities for IFAD to be more involved in country-level policy processes.
158. The ESR also emphasizes the synergistic relationship among the three non-lending activities, as country-level policy engagement, KM and partnership-building are mutually reinforcing actions to complement IFAD's investment projects and strengthen programme effectiveness. The report stresses the importance of considering these interdependent relationships in order to ensure synergies among them, as well as between them and investment operations. The Mozambique CSPE and the CLE on decentralization also highlight the need for a coherent non-lending system whose elements are outlined in box 9.
159. Partners have an important role in country-level policy engagement. Through ICOs, IFAD can work with other development partners in the rural sector to strengthen the exchange of information with government, with a focus on the areas of its comparative

Box 9 Key elements for a coherent non-lending system

Ensure sufficient resources are allocated in the project and ICO budget for non-lending activities, starting from a sound M&E system, then develop:

- (i) A robust outcome-level monitoring indicator for the COSOP and project;
- (ii) A country programme level KM strategy closely anchored to key COSOP elements and to those project components that can usefully be scaled up through national policies and strategies;
- (iii) Early identification of evidence-based issues and results that can be usefully fed into policy dialogue processes at a high strategic level, through appropriate KM processes.

Source: Mozambique CSPE and CLE on decentralization.

advantage and the government's priorities. There are also opportunities for IFAD to work with other Rome-based agencies to provide advisory support on issues such as food production and food security, GEWE in agriculture and rural development. In LICs, particularly with fragile situations, ICOs need to be strengthened in terms of fiduciary management competencies to better support PMUs with procurement and the preparation of withdrawal applications and adequate resources to operate commensurate with country realities. In Mozambique, projects could contribute lessons for evidence-based policy-making, however, this would require resources to develop adequate monitoring systems, identify the potential topics, conduct relevant analysis and support scaling up through policy discussion platforms, with government partners and other stakeholders as appropriate.

160. Fifth, IFAD needs to improve integration of projects and non-project grants to ensure complementarity, in particular on cross-cutting issues that call for specialized technical support such as gender, environmental management, rural finance, taking interventions by other development partners into account. In Mozambique, the grants portfolio had high levels of interconnectedness and synergy and all grants attached to loans enhanced the latter's relevance and filled their design gaps, in particular on nutrition and natural resources management.

161. Finally, in developing COSOPs in countries with fragile situations, evaluations suggest that IFAD make use of in-depth research done by other development partners to strengthen its analysis of the cause of rural poverty and how these are linked to the different dimensions of fragility (political, institutions, social and economic). In addition, an adequate budget for each project is required from government and IFAD for strengthening the capacity of public partners and to involve them more in project implementation which will contribute to building their technical and management capacities, particularly in decentralized contexts. Finally, PMUs require long-term assistance in results-based management (planning, fiduciary management and M&E).

Benchmarking project performance

162. The ARRI benchmarks the performance of IFAD operations externally with the performance of the agriculture-sector operations of other development organizations. Internal benchmarking is done against the targets included in the IFAD10 RMF, and across the five geographic regions covered by IFAD operations – Asia and the Pacific; East and Southern Africa; Latin America and the Caribbean; Near East, North Africa and Europe; and West and Central Africa. Finally, a peer-to-peer comparison of IOE and Programme Management Department (PMD) ratings is provided.

163. **External benchmarking.** This section of the report benchmarks IFAD performance with the performance of other IFIs and regional development banks, in particular the AfDB, ADB and the World Bank.⁴² These organizations have been selected because, like IFAD, they are members of the Evaluation Cooperation Group of the multilateral development banks and therefore use similar evaluation methodologies and have independent evaluation offices and independent evaluation databases.
164. Although each organization is different in size and has a different geographic focus, they have similar operating models as IFAD. That is, unlike the United Nations specialized agencies, programmes and funds, the AfDB, ADB and the World Bank also provide loans for investment operations with sovereign guarantees.
165. Table 8 summarizes the results of the benchmarking done in this year's ARRI. Overall IFAD's project performance remains strong and most similar to that of the agriculture-sector operations of the World Bank. At the regional level, IFAD maintains the highest share of moderately satisfactory or better project performance ratings in the given period, when IFAD-funded projects in the Africa, Asia and the Pacific regions are compared with AfDB and ADB, respectively.
166. Due to the different sample size and composition of the performance ratings between the banks, the data needs to be interpreted with some caution. While the World Bank does not include sustainability in its project performance ratings, the ADB has always done so. The Independent Development Evaluation unit at the AfDB, has followed the same format as ADB since 2013. However, up until 2013 their agricultural projects were evaluated by the Independent Development Evaluation unit of AfDB following three different rating frameworks which do not provide an identical match with all IOE project performance indicators. Therefore, IOE manually calculated their project performance rating using comparable relevance, effectiveness, efficiency and sustainability ratings in the given time period.
167. IOE follows an updated evaluation methodology⁴³ since January 2016, and includes sustainability in the project performance rating. This will further enhance the comparability with the performance of ADB and AfDB in the coming years. At the same time, as sustainability is an area of weak performance in IFAD operations, it has somewhat lowered IFAD's project performance rating compared to last year. Notwithstanding this change, IFAD's performance remained comparable to the World Bank's project performance which does not include sustainability.

⁴² The Inter-American Development Bank and the International Bank for Reconstruction and Development are not included in the benchmarking analysis because the former does not use a rating system, while the focus and coverage of the latter is significantly different from IFAD.

⁴³ As per the second edition of the IOE Evaluation Manual (2015): <https://www.ifad.org/documents/10180/bfec198c-62fd-46ff-abae-285d0e0709d6>.

Table 8 **Project performance**

Percentage of agriculture and rural development projects completed 2002-2015 rated moderately satisfactory or better (all evaluation data series)

Time period	IFAD					
	IFAD 2002-2015	IFAD Africa 2002-2015	IFAD Asia and the Pacific 2002-2015	World Bank 2002-2015	AfDB 2002-2013	ADB 2002-2014
2002-2015 (percentage)	75	68	88	76	44	65
Number of agricultural projects evaluated	279	129	73	662	131	92

Source: Independent evaluation rating databases of the Independent Development Evaluation Unit of AfDB, Independent Evaluation Department of ADB, Independent Evaluation Group of the World Bank and IOE.

168. Finally, even though the ARRI compares IFAD's project performance with the agriculture sector operations of the other three banks, it is important to note that IFAD-funded projects have some distinguishing characteristics, such as greater focus on remote rural areas, targeting of disadvantaged populations (e.g. indigenous peoples, pastoralists and artisanal fishers), grass-roots institution-building, bottom-up participatory resource allocation methods, and work in fragile situations. All these factors make the design, implementation, supervision and evaluation of IFAD-funded projects challenging.
169. **Internal benchmarking.** Table 9 benchmarks the internal performance against selected indicators and targets in the IFAD9 RMF, as well as prospectively for IFAD10. As the 2017 ARRI data includes projects completing up to end-2016, it provides a more robust picture of performance during IFAD9. However, since IFAD10 will build on the achievements of IFAD9 and many targets are the same, comparison is also made with IFAD10 targets to draw attention to areas that may be particularly lagging and need special consideration. A more accurate picture of performance against the IFAD10 targets can only be provided after the closing of projects in 2018, which will be presented in the 2019 ARRI.
170. According to IOE ratings, as illustrated in table 9, currently only one out of the nine outcome indicators have reached the IFAD9 or IFAD10 RMF targets, namely innovation and scaling up (green). That said, the RMF is not verified by IOE data, but by Management self-assessment data, namely PCR

Table 9 **Internal benchmarking**

Percentage of projects rated moderately satisfactory or better against RMF targets

Outcome indicators (percentage of projects rated moderately satisfactory or better) at completion	PCR/V/PPE 2013-2015	2015 targets from the 2013-2015 IFAD 9 RMF	2018 targets from the 2016-2018 IFAD 10 RMF	Difference between PCR/V/PPE and 2015 target	Difference between PCR/V/PPE and 2018 target
1. Innovation and scaling up	91	90	90	1	1
2. Rural poverty impact	85	90	90	(5)	(5)
3. Gender equality and women's empowerment	85	90	90	(5)	(5)
4. Government performance as a partner	77	80	80	(3)	(3)
5. Effectiveness	75	90	90	(15)	(15)
6. Environment and natural resources management	75	90	90	(15)	(15)
7. Adaptation to climate change	74	-	50	-	24
8. Sustainability	65	75	85	(10)	(20)
9. Efficiency	57	75	80	(18)	(23)

Source: IOE evaluation database, March 2017.

ratings presented in the Report on IFAD's Development Effectiveness. However, table 9 serves to draw attention to Management evaluation criteria requiring additional attention. For example, although adaptation to climate change (grey) appears to have already reached the IFAD10 RMF target, it will need to remain closely monitored given the recent introduction of the evaluation criterion in 2016 and since the result is currently based on 28 projects only.⁴⁴

171. Three indicators are within five percentage points of the RMF targets – namely government performance as a partner, rural poverty impact, gender and women's

empowerment (orange). Four indicators – effectiveness, efficiency, sustainability of benefits, and ENRM – are ten to twenty percentage points below the expected target and will require particular attention during the IFAD10 period (red). In particular, efficiency has one of the lowest targets but achieved only 57 per cent.

172. To provide a more differentiated assessment of performance, table 10 benchmarks project performance, rural poverty impact and overall project achievement across the five geographical regions covered by IFAD operations. It is important to note that benchmarking performance across regions

Table 10 **Internal benchmarking – Comparison across geographic regions from 2000-2015**

(all evaluation data series)

Project performance	Asia and the Pacific N=76	Latin America and the Caribbean N=44	East and Southern Africa N=59	Near East, North Africa and Europe N=51	West and Central Africa N=61
Percentage of projects rated moderately satisfactory or better	88	80	76	73	56
Percentage of projects rated satisfactory or better	43	18	20	10	16

Rural poverty impact	Asia and the Pacific N=73	Latin America and the Caribbean N=41	East and Southern Africa N=53	Near East, North Africa and Europe N=49	West and Central Africa N=59
Percentage of projects rated moderately satisfactory or better	90	83	85	80	59
Percentage of projects rated satisfactory or better	45	29	32	29	22

Overall project achievement	Asia and the Pacific N=76	Latin America and the Caribbean N= 43	East and Southern Africa N=60	Near East, North Africa and Europe N=51	West and Central Africa N=61
Percentage of projects rated moderately satisfactory or better	88	81	78	80	59
Percentage of projects rated satisfactory or better	45	26	25	14	16

Source: IOE evaluation database, March 2017.

44 The three-year moving average includes only the 28 projects in the 2013-2015 cohort of the all data series and 27 projects in the 2013-2015 cohort of the PCR/V/PPE data series, for which adaptation to climate change was rated separately.

should not be considered tantamount to assessing the performance of the corresponding IFAD regional division. This is because the regional divisions' performance is only one, although important, factor affecting the performance of a project. In fact, government performance (0.78) is slightly more strongly correlated with project performance than IFAD performance (0.66), although the correlation levels are similarly satisfactory.

173. As in previous years, Asia and the Pacific Division (APR) shows the best results in all evaluation criteria analysed. Between 2000 and 2015, APR has the highest proportion of projects that are moderately satisfactory or better, and also the highest proportion of projects that are satisfactory or better. One key factor is that 84 per cent of the

projects evaluated by IOE in APR show a moderately satisfactory or better performance for government performance,⁴⁵ confirming again that the latter is one of the single most important determinants of successful outcomes. The performance of IFAD operations in the West and Central Africa region continues to be the weakest, also due to government performance. This is further supported by the strong correlation between the project performance and government performance in Asia (0.68) and West and Central Africa (0.70).

174. **Peer-to-peer comparison.** Following the practice introduced in the 2015 ARRI report, this report presents the results of the peer-to-peer comparison between IOE and PMD ratings for all evaluation criteria using the mean and mode values. The

Table 11 **Comparison of IOE's PCR/PPE ratings and PMD's PCR ratings for all evaluation criteria in projects completing in 2007-2015 (N=151)**

Criteria	Mean ratings		Disconnect of mean ratings	T-test (Means comparison) p-value
	IOE	PMD		
1. Relevance	4.32	4.87	-0.55	0.03**
2. Effectiveness	3.97	4.21	-0.24	0.02**
3. Efficiency	3.63	3.92	-0.29	0.01*
4. Sustainability	3.67	4.00	-0.33	0.00*
5. Project performance	3.95	4.33	-0.38	0.02**
6. Rural poverty impact	4.10	4.25	-0.15	0.000*
7. Innovation and scaling up	4.19	4.44	-0.25	0.03**
8. Gender equality and women's empowerment	4.22	4.46	-0.24	0.00*
9. Environment and natural resources management	3.88	4.13	-0.25	0.00*
10. Overall project achievement	3.98	4.28	-0.30	0.02**
11. IFAD performance	4.22	4.53	-0.31	0.03**
12. Government performance	3.83	4.11	-0.28	0.49

Source: IOE evaluation rating database and PMD PCR rating database.

* indicates significance at 1 per cent and ** indicates significance at 5 per cent level.

⁴⁵ 78 per cent in Latin America and the Caribbean, 69 per cent in East and Southern Africa, 66 per cent in Near East, North African and Europe and 52 per cent in West and Central Africa.

peer-to-peer comparison aims at assessing the “net disconnect” between PMD and IOE ratings for each criteria included in PCRs and PCRVs to get a better understanding of where differences lie in reporting on performance. As evaluations in 2016 no longer rate rural poverty sub-domains, this year the comparison is only made among 12 criteria.

175. As detailed in the following paragraphs, the results of the peer-to-peer comparison are largely similar to last year. However, the analysis draws from a larger sample of 151 projects completed in the period 2007-2015, as compared to 126 in the 2016 ARRI.
176. Table 11 shows that for the 151 projects assessed in this analysis, the PMD ratings were higher on average for all criteria. The differences in the mean ratings of IOE and PMD are statistically significant for all criteria except government performance, based on the p values derived from the t-test conducted. This indicates that for government performance, the assessments by IOE and PMD are statistically the same. As last year, relevance presents the largest disconnect, where the PMD ratings tend to be 0.55 higher on average. Many PCRs only assess relevance of the project design and objectives, while IOE assessments include an analysis of relevance both at the time of design as well as at project completion. In 2017, IFAD and Management concluded a harmonization agreement to reduce any differences due to inconsistencies in criteria definition by IOE and PMD.



Mexico

Sustainable Development
Project for Rural and
Indigenous Communities
of the Semi-Arid
North-West

Woman preparing tortillas
in Magaurichi, Mexico. She
is the president of a group
of women who collect and
sell handcrafts from local
artisans with the support
of IFAD.

©IFAD/Pablo Corral Vega

3

Learning theme on financial management and fiduciary responsibilities in IFAD-funded operations

Introduction

177. As agreed by the Executive Board in September 2016, the learning theme for the 2017 ARRI is financial management and fiduciary responsibilities in IFAD-funded operations. Although government performance has improved in recent years, financial management and fiduciary responsibility remain a factor hampering further improvements in the performance of IFAD's portfolio. Therefore, the objective of this learning theme is to provide IFAD Management and staff with lessons, practices and insights on financial management and fiduciary responsibilities of IFAD-funded projects so as to improve the Fund's overall operational performance and institutional efficiency and effectiveness.
178. Learning themes are not evaluations as such, but rather a review that highlights key lessons based on existing IFAD evaluation reports and other evaluative evidence. To provide meaningful lessons based on comparable experiences, this learning theme concentrates on project loans⁴⁶ that have been completed since 2009, after the approval of the policy regarding IFAD's direct supervision. Supervision⁴⁷ by cooperating institutions,

with their different fiduciary models, was phased out in 2007 when IFAD introduced the policy on direct supervision and implementation support. Therefore, in order to fully appreciate the effects of the policy at the operational level, the sample of projects reviewed by the learning theme will comprise evaluated projects exiting the portfolio in the period 2009-2015.⁴⁸

179. In addition, this learning theme takes into account IFAD policies, guidelines and institutional practices related to the financial management and fiduciary responsibilities of IFAD-funded operations. It draws on IFAD Management's own assessments through regional portfolio reviews and project status reports since IOE evaluations only selectively review financial management and fiduciary issues under government performance. It also has been informed by the findings of previous ARRI learning themes on efficiency (2011) and project management (2014).
180. **Definition and operational framework.** Fiduciary responsibility is the key principle of IFAD's financial management, whereby "the proceeds of any financing are [to be] used only for the purposes for which the financing was provided, with due attention to considerations

46 Project loans constitute the bulk of IFAD's operations. In addition, in 2017 the Office of Audit and Oversight conducted an Audit of Grant Fiduciary Management.

47 Supervision ensures compliance with loan covenants, procurement, disbursement and the end-use of funds, and is an effective tool for promoting efficiency and good governance.

48 IOE introduced the first edition of the evaluation manual in 2009; thus evaluations conducted from that year onwards follow the same methodology.

of economy, efficiency and social equity,” as stated in the Agreement Establishing IFAD. Since IFAD-financed projects are nationally managed using national public financial management systems, IFAD requires assurance from borrowers that they meet IFAD’s fiduciary standards, notably by maintaining adequate financial management arrangements.⁴⁹ To that end, IFAD oversees the effectiveness of the financial management arrangements in place and supports the borrower’s fiduciary capacity, both at the project design stage and during implementation.

181. Assuring fiduciary compliance starts at project design, when financial management arrangements and various capacity-building activities are put in place to safeguard projects against inherent risks in the immediate project environment. Fiduciary monitoring of financial management helps projects identify departures from fiduciary standards during implementation. IFAD promotes corrective measures through its supervision, enforcement infrastructure and implementation support.

182. The operational framework of fiduciary responsibility is based on an integrated set of policies and guidelines outlined in box 10.

183. Responsibility for fiduciary supervision is now divided between the Financial Management Services Division (FMD), which handles almost all financial management aspects, and PMD, which is in charge of the procurement dimension within the context of its overall implementation planning, monitoring and support function. Supervision and implementation support missions play a central role in IFAD’s fiduciary management.

184. Since the adoption of the new operating model of direct loan supervision and implementation support in 2007, the assurance of fiduciary requirements has been a continuing concern for IFAD: controlling fiduciary risk is now a central organizing principle for financial management and administration (Financial Management and Administration Manual, 2016).

⁴⁹ “Financial management” refers to the organization, budgeting, accounting, internal control, flow of funds, financial reporting and internal and auditing arrangements by which borrowers/recipients receive funds, spend them and record their use. (Financial management and Administration Manual 2016, p. 3)

Box 10 **Fiduciary responsibility – operational framework**

- (i) **The General Conditions for Agricultural Development Financing**, last updated in 2014, provide the frame of reference for IFAD lending operations and hence fiduciary responsibility, in which the general conditions and procedures for loan withdrawals and project implementation, including procurement, M&E, financial accounts, audits and reporting, and remedies (loan suspension/cancellation), are outlined.
- (ii) **Borrowing countries’ fiduciary responsibility** is more closely delineated in the project financing agreement. Borrowers commit to adhere to IFAD’s policies and procedures, notably the guidelines on Project Procurement (2010) and Project Audits (2011). Manuals and handbooks, such as the Loan Disbursement Handbook (2009), assist project implementation agencies in discharging their responsibilities by conforming to IFAD policies and procedures. At the project level, fiduciary arrangements and procedures are captured, as applicable, in the Project Implementation Manual.
- (iii) **IFAD’s roles and responsibilities** are established by the guidelines on “Supervision and implementation support of projects and programmes funded from IFAD loans and grants.” First issued in 2007, they were revised in 2014 to bring procedures in line with implementation experience.*

* A policy on Supervision and Implementation Support (2007) complements these guidelines. Source: Agreement Establishing IFAD, 1976, p.12 - Article 7(c).

Main findings

185. Five major lessons emerge from the analysis⁵⁰ and structure the discussion, which draws on evaluative evidence from evaluation reports and portfolio reviews to identify drivers of and impediments to the successful management of fiduciary responsibilities.

Lesson 1

186. **Introducing measures that address identified weaknesses in institutional and project management capacity, ahead of implementation, reduces unnecessary exposure to fiduciary risk.** The starting point for reflection of lesson 1 is an assessment of how IFAD's fiduciary risks associated with its loans are perceived and managed. This risk assessment ahead of implementation follows precautionary principles, which are coherent with the guidelines on the "Supervision and implementation support of projects and programmes funded from IFAD loans and grants."

187. IFAD projects are exposed to multiple risks such as: country or sector governance issues (including corruption); complex, unclear or ineffective rules, regulations and legal structures; weak institutions and capacities; and other variables that weigh on project implementation and undermine financial management and fiduciary compliance. Project design itself may add to the risks, if it is not adapted to prevailing conditions (for example, complex implementation arrangements). Inherent risks are more present in fragile contexts, where solutions are more difficult to implement. West and Central Africa Division (WCA), with the highest number of countries with fragile situations, is particularly affected by this problem, as projects consistently perform at a lower level than their peers in other regions, despite higher than average portfolio management costs.⁵¹ One such example is the Rural Development Project in the Plateaux, Cuvette and Western Cuvette Departments in the

Republic of the Congo, which was rated in the unsatisfactory range, in terms of overall project achievement and performance of partners, by the PCR and the PCRV alike. This case infers that the precautionary principles of identifying weaknesses ahead of implementation were not part of project design.⁵² Still, high-risk projects also exist in more stable countries.

188. On a more general level, and going beyond institutional and project management capacity, country policy changes during implementation can also increase fiduciary risks. One such example is the curtailing of the financial autonomy of local governments by the central government in projects designed to build on local governments' capacity to cofinance project activities.⁵³ The reshuffling of ministries during project implementation also contributes to higher fiduciary risks – which are not foreseeable at design – as the recent Nicaragua CSPE suggests.⁵⁴

189. The design and selection of project management arrangements needs to reflect these risks. Financial management assessments (FMAs) are critical in identifying inherent risks⁵⁵ as part of the overall project fiduciary risk assessment process (introduced in 2012), which occurs initially during project design and is then reviewed at least annually throughout the life of the project. FMAs gauge whether financial management systems and processes⁵⁶ of the implementing entity are adequate for managing, controlling and reporting project finances, and propose measures to address any specific financial management weaknesses so as to protect projects from risks present in the environment, including the project's financial management supervision approach (scope and frequency). They provide a crucial input into the design of every project by establishing whether IFAD can be confident that the implementing agency has sufficient capacity to effectively manage and control project financial resources. In general, the higher the inherent risk, the greater the importance of appropriate

⁵⁰ The statistical analysis of Project Supervision Report scores and evaluation ratings can be found in the issues paper (<https://www.ifad.org/documents/10180/772d8d9c-014e-41b4-b179-23994a8cb23d>).

⁵¹ Operating costs, which average some 15 per cent of the programme budget, may be as high as 25 per cent in regions with a large proportion of countries with fragile situations, such as WCA.

⁵² IFAD. Republic of the Congo, Rural Development Project in the Plateaux, Cuvette and Western Cuvette Departments (PRODER I), PCRIV, Rome, 2013 (<https://documents/10180/772d8d9c-014e-41b4-b179-23994a8cb23d>).

⁵³ IFAD. Republic of Uganda CPE, Rome, April 2013.

⁵⁴ IFAD, Republic of Nicaragua CSPE, 2017.

⁵⁵ An FMA and fiduciary summary at the country level inform the project-level FMA. They draw on review of the relevant documentation available on: governance; Transparency International's most recent Corruption Perceptions Index scores; findings of any recent donor-funded financial management diagnostic reviews; and any recent reports from donors and development partners (e.g. Public Expenditure and Financial Accountability assessments or similar). This is supplemented by data on each ongoing IFAD country portfolio and the financial management risk ratings assigned to it.

⁵⁶ FMA will cover the following key financial management elements: (i) organization and staffing; (ii) budgeting (systems for annual budget preparation and monitoring of execution); (iii) flow of funds and disbursement arrangements; (iv) internal controls; (v) accounting systems, policies and procedures (including information technology systems); (vi) reporting and monitoring; (vii) project audit; and (viii) external audit.

financial management arrangements to contain the risks to the project.⁵⁷ In the context of IFAD's risk-based management framework, risk assessments are now updated annually.

190. Fiduciary safeguards are integral to the project financing agreement establishing the fiduciary relationship between IFAD and the borrower. As such, no withdrawal, except for start-up costs, can be made from the loan and/or grant accounts until the first AWPB has received a no-objection from the Fund and IFAD has determined that all other conditions of disbursement (if applicable) have been fulfilled. Those conditions include: the establishment of the PMU; putting in place the accounting systems, financial management procedures, and internal control systems; and the opening of the designated account and project account(s).⁵⁸

191. Project management structures, encompassing oversight by the steering committee, ministry senior management and the PMU, are essential organizational elements of an enabling implementation environment.⁵⁹ The absence of a steering committee in the Marine and Agricultural Resources Support Programme in Mauritius, for example, deprived the project of adequate guidance and coherence, with repercussions on fiduciary compliance, as audits did not meet the required standards, and the planning and budgeting of the project were weak and not properly aligned with the Government's programme-based budgeting. The lack of a dedicated PMU also impaired project implementation.

192. Due to the significant fiduciary risks to which projects are exposed, PMUs and PIUs remain the modality of choice for a vast majority of projects.⁶⁰ Depending on the circumstances, different types of units are used, ranging from a single PMU for all projects fully integrated into the existing government organizational structure and systems, to stand-alone units using their own systems.⁶¹ The topic is further

discussed in the 2014 ARRI learning theme on project management.

193. The single PIU for IFAD operations in Rwanda is a good example of the former and also showcases good fiduciary management. The Rwanda single PIU helped, *inter alia*,⁶² the Support Project for the Strategic Plan for the Transformation of Agriculture to deliver on all fiduciary aspects: disbursement was 100 per cent on target; agreed counterpart funds were released in a timely manner; loan covenants and financial agreements were fully respected; procurement rules were followed; and audits of good quality were ensured in a timely manner. The management arrangement was instrumental in establishing consistent practices across all projects for financial matters, procurement and audits, and performed well in the face of the particular risks of more complex projects. The continuity in project management arrangements fostered efficiency in project implementation, reduced transaction costs, minimized start-up delays and enhanced learning.

194. At the opposite end of the spectrum are dedicated "ring-fenced" PMUs specifically for the project, outside the government or ministry organizational structure, with their own discrete financial management systems, staffed by external specialists and mainly non-governmental staff. These played a useful role in particularly risky country contexts marked by weak government institutions, and notably in countries with fragile situations. In WCA, with its large number of countries with fragile situations, this type of project management set-up remains the standard. The units are frequently connected to the ministry of agriculture, or a related institution, which ensures general oversight and participates in setting up the unit, including recruitment of staff. Autonomous financial management not involved in often lengthy and cumbersome ministry procedures enables the units to react more flexibly in difficult operating environments. Yet, despite targeted

57 IFAD Financial Management and Administration Manual 2016, p. 26.

58 *Ibid.* p. 18.

59 ESA Portfolio Review, 2014, p.19.

60 PMUs provide oversight and facilitate project implementation. PMUs may coordinate and, in some projects, implement specific components. However, IFAD-funded projects are primarily implemented by district- and field-level extension personnel, multilateral financial institutions, NGOs and client farmers. Frequently, there is no direct administrative or contractual relationship between the PMU and implementers, thus the importance of proactive engagement by ministry senior management with counterparts in other institutions to forward the project's agenda both within steering committees and bilaterally through regular contact.

61 Most implementing agencies rely on PMUs that are embedded in sector ministries, with varying use of country public financial management systems and with most project financial staff being seconded by the government.

62 Other projects supported by single PIUs include the Kirehe Community-based Watershed Management Project and the Project for Rural Income through Exports.

efforts to provide a more favourable set-up for managing projects, these special units were far from immune to the general weaknesses of the institutional environment.⁶³

195. As the quality of the project team and its management are key to financial management and project success, capacity development and institutional strengthening are a primary means of mitigating fiduciary risks. Financing agreements therefore should include adequate provisions to ensure that a sufficient number of staff will be involved in project activities on a full-time basis.⁶⁴ The selection and retention of competent staff are critical for safeguarding the project against avoidable implementation risks.⁶⁵ IFAD therefore assists projects in the recruitment process (terms of reference preparation and review of CVs); moreover, competitive pay and contractual terms are used to attract and keep the right project management staff. However, while special contractual arrangements provide short-term relief in terms of fiduciary risks (higher-quality teams and reduced turnover), they create a risk of micro-management by IFAD, and their contribution to sustainable national structures and solutions is limited at best, as discussed further below.⁶⁶

Lesson 2

196. **Managing fiduciary responsibilities through national systems and regulations may entail a trade-off between short-term risks and longer-term sustainability.** IFAD projects use national public financial management systems,⁶⁷ where feasible. As government systems regularly struggle to meet IFAD's fiduciary requirements (e.g. integrated work plan and budget, financial reporting and procurement), project implementation is bound to increase fiduciary risks.⁶⁸ Measures to mitigate these risks usually involve capacity-building focused on the immediate project financial management environment. Yet, to the extent that more comprehensive national capacity-building is beyond IFAD's remit, project-specific measures shielding financial

management from the risks inherent in the existing systems are necessary. Often reinforced by additional IFAD implementation support, they contain fiduciary risks in the short term, but they also undermine the longer-term sustainability of project capacities.

197. There is an obvious trade-off between sustainability and rapid implementation progress: Country systems, in particular, for budgeting and procurement, are frequently responsible for implementation delays. Yet, limited de facto implementation capacity within government agencies fails to be reflected in realistic disbursement and results targets.⁶⁹ There are also examples that exhibit significant performance gaps within the same line ministry and the same mode of implementation. The recent Nicaragua CSPE⁷⁰ assigns ratings of satisfactory (5) and unsatisfactory (2) to the efficiency of two distinct projects, both implemented by the Ministry of Family, Associative and Cooperative Economy. These ratings significantly reflect the respective performances of financial and administrative management against the disbursement and results targets of these projects. Even though both project implementation units operated under the same authority, the project with the satisfactory efficiency rating was a straightforward value-chain promotion project in areas of good geographic accessibility. The other project had an overly complicated and ambiguous management framework, with the aim to bring indigenous communities into the mainstream economy.⁷¹ Thus, specific project features can override the simple distinction of whether country systems are used or not.
198. Similarly, stand-alone project management/implementation units are the implementation arrangement used in many IFAD projects to get projects implemented on time, with minimal political interference and at expected quality levels.⁷² However, they are less appropriate for creating sustainable institutional capacities in countries. Since they

⁶³ IOE. Democratic Republic of the Congo CSPE, Rome, 2016.

⁶⁴ The IFAD approach is to set up General Conditions at a general and high level of legal considerations with additional details addressed in other documents such as the project design report, project implementation manual, and letter to the borrower.

⁶⁵ Retaining, whenever possible, experienced and performing staff from previous projects, involving them in design for greater ownership and easier start-up, and systematic and periodic capacity-building/financial management training at start-up and throughout implementation. (WCA Portfolio Review, 2015).

⁶⁶ The purpose of this assistance is for providing 'No Objection' as IFAD is not directly involved in the recruitment process.

⁶⁷ Including single treasury accounts, budgets, integrated financial accounting systems, internal audit institutions, and administrative procedures for authorization of expenditures or Supreme Audit Institutions.

⁶⁸ IFAD, Project Status Reports.

⁶⁹ ESA Portfolio Review, 2015.

⁷⁰ IOE. Republic of Nicaragua CSPE, March 2017.

⁷¹ Notably, this complexity supported the development of an incipient institutional framework (i.e. the Indigenous Territorial Governments).

⁷² ESA Portfolio Review, 2014.

generally cease to exist after project closure, they can only be expected to make negligible contributions to nurturing the institutional memory of the lead implementing agency. The creation and the subsequent dismantling of stand-alone project management/ implementation units entails considerable transactions costs, without leaving behind institutional assets. As such, these costs are only insufficiently captured by ex-post efficiency indicators, e.g. the proportion of project management cost versus total project cost. In the long run, the continued absence of sustainable human and institutional assets relevant for financial management and fiduciary responsibilities in concerned lead ministries may exceed the directly measurable inefficiencies in the project themselves.

199. Ultimately, sustainability of project benefits can only be assured by national implementation capacities; this entails gradually building skills and fiduciary capacity to recognize, report and address problems. At the same time, projects whose implementation arrangements are fully mainstreamed within government institutions are often among the weakest performers (Botswana, Eritrea, Malawi, Mozambique and the United Republic of Tanzania).⁷³ However, there are exceptions, such as the IFAD Programme Support Cell (CAPFIDA) established by the Malagasy Ministry of Agriculture in 2006. According to the Madagascar CPE,⁷⁴ CAPFIDA was created as a “hybrid” solution before an IFAD country presence office was opened in 2012, and it played a major role in the organization and implementation of supervision missions. The CPE assessed portfolio efficiency as moderately satisfactory (4) and explicitly attributed this rating to CAPFIDA. Even after the opening of the IFAD office, CAPFIDA continued to operate as a coordinating unit for IFAD operations within the Ministry of Agriculture. As such, CAPFIDA can be regarded as an entity enhancing the ownership of the line ministry.

200. The weaker the national administration capacity, the greater the reliance will be on dedicated systems for IFAD project implementation. While the need to better anchor projects and project teams within their national systems is an important goal to pursue, doing so will most likely remain a major challenge where the institutional capacity of most technical line ministries, particularly agriculture, is very weak. Nonetheless, although limited, the use of national financial management systems is making progress. For example, IFAD-funded projects in Ghana and Sierra Leone were, for the first time, audited by supreme audit institutions. Further, related capacity-building initiatives should make it possible to rely even more on in-country supreme audit institutions.⁷⁵

201. Reliance on a country’s financial management and procurement system poses a dilemma for all IFIs as they need to reconcile country ownership and leadership in programme design and implementation with weaknesses in country fiduciary compliance and their own fiduciary requirements. Their loan operations therefore routinely integrate efforts to reinforce country financial management capacities. According to the CLE on supervision, despite the risks involved, other IFIs make far greater use than IFAD of government departments and agencies as implementing agencies for their projects. This facilitates the continuation of project functions when the project ends, whereas IFAD’s stronger reliance on PMUs tends to weaken sustainability since their financing beyond the project is not assured. For ADB-supported projects, ad hoc financial management systems should be the last resort, to be adopted only when existing systems are found unreliable and unacceptable. The World Bank even considers the risks of proposed fiduciary arrangements on the achievement of greater use of country systems and strengthening capacity.
202. Hence, the longer-term risk of strong fiduciary controls for sustainability and the accrued

⁷³ ESA Portfolio Review, 2015.

⁷⁴ IOE. Republic of Madagascar CPE. October 2013.

⁷⁵ WCA Portfolio Reviews, 2014 and 2015.

risk in relying on national capacities for fiduciary compliance need to be carefully weighed. Risk mitigation measures need to be checked for their compatibility with enhanced country ownership through better quality exit and phasing-out strategies, as well as by mainstreaming newly-created institutions within government programmes.⁷⁶

Lesson 3

203. **Effective fiduciary monitoring enhances financial management controls and fiduciary compliance, but does not eliminate fiduciary risks.**

In spite of the care taken during project design to contain inherent risks through relevant management arrangements and contractual safeguards, significant risks continue to weigh on project implementation. Inadequate assessment of the implementing institutions is, next to overambitious designs, seen as one of the main causes of non-performing projects.⁷⁷ Institutional provisions put in place regularly fail to perform as expected and hence inherent risks become control risks.

204. Weak management remains one of the core challenges to fiduciary compliance. It is frequently linked to the failure to secure adequate staffing arrangements in terms of skills and numbers, combined with high turnover of key positions. Insufficient management capacity translates into ineffective and often unrealistic planning, procurement delays, disrupted flow of funds, inadequate follow-up on project activities, and ultimately, sub-optimal returns on investment. Insufficient financial controls frequently cause implementation delays and at times lead to project failure.⁷⁸

205. A case in point is the Sivas-Erzincan Development Project in Turkey, where inadequate staffing at regional level constituted a significant handicap to project implementation. Ignoring IFAD's calls to improve staff salaries, the project failed to attract high-calibre staff to work in the

remote and disadvantaged provinces of the project area. Operating with fewer staff than envisaged, the project failed to deliver on its potential. In Ethiopia, the Agricultural Marketing Improvement Programme was confronted with an almost complete staff turnover that left the project in disarray. Indeed, the 2016 Ethiopia CSPE noted that high staff turnover in PMUs was a generic issue affecting IFAD projects (as well as the projects of most other donors) and an impediment to implementation performance.

206. To keep fiduciary risks in check, project-level monitoring of financial management needs to focus particularly on the following risk control areas: (i) disbursement/ withdrawals; (ii) work plan and budget; (iii) audits for internal management and contractual compliance; and (iv) procurement. Their fiduciary importance is discussed in the paragraphs that follow.

207. **Disbursement/withdrawals.** Disbursement in accordance with work planning ensures that projects have adequate liquidity to implement their activities. In turn, low disbursement rates constitute a fiduciary risk in that funds are not used efficiently. Indeed, disbursement delays commonly foreshadow project extensions that add to the management and supervision costs of a project; moreover, they are disruptive to IFAD's cash flow management and capital replenishment. Disbursement delays may also signal underlying weaknesses with regard to other fiduciary aspects of a project, notably unrealistic planning, slow procurement, or problems related to the funds-flow mechanism.

208. Disbursement performance is therefore regularly monitored by projects and receives special scrutiny in loan withdrawals (withdrawal application process). Proactive management becomes necessary when disbursement lags put projects at risk (potential or actual problem projects). Disbursement delays at project start-up are very common; they often reflect "lack of readiness at approval and weaknesses in

76 ESA Portfolio Review, 2014.

77 NEN Portfolio Review, 2015.

78 Weaknesses in client capacity for fiduciary aspects, as well as complex accounting and procurement procedures, added to IFAD administrative costs and contributed to delays in project implementation. Timely release of counterpart funds was also a problem in some cases. (Corporate-level Evaluation of IFAD's Institutional Efficiency and the Efficiency of IFAD-funded Operations, 2013, p. 56).

implementation and fiduciary capacity on the client side” and are a cause of “slippages in project implementation schedules, increase in overhead costs and significant cancellations of loan amounts.”⁷⁹ A recent in-depth study on IFAD’s disbursement performance (2017) documents generally mediocre disbursement performance, especially at start-up, with disbursement readiness (i.e. the average time from approval to effectiveness/first disbursement/second disbursement) in the order of 17.6 months. With regard to disbursement effectiveness, the study found that IFAD’s overall disbursement rate at financial closure amounts to 84.4 per cent⁸⁰ and that projects are generally slow in disbursing funds, reaching 33 per cent at the project midterm and not more than 71 per cent at the original completion date. The study pointed to factors under IFAD’s control that could reduce disbursement delays, which include reliance on CPOs in ICOs, more experienced CPMs with reasonable workloads, and maintaining CPM continuity during the start-up phase.⁸¹

209. In practice, disbursement delays were caused by a variety of conditions, often specific to a project. One recurrent problem appeared to be “administrative and procedural challenges that PMUs faced in carrying out their fiduciary responsibilities at project inception,”⁸² including long and often problematic recruitment processes. At times, political interference provoked a slowdown, as was the case in the Agricultural Value Chains Development Programme in Congo and the Poverty Reduction Project in Aftout South and Karakoro, Phase II in Mauritania. In the Rural Socio-economic Opportunities Programme in Cabo Verde, delays were due to difficulties in complying with labour legislation for the establishment of staff contracts. In the Programme for Rural Outreach of Financial Innovations and Technologies in Kenya, the Rural Financial Intermediation Programme in Lesotho and the Marketing Infrastructure, Value Addition and Rural Finance Support Programme in the United Republic of

Tanzania, difficulties establishing flow of funds mechanisms delayed project effectiveness. Projects in countries with fragile situations were particularly prone to disbursement delays.⁸³

210. **Work planning and budget.** Disbursement delays often arise from unrealistic project planning and budgeting. Lack of coherence between the AWPB, the principal instrument for project planning, and actual implementation is very common. In many instances, AWPBs are overly ambitious and take little account of previous experience and the absorptive capacity of the various entities involved in implementation. Weak planning capacity, limited availability of qualified service providers and lengthy government procurement systems tend to result in long implementation delays.⁸⁴ Management costs are frequently higher than anticipated due to unforeseen or underestimated costs, difficulty in attracting and retaining competent staff and service providers in remote areas, and the need to recruit extra staff. The difficulties are often exacerbated in fragile situations.
211. An illustration of shortfalls in the planning systems is the PRAPE project in Congo, where underestimation of unit costs of infrastructure resulted in significant cost overruns, failure to deliver, and delivery of poor-quality structures. Similarly, in the Roots and Tubers Market-Driven Development Programme in Cameroon and the Rural Rehabilitation and Community Development Project in Guinea Bissau, PMU operating costs led to cost overruns for project management, which disrupted project implementation. A positive example of the effective use of planning systems can be found in the Agricultural Value Chains Support Project in Senegal. The project executed 100 per cent of its AWPB due to effective participatory processes that involved all project staff, and regular reviews of progress against key indicators.⁸⁵
212. Weaknesses in the use of the AWPB, marked by inadequate analytical programming and

⁷⁹ Corporate-level Evaluation of IFAD’s Institutional Efficiency and the Efficiency of IFAD-funded Operations, 2013, p. 113.

⁸⁰ Highest to lowest disbursement rates by region: Near East, North Africa and Europe (90.8 per cent); Asia and the Pacific (88.4 per cent); Latin America and the Caribbean (85 per cent); East and Southern Africa (81.5 per cent); and West and Central Africa (79.7 per cent).

⁸¹ The study also found that female CPMs tend to have quicker-disbursing projects than male CPMs, with statistically positive effects during the phase from approval to entry-into-force and from the first to the second disbursement. Notably, at end-2015 only 25 per cent of CPMs in IFAD were female.

⁸² CSPE Mozambique, 2016.

⁸³ This is supported by the IFAD disbursement study, which found that country-level factors affect both disbursement readiness and effectiveness, particularly in countries with fragile situations. A fragile MIC with constrained fiscal space and concurrent elections has a high likelihood of having delayed first and second disbursements, whereas a non-fragile LIC with a stable local currency and frequent cycles of elections and natural disasters (e.g. droughts) tends to have higher disbursement rates.

⁸⁴ WCA Portfolio Review, 2013.

⁸⁵ WCA Portfolio Reviews, 2014 and 2015.

budgeting of activities,⁸⁶ lead to reduced efficiency in the use of funds and therefore diminished fiduciary compliance as budgets are underutilized or approvals of AWPBs are delayed relative to the liquidity requirements for project implementation. Inadequate planning capacity and lack of a management-for-results culture are largely responsible for unsatisfactory planning practices. All too often the AWPB is seen primarily as an IFAD reporting requirement rather than an essential tool for project planning and monitoring.

213. Audit and internal controls. Internal and external project audits are critical in implementation-stage monitoring of the quality of financial management and hence for controlling fiduciary risks. Audits routinely identified issues with the financial systems and internal controls and provided recommendations on corrective actions concerning: (i) accounting and procedures – unreliable accounting systems and procedures and incomplete and/or erroneous recording of transactions, overpayments, insufficient maintenance of audit trails, or difficulties/delays in preparing withdrawal applications; (ii) reporting and monitoring – inadequate understanding of IFAD reporting requirements, leading to unacceptable financial statements, and irregular interim reporting resulting in sub-optimal monitoring of financial performance; and (iii) compliance with financing covenants – the late submission of the AWPB, slow preparation and update of the Project Implementation Manual and infrequent steering committee meetings.⁸⁷

214. The past few years have seen noticeable improvements in the quality and timely execution of audits. Compliance with IFAD auditing standards has improved across programme regions.⁸⁸ Evaluation reports appear to corroborate this trend as audit issues were mentioned only infrequently. Still, the quality of audit reports remained highly dependent on existing in-country audit capacities, private auditors and supreme

auditing institutions.⁸⁹ Likewise, internal project audits, which are mandatory, were not performed on a systematic basis, and not always given due attention. In general, the effectiveness of audits in controlling fiduciary risks was boosted when the internal audit function was properly integrated within a project's operating structure. The Rwanda single PIU is an example of the proper use of internal project audits for strengthening project financial management (Kirehe Community-based Watershed Management Project and Project for Rural Income through Exports in Rwanda); audit performance in Senegal and The Gambia was also commended.

215. **Procurement.** Procurement in IFAD loan projects is commonly governed by the rules and regulations of the borrowing country and implemented through national systems, with national implementing agencies responsible for ensuring that procurement action meets the fiduciary standards specified in the loan agreement and IFAD's procurement guidelines. This is far from straightforward despite IFAD's involvement in the process via mandatory "no objections" for procurement plans and the review of the pre-qualification of bidders and the procurement process. This involvement calls attention to the need for specialized knowledge in procurement management for IFAD's supervision.

216. Procurement issues loom large in projects experiencing disbursement problems. For instance, in the ESA 2014 portfolio review, 70 per cent of the problem projects were affected by procurement-related constraints and delays, including: inefficient institutional arrangements; lack of clarity in terms of accountability; weak capacity that hinders effective communication and coordination among key players in the procurement process; irregular tender committee meetings; ineligible expenditures due to non-adherence to procurement rules; lack of capacity of the local government authorities to implement comprehensive national regulations

⁸⁶ Better monitoring of implementation progress and more flexible updating of work plans and budgets, both with respect to the timing of activities and their costing, would improve coherency between the AWPB and actual project execution. (WCA, 2015)

⁸⁷ ESA Portfolio Review, 2015 and APR Portfolio Review 2015.

⁸⁸ Almost 9 in 10 auditors now state that they follow either the International Standards on Auditing (LAC, 2013) or the International Standards of Supreme Audit Institutions (11 per cent) and almost all provide the three audit opinions that IFAD requests (Financial Statements, Statement of Expenditures and Designated Account). (ESA, 2015.)

⁸⁹ WCA Portfolio Review, 2014 and ESA Portfolio Review, 2015.

combined with the lack of incentives to follow procedures; and lack of experience and capacity within the implementing agency.

217. Efficiency of procurement processes was undermined by: inadequate bid solicitation and document preparation; inconsistencies in applying the procurement methods; unacceptable conduct of evaluations; inadequate filing systems/poor record-keeping; non-compliance with prior review procedures; and weak contract management. Slow government processes responding to heavy national procedural requirements meant that planning was essential for the project's success.⁹⁰ However, procurement planning and monitoring was often weak, as the preparation and updating of procurement plans and their linkage to AWPBs were neglected.⁹¹ The result was delayed delivery of goods and services not meeting technical specifications and thus, ineffective and inefficient use of project funds.

218. A few countries stand out for their procurement performance. In the ESA region, the Rwanda country programme continues to be the best performer in terms of procurement. Well-structured public procurement reforms with integrated capacity-building over the past decade, and the results-oriented mentality within the Government were responsible for this good performance. In the Latin America and the Caribbean region, El Salvador has a particularly good record in procurement. It can be attributed in part to special procurement arrangements supported by UNDP.⁹² The above factors, plus the examples cited in paragraph 199 may be drivers to consider devising the multi-donor-sponsored creation of permanent PMUs in key ministries relevant for IFAD. Done with a medium-term perspective, such an institutional investment would require conditions related to staff quality and continuity, also with possible co-benefits for the countries and ministries in question, e.g. systematic capacity upgrading

⁹⁰ ESA Portfolio Review, 2015.

⁹¹ Eighty per cent of sampled procurement plans (eight countries and 13 projects) were not updated regularly; information was therefore often inadequate and unreliable. (ESA 2015; WCA, 2015, 2014).

⁹² Project for Reconstruction and Rural Modernization and Rural Development and Modernization Project for the Eastern Region in El Salvador are among the positive outliers in terms of their procurement scores.

Box 11 **Fiduciary responsibility. When all goes well ...**

The **Microfinance for Marginal and Small Farmers Project** in Bangladesh performed well on all fiduciary aspects. The loan became effective in a record 6.9 months after Executive Board approval, upon fulfilling the accompanying effectiveness conditions, notably the prompt recruitment of project personnel. Being able to rely on the well-established project management capacity of the not-for-profit Palli Karma-Sahayak Foundation proved to be a major strength. As the implementing agency for the project, the Foundation carried out all fiduciary and administrative aspects of project management, including the management of all project-related accounts, the preparation and signing of withdrawal applications, and procurement in accordance with IFAD procurement guidelines. The Ministry of Finance had no direct implementation role, which prevented potential bureaucratic delays. Rather, it limited itself to effective facilitation of the project, including the review and approval of AWPBs, and organizing and chairing coordination and wrap-up meetings of supervision missions.

Supervision of the project also proved unproblematic. The presence of local experts in supervision missions was valuable as it allowed consultations on technical matters. The continuity of IFAD experts on design and supervision missions advising project implementation was considered to be instrumental, as was the participation of the country programme manager (or field presence officer). The project was able to maintain its project management performance throughout implementation and excelled at the extremely low cost of 2 per cent of the total project cost for the project management component.

of permanent PIU staff. Such measures may fulfil the promise to substantially improve the financial management of projects and reduce related fiduciary risk.

219. Procurement is a major item on the IFI fiduciary agenda. All other IFIs have recently⁹³ initiated broad-based reforms to modernize their procurement frameworks with a view to speeding up complex and inflexible procurement processes and aligning procurement with “value-for-money” risk management and anti-corruption efforts. A more dynamic risk-based procurement framework able to adapt to changing circumstances involved enhanced ex ante assessment of procurement risks at country, sector and agency levels in return for – conditions permitting⁹⁴ – a more hands-off approach to procurement operations. For low-risk procurement, the review of contracts after they have been awarded would establish ex post accountability and hence maintain the necessary fiduciary standards. A more discriminating and flexible application of procurement guidelines is set to further streamline processes and reduce costs. Measures include the use of advance contracting and retroactive financing, e-procurement systems, customized methods and procedures for more complex procurement, and ex post review of a sample of contracts.⁹⁵

Lesson 4

220. **Project supervision contributes to fiduciary compliance if and when it is backed by credible enforcement and matched by effective implementation support.** Project monitoring of fiduciary risks is complemented and reinforced through IFAD supervision. The purpose of supervision is to: (i) oversee the functioning of project-level risk controls and thus improve project compliance with loan fiduciary requirements; and (ii) enhance the capacity of projects to properly manage their activities in general, and finances in particular. To these ends, IFAD monitors possible

performance shortfalls in the project-level risk controls, and provides appropriate incentives for improved performance of these controls. It also identifies impediments to project implementation with a view to directly mitigating the associated risks through necessary capacity and implementation support.

221. Supervision of fiduciary aspects. Supervision starts with the fiduciary risk assessment during the design stage of the project, but its principal use comes to the forefront during implementation, by monitoring disbursements and the flow of funds, compliance with loan covenants, administrative management and other financial management aspects of implementation such as budgeting and accounting, treasury management, financial planning, internal controls, financial reporting and audit compliance. Supervision missions review and score six aspects of project fiduciary compliance to support IFAD’s project and portfolio risk management.⁹⁶ IFAD’s fiduciary supervision centres on the quality of project controls such as annual work planning and budgets, procurement and audits.⁹⁷ Through the withdrawal application process, disbursement authorization is conditioned on risk assessments and supervision results, thereby providing a key lever for enforcement of compliance with fiduciary responsibility.⁹⁸
222. Unsatisfactory scores on the project controls prompted IFAD to assist projects by improving the control instruments and capacities and using persuasion and, as necessary, stronger enforcement measures to obtain compliance with fiduciary standards. With fiduciary scores guiding IFAD priority actions, fiduciary performance on the whole did improve over the review period, with the notable exception of procurement and work planning. The last-mentioned areas are therefore high on IFAD’s fiduciary agenda.
223. In recent years, supervision of project financial management/fiduciary aspects

⁹³ AfDB, 2014; ADB, 2015; World Bank 2016.

⁹⁴ An award process would be more closely supervised only when risks are high.

⁹⁵ A post-review sampling is expected to reduce the number of contract reviews by regional departments by 25 per cent and shorten the procurement process for many operations.

⁹⁶ Quality of financial management, acceptable disbursement rates, counterpart funds, compliance with loan covenants, compliance with procurement, and the quality and timeliness of audits.

⁹⁷ Audit results and recommendations are of special importance to supervision missions in identifying shortcomings in financial management. Supervision mission reports provide the status on the follow-up of audit recommendations. Also control through external (financial) audit is required once a year.

⁹⁸ No-objection clauses for AWPB and procurement reviews, as well as audit TORs and auditor selection, ultimately rely on the incentive effect of the disbursement authorization process.

99 Until now, financial management consultants have been working for PMD, but by 2018, budgets and oversight will be shifted to FMD, having started in LAC and WCA in December 2016.

100 Withdrawal applications in a low-risk environment would be implemented with a view to smoothly support the flow of funds (with simplified disbursement and higher thresholds). Risk indicators would allow IFAD to keep risks in check. In general, “a higher level of control should be applied to areas and processes with relatively higher risk, while lower-risk areas may be managed adequately through the periodic conduct of ex-post controls on a sample basis.” (IFAD, Risk-based controls in accounting, payroll and payments processes – A conceptual framework, p. 3, <https://www.ifad.org/documents/10180/06e867c2-5cf6-4ba2-8e13-4689a6804f97>).

101 Flexcube (FXC) since 2013, WA Tracking System (WATS), online e-WA since 2016. WA processing time dropped from a high of 36 days to 18 days at the end of 2015, reaching the IFAD9 target of less than 18 days.

102 The World Bank and ADB, for instance, now have 70 per cent of supervision missions led by staff in the field, whereas the majority of IFAD supervision missions are led by staff from headquarters, especially for financial management.

103 There is increasing emphasis to use the supervision report to focus on key issues and risks that are important going forward.

104 Financial Management and Administration Manual and Regional Portfolio reviews.

has become more focused as financial management specialists are now systematically included in supervision missions. The shift of responsibility for loan administration and oversight of financial management from PMD to FMD, started in 2012, has reinforced financial management expertise.⁹⁹ More frequent in-depth portfolio reviews, now quarterly rather than annually, allow closer monitoring of fiduciary risks. An enhanced quality screening for financial management and procurement consultants through a formal accreditation process was introduced in 2016.

224. Furthermore, the mainstreaming of the risk-based control framework is helping IFAD to better manage fiduciary risks across its portfolio, as more systematic assessment and profiling of country and project risks on entry set the tone for the rigour of supervision and ultimately the ease of disbursement.¹⁰⁰ Investment in the automation of the withdrawal application process is generating efficiencies in loan disbursement, notably shorter processing times.¹⁰¹
225. For other IFIs, as with IFAD, supervision missions have traditionally played a central role in the fiduciary oversight, with usually at least one full supervision mission per year and more frequent missions for projects in the early stages of implementation or “at risk”. Yet increasingly, fiduciary oversight functions are farmed out to specialists in country offices (World Bank, ADB) or regional resource centres (AfDB); in turn, smaller missions, carried out at various times throughout the year, focus on technical and institutional issues of project implementation.¹⁰² In this model, less frequent full-scale supervision missions are sufficient (World Bank, ADB). AfDB is considering moving towards a model of continuous supervision. Due to its limited country office capacities, IFAD continues to rely principally on regular supervision missions which include primarily regional financial management consultants or financial officers

based in headquarters.¹⁰³ Even so, ICOs and regional hubs have also started taking up fiduciary supervision functions, particularly when the CPM is based there.

226. Enforcement. Supervision report findings and recommendations were not always sufficient for projects to adopt the necessary measures to overcome shortcomings with regards to fiduciary controls, and additional compliance measures became necessary. In the interest of project continuity, sanctions stipulated by the financing agreement and general conditions were only used as the last recourse. Most of the time, lower-level measures would succeed in redressing fiduciary controls. Thus, IFAD and the borrower would identify a time-bound path to resolving a problem, e.g. improvements to the accounting system or refunding ineligible expenditures, becoming a disbursement condition. But stronger formal sanctions are required at times. In any event, sanctioning measures need to be properly tailored to the fiduciary incident to help resolve fiduciary problems.¹⁰⁴
227. Project-specific suspensions, possibly restricted to a specific component or to selected categories of expenditure, or even suspension of an entire country were possible when major fiduciary breaches occurred. In Sierra Leone, for example, an organizational audit carried out by the national auditor confirmed misappropriation of project resources. Project suspension pending refund of ineligible expenditures, revision of the Project Implementation Manual and payment of counterpart funds prompted the Government to comply with almost all requirements so that the suspension could be lifted, as reported the 2015 WCA regional portfolio review. Regularly, though, the simple threat of suspension can be effective. When legal suspension notices were sent to the Agricultural Marketing Improvement Programme in Ethiopia and the Rural Diversification Programme” in Mauritius warning them of a possible suspension of

disbursements due to non-receipt of audit reports within the due period, the audit reports were sent. Therefore, the suspension did not have to be enforced.¹⁰⁵

Lesson 5

228. **Implementation support diminishes fiduciary control risks, but is limited by high transaction costs.** Implementation support measures boost fiduciary control as they take on ongoing weaknesses in project financial management. Following up on problems identified in the course of project supervision, IFAD provided advisory support to resolve specific problems and training to develop local capacities. By and large, the measures undertaken by IFAD, spanning the whole range of fiduciary concerns, have helped improve the fiduciary performance of projects. Such measures include workplan and budget preparation and execution, technical issues, M&E systems, reporting tools, financial management systems, procurement and other financial

issues.¹⁰⁶ Proactive management of potential fiduciary issues, including through better use of midterm reviews,¹⁰⁷ contributed to the effectiveness of measures. Projects starting up or “at risk” usually required more intensive implementation support through more frequent and enhanced supervision and implementation support missions.¹⁰⁸ Sustained capacity-building and training efforts were often needed, particularly in countries with fragile situations and with weak institutions.¹⁰⁹

229. Yet the de facto high cost of supervision missions has limited their use. Therefore IFAD initiated a series of measures to improve the efficiency and effectiveness of supervision and implementation support missions. For instance, IFAD was able to achieve economies of scale by using missions tasked with covering the whole country programme to also include a thorough supervision of one project and follow-up of any other ongoing projects.¹¹⁰ Better cross-regional knowledge-sharing and exchanges of experiences helped IFAD

105 ESA Portfolio Review, 2010.

106 WCA Portfolio Review, 2013.

107 NEN Portfolio Review, 2015.

108 NEN Portfolio Review, 2015 and WCA Portfolio Review 2013.

109 WCA Portfolio Review, 2015.

110 Between 2012 and 2016, the number of IFAD projects declined by 15 per cent and the number of supervision missions reduced by 22 per cent.

Box 12 **Fiduciary responsibility: A more challenging environment**

The **Roots and Tubers Market-Driven Development Programme** in Cameroon attests to the challenges of ensuring fiduciary compliance. Even though weak management capacities were a known risk to project implementation in the country, the project was not effective in containing the risk. Related training efforts proved to be insufficient. Overambitious design in a challenging governance environment enhanced implementation risks. Unsuitable institutional arrangements and difficulties with the PMU linked to staff selection and cohesion contributed to weak project administration and financial management performance, as the project encountered significant delays in project start-up, annual work plans, procurement, contract management and payments.

An audit flagged some of these problems and alerted IFAD to the need for more intense supervision and support. A six-month action plan with targeted technical support and training, including the recruitment of local service providers for capacity-building, helped improve financial execution during the last two years of the project. After formal notification by IFAD, the Government undertook the necessary corrective measures regarding procurement, accounting and internal control. The opening of an ICO also had a positive effect on governance and implementation results in IFAD-supported projects, including the project in question. Still, some fiduciary compliance issues, especially in regard to counterpart financing, remained unresolved. Contract delays and higher implementation costs ultimately led to lower rates of return for the project.

Source: PCR, June 2015.

not only reduce costs, but also promote organizational learning, innovation and sharing of good practices on specific thematic areas and management issues.¹¹¹ IFAD also streamlined its use of expert resources by drawing on IFAD staff and experienced project staff to support projects in critical areas, such as financial management, procurement and M&E. Development of staff competencies was reported to be instrumental in improving the quality of support.

230. Organizational efforts to enhance the quality and effectiveness of IFAD's supervision and implementation support included: increasing the use of decentralized ICOs and regional hubs (Hanoi and Nairobi) with financial administration specialists from FMD and the Field Support Unit, for closer and more continuous implementation support; partnerships with other in-country institutions; and country-level policy engagement with governments. Country offices have been helpful in supporting the timely resolution of implementation issues through their closer monitoring of project progress and interaction with stakeholders and government counterparts. This is confirmed for instance, in the Uganda CPE,¹¹² inferring that the Field Presence Pilot Programme (launched in 2003) provided useful insights for introducing direct supervision and implementation across the Uganda portfolio in recent years, as well as establishing and consolidating a country presence in Kampala. Yet the division of labour and communications between headquarters and ICOs still needs fine-tuning, and the low capacity of the ICO, at times with only one CPO, clearly limits the potential.¹¹³ The combined measures brought about further improvements to the quality of financial management, fiduciary supervision and implementation support.

111 Peer review processes have become an effective tool for enhancing quality of supervision and reporting. For example, in NEN, all supervision and midterm review reports are systematically reviewed by a group of peers, the direct supervision support team, Controller's and Financial Services Division and an external reviewer. In WCA exchange visits between good performers and those needing improvement are organized and experienced "retired" project managers are being called upon to coach newcomers. (WCA 2015).

112 IFAD, IOE. Republic of Uganda CPE, Rome, April 2013.

113 WCA Portfolio Review, 2015.

Synthesis of lessons

231. The lessons emerging from this study are testimony to the challenges of fiduciary risk management. Squaring IFAD's loan fiduciary responsibility towards its contributors with project implementation by borrowing country institutions that have limited management capacities, while sharing responsibility for development results, is by no means an easy task. Fiduciary compliance requires institutional and procedural responses that are carefully tailored to the highly diverse conditions and dynamics of countries. Sustainability of project results, in turn, calls for national institutions to drive these solutions, with IFAD standing by to assist in implementation.
232. A guiding principle that emerges for IFAD is that: **Successful management of fiduciary responsibilities needs rigour rather than rigidity in preparation, design, supervision, enforcement and backstopping of projects.**
233. Ultimately, the only way to address fiduciary risk is to help build institutional capacity: only a medium-to long-term time horizon appears realistic in meaningfully reducing risk levels. Inasmuch as IFAD, with its relatively modest resources, cannot take on broader national capacity-building, its fiduciary risk focus needs to be on achieving the proper balance between short-term compliance with fiduciary responsibilities and the broader prospects for development goals and sustainability. As part of this more holistic approach, risk tolerance based on prospective development benefits is necessary, and short-term fiduciary risk management cannot be designed to straitjacket implementation, but rather to avail projects with the required liquidity for smooth implementation.
234. Nevertheless, risk has to be carefully managed. While IFAD's own fiduciary duties call for rigour in adhering to established fiduciary principles and standards, excessive

and potentially disruptive rigidity in the management of fiduciary compliance at the project level can be avoided if risks are properly anticipated; hence, the focus on regular risk assessments throughout the project cycle. However, to be able to deal with risks in a preventive manner, it is essential to have risk surveillance that is more continuous than that afforded by the current annual risk reviews, which tend to identify risks once they have already materialized. Complementing the present system of proactive management of projects that are potentially at risk and actual problem projects, ongoing risk monitoring would allow IFAD to more closely assess the evolution of these risks, the effectiveness of the mitigation measures being implemented, and the possible need for changes in the course of action. It would have to be based on a coherent set of experience-based, early-warning indicators/signals. The current system of fiduciary indicators is ill-suited to this task, but continues to be a useful, if perfectible, measure of overall fiduciary performance.¹¹⁴

235. Lastly, the systematic risk-based management approach, adopted by IFAD and other IFIs, allows for more efficient fiduciary management as it aligns risk control and mitigation structures to levels of assessed risks. Instead of applying a standardized set of fiduciary procedures across all countries and projects, a risk-differentiated approach with respect to financial management arrangements, audits, field supervisions and disbursement methods makes it possible for IFAD to direct more of its management attention and resources to those fiduciary circumstances that need it most.¹¹⁵

114 Fiduciary scores should not be based on an arithmetic average, but rather reflect weights relative to possible impact on implementation. There is a need to make scores more consistent and comparable across the organization to reduce the degree of subjectivity and align with the operational risk assessment for portfolio management.

115 The CLE on IFAD's engagement in fragile and conflict-affected states and situations (2015) posited, "More flexibility in compliance with fiduciary requirements - Additional budget to work in fragile contexts (e.g. additional costs of transportation, higher consultant fees, need for much closer supervision/higher number of supervision missions, etc.)."



**The Philippines
Rural Microenterprise
Promotion Programme**

Woman makes home decorations from sea shells in Barangay Rizal, Province of Sorsogon. The programme aims to increase the numbers of new and existing rural microenterprises operating profitably and sustainably.

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Conclusions and recommendations

Conclusions

236. After careful analysis of independent evaluations, the 2017 ARRI provides the following conclusions, taking into account the cross-cutting issues and lessons from the previous sections.
237. **The performance of IFAD operations shows improvement from 2009; however, performance is beginning to plateau.** Between IFAD8 and IFAD9, there was a statistically significant improvement in the means of selected criteria, such as relevance, innovation and scaling up, GEWE, and IFAD performance as a partner. Performance of other evaluation criteria, such as effectiveness, efficiency, project performance, impact, sustainability, natural resources management, government performance as a partner and overall project achievement, followed a “plateau” pattern recently (2013-2015). Overall, evaluation ratings remain in the moderately satisfactory (4) zone.
238. Sustainability and efficiency continue to require IFAD’s attention and remain the lowest performing criteria, the latter with a slightly declining path in the recent years. The 2016 evaluations cite a number of factors that inhibit operational efficiency including: high project management costs, high staff turnover, as well as start-up and implementation delays. While performance in sustainability shows improvement, the 2016 evaluations highlight recurrent issues, such as weak results at completion, limited beneficiary ownership, and absence of a clear exit strategy defining the roles and responsibilities of other concerned players in post-project activities.
239. **Based on IOE ratings, the majority of the criteria are currently performing below the RMF targets established for IFAD9 and IFAD10.** Four criteria (effectiveness, efficiency, sustainability of benefits, and ENRM) are 10 to 20 percentage points below the 2018 targets, indicating the need for greater efforts in these areas. Three criteria (government performance as a partner, rural poverty impact, and gender and women’s empowerment) are five percentage points or less away. Innovation and scaling up has exceeded the target by one per cent. Adaptation to climate change has exceeded its conservative target. However, few observations are available for this criterion so far. While the above targets will not be measured through IOE ratings and IFAD10 is still ongoing, this is a recommendation to Management regarding the need for further improvements to reach these targets by 2018.
240. **Good performance on the ground is linked to well-defined targeting strategies.** IFAD projects that perform well are highly relevant to the socio-economic context, beneficiaries’ requirements and institutional priorities. Well-defined targeting strategies ensure the coherence of the project’s relevance, particularly to beneficiaries, from the project design up to the achievement

of the objectives. The main issues raised by evaluations relate to gaps in identification of the diverse socio-economic groups and the distinct needs and demands expressed by each. Similarly, adjustments made during project implementation often do not fully capture the differentiated needs among the most vulnerable groups, youth and women in particular.

241. **Promoting GEWE is critical to meeting the 2030 Agenda challenge of improving food and nutrition security and eradicating rural poverty.** Among the SDGs, GEWE serves as both a goal (SDG5) and a means to achieving the SDGs to end hunger and poverty. The IFAD Strategic Framework (2016-2025) includes GEWE as a principle of engagement and envisions scaling up its current gender mainstreaming practices to achieve transformative gender impacts that contribute to achieving the SDGs. According to IOE evaluations, GEWE remains among the better performing indicators. However, there is space for moving beyond. The ESR on GEWE provides insights on how IFAD can stimulate more transformative impacts. The more effective practices break gender roles and stereotypes, enhance representation and voice in local governance, and provide functional training. Yet transformation also requires changes in cultural norms and practices, beyond individual capabilities, as well as systemic changes, for example in laws, policies and government capacities, where major gaps still exist.
242. **The need to improve M&E data is widely recognized at IFAD. In the areas of ENRM, adaptation to climate change, food security and agricultural productivity, the absence of disaggregated data is a specific concern.** Management has taken steps towards strengthening its M&E systems

in 2016, rooted in the IFAD Development Effectiveness Framework, including revising the Results Impact Management System. Future evaluations will assess the outcome of these initiatives. The evaluations reviewed by this ARRI highlight the need for more disaggregated data in two areas. One of these relates to the criteria of ENRM and adaptation to climate change. During the IFAD9 period these were merged, despite the difference between the two, and this resulted in a predominance of evidence on the former and limited evidence on the latter. The separation of the two under IFAD10 represents a positive step forward, if matched by improvement in the availability of data. The other area corresponds to the criterion of food security and agricultural productivity. Evidence is available predominantly on agricultural productivity, but limited regarding food security, particularly nutrition. Importantly, better food production and productivity may not lead automatically to better nutrition: many other factors, such as actual food intake, food quality (including micronutrients) and health conditions affect nutritional status.

243. **The 2017 ARRI learning theme recognizes the challenge of ensuring governmental agencies' fiduciary responsibility.** Government performance is the primary driver with regards to financial management, procurement, audits and ensuring coherence between planning and implementation. IFAD has a critical role in assessing and mitigating risks, providing supervision and implementation support.
244. Reliance on national systems and the uneven capacities of government institutions, particularly in procurement, is an issue for IFAD projects that contributes to slow implementation progress, affecting project performance. Given the diverse country

contexts in which IFAD operates, addressing this situation requires tailored procedural approaches to financial compliance, driven by national institutions with IFAD's implementation support. This would allow IFAD to maintain rigour in managing its fiduciary responsibility without constraining smooth implementation.

245. **With the exception of KM, evaluations have found limited progress in non-lending activities in recent years.** Non-lending activities – KM, partnership-building and country-level policy engagement – are mutually reinforcing in complementing IFAD's investment projects and leveraging the impact of IFAD-financed operations on the ground. KM has experienced an improving trend, although it is now reaching a plateau. Partnership and country-level policy engagement show signs of a decreasing trend. The following factors are highlighted as key elements for non-lending activities; conversely, their absence is associated with low performance: (i) building a strong KM platform within country programmes; (ii) embedding non-lending activities in existing country programme processes (e.g. project supervision, periodic country programme reviews, rural sector performance assessment); (iii) developing a strategy that defines how KM contributes to partnership-building, and, in turn, how KM and partnerships lead to effective policy engagement; (iv) providing support to CPMs through internal IFAD resources such as PTA, the Strategy and Knowledge Department and the Office of Partnership and Resource Mobilization.
246. **In sum, while significant improvements between the IFAD8 and IFAD9 periods are noted, the recent flat performance is a call for action if IFAD is to fully meet IFAD10**

targets. In addition to the need to address longstanding performance bottlenecks such as efficiency and sustainability of benefits, there is also room for improvement to go beyond moderately satisfactory in areas of strength, including relevance, GEWE, and innovation and scaling up. Improvement in the three cross-cutting areas – targeting, GEWE and the non-lending activities – can serve as a catalyst for better performance on the ground in country programmes and to substantially enhance rural poverty impacts. Unlocking their full potential will require concerted efforts by Management. The 2017 ARRI offers the following recommendations to address the most urgent challenges.

Recommendations

Recommendation 1

247. **Ensure that consolidation of IFAD9 achievements does not result in stagnation in IFAD10 and beyond.** The ambitious IFAD10 targets require that IFAD operations build on strengths and address longstanding performance bottlenecks to maximize sustainable results. Making this leap requires a change in IFAD's modus operandi, including a new approach to programme design that allows IFAD operations to efficiently deliver relevant and sustainable results for targeted beneficiaries. This entails a holistic approach that improves the articulation between the COSOP and the project pipeline, and reduces the gap between project design and implementation through the greater involvement of government, supported by a more decentralized IFAD. To initiate this paradigm shift, Management can set satisfactory or better targets for IFAD11 in areas of strength such as relevance, GEWE and innovation and scaling up to lift performance above the current plateau.

Recommendation 2

248. **Adopt transformative approaches that address the root causes of gender inequality and discrimination if IFAD is to contribute substantially to meeting the SDG goal of “leaving no one behind”.**

Moving towards gender transformation requires IFAD to go beyond participatory processes which are very important, but not sufficient. IFAD-supported interventions also need to address longer-term changes in cultural practices, as well as in laws and policies. For this, projects require a specific theory of change as well as indicators to monitor them throughout the project cycle.

Recommendation 3

249. **Systematize the three non-lending activities – KM, partnership and policy engagement – to unlock their potential to scale up country programme results.**

Non-lending activities need to be recognized as a key ingredient in achieving IFAD’s mandate. Objectives for non-lending activities must be formulated more selectively, and with clear internal linkages between the activities. Non-lending activities must be integrated in country programmes and related processes (such as supervision, country programme review and rural sector performance assessment). Technical and advisory support must be provided to CPMs by relevant IFAD divisions, including those outside PMD.

Recommendation 4

250. **Improve data granularity for selected strategic criteria in order to better monitor performance and enhance operational approaches.** Given the heightened focus on mainstreaming adaptation to climate change in IFAD10, supported by its separation from ENRM, there is a need to collect more tailored evidence to demonstrate achievements.

Technological advancements, including in geo-spatial information and remote sensing, may provide cost-efficient opportunities for improved data quality. Central to IFAD’s mandate, food security requires special attention to ensure that agricultural productivity leads to improved food security for IFAD’s target groups. This requires including metrics of food security in the formulation of country strategies and project design, and in their monitoring.

Recommendation 5

251. **Extend greater differentiation in financial management and fiduciary requirements with regard to procurement, while supporting long-term national capacity improvement.**

- (a) **In the short to medium term**, IFAD must further differentiate fiduciary requirements based on the country context and risk profile. This requires an enhanced ex ante assessment of procurement risks at country, sector, and agency levels, in return for a better-tailored approach to fiduciary requirements, notably for procurement. IFAD should continue to provide enhanced supervision and implementation support during project start-up and for projects deemed “at risk” or in countries with fragile situations. This can be fostered by strengthening capacity in ICOs and sub-regional hubs.
- (b) **In the long term**, the goal is to contribute to strengthening financial management and procurement capacities of implementing agencies, possibly with the support of IFAD grants. Depending on the country context, and in collaboration with other partners, IFAD may support establishing permanent PMUs responsible for all externally funded interventions in a specific sector or subsector.

252. **2018 ARRI learning theme.** “Targeting” the rural poor and food insecure is recommended as the learning theme for the 2018 ARRI. Good performance on the ground is inter alia linked to well-defined targeting strategies. While selected evaluations have identified good cases of targeting, there is still an issue of lack of clarity and analysis of the target group in project design, as well as at the strategic (COSOP) level. Evaluations conducted in 2016 corroborated past findings on the incomplete differentiation of target groups at the design stage and in performance monitoring during implementation.

Ecuador

Development of the
Central Corridor Project

A training programme
on working sugar cane
in Pucacacu, La Maná.
The programme aims
to strengthen local
capacities through
technical assistance.

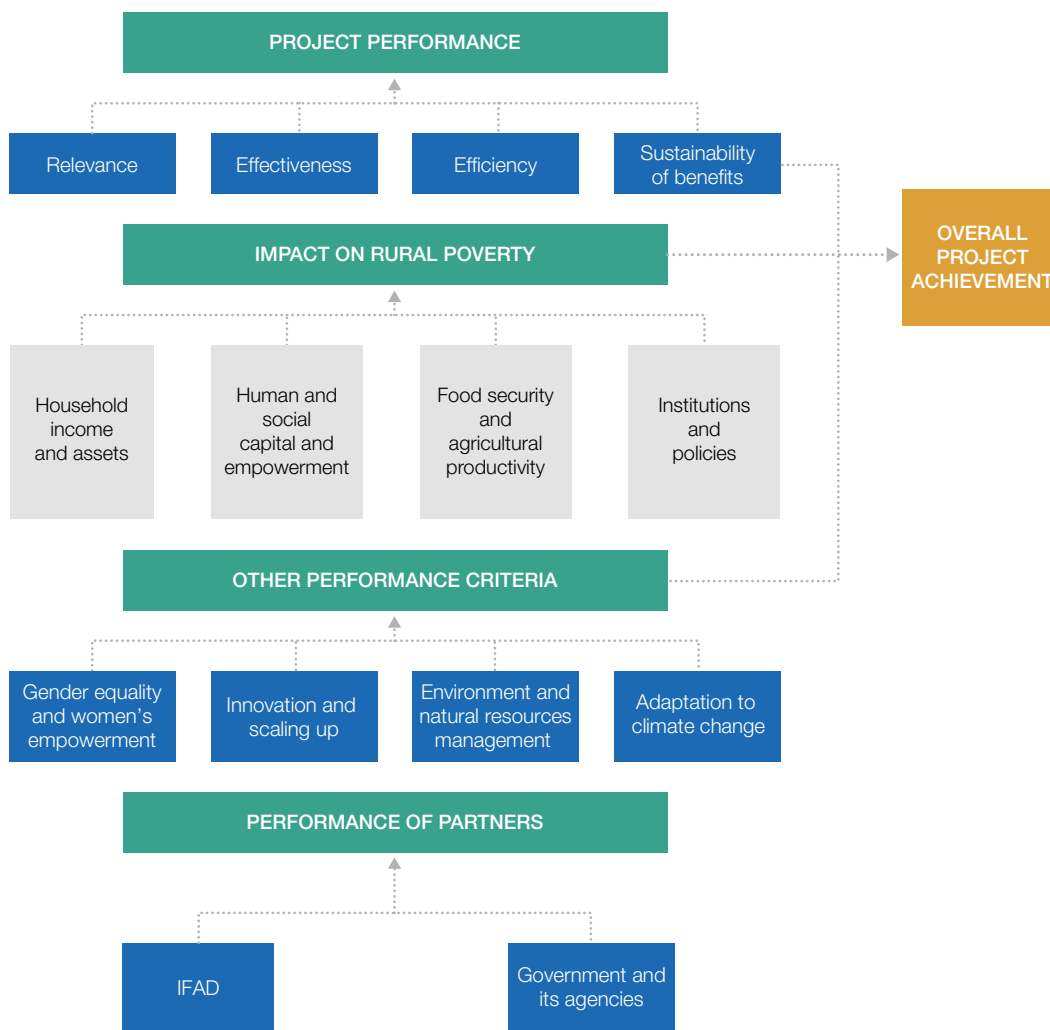
©IFAD/Carla Francescutti



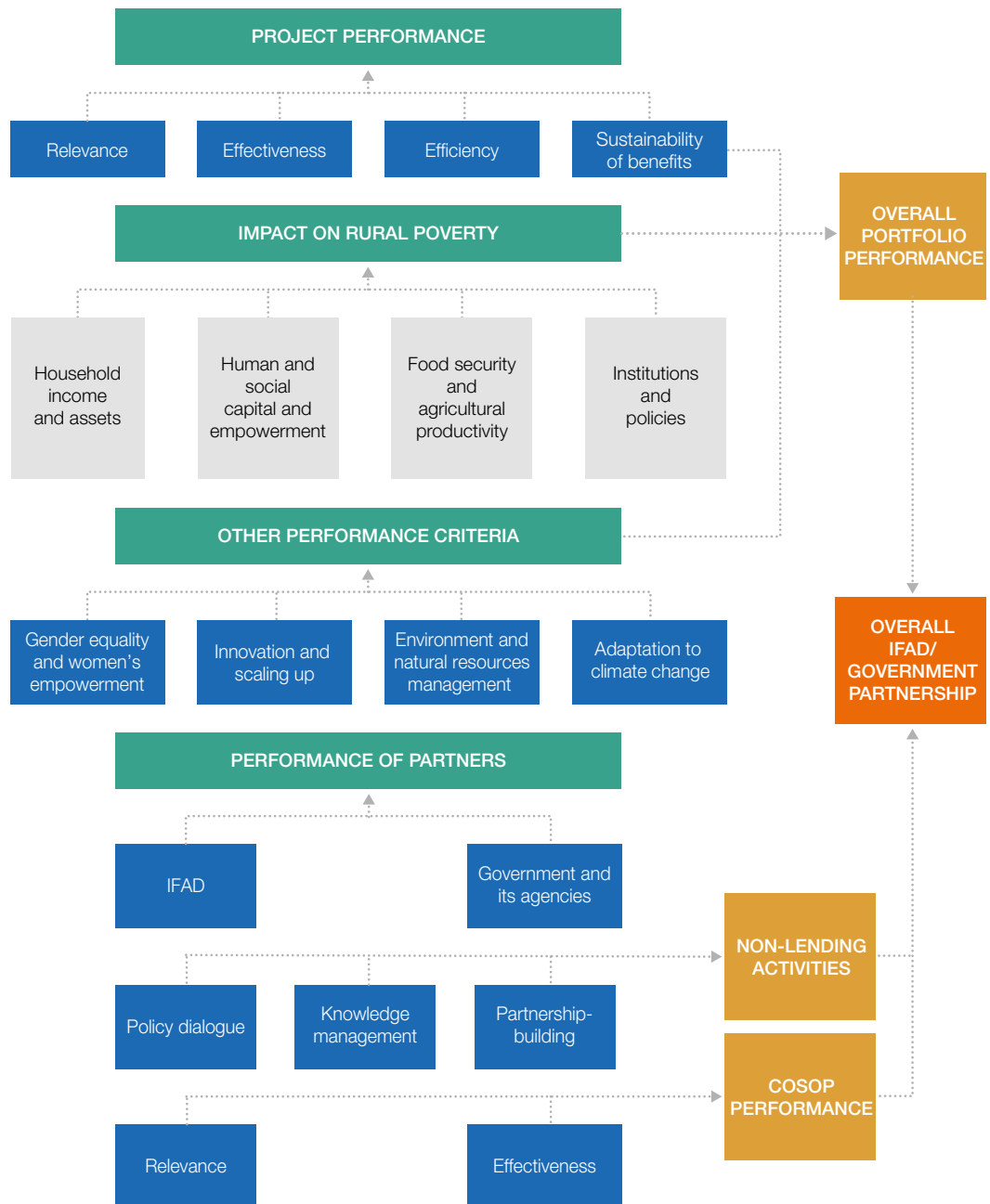
Annexes

Annex 1 Project evaluation and country strategy and programme evaluation methodology

Project evaluation methodology



Country strategy and programme evaluation methodology



Annex 2 Definition of IOE evaluation criteria

Criteria	Definition*
Rural poverty impact	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.
	<p><i>Four impact domains</i></p> <ul style="list-style-type: none"> • Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time. • Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process. • Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition. • Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.
Project performance	Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
Sustainability of benefits	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.

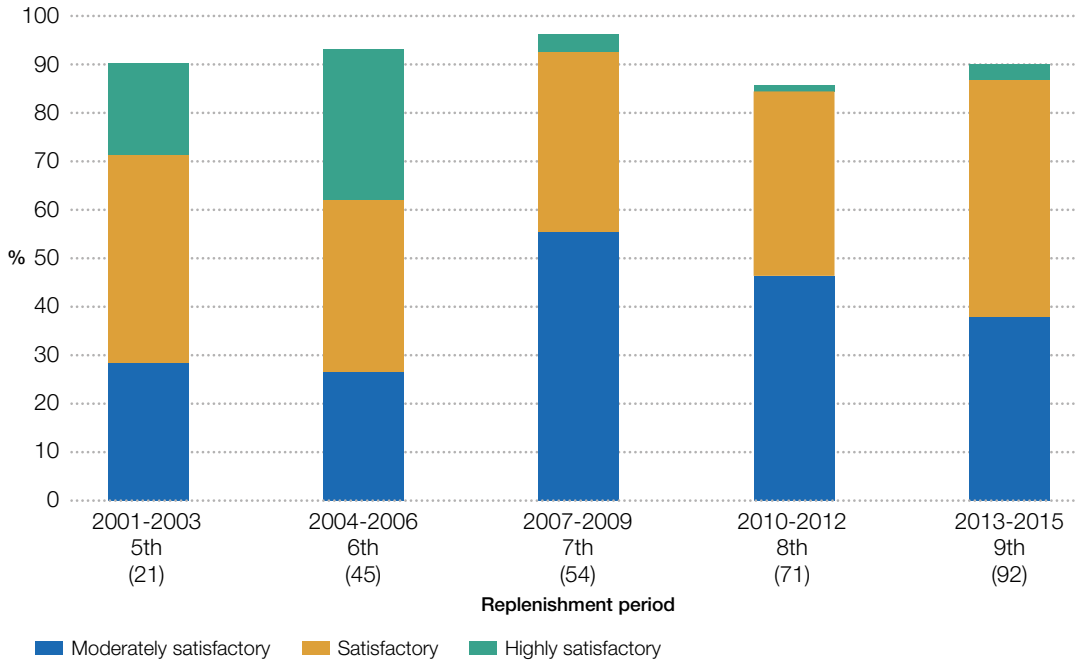
Criteria	Definition*
Other performance criteria	
Gender equality and women's empowerment	The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision-making; workload balance and impact on women's incomes, nutrition and livelihoods.
Innovation and scaling up	The extent to which IFAD development interventions have: (i) introduced innovative approaches to rural poverty reduction; and (ii) the extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and other agencies.
Environment and natural resources management	The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity – with the goods and services they provide.
Adaptation to climate change	The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.
Overall project achievement	This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation, scaling up, as well as environment and natural resources management, and adaptation to climate change.
Performance of partners	
<ul style="list-style-type: none"> • IFAD • Government 	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.

* These definitions build on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.

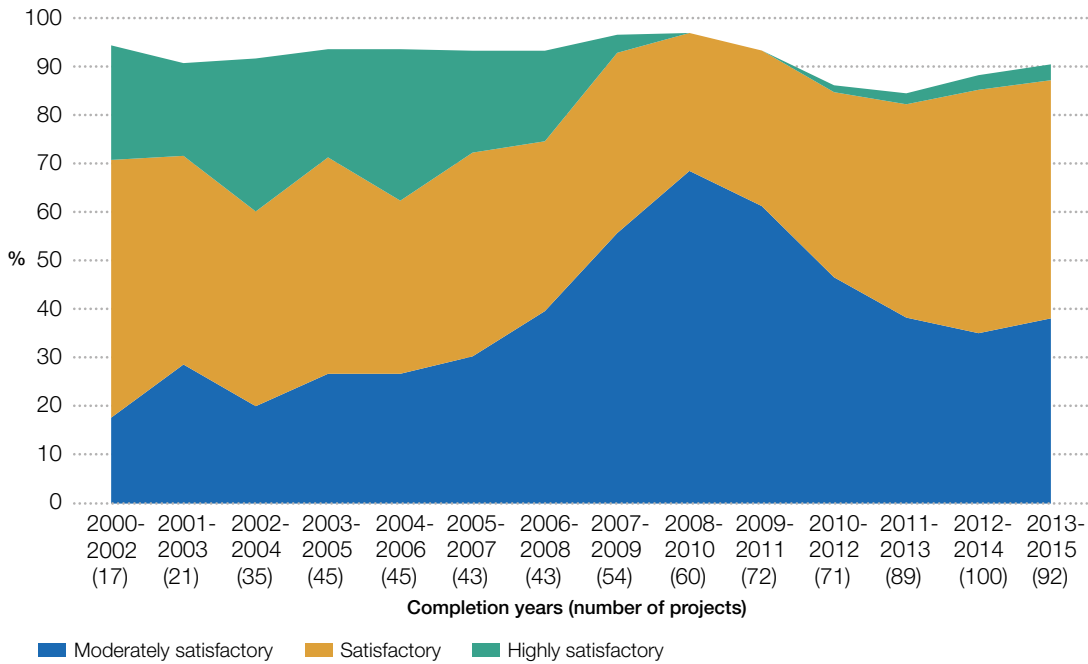
Annex 3 Project performance trends 2000-2015

Relevance

All evaluation data series by year of completion – by replenishment period

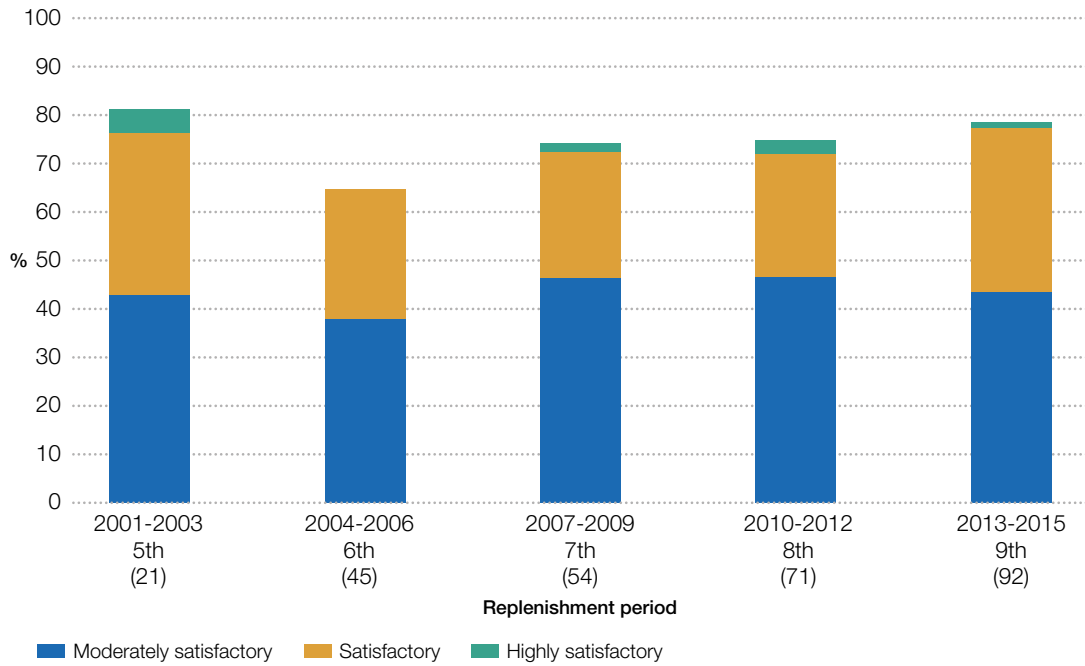


All evaluation data series by year of completion – three-year moving averages

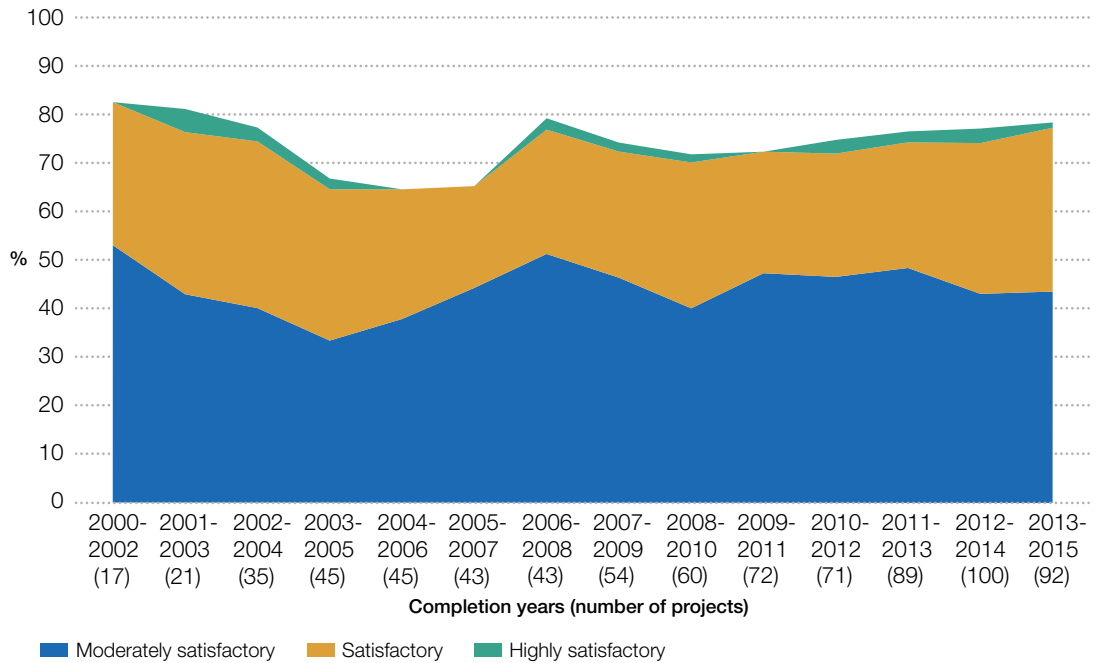


Effectiveness

All evaluation data series by year of completion – by replenishment period

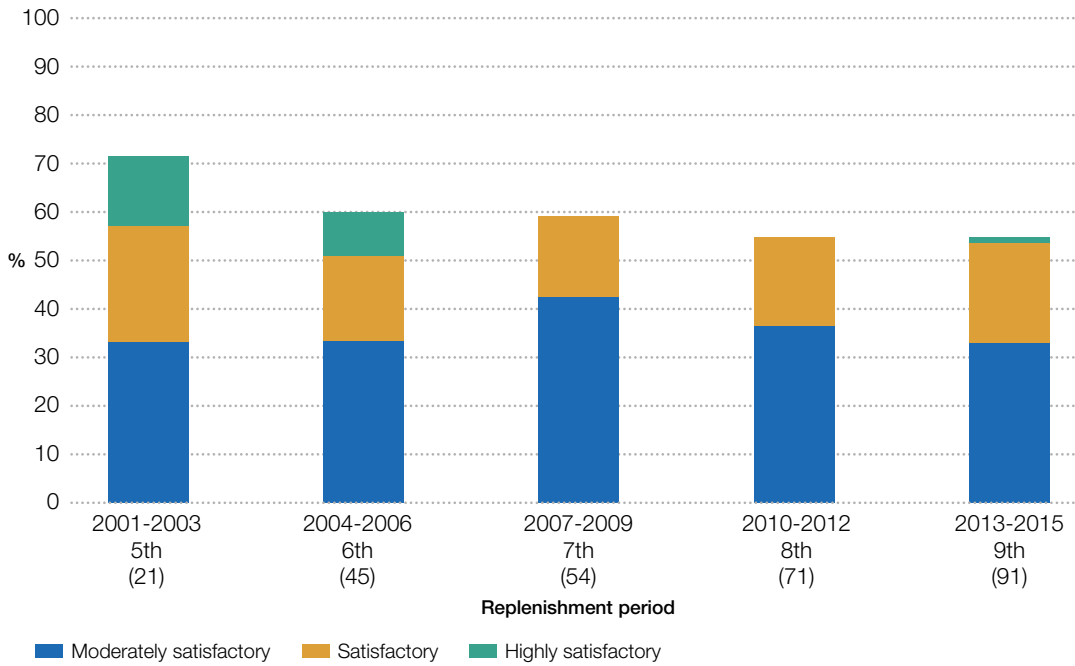


All evaluation data series by year of completion – three-year moving averages

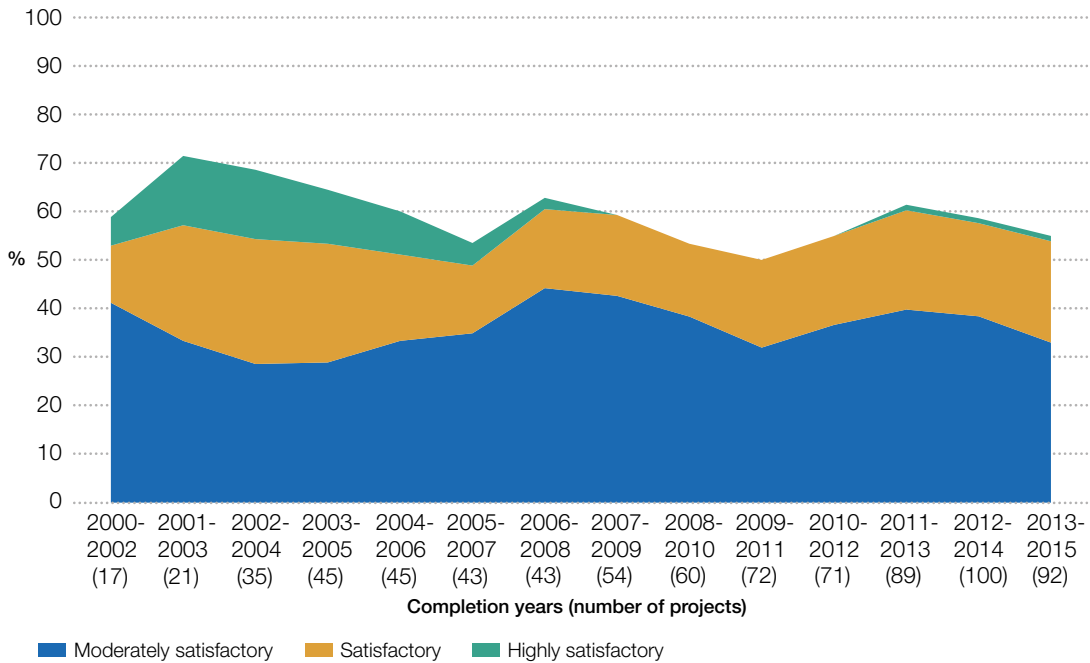


Efficiency

All evaluation data series by year of completion – by replenishment period

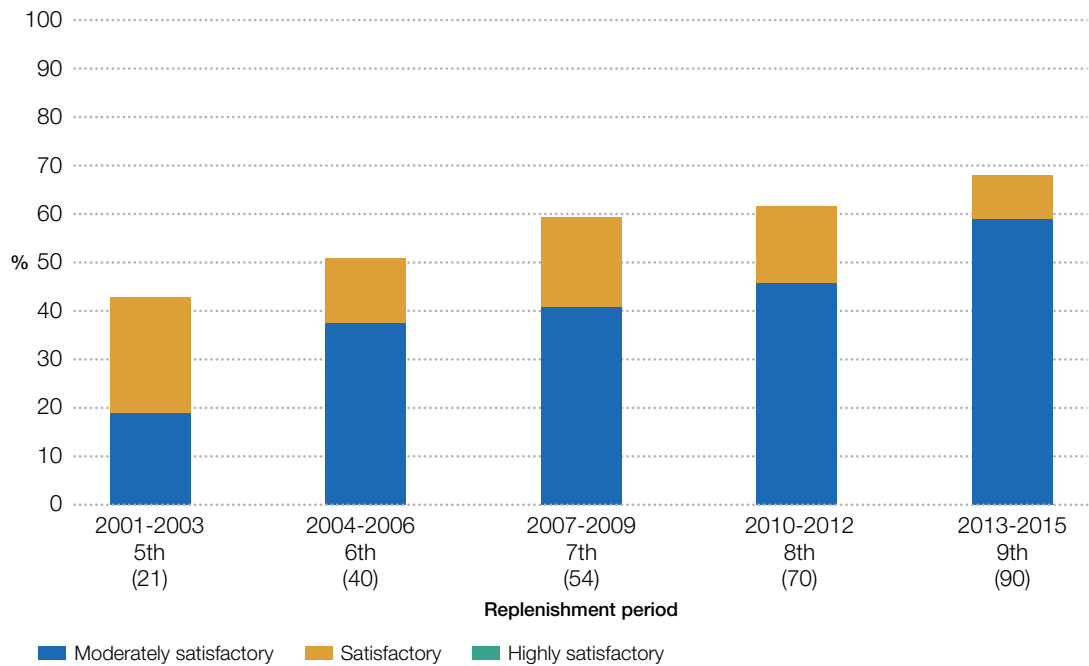


All evaluation data series by year of completion – three-year moving averages

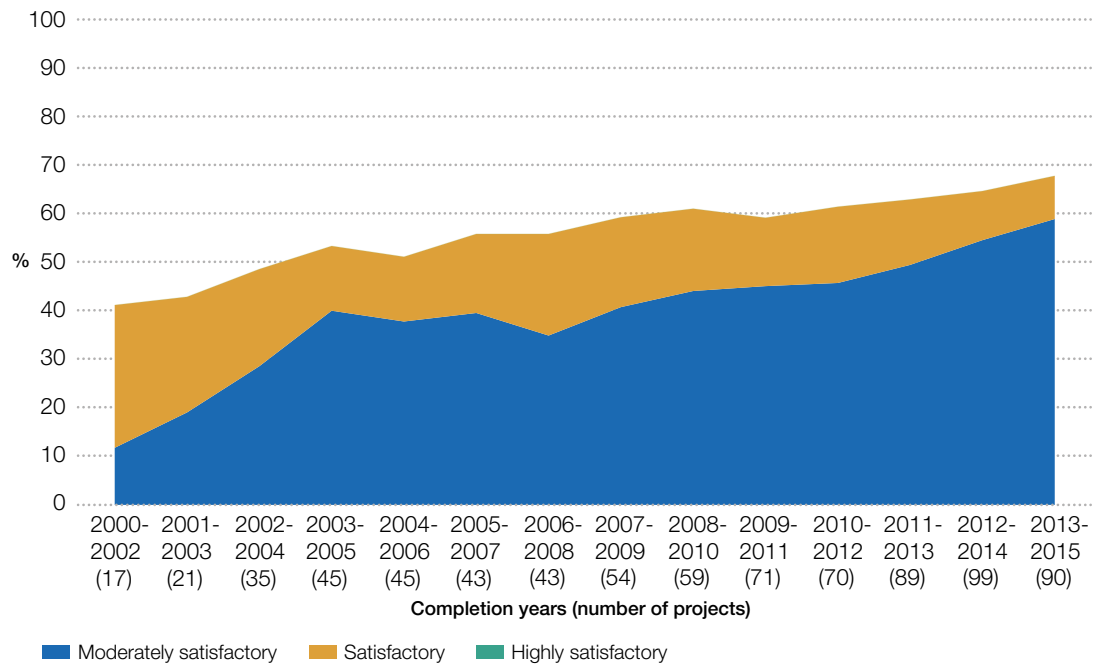


Sustainability

All evaluation data series by year of completion – by replenishment period

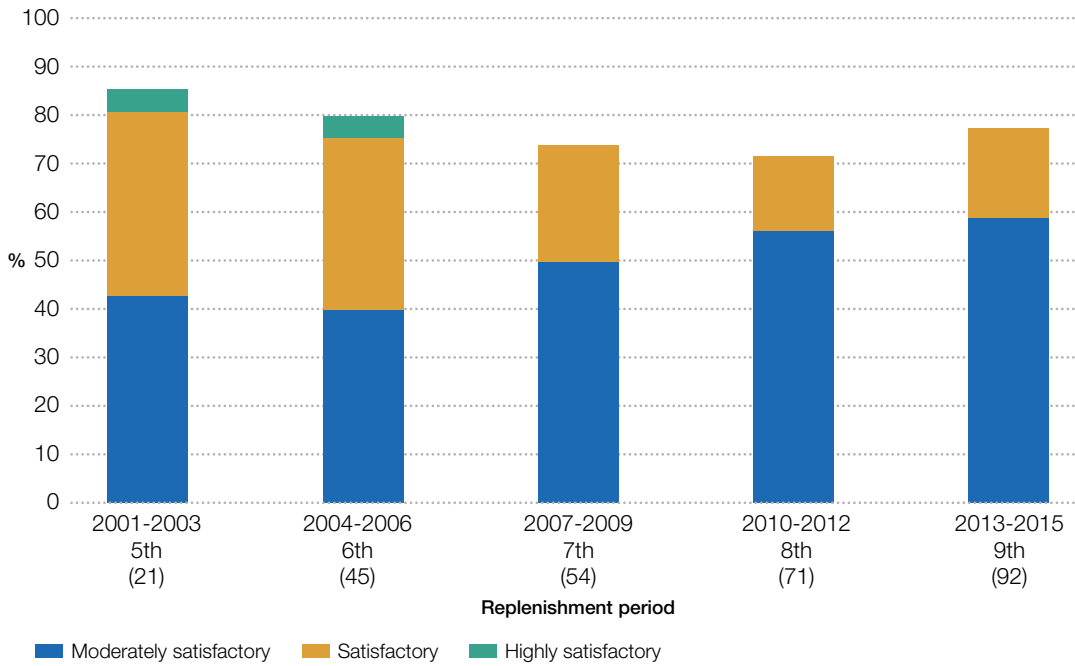


All evaluation data series by year of completion – three-year moving averages

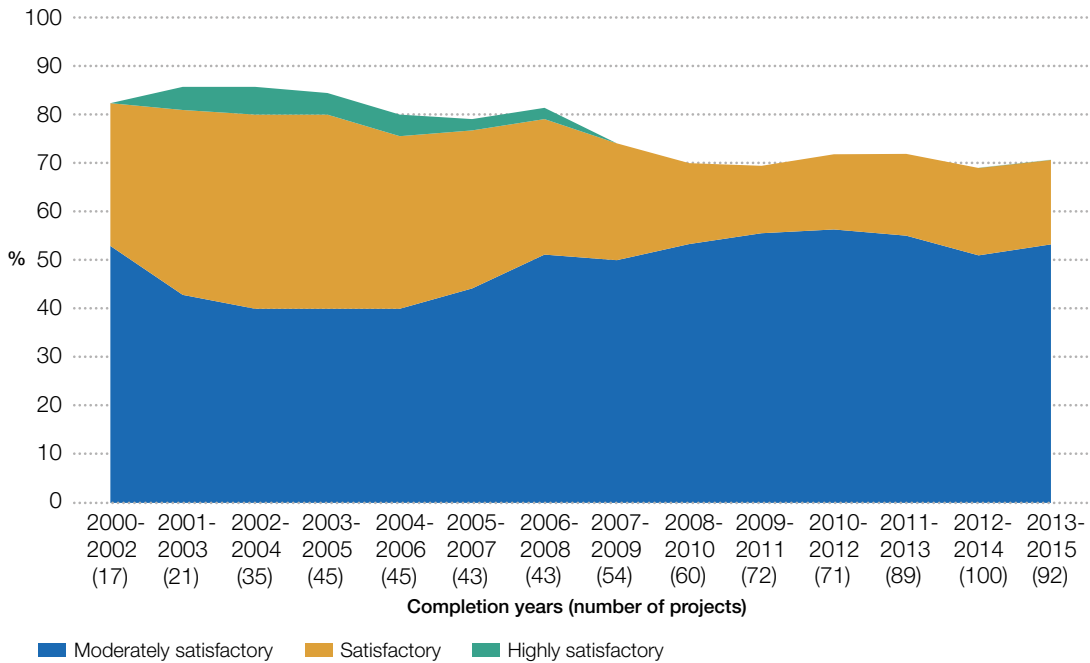


Project performance

All evaluation data series by year of completion – by replenishment period

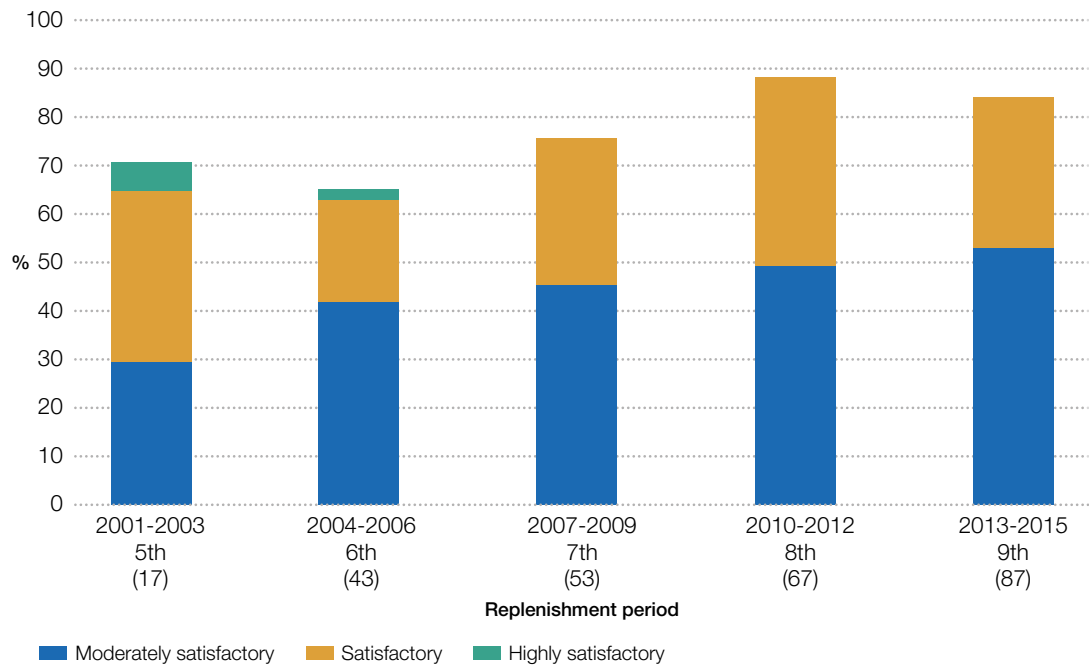


All evaluation data series by year of completion – three-year moving averages

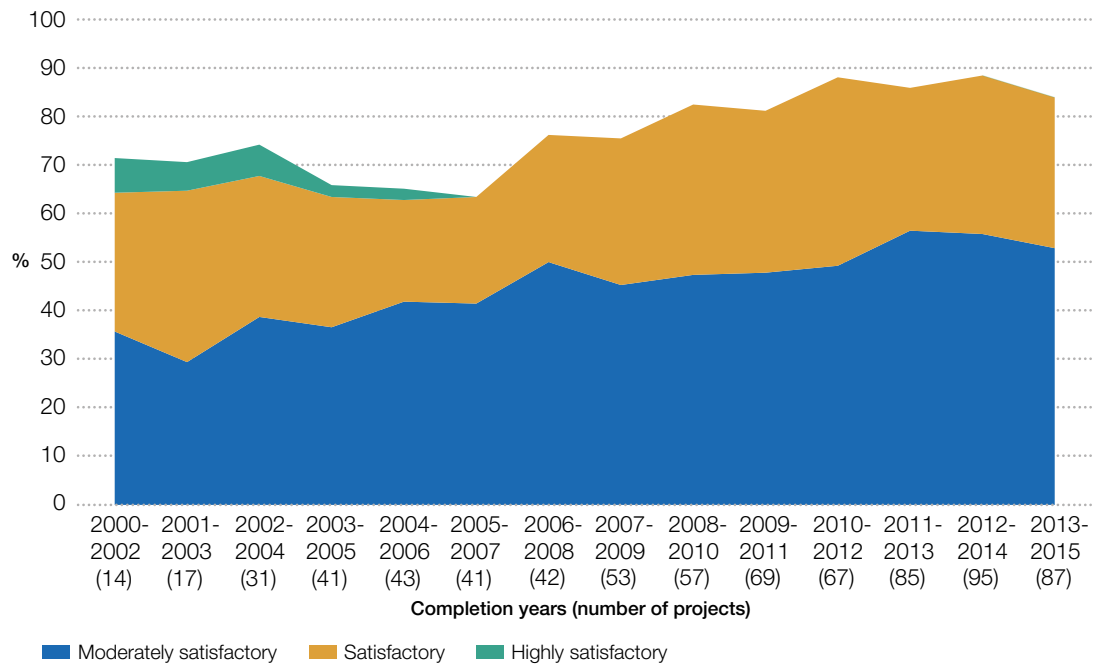


Rural poverty impact

All evaluation data series by year of completion – by replenishment period

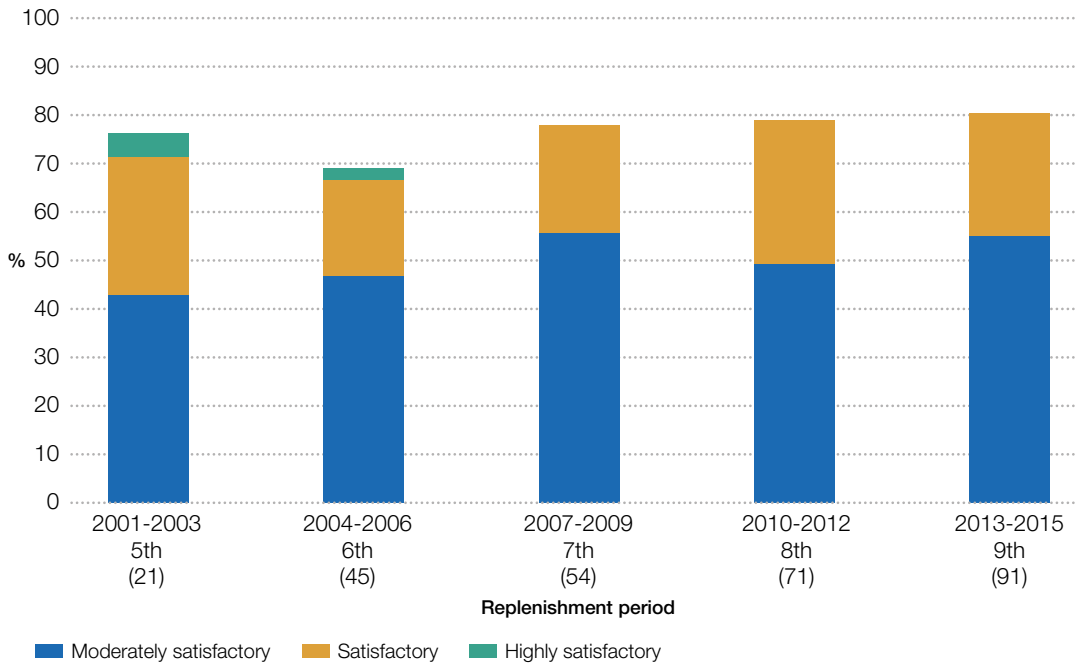


All evaluation data series by year of completion – three-year moving averages

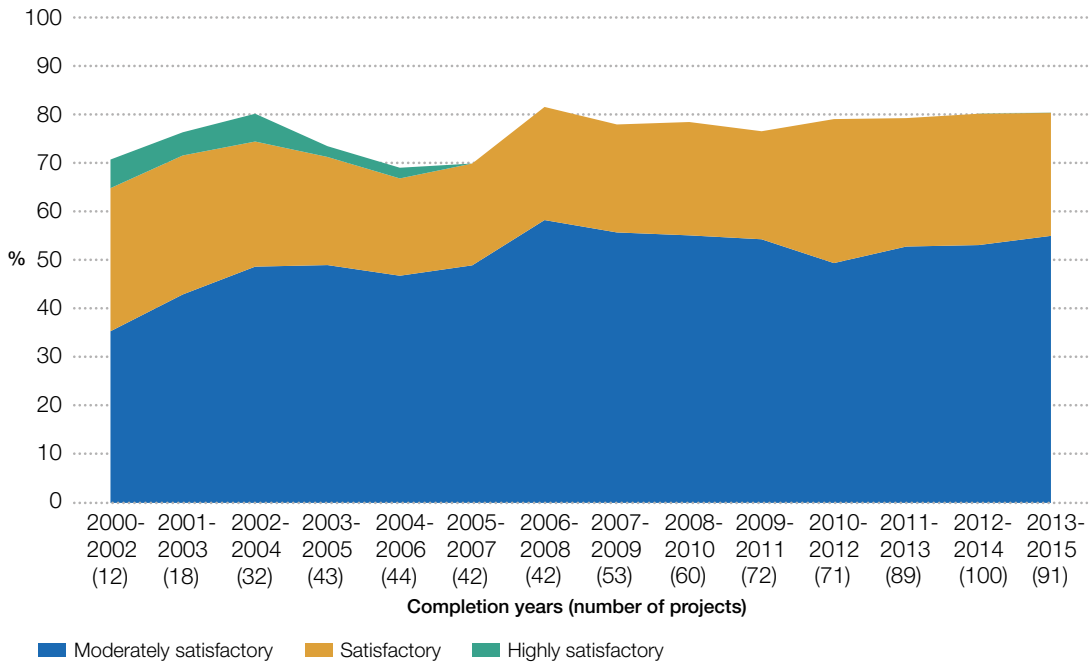


Overall project achievement

All evaluation data series by year of completion – by replenishment period

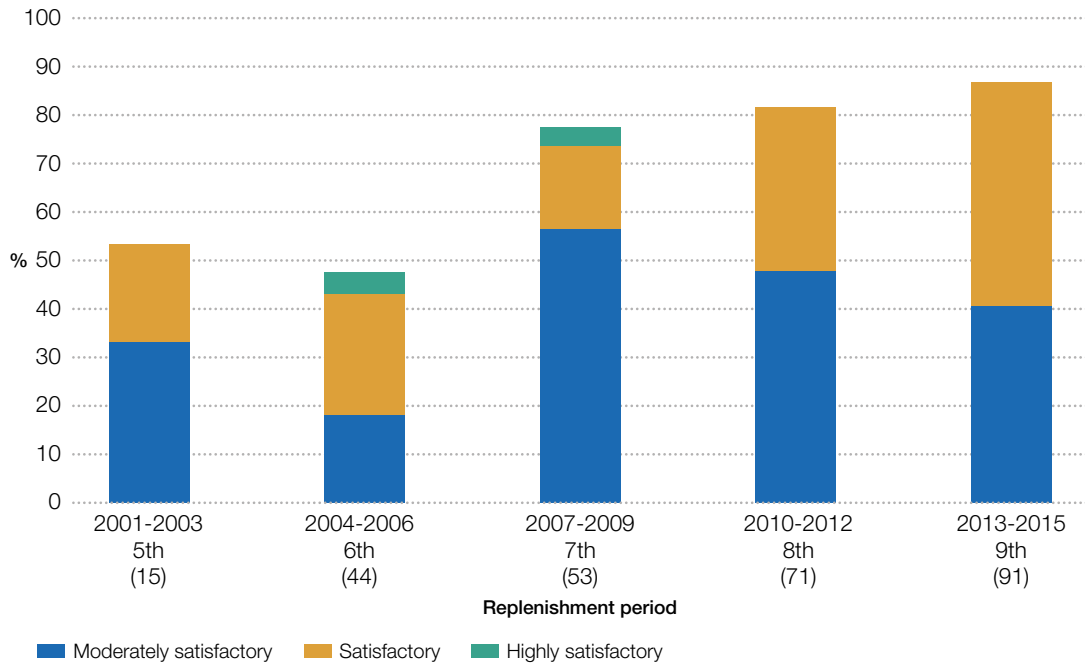


All evaluation data series by year of completion – three-year moving averages

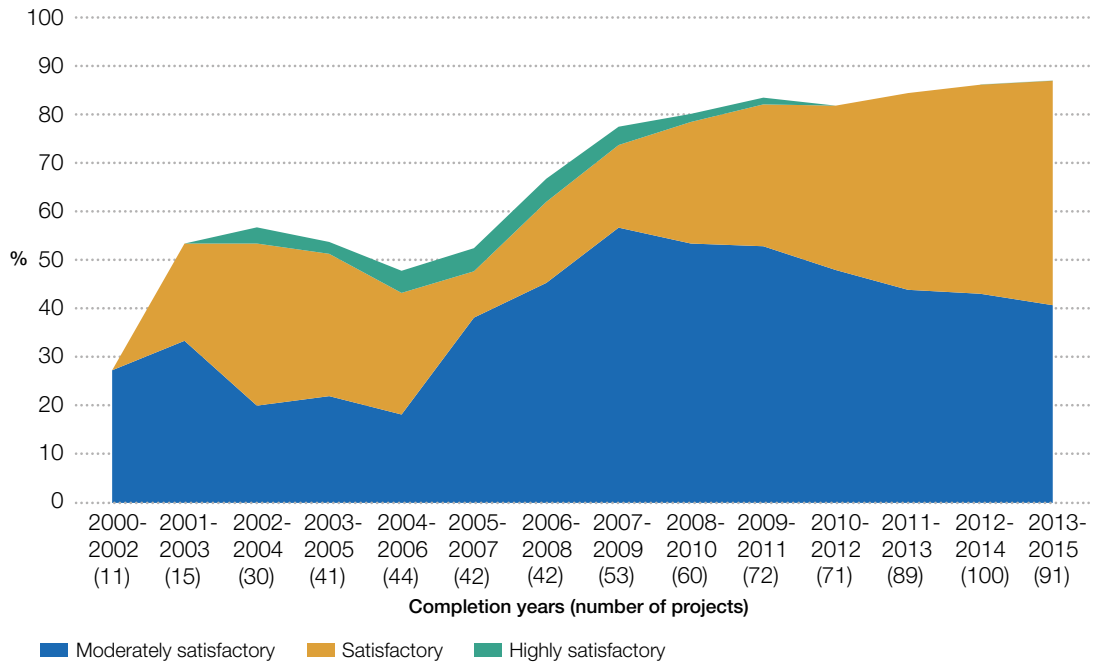


IFAD performance as a partner

All evaluation data series by year of completion – by replenishment period

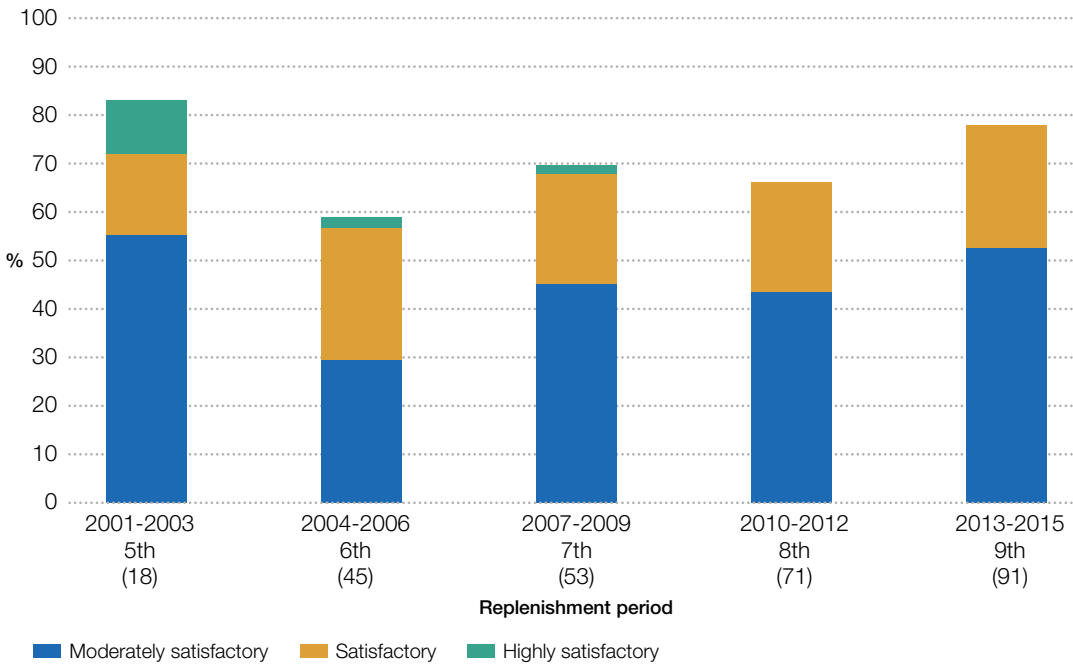


All evaluation data series by year of completion – three-year moving averages

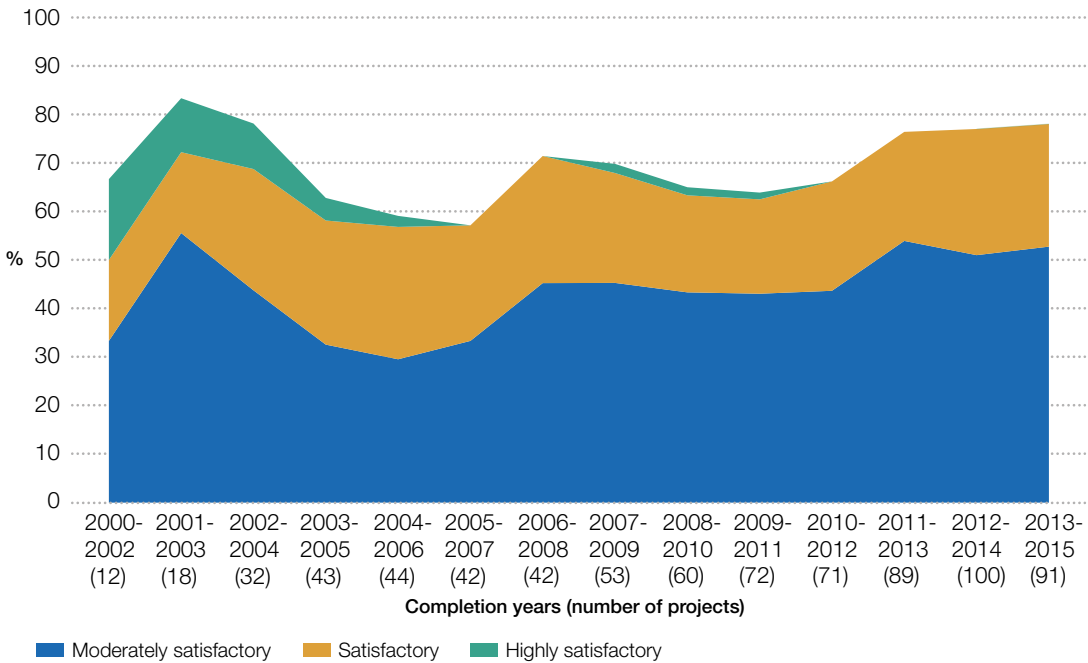


Government performance as a partner

All evaluation data series by year of completion – by replenishment period



All evaluation data series by year of completion – three-year moving averages



Annex 4 Number of projects per rating in the PCRV/PPE series

Absolute number of projects per rating in PCRV/PPE series

Evaluation criteria	<=6	<=5	<=4	<=3	<=2	<=1	Total
Relevance	3	63	74	16	1	0	157
Effectiveness	0	46	72	28	11	0	157
Efficiency	1	28	59	48	18	2	156
Sustainability of benefits	0	19	77	51	8	1	156
Project performance	0	22	86	38	11	0	157
Rural poverty impact	0	45	81	17	7	0	150
Innovation and scaling up	5	55	68	23	4	2	157
Gender equality and women's empowerment	6	51	68	23	4	0	152
Environment and natural resources management	2	18	70	28	4	0	122
Adaptation to climate change	1	16	70	23	10	0	120
IFAD performance	1	57	75	23	1	0	157
Government performance	1	33	76	33	14	0	157
Overall project achievement	0	40	83	23	10	0	156

Percentage of projects per rating in PCRV/PPE series

Evaluation criteria	<=6	<=5	<=4	<=3	<=2	<=1	Total
Relevance	1.9	40.1	47.1	10.2	0.6	0.0	100
Effectiveness	0.0	29.3	45.9	17.8	7.0	0.0	100
Efficiency	0.6	17.9	37.8	30.8	11.5	1.3	100
Sustainability of benefits	0.0	12.2	49.4	32.7	5.1	0.6	100
Project performance	0.0	14.0	54.8	24.2	7.0	0.0	100
Rural poverty impact	0.0	30.0	54.0	11.3	4.7	0.0	100
Innovation and scaling up	3.2	35.0	43.3	14.6	2.5	1.3	100
Gender equality and women's empowerment	3.9	33.6	44.7	15.1	2.6	0.0	100
Environment and natural resources management	1.6	14.8	57.4	23.0	3.3	0.0	100
Adaptation to climate change	0.8	13.3	58.3	19.2	8.3	0.0	100
IFAD performance	0.6	36.3	47.8	14.6	0.6	0.0	100
Government performance	0.6	21.0	48.4	21.0	8.9	0.0	100
Overall project achievement	0.0	25.6	53.2	14.7	6.4	0.0	100

Annex 5 Evaluations included in the 2017 ARRI

Type	Country/ region	Title	Executive Board approval date	Project completion date	IFAD loan (US\$ million)	Total project costs
Corporate-level evaluations	All	IFAD's Decentralization Experience				
Evaluation synthesis reports	All	Smallholder Access to Markets				
	All	What works for gender equality and women's empowerment – a review of practices and results				
	All	IFAD's support to scaling up of results				
Country strategy and programme evaluations	Democratic Republic of the Congo	Agricultural Rehabilitation Programme in Orientale Province ^a	13/12/2005	31/10/2013	15.53	26
		Agricultural Revival Programme in Equateur Province ^b	21/04/2004	31/12/2012	14.8	22.6
	Mozambique	Sofala Bank Artisanal Fisheries Project ^c	12/09/2001	31/03/2011	18.0	30.58
	Nicaragua	Programme for the Economic Development of the Dry Region in Nicaragua	10/04/2003	31/12/2010	14.0	10.64
		Inclusion of Small-Scale Producers in Value Chains and Market Access Project	12/09/2007	31/12/2015	3.9	21.7
Impact evaluation	Mozambique	Sofala Bank Artisanal Fisheries Project	12/09/2001	31/03/2011	18.0	30.58
Project performance evaluations	Bangladesh	Finance for Enterprise Development and Employment Creation Project	12/09/2007	31/03/2014	35.0	57.8
	Democratic Republic of the Congo	Agricultural Rehabilitation Programme in Orientale Province	13/12/2005	31/10/2013	15.53	26
	Egypt	West Noubaria Rural Development Project	23/04/2002	30/06/2014	18.48	54.75
	Malawi	Rural Livelihoods Support Programme	12/09/2001	30/09/2013	13.47	19.64
	Nicaragua	Technical Assistance Fund Programme for the Departments of León, Chinandega and Managua	09/12/1999	30/06/2013	14.0	20.6
	Philippines	Rural Microenterprise Promotion Programme	19/04/2005	31/12/2013	21.2	27.5

Type	Country/ region	Title	Executive Board approval date	Project completion date	IFAD loan (US\$ million)	Total project costs
PCRVs	Argentina	Patagonia Rural Development Project	02/12/2004	31/03/2014	20.0	29.0
	Azerbaijan	Rural Development Project for the North-West	13/12/2007	31/12/2014	17.2	32.3
	Bangladesh	National Agricultural Technologies Programme	13/12/2007	31/12/2014	19.55	84.75
		Sunamganj Community-Based Resource Management Project	12/09/2001	31/03/2014	22.0	34.3
	Benin	Rural Development Support Programme	12/12/2005	31/03/2012	10.0	14.79
	Burkina Faso	Small-Scale Irrigation and Water Management Project	13/12/2007	31/12/2014	11.0	19.1
	Burundi	Livestock Sector Rehabilitation Support Project	18/04/2007	30/06/2014	13.98 (grant)	17.81
	Colombia	Rural Microenterprise Assets Programme: Capitalization, Technical Assistance and Investment Support	14/09/2006	31/12/2013	20.0	32.1
	Comoros	National Programme for Sustainable Human Development	18/04/2007	30/06/2014	4.654 (grant)	7.166
	Congo	Rural Development Project in the Niari, Bouenza and Lékoumou Departments	20/04/2006	31/12/2013	8.4	20.8
	Djibouti	Programme for the Mobilization of Surface Water and Sustainable Land Management	13/12/2007	31/12/2014	3.0 (grant)	11.64
	Democratic Republic of the Congo	Agricultural Revival Programme in Equateur Province	21/04/2004	31/12/2012	14.8	22.6
	Ecuador	Development of the Central Corridor Project	02/12/2004	30/06/2014	14.8	24.3
	India	Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains	14/12/2006	31/01/2015	30.17	52.47
	Kenya	Smallholder Horticulture Marketing Programme	18/04/2007	30/06/2015	23.43	26.59
	Mali	Northern Regions Investment and Rural Development Programme	19/04/2005	30/06/2014	14.6	33.6
		Kidal Integrated Rural Development Programme	14/12/2006	30/09/2014	11.34	22.83

Type	Country/ region	Title	Executive Board approval date	Project completion date	IFAD loan (US\$ million)	Total project costs
	Mexico	Sustainable Development Project for Rural and Indigenous Communities of the Semi-Arid North-West	08/09/2005	31/12/2013	25.0	32.9
	Niger	Emergency Food Security and Rural Development Programme	15/12/2010	31/03/2014	6.50	38.72
	Nepal	Leasehold Forestry and Livestock Programme	02/12/2004	31/12/2014	10.49	12.77
	Sao Tome and Principe	Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme	26/04/2001	31/03/2015	9.97	13.45
	Solomon Islands	Solomon Islands Rural Development Programme	15/12/2010	30/11/2013	4.0 (grant)	30.40
	Syrian Arab Republic	North-eastern Region Rural Development Project	18/04/2007	31/03/2015	20.1	58.0
		Idleb Rural Development Project	11/12/2002	31/12/2014	17.5	46.1
	Tunisia	Integrated Agricultural Development Project in the Governorate of Siliana-Phase II	13/12/2005	31/12/2014	20.5	45.7
	Yemen	Rainfed Agriculture and Livestock Project	12/09/2007	30/09/2014	16.6	42.2

^a Evaluated in both the CSPE and PPE.

^b Evaluated in both the CSPE and PCRV.

^c Evaluated both in the CSPE and impact evaluation.

Annex 6 **Country strategy and programme evaluations completed and published by IOE (1992-2017)**

Division ^a	Country strategy and programme evaluation ^b	Publication year(s)
LAC	Argentina	2010
APR	Bangladesh	1994, 2006, 2016
WCA	Benin	2005
LAC	Plurinational State of Bolivia	2005, 2014
LAC	Brazil	2008, 2016
APR	China	2014
WCA	Democratic Republic of the Congo	2017
LAC	Ecuador	2014
NEN	Egypt	2005
ESA	Ethiopia	2009, 2016
WCA	Gambia (The)	2016
WCA	Ghana	1996, 2012
LAC	Honduras	1996
APR	India	2010, 2016
APR	Indonesia	2004, 2014
NEN	Jordan	2014
ESA	Kenya	2011
WCA	Madagascar	2013
WCA	Mali	2007, 2013
WCA	Mauritania	1998
LAC	Mexico	2006
NEN	Morocco	2008
NEN	Republic of Moldova	2014
ESA	Mozambique	2010, 2017
APR	Nepal	1999, 2013
LAC	Nicaragua	2017
WCA	Niger	2011
WCA	Nigeria	2009, 2016
APR	Pakistan	1995, 2008
APR	Papua New Guinea	2002

Annex 6 Country strategy and programme evaluations completed
and published by IOE (1992-2017)

Division ^a	Country strategy and programme evaluation ^b	Publication year(s)
APR	Philippines (the)	2017
ESA	Rwanda	2006, 2012
WCA	Senegal	2004, 2014
APR	Sri Lanka	2002
NEN	Sudan	1994, 2009
NEN	Syrian Arab Republic	2001
ESA	United Republic of Tanzania	2003, 2015
NEN	Tunisia	2003
NEN	Turkey	2016
ESA	Uganda	2013
APR	Viet Nam	2001, 2012
NEN	Yemen	1992, 2012
ESA	Zambia	2014

^a APR= Asia and the Pacific; ESA= East and Southern Africa; LAC= Latin America and the Caribbean;
NEN= Near East North Africa and Europe; WCA= West and Central Africa

^b The term country strategy and programme evaluation (CSPE) replaced country programme evaluation
for evaluations conducted in 2016.

Annex 7 **Response of IFAD Management to the 2017 Annual Report on Results and Impact of IFAD Operations**

Introduction

1. IFAD Management welcomes the Independent Office of Evaluation of IFAD's (IOE) 2017 Annual Report on Results and Impact of IFAD Operations (ARRI) evaluated in 2016. This is the first ARRI for the Tenth Replenishment of IFAD's Resources (IFAD10) period, and Management would like to express its appreciation to IOE for an informative and comprehensive report.
2. Management appreciates the opportunity to respond to the recommendations and suggestions contained in the report. The in-house learning event that gave staff an added opportunity to comment on the report prior to its finalization was also appreciated.
3. Management believes that the ARRI, along with the Report on IFAD's Development Effectiveness (RIDE) and the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), are important accountability, learning and transparency tools to increase the effectiveness, credibility and relevance of IFAD's operations.

Performance trends

4. Management is particularly pleased to note that trends in the performance of IFAD's operations are aligned between the ARRI and the RIDE. This is also a reflection of the increasing robustness of IFAD's self-evaluation methods and processes. In particular, the self and independent analyses of criteria for the RIDE and the ARRI both point to IFAD's high performance in certain domains such as scaling up, gender, IFAD's performance as a partner and rural poverty impact. However, during the same review period,

both self and independent evaluations note that efficiency, sustainability and natural resource management remain the weakest performing criteria.

5. As recognized by the ARRI, the projects included in the ARRI analysis are those completed through 2015 – some designed over 10 years ago – whereas a number of key management reforms have been introduced and operationalized since then. The full impact of the reforms introduced by Management will be reflected in portfolio performance through evaluations of the newer portfolio in future editions of the ARRI.
6. The ARRI notes that from 2007 to 2015, 75.3 per cent of the ratings from PCRVs and PPEs are moderately satisfactory (4) or better and 26.2 per cent are satisfactory or better. Additionally, Management is pleased to see that the 2017 ARRI finds lessons and scope the strongest performing criteria in PCRVs – and particularly the improved performance of lessons from 91.4 per cent rated moderately satisfactory or better in 2011-2013 to 94.2 per cent during 2013-2015.
7. On country programmes, Management notes the relatively weaker performance in non-lending activities as shown in the ARRI, particularly in partnership-building and policy dialogue. Consistent efforts are being made to improve performance in these areas, for instance by the recent issuance of a toolkit for strengthening policy engagement at the country level, and development of the Smallholder and Small and Medium-Sized Enterprise Investment Finance Fund (SIF) for enhanced partnership with the private sector.

8. However, as stated in the ARRI, IFAD's performance on scaling up and as a partner remain the highest as assessed by IOE. The report goes on to mention that scaling up is interlinked with performance in non-lending activities. Thus, Management would have liked to see a deeper analysis on the divergence between the two seemingly interlinked sets of ratings.

Moving beyond moderately satisfactory

9. Management is committed to improving performance to satisfactory and beyond. In order to do so, it has refined its approach, as defined in the paper on the business model for IFAD11, to more effectively transform resources into development results. The new business model elaborates IFAD's greater focus on doing development differently, with the goal of achieving greater impact on the ground and striving for better operational efficiency and effectiveness. In addition, there are the number of initiatives already in place, including: activities under IFAD's Development Effectiveness Framework (DEF); the new initiative on Operational Excellence for Results (OPEX); and establishment of task-based teams working on specific reform areas, including reviewing the design process, non-lending activities, South-South and Triangular Cooperation (SSTC) and targeting.

Methodology and process

10. Management would like to reiterate its concerns raised for last year's ARRI with regard to methodology. Management maintains that IOE should disentangle the project completion report validation (PCRv), project performance evaluation (PPE) and impact evaluation data sets in future ARRIs, as the amount of time and resources and the evaluation methodology and processes for the three types of products remain very different. To clarify, PCRvs are based entirely on a desk review, while PPEs and impact evaluations

use more in-depth methodologies and primary data collection in partner countries. This would lead to a more homogeneous analysis of the dataset and would also make it more credible and comparable with the RIDE, which uses only project completion report ratings for corporate reporting on project performance.

11. Moreover, Management encourages IOE to take into consideration Management's follow-up on key recurrent issues as reported in the PRISMA and the RIDE, prior to finalizing the ARRI. Management believes that the ARRI is critical to the organization's improvement and learning, and would like to use it as an opportunity to reflect on strategic issues with concrete recommendations that add value, beyond those made in other evaluation products for which Management has provided sufficient responses and follow-up actions.

Recommendations to Management

12. Management welcomes and appreciates the streamlined recommendations in the 2017 ARRI.
13. Management's detailed responses to the disentangled recommendations are provided below. Management looks forward to working with IOE through the upcoming second part of the harmonization agreement to further streamline the packaging of recommendations to ensure effective and adequate internalization.

IOE recommendation	Management response
1. Ensure that consolidation of IFAD9 achievements does not result in stagnation in IFAD10 and beyond.	
<p>1.1 This entails a holistic approach that improves articulation between the COSOP and the project pipeline, and reduces the gap between project design and implementation through the greater involvement of government afforded by a more-decentralized IFAD.</p>	<p>Agreed. Management has taken many steps to ensure that performance of IFAD operations does not stagnate in IFAD10 or beyond. In addition to IFAD’s refined approach, as defined in the paper on the business model for IFAD11, a number of key initiatives are under implementation: the DEF – with a number of activities, including reforming the RIMS, launching the Operational Results Management System, launching the Centres for Learning on Evaluation and Results (CLEAR) initiative, etc. – and a focus on improving operational efficiency through the initiative on OPEX, launched in 2017 by the President together with others. These are expected to improve performance of IFAD operations for the remainder of IFAD10 and beyond.</p> <p>Additionally, cross-divisional task teams have been set up to develop action plans for IFAD on youth, the private sector/rural finance, SSTC and reviewing and improving IFAD’s project design. The design task team is expected to finalize an action plan for reform of the design process by the end of 2017. Moreover, a disbursement study was conducted internally and a disbursement action plan developed to improve the disbursement process and the gap between design and implementation.</p> <p>Finally, IFAD’s corporate Results Measurement Framework has been converted from a results measurement to a results management instrument, to enable the organization to manage for better performance.</p>
<p>1.2 To initiate this paradigm shift, Management can set satisfactory or better targets for IFAD11 in areas of strength such as relevance, gender equality and women’s empowerment, and innovation and scaling up to lift performance above the current plateau.</p>	<p>Agreed. Management agrees that IFAD should aim for satisfactory or better performance in all criteria and is carefully monitoring IFAD’s development effectiveness based on disaggregated data on performance ratings through corporate performance reports linked to the medium-term plan.</p> <p>While Management strives to improve the performance of the portfolio to satisfactory and above, it would like to maintain the thresholds for targets to reflect the percentage of projects rated moderately satisfactory or better (4) for external reporting. Management believes that this is also in line with the practice of other IFIs and multilateral development banks through their results frameworks.</p> <p>Notwithstanding this, Management provides a disaggregated analysis showing satisfactory and above performance for all project performance criteria in the 2017 RIDE under RMF level 2.</p>

IOE recommendation	Management response
<p>2. Adopt transformative approaches that address the root causes of gender inequality and discrimination if IFAD is to contribute substantially to meeting the SDG of “leaving no one behind”.</p>	<p>Agreed. Management believes that this recommendation in the ARRI mirrors the recommendation made in the evaluation synthesis report (ESR) on gender equality and women’s empowerment completed in 2017. Management agreed to the recommendations made in the ESR and provided substantial follow-up actions. While Management is committed to internalizing the recommendations, it believes that showing progress against them requires time and thus repeating the recommendation in the ARRI in the same year as the ESR does not necessarily add value.</p> <p>As indicated in the ARRI, one of the areas of IFAD’s strengths is progress in gender mainstreaming and positive results achieved in empowering poor rural women in its operations.</p> <p>In line with the Sustainable Development Goals agenda, IFAD set targets not only to increase the proportion of projects in which gender issues are mainstreamed, but also to make interventions more transformative. Under IFAD10, it is suggested that 15 per cent of projects should be gender transformative and 90 per cent of projects rated as partial gender mainstreaming (moderately satisfactory, 4) or better on completion.</p> <p>In addition, IFAD’s new core indicators allow projects to capture progress against the three objectives of the gender policy (economic empowerment, voice and decision-making, and workload) by ensuring sex-disaggregation of indicators at individual and head-of-household levels.</p> <p>Key elements of the Women’s Empowerment in Agriculture Index (WEAI) are being considered in the design of the IFAD9 and IFAD10 impact assessment initiative. The WEAI enables measuring the empowerment of women engaged in agriculture and can provide elements for monitoring the impact of gender transformative theories of change.</p>

IOE recommendation	Management response
3. Systematize the three non-lending activities – knowledge management, partnership and policy engagement – to unlock their potential to scale up country programme results.	
<p>3.1 Objectives for non-lending activities must be formulated more selectively, and with clear internal linkages between the activities and the resources needed to undertake them. Non-lending activities must be integrated into country programmes and related processes (such as supervision, country programme review and rural-sector performance assessment).</p>	<p>Agreed. Management agrees with the need to systematize the non-lending activities in the portfolio. To this end, the results frameworks for COSOPs and the logframes for projects require specific output and outcome level indicators for non-lending activities where relevant, contributing to the overall goal and objectives of the country programme and project. These indicators are tracked throughout the project cycle and reported in COSOP results and completion reviews and in project completion reports.</p> <p>Furthermore, alongside lending activities, non-lending activities are an integral part of IFAD's holistic approach and enhanced business model for achieving impact at scale. This is especially important for IFAD's refined engagement strategy in MICs. More systematic attention and resources will be devoted to non-lending activities in the future, including by improving staff incentives and accountability for results.</p> <p>The proposed IFAD11 corporate Results Management Framework will include dedicated indicators to monitor and report on progress in non-lending activities, based on more robust data collection systems and assessment methodologies. This is a further reflection of the increased importance attributed to non-lending activities in promoting sustainable and inclusive rural transformation.</p>
<p>3.2 Technical and advisory support must be provided to country programme managers by relevant IFAD divisions, including those outside the Programme Management Department.</p>	<p>Agreed. Management agrees that it is important for country teams to draw on relevant IFAD divisions for support to non-lending activities. This is particularly important to ensure a link between the global/corporate approach and the country-level work being done in non-lending activities. The relevant divisions in IFAD – including the Partnership and Resource Mobilization Office (PRM), Global Engagement, Knowledge and Strategy Division (GKS) and the policy desk in the Policy and Technical Advisory Division (PTA), among others – are working on this and are already providing support to country teams through their participation in design/supervision and completion missions, as relevant, and through developing tools to assist country teams in better embedding non-lending activities into their portfolios.</p>

IOE recommendation	Management response
<p>4. Improve data granularity for selected strategic criteria to better monitor and enhance intervention approaches.</p>	
<p>4.1 Given the heightened focus on mainstreaming adaptation to climate change (CC) in IFAD10, supported by its separation from environment and natural resources management, there is a need to collect more tailored evidence to demonstrate achievements. Technological advancements, including in geospatial information and remote sensing, may provide cost-efficient opportunities for improved data quality.</p>	<p>Agreed. Strengthening self-assessment and impact measurement remains a key element of IFAD’s environment and natural resource management and CC interventions. IFAD will aim to exploit new opportunities within its portfolio to further develop the evidence base on the benefits and contributions of ENRM and climate resilience to poverty reduction. This will be done by capitalizing on advances in geospatial technologies and through global databases. ENRM and CC indicators will also be fully integrated into IFAD operational procedures and guidelines, including monitoring of and reporting the on Social, Environmental and Climate Assessment Procedures of IFAD (SECAP). Moreover, IFAD Management is already working on systematizing the use of information and communications technologies (ICTs) in projects for data collection, analysis and reporting, as well as for leveraging ICTs for promoting rural transformation.</p>
<p>4.2 Central to IFAD’s mandate, food security requires special attention to ensure that agricultural productivity leads to improved food security for IFAD’s target groups. This requires including metrics of food security in the formulation of country strategies and project design and in their monitoring.</p>	<p>Agreed. Management agrees that food security and agricultural productivity are central to IFAD’s mandate. In fact, two of the indicators at the impact level being captured by IFAD’s rigorous impact assessment initiative measure food security. Moreover, although IOE does not rate the subdomains for agricultural productivity and food security, but instead gives a consolidated rating for rural poverty impact, Management will continue to rate agricultural productivity and food security in project completion reports. In order to substantiate and justify the ratings provided, projects are required to include data to demonstrate progress made by the project’s interventions on these subdomains. Through rigorous review processes, Management ensures that sufficient data are available for agricultural productivity and food security.</p>

IOE recommendation	Management response
<p>5. Extend greater differentiation in financial management and fiduciary requirements to procurement, while supporting long-term national capacity improvement.</p>	
<p>5.1 In the short to medium term, IFAD must further differentiate fiduciary requirements based on the country context and risk profile. This requires an enhanced ex ante assessment of procurement risks at country, sector and agency levels, in return for a better-tailored approach to fiduciary requirements, notably for procurement. IFAD should continue to provide enhanced supervision and implementation support during project start-up and for projects deemed “at risk” or in countries with fragile situations. This can be fostered by strengthening the capacity of IFAD Country Offices and subregional hubs.</p>	<p>Agreed. IFAD recognizes that strengthening the effectiveness and efficiency of project procurement processes is a major priority. An internal Project Procurement Community of Practice was established in early 2017 to define the main priorities for advancing IFAD’s agenda in this area, and a senior project procurement expert has been engaged to support its elaboration and implementation. Key elements of the agenda include: review of IFAD’s project procurement oversight architecture and identification of options to strengthen it; introduction of a risk-based approach to oversight of project procurement; enhancing the technical capacity for procurement among IFAD and project staff.</p>
<p>5.2 In the long term, the goal is to contribute to strengthening financial management and procurement capacities of implementing agencies, possibly with the support of IFAD grants.</p>	<p>Agreed. Management agrees that strengthening and building country capacity in financial management and procurement is vital. Management will explore ways to use the grants window to develop programmes similar to the CLEAR initiative to systematically build in-country capacity in these areas. Learning from the roll-out of CLEAR will be important in informing the scaling up of that approach to other fields, including financial management and procurement.</p>

IOE recommendation	Management response
<p>5.3 Depending on the country context, and in collaboration with other partners, IFAD may support establishing permanent project management units responsible for all externally funded interventions in a specific sector or subsector.</p>	<p>Disagree. While Management agrees that a continuous project management unit would support implementation of IFAD projects, this would go against development theory and the principles and processes for achieving the objectives of the 2030 Agenda and the SDGs. In fact, to ensure sustainability in the long run, there is a drive to move away from the PMU model to a more integrated approach with greater country ownership and responsibility. In addition, decisions to have permanent PMUs lie with governments and are not mandated by IFAD. The Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008), the Busan Partnership for Effective Development Agenda (2011) and the 2030 Agenda all brought to the forefront the need for countries to maximize their ownership over their development agenda, and for donors to align with national priorities, processes and structures rather than establishing parallel structures for aid delivery. To that effect, Management has appreciated a number of cases in which some governments have been able to set up more structured multiprogramme country delivery mechanisms, which appears to be a better approach. Thus, while Management believes that a strengthened and consistent unit within the government structure would be beneficial in supporting overall programme delivery, parallel permanent project management units may not serve to promote long-term development in countries. Nevertheless, in the long run, Management remains committed to supporting and building national capacities to deliver effective and efficient programmes.</p>

Learning theme

Management welcomes the learning theme on targeting for the 2018 ARRI and takes note of the need to strengthen poverty targeting. It believes that this is timely in light of the internal review exercise of policies and strategies that also highlighted the need to update IFAD's policy on "targeting – reaching the rural poor". Management will benefit from IOE's analysis of this theme.

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