

issues paper

THE 2008 ANNUAL REPORT ON RESULTS AND IMPACT OF IFAD OPERATIONS (ARRI)

PROJECT-LEVEL MONITORING AND EVALUATION

WHO REALLY WANTS TO KNOW?

I. Background

1. The Annual Report on the Results and Impact (ARRI) of IFAD operations evaluated by the Office of Evaluation (OE) in 2006 identified the performance of M&E systems as a recurrent weakness in IFAD-supported projects and programmes. While IFAD has made, and is making, a significant effort in this area, weak M&E has been a characteristic of many IFAD projects. This year's ARRI will therefore include a specific section on the issue of M&E in IFAD-financed projects in order to contribute to the ongoing learning and reflection on this theme.
2. The focus is therefore on **project-level M&E systems**. It will not cover IFAD-corporate, country level or government-wide M&E. However, the linkages between project-level M&E systems and IFAD self-assessment processes are acknowledged. Similarly, project-level M&E systems have to be analysed within the broader context of country-level performance assessment, design of development strategies and budgeting.
3. Effective monitoring and evaluation (M&E) has long been recognised as key to effective project management¹. Recent years have seen increasing efforts to strengthen M&E systems more widely, for two main reasons. First, an increased emphasis on development results, as evidenced by the commitment to the Millennium Development Goals (MDGs) and the increased pressure on international donors to demonstrate the results of the larger volumes of aid for which they are responsible. And second, an increased emphasis on strengthening government-wide M&E systems as part of a general adoption of improved public sector management tools. Governments worldwide are under pressure from electorates to do more with less, and to account better for their performance.
4. The objective of this paper is to provide a brief overview of the issues as a basis for discussion with IFAD staff during the "ARRI Workshop on Project-level M&E systems" that will be held on 30th May. This issue paper and the input from IFAD staff gathered during the workshop will contribute to the forthcoming institution-wide initiative for strengthening project M&E systems².

II. Definition and context

5. The OECD (2002) defines monitoring and evaluation as follows:

Monitoring is a continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of progress and achievement of objectives and progress in the use of allocated funds.

¹ The IFAD "Guide for Project M&E" (IFAD, 2003) regards M&E system as the heart of *managing for impact*, this means *responding* to changing circumstances and increased understanding by *adapting* the project so that it will be more likely to achieve its intended results.

² This initiative will be undertaken by OE in close partnership with the IFAD Programme Management Department (PMD).

Evaluation is the systematic assessment of an ongoing or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful ... Evaluation also refers to the process of determining the worth or significance of an activity, policy or program.

6. Monitoring and evaluation are distinct yet complementary activities. Monitoring provides the ongoing 'what, where and who for'. Evaluation provides the periodic 'why'. The combined value of M&E lies in the information it provides about the performance of a project or programme: what works, what does not, and why. It is central both to the effective management of the project and to its wider governance.
7. M&E has evolved over the past two decades. Traditional M&E had a project implementation focus and an emphasis on inputs and outputs. Today, a complete results-based M&E system needs to identify, track and analyse performance at all levels of the logical framework. This shift emphasis of monitoring activity to the purpose and the goal level of project intervention³ requires moving beyond relatively easily available and internal information systems. This implies identifying reliable feedback mechanisms from beneficiaries, establishing partnerships with researchers and/or technical experts, solving methodological issues related to how to measure project results, etc. These all have significant capacity implications in contexts where data availability and capacity is thin.

III. Wider evaluation findings and guidance

8. Lessons from strengthening government M&E systems show first and foremost that there is a need for a substantive **demand** for M&E information. Real demand must exist or be created. Use is key: M&E systems have no value unless the information they produce is used to improve performance. This will only happen where there is a minimum of interested stakeholders and associated commitment. The unfortunate reality is that where governance is weak – as it is in many places where IFAD works - M&E demand will also be weak.
9. An important aspect of the demand side is a strong **incentive** for the conduct and use of M&E, either for accountability or learning or a combination of these. The behaviour of individuals and organisations is governed by the rules and incentives within which they are expected to behave. The reality is that most incentives and penalties in the domestic or international public sector attach to the formulation, approval and early implementation of programmes. Much less weight is given to the monitoring and evaluation of results, let alone the feedback loop to new programmes.⁴
10. Ensuring that the M&E information is **relevant** to M&E system stakeholders is a key aspect of demand. One of the best ways of ensuring this is by engaging the intended users (staff and beneficiaries) in the definition of the programmes and aspects of performance to be covered. The greater their level of involvement in this and subsequent stages, the higher their sense of ownership and likely receptiveness to the M&E findings.⁵
11. M&E is intrinsically challenging and requires a level of **technical capacity** often unavailable in developing countries. The challenge is greater in poorer countries and in post-conflict situations. The reality is that many countries lack the required capacity.⁶ Equally, there is a realisation that the development and institutionalisation of an M&E system is a major, long-term endeavour, and that there is not a single correct way to go about building an M&E system. Related capacity development processes should usually be partial and incremental, rather than linear and whole-of-government, and need to extend far beyond technical training.
12. Despite the importance of technical capacity, the significance of a **non-technocratic perspective** is frequently stressed. M&E systems are often viewed in narrow, technocratic terms. But a technocratic emphasis is highly inadequate if it ignores the factors that determine the extent to which M&E information is actually used. Similarly, the building of M&E capacities needs to go beyond the knowledge and skills of individuals to include organisational aspects (i.e. M&E function within the overall organisational structure, human resources, financial management) and issues of the enabling environment (including structure of power and influence) in which they are embedded.

³ As per definition in the Glossary of the IFAD Guide for M&E, the results achieved at the level of purpose in a project hierarchy of results are part of impact.

⁴ World Bank (2005); Building country capacity for M&E in the public sector: selected lessons of international experience. ECD Working Paper 13. IEG, World Bank.

⁵ World Bank (2006) Experience with Institutionalising M&E systems in Five Latin American Countries. ECD Working paper 16. IEG. World Bank.

⁶ FAO (2008). Tracking Results in Agriculture and Rural Development in Less-than-ideal Conditions. Draft Sourcebook. GDPRD, World Bank, FAO.

13. Moreover, Kusek & Rist⁷ highlight the political aspects of the process of M&E capacity development. Capacity development processes need to find a best fit with the particular circumstances of a country, sector or organisation under consideration. It needs to be a highly flexible process⁸. This stress on achieving a 'best fit' with the context is also highlighted in recent work on strengthening government M&E systems⁹. This identifies the importance of a **powerful champion** and **stewardship of the process by a capable ministry**¹⁰. These success factors will not always be present.

14. Systems need to be pragmatically tailored to the specific context, capacity and requirements. This generally means '**keeping it simple**'. Over-engineering is a common mistake. For example, it is generally better to focus on a few simple priority indicators rather than try for an optimal set. Simplicity and clarity are the key to the definition of good indicators, and for robust M&E systems that are likely to work and be sustained.

15. A final, and increasingly important, issue relates to **coordination and harmonisation**. Donors have been the strongest advocates and supporters of improved M&E systems and capacities. However, in many cases their efforts have been counter-productive because of coordination failures. Donor supported M&E efforts at the project level need to be designed and implemented as a contribution to wider improvements in M&E capacity, systems and use.

IV. IFAD evaluation findings

16. The External Review of IFAD undertaken in 2002 identified strong project M&E systems followed by rigorous independent evaluation as the "basic building blocks for assuring quality control and maximising results and impact". While important progress has been made since then in terms of strengthening of the independent evaluation function, the concern about weak M&E systems in IFAD-financed projects has been a recurrent theme of evaluations. The Independent External Evaluation in 2005 reported that IFAD had a poor record of data collection and self-evaluation, and weak arrangements for project M&E. This was judged to have affected lesson learning and knowledge management.

17. All the ARRI's produced so far mention weak M&E systems. Recurrent criticisms include:

- **Limited scope.** The most frequent criticism of M&E systems in IFAD projects relates to the type of information included in the system (*what to monitor*). Most of the IFAD projects collect and process information on the project activities (outputs level). The *average* IFAD project does not provide information on results achieved at the purpose or impact level. The M&E system of the Tafilalet and Dades Rural Development Project in Morocco only focused on financial operations and could not be used for impact assessment. A similar criticism was flagged in the Pakistan Country Programme Evaluation (CPE).
- **Complexity.** In the Pakistan CPE, cases were reported of contradictory logical frameworks combined with arbitrary and irrelevant indicators. In Belize, two different logical frameworks were generated which increased confusion and complexity. The 2007 ARRI also found unworkable M&E systems with numerous indicators and reporting requirements.
- **Low data quality.** In the Albania Mountain Area Development Programme, inaccuracies have been found in data collected by water users association. Data provided by project itself was generally robust.
- **Weak institutional capacity.** IFAD projects are often undertaken in remote areas where the competencies of these agencies tend to be weaker. Continuous and focused support by

Factors for successful M&E system

- ✓ Political will and appropriate organisational arrangements within the implementation unit
- ✓ Involvement and motivation to participate among project stakeholders
- ✓ Conceptual and operational clarity of the project and assumption to change
- ✓ Simple, gradual and flexible system
- ✓ Use of tools appropriate to needs and capacities
- ✓ Forums for feedback and use of information by multiple actors
- ✓ Usefulness of information generated by M&E
- ✓ Consider external consultants not only as experts but also as facilitators and trainers.

Source: PREVAL (2008)

⁷ Krusek, J.K., and Rist, R.C., (2004). Ten Steps to a Results-Based Monitoring and Evaluation System. World Bank.

⁸ DAC (2005). The Challenge of Capacity Development: Working Towards Good Practice. DAC Network on Governance.

⁹ Mackay, K., (2007). How to Build M&E Systems to Support Better Government. IEG. World Bank.

¹⁰ For example, in Chile, the Ministry of Finance progressively developed a government-wide M&E system. The Ministry commissions the evaluations externally to academics and consulting firms. Ministry officials use evaluation findings as input to budget decision making.

IFAD is required for addressing project management competencies in all the processes related to M&E (data collection, analysis, reporting, etc.).

- **Inadequate resources.** Lack of adequate financial resources affected the performance of M&E. The Ethiopia CPE found that project appraisal documents made limited provision for systematic baseline and subsequent beneficiaries surveys. The budget implications of baseline surveys, setting up and management of M&E were systematically underestimated.
- **Lack of baseline surveys.** In one project in Ethiopia, the baseline survey was carried out 2-3 years after projects start-up. The late undertaking was combined with the fact that they were not designed by taking into account specific project activities. For this reason, they were of limited use for M&E of project performance.
- **Lack of use.** The Philippines Western Mindanao Community Initiative Project (WMCIP) was characterised by a well-functioning M&E system. However, the evaluation found M&E initiatives were not integrated with project operations to guide the adjustment of strategies and/or delivery mechanism. As a result, they were not very useful for project management.

18. There are examples of evaluated projects with sound M&E systems. These include the Philippines WMCIP and the Participatory Irrigation Development Programme in Tanzania. The M&E system of the Community Based Rural Development Project in Burkina Faso, which was supported by a specific \$4.2 million grant from Denmark, was found to be adequate and innovative. It operated at three levels: (i) monitoring of outputs with community participation and supported by local facilitators, (ii) evaluation of outcomes, by means of annual surveys and (iii) evaluation of impact at national level through national socio-economic surveys¹¹.

V. M&E initiatives in progress

19. It is important to recognise the initiatives that have been undertaken, and are still underway, for strengthening the performance of M&E systems in IFAD financed-projects. These can be grouped in the following main categories:

- **Corporate-level initiatives.** During last few years, one of the most important corporate initiatives for strengthening project M&E systems was the development of the "Guide for Project M&E: Managing for Impact in Rural Development" (2003) by OE. This was the outcome of a thorough review of institution-wide M&E experience during previous ten years.
- **Regional-level initiatives.** These include the Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean (PREVAL); the regional Programme for Capacity-Building in Managing for Results and Impact (CaMaRI) in the Near East and North Africa; the Programme to Support IFAD-funded Projects' Monitoring and Evaluation Systems in the Western and Central Africa Region; the Regional Programme for Strengthening Management for Impact (SMIP) in Eastern and Southern Africa Division; and the Monitoring and Evaluation Capacity Building Initiative for Projects in the Asia and the Pacific Regions.
- **Project-level initiatives.** Several initiatives of technical assistance and implementation support have been undertaken on an ad-hoc basis by Country Programme Managers for improving the design and supporting the management of M&E systems in IFAD-financed projects.

20. Furthermore, during last few years several activities at corporate, regional and project level have been undertaken for mainstreaming the Results and Impact Management System (RIMS)¹². These included the complete methodology and guidelines for baseline surveys (January 2006), guidelines for facilitating reporting of first- and second-level indicators (November 2007), training programmes and provision of technical assistance.

VI. Issues going forward

21. An initial round of discussions within IFAD has confirmed that project M&E system remains problematic. However, three points were stressed. First, while the situation is improving, the initiatives in train may not be sufficient. For example, there are very different views on the pros and cons of the M&E Guide and RIMS.

¹¹ Interestingly, preliminary findings of the joint IFAD – African Development Bank evaluation shows that satisfactory performance of M&E systems is not correlated with satisfactory project performance. It is not possible to assess whether this correlation implies causality. Nevertheless, this may highlight a general situation of well-functioning M&E systems which generate knowledge that is not used for improving project performance.

¹² This system was designed in September 2003 and it is the framework adopted by IFAD for measuring and reporting the results of its financed projects (EB 2003/80/R.6).

Second, the context and performance of M&E systems is highly varied. This needs to be acknowledged more in design and implementation. And third, there is little consensus on the reasons for weak M&E performance.

22. One way of analysing the issue is to employ a supply-demand model. The **supply** of good quality M&E information on inputs, outputs, outcomes and impacts depends on the capacity to put in place and manage an effective M&E system. Supply-side conditions are arguably the more tractable of the two, and have received more attention. The capacity of the system to generate useful information requires appropriate methods and tools; staff with the necessary skills and experience; technical support; and adequate financial resources. However, while this is easy to list, it is clearly less easy to deliver. Adequate human and financial resources need to be available at the right time. Early implementation is a critical period. A balance of capacity also needs to exist in both IFAD and in its partners, particularly where projects are implemented in difficult contexts and with weak institutions.

23. Acting on the supply side alone of the M&E equation may however generate a perverse effect on the actual ownership of M&E systems. Overemphasising the technical aspects of M&E and driving the generation of information (e.g. through expensive and unused surveys) as an inherent “good-thing” increase the perception that M&E is a donor (or senior management) concern with which the borrowers (other IFAD staff) have to comply. While M&E expertise and capacity to generate information is necessary, there need to be strong incentives for M&E to be done well and in particular for M&E information to be actually used by stakeholders at all levels¹³. Project M&E systems should produce knowledge that is considered valuable and relevant by key stakeholders; can be used to manage, learn from, and report on project activities; and is used to improve the performance and results of current and subsequent projects, use is ultimately the only test that matters.

24. Acting on the demand side of the M&E equation is therefore fundamental. The **demand** for M&E information depends on the characteristics and behaviour of the stakeholders who are expected to use the knowledge generated by the M&E system. Demand is largely determined by the culture and incentives of individuals and organisations involved.

25. Different stakeholders will attach different importance to measuring results or to different types of information (quantitative or qualitative; outputs or outcomes; etc.). Different incentives and interest will apply for different actors and for different types of information. The IFAD Executive Board, Senior Management, Country Programme Managers, Government Officials at different levels, in-country partners, implementing agencies, and beneficiaries are likely to have very different views, priorities and incentives. These can be determined by cultural conditions, time-horizon of accountability, relationship with other processes (e.g. performance budgeting), etc. Understanding and addressing underlying structures and incentives should be a key part of any M&E system diagnosis and design. Until recently, IFAD has had limited direct opportunity to understand the system of demand and incentives among country stakeholders and institutions. This may be changing with the shift to direct supervision and an increased country presence.

26. Supply and demand constraints can also interact, as in RIMS. Project reporting of RIMS first-level results (outputs) is generally good, partly because it is easier, but also because of the high interest of project stakeholders in keeping track of the activities implemented and outputs achieved. Assessing whether high-level results (outcomes and impacts) are being achieved, and making use of that knowledge, has both cultural and political dimensions and has proved more difficult. Greater commitment and leadership is needed to support studies of outcomes and impact, especially where feedback from beneficiaries is involved. Limited capacity to undertake and analyse these types of studies may further negatively affect the interest of decision-makers for this type of study.

27. The challenge for IFAD is to disaggregate and understand the mix of supply and demand conditions that explain the variable performance of different levels of M&E in different contexts. Acting on the supply side alone may not be sufficient for promoting use of M&E knowledge. In addition, the importance of incentives should be acknowledged. Analysing and acting upon the different incentives that affect the demand for M&E among different stakeholders within IFAD and its partners is likely to be fundamental to understand the reasons for M&E performance and mobilise the appropriate instruments for support .

¹³ Mackay, K., (2006). Institutionalizing M&E Systems to Improve Public Sector Management. ECD Working Paper Series # 15. Independent Evaluation Group and the Thematic Group for Poverty Analysis, Monitoring and Impact Evaluation. The World Bank.

VII. Issues for discussion

28. This paper proposes the following main issues/questions for discussion at the workshop:
- **What factors explain the weak performance of M&E systems in many IFAD projects?**
 - **Given these factors, are the initiatives undertaken so far sufficient, and how can they be improved?** How can better use be made of existing tools such as the “Guide for Project M&E”? To what extent can RIMS contribute to strengthen project M&E systems?
 - **How can IFAD best address M&E supply issues?** Capacity constraints in all processes associated with an M&E system are real, particularly in more difficult countries and areas. Is IFAD doing enough in the right way to meet capacity and other constraints?
 - **How best can IFAD address M&E demand issues?** Increasing the demand for M&E is key. What can be done to increase the incentives, and thereby demand, within IFAD and its partners for M&E? What new opportunities are available under IFAD direct supervision?
 - **How can IFAD ensure that its efforts to improve project-level M&E contribute to and link with wider efforts to improve M&E at sector and country level?** How should IFAD work to support project M&E systems in an evolving development context where coordination and harmonisation matter, and the aid architecture and modalities are changing (e.g. sector-wide approach, national programmes, etc.)?