

issues paper

THE 2012 ANNUAL REPORT ON RESULTS AND IMPACT OF IFAD OPERATIONS (ARRI)

POLICY DIALOGUE

I. Introduction

1. Given the relatively small financial resources of IFAD, the projects it finances are meant to be vehicles to achieve broader institutional and policy impact for rural poverty alleviation in its partner countries. Policy dialogue, therefore, is an important strategic goal for IFAD. This approach is outlined in various documents and reiterated most recently in the IFAD Strategic Framework 2011-2015 which states that “*improved policy and regulatory frameworks at the local, national and international levels*” and “*strengthened in-country institutional capacities for pro-poor agricultural and rural development*” are among the key outcomes IFAD expects to achieve through “*policy dialogue and advocacy initiatives ... involving governments, rural producers’ organizations, other donors or other partners*” (p. 35). The report to the Governing Council on the 9th replenishment of IFAD’s resources (February 2012) explicitly links effective policy dialogue to IFAD’s core objective of scaling up.
2. Despite this explicitly stated intention, however, IFAD has had only limited success in conducting effective policy dialogue at the country level as concluded by most of the country programme evaluations (CPEs) in recent years. The CPEs provide varied reasons for this, including some systemic factors. This paper explores the issue in greater detail with the objective of identifying lessons, good practice examples and possible actions IFAD could take to improve performance in this area. It is based on: (i) a review of 18 CPEs completed in the last five years (2007-2012) and selected IFAD strategy documents (annex 1), (ii) interviews with selected IFAD staff and managers in order to understand and draw from their perspectives (annex 2), and (iii) discussions with a few staff from other multilateral organizations to draw from their experiences with policy dialogue that could be relevant for IFAD (annex 3). The paper is intended to provide an input for a learning workshop of IFAD staff and managers to be held on September 11, 2012. As such, it raises a number of issues and suggestions for discussion during the learning workshop. The conclusions from the discussions during the learning workshop would be reflected in the 2012 ARRI.
3. It should be noted that this paper deals only with policy dialogue at the country level. IFAD also carries out policy dialogues within its mandate at regional and international fora. These are important corporate-level activities. An assessment of these is beyond the scope of this paper.
4. The paper is organized as follows: section II discusses the assessment of policy dialogue from the CPEs; section III summarizes the perspectives emerging from

interviews with IFAD staff and managers; section IV describes the experience of other international financial institutions (IFIs) with policy dialogue; and section V provides a list of issues arising from the review that could be the basis for discussion in the learning workshop.

II. Policy dialogue assessment in CPEs

5. The table below summarizes the assessment of the 18 CPEs reviewed against the various assessment criteria. For policy dialogue, only one CPE (Argentina) rated policy dialogue to have been fully satisfactory (indeed 'highly satisfactory'), nine 'moderately satisfactory' (4), six 'moderately unsatisfactory' (3), and two (Brazil and Pakistan) as 'unsatisfactory' (2). Thus, almost 50 per cent of CPEs rate policy dialogue to be below the line. Indeed, with an average rating of 3.6, policy dialogue is the lowest rated aspect of the country programmes. But even this may understate the problem. A careful reading of even the nine CPEs that rate policy dialogue as 'moderately satisfactory' indicates considerable ambivalence about effectiveness in this dimension, with significant identified weaknesses.

Table: CPE performance ratings

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
	Argentina	Brazil	Ethiopia	Ghana	India	Jordan	Kenya	Mali	Morocco	Mozambique	Niger	Nigeria	Pakistan	Rwanda	Sudan	Uganda	Vietnam	Yemen	Average score
Performance of projects	3	4	4	4	5	4	4	4	5	4	3	4	4	5	4	4	5	4	4.1
Policy dialogue	6	2	4	4	4	3	3	3	3	4	4	4	2	3	3	4	4	4	3.6
Knowledge management	5	3	3	3	4	4	5	3	5	3	4	3	3	4	3	3	4	4	3.7
Partnership building	4	3	5	4	3	4	4	3	4	4	5	4	4	4	3	5	4	4	3.9
Non-lending	5	3	4	4	4	4	4	3	4	4	4	4	3	4	3	4	4	4	3.8
Rural poverty impact	5	5	5	4	5	3	5	4	5	4	4	4	4	5	4	4	5	4	4.3
Country strategic opportunities programme performance	4			4	5	3	4			5	4			5		4	5	4	4.3
Sustainability	4	4	4	4	4	4	4	3	4	3	3	4	3	4	3	3	4	4	3.7
Innovation	4	4	5	4	5	3	4	3	4	4	5	5	4	4	4	4	5	4	4.2
Overall portfolio assessment	3	4	4	4	5	3	4	4	4	4	4	4	4	5	4	4	5	4	4.1

6. The CPEs provide a variety of rationale for the low ratings of policy dialogue, including:
- The country strategic opportunities programmes (COSOPs) invariably indicated a large and ambitious agenda for policy dialogue but without specifying the implementation details.** There was a lack of realism about what IFAD could accomplish. For example, the Jordan COSOP (2007) specified the following areas for policy dialogue: water policy; land tenure and usufruct rights on the rangelands; establishing a national fund for rainfed areas;

support to farmers' organizations; agricultural marketing; microfinance; pro-poor extension; and climate change adaptation strategies. A large part of this agenda was unrelated to the projects IFAD was financing. Not surprisingly IFAD was unable to pursue policy dialogue in any of these areas to any tangible extent. In Ghana, the policy dialogue agenda included, inter alia, rural finance, water rights, formulating a new forestry act, a new microfinance bill, inputs in an agricultural adjustment loan by the African Development Bank (AfDB) and the World Bank, and improving project management, accounting and auditing, and monitoring and evaluation (M&E). The CPE found no evidence of significant IFAD role in practice in these areas, while also questioning the feasibility of including areas such as forestry in the policy dialogue agenda where IFAD had rather limited experience. Overall, most COSOPs essentially presented a long "wish list" of policy dialogue.

- ii. ***None of the COSOPs discussed the resources needed to carry out the policy dialogue. As a result, policy dialogue in practice received only marginal attention.*** The Pakistan CPE describes the problem for all country programmes. It notes: "Effective policy dialogue needs resources, and in Pakistan – as in many other programmes supported by IFAD – they are clearly absent. Budget attention to policy dialogue would have a number of advantages. One such advantage might be that once something becomes a line item in a budget and has to be regularly reported on, it is more likely to become important from the operational standpoint" (p. 48).
- iii. ***Much of IFAD focus during implementation was on projects with little attention to conducting dialogue on broader sectoral policy and institutions, even when these were critical to assure sustainability or scaling up.*** The CPE for Pakistan notes that even while IFAD was supporting some very successful interventions, it made no attempt to feed the experience to shape government's policy and institutional agenda. In Jordan, after 18 years of support for three investment projects in soil and water conservation, IFAD made no attempt to conduct a dialogue on scaling up, and did not consider it within its purview to raise questions when the Ministry of Agriculture changed its subsidy policy that could potentially impact project sustainability.
- iv. ***There was insufficient effort made to draw and disseminate lessons from project experiences.*** The knowledge management activities were often not focused and did not feed into policy dialogue aspirations as they could and should have. In some cases (e.g. Kenya), IFAD operations were spread over too many subsectors to allow meaningful drawing of lessons. As noted above, even when there were useful lessons to be drawn from project-level success, there was insufficient attempt to disseminate lessons. Assessments of knowledge management with an average rating of 3.7 was the next lowest of all ratings after policy dialogue (see table).
- v. ***Few country and regional grants from IFAD were used to feed into policy dialogue.*** There were some exceptions to this general finding. In Latin America, the countries of the Common Market of the South (MERCOSUR) provide a notable example of the effective use of grants for this purpose that led the Argentina CPE team to give policy dialogue a rating of '6' (see box).¹ In Jordan, a series of regional grants for integrated crop-livestock projects (cofinanced by the Arab Fund for Economic and Social Development) were implemented in three successive phases from 1989 to 2009 by the

¹ A rating of '6' implies "best practice" to be emulated. This is perhaps too generous a rating since the success in Argentina was primarily because of opportunistic provision of grants to an institution that was already well established and not something that was planned as a part of a COSOP. Nevertheless, it was no doubt a success and does offer some useful lessons.

International Center for Agricultural Research in the Dry Areas, the International Food Policy Research Institute, and in Jordan by the National Center for Agricultural Research and Extension. They developed technological, institutional and policy options for better crops-rangelands-livestock integration in low-rainfall areas. However, in most cases grants were generally project-specific or supported discreet technical activities and not policy dialogue on the topics indicated in the COSOP. A regional grant to the regional office in Thailand of the Food and Agriculture Organization of the United Nations is one of the few examples from the available documents of the use of such grants for policy dialogue on pro-poor rural development; however, the small amount of the grant and the large number of countries to be covered (8), including major countries like India and China in the grant, raises doubts about its prospect for success. As a result, while somewhat better than the assessments for policy dialogue and knowledge management, performance of grants (normally covered under 'non-lending services' in CPEs) was rated as 'satisfactory' in only two of the 18 CPEs and 'moderately satisfactory' in another 12. CPEs point to the potential of a more strategic use of grants to support policy dialogue.

Box: Policy dialogue in MERCOSUR – A success story

IFAD has been supporting policy dialogue on rural development in the Southern Cone through a series (five in all since 1999) of successive sub-regional grants to the IFAD-MERCOSUR program. This program aims to support the interests of family farmers in the sub-region as part of the negotiations in the REAF (Specialized Meeting on Family Agriculture) of MERCOSUR.

IFAD-MERCOSUR was carried out in two phases: the first served to promote the convergence of smallholder farmers policies among member countries; the second-in progress-, to promote the effective participation of associations of small farmers in decision-making processes on rural development policies in member countries.

Argentina and Brazil, both founding members of MERCOSUR have actively participated in meetings of the REAF. Thus the IFAD-MERCOSUR grants have had a direct impact on policy dialogue in both countries.

In Argentina the debate over rural poverty that these activities generated in the country, the participatory approach of the Government and the activities of rural associations in search of political participation led the Government of Argentina to create the FONAF (National Forum on Smallholder Agriculture) in 2006. This national forum brings together more than 900 small and medium rural producers around the country associated with about 180 thousand families and provides a fundamental platform to discuss development policies in this sector.

IFAD's support to facilitate the participation of producer associations is an important element in strengthening this dialogue. REAF is the only place today in MERCOSUR which allows civil society to participate in discussions and decisions of the intergovernmental body.

The contribution of the REAF secretariat to successes in policy dialogue (through the provision of technical support, strategic and logistical operation of the REAF) must be acknowledged. The Secretariat is based in Montevideo, Uruguay, and has been funded through various IFAD grants. It operates under the coordination of IFAD country programme manager for Argentina. From 2012, the Technical Secretariat will cease operations and functions will be assumed directly by the MERCOSUR, funded through Family Farming Fund of MERCOSUR.

- vi. ***Overall, weak performance of policy dialogue appears to be correlated to relatively weak performance of knowledge management and grants.***
- 7. Despite overall weak performance of policy dialogue at the country level, there were individual cases of success cited in several CPEs. The most common theme in successful examples were where IFAD was able to draw from project experiences and infrastructure to influence a specific policy, introduce a new concept, or

influence design of government programs outside the projects. In the case of Ghana, IFAD used the project management units located in different government departments as a basis for knowledge sharing among ministries. In Brazil, IFAD-funded successes of the Dom Hélder Câmara Project led to the federal Ministry of Agrarian Development agreement to a national campaign for identity cards for rural women, in order to improve their access to credit, land and other resources. In India, based on the use of women's self-help groups for rural poverty alleviation in a range of IFAD-funded projects, the Government began using this instrument in domestically financed rural development initiatives.

8. In some cases, IFAD's successful project experience provided the basis for IFAD's policy advocacy function on behalf of marginalized groups. In India, IFAD project experiences were used by advocacy groups at the local level to give equal rights to husbands and wives in tribal areas. In Yemen, IFAD contributed to bring marginalized areas into policy mainstream. In Mali, IFAD support to farmers' associations raised issues of public-private partnerships, which then spawned elements of a new farm bill, reinforcing the vehicles through which donors in the following 15 years have been able to work.
9. A slightly different country example where project presence and experience were used to conduct policy dialogue at the local level was in India: the government monitored local legislation and raised issues for the tribal areas where the projects were located. This approach of supporting lobbying and advocacy for the communities covered in a project is another way in which IFAD has performed well in policy dialogue. Much headway was made in terms of giving land rights equally to husband and wife in tribal areas. It also corresponded with a movement in India towards greater recognition of non-governmental associations (NGOs) and outside groups. The country programme evaluation notes "Contributing to national policy debate in a large country like India requires, inter alia, the ability to undertake or have access to analytic work on key policy issues, knowledge management, and a sufficient presence at an appropriate level to gain access to high level policy platforms." It is essential to have country specific project track records, as well as the knowledge management and ability to access partnerships with the right stakeholders to dialogue with.
10. Such examples cited in several CPEs indicate that it is possible for IFAD to have an impact on policies through policy dialogue. The main challenge is whether and how such occasional and episodic instances can be made a systematic part of IFAD's activities in the country consistent with the intentions of COSOPs and IFAD's stated goals, with the ultimate aim to scale up impact.

III. IFAD managers' views

11. Interviews with selected IFAD managers in the Programme Management Department (PMD), including several country programme managers (CPMs), were conducted to gain greater insights into the issue. Few disputed the CPE findings, but they offered useful insights on both the reasons for a lack of adequate performance on policy dialogue and suggestions on specific actions that IFAD could take. The key findings from these interviews are as follows:
 - i. ***PMD managers recognize the important role of IFAD in policy dialogue.*** Most endorsed the view that projects in themselves cannot be the *raison d'être* for IFAD given the relatively limited financial contribution it can offer in most countries. Moreover, they felt that over time IFAD has developed useful perspectives on participatory rural development and poverty alleviation that it can and should use to contribute to policy change. As one regional director put it: "Surely we must have something to say after \$1.3 billion for 52 projects in 22 countries." Managers pointed to various instances of effective policy dialogue by IFAD in some countries, but agreed with the CPE findings that this

has been episodic. The importance attached to policy dialogue by many managers contradicts the view emerging from some CPMs that IFAD is not the right agency to conduct policy dialogue given its small size and limited influence in the country.

- ii. ***But there is a wide variation in views on what constitutes policy dialogue with little consensus.*** Resolving project-level implementation issues, getting IFAD projects accepted during the COSOP process, bringing IFAD policies to the attention of policy makers during visits by managers, participating in donor meetings, and resolving major sectoral issues that require high level attention from policy makers, were most commonly mentioned as examples of policy dialogue.
- iii. ***At the same time, most managers seemed to agree that IFAD's comparative advantage in dialogue is to focus on issues arising from the experience of IFAD-funded projects.*** This highlights the importance of more effective M&E and knowledge management. Some CPMs cited examples where the knowledge management function has been done systematically (e.g. IFAD's success in promoting the concept of "animal solidarity chain" in Rwanda based on the experience of an IFAD-funded project; sharing of project experiences in Burundi through a video). But in general, managers acknowledged that M&E and knowledge management still remain weak and require further effort. There are mixed views about the utility of the Results and Impact Management System (RIMS), IFAD's flagship initiative for impact assessment. Some of the proposals that have been made for knowledge management and learning (e.g. for the East and Southern Africa Division) are overly complex and probably impractical. PMD managers expect the newly created Strategy and Knowledge Management Department (SKM) to provide guidance and support on these aspects in the future.
- iv. ***Resource and skill limitations were cited by many managers for a lack of success in policy dialogue.*** The CPMs are over-burdened with numerous reporting tasks, leaving them with little time for work not directly related to project administration. The Country Teams are being increasingly augmented with the addition of associate CPMs and national country presence officers. But the country teams are still largely comprised of generalists to cope with the heavy demands of project administration and internal reporting functions. Many CPMs also lack technical skills: the redefinition of the letter 'P' in their title from 'country *portfolio* manager' to 'country *programme* manager' was apparently done without commensurate changes in skill requirements for the job.
- v. ***Managers acknowledged that IFAD CPMs are unlikely to have the same degree of access to high level policy makers as the other major IFIs on major sectoral issues.*** This reinforces their view that IFAD's comparative advantage lies with pursuing policy and institutional issues that arise from project experiences that are likely to find receptivity in the context of discussions on scaling up. Some managers even went to the extent of saying that scaling up should be the only policy agenda for IFAD.
- vi. ***The need for selectivity in the policy agenda was cited by several managers, given the limited resources and institutional limitations.*** One CPM, for example, indicated that he plans to focus only on two issues - making water users associations functional and enacting a new law for microfinance. Several other CPMs echoed this view. Despite this shared clear view on selectivity and IFAD's comparative advantage in policy dialogue discussed earlier, few were able to provide a satisfactory explanation for the reasons for an over-ambitious and wide-ranging policy dialogue indicated in many COSOPs. It seems that COSOPs have not received an adequate level of

managerial scrutiny both during their formulation and implementation. A PMD manager assigned for quality control provides useful guidance on various COSOP requirements, but is not mandated (nor can he be) to ask hard questions on realism and implementability. Some managers indicated that PMD has recently been discussing the need for more focused COSOPs with fewer areas of intervention. To date, COSOPs have been seen by many CPMs more as bureaucratic requirements rather than strategic documents guiding IFAD's work in the country.

- vii. **Partnerships with other major players are seen as critical to IFAD's ability to influence policy.** This is seen as a means to overcome the capacity and access limitations of IFAD. For example, in Argentina, partnership with an NGO (National Forum on Smallholder Agriculture [FONAF]) that carried considerable weight on policy issues related to family farming. In Nepal, partnership with the Asian Development Bank (ADB) not only catalyzed an additional \$1.5 million ADB grant to supplement a \$0.5 million grant from IFAD, but also allowed IFAD potentially to be an active participant in the dialogue around the new sector strategy. ADB also provided stronger technical supervision than IFAD would have been able to provide. In Syria, partnership with the United Nations Development Programme, an organization that enjoys the strongest relations with the government of all United Nations organizations, was critical to IFAD's pilot project interventions to be scaled up nationally. However, in spite of these examples, partnerships with the IFIs and the United Nations system is not systematic and left to individual CPMs to pursue with few incentives and accountability for delivery.
- viii. **Direct supervision and implementation support have not been used to promote policy dialogue, particularly if it is closely linked to the project experiences.** Some saw it as primarily a way to improve project implementation, which is a priority for IFAD. But others saw it as an opportunity also for policy dialogue, but did not offer a clear view on how it could be accomplished given IFAD's heavy reliance on consultants. Some offered the view that there was a greater chance of policy dialogue during direct supervision missions if they were led by CPMs.
- ix. **Grants were acknowledged as potential tools for supporting policy dialogue but their use has been limited by the perception of complex processing requirements.** The case of Argentina cited in the previous section is one example of an IFAD grant supporting important policy agenda. In Nepal, IFAD gained a seat at the table through a grant conferred to support the formulation of the new agricultural and rural development strategy. However, in general, as noted in the previous section, there has not been a significant effort to link grants with the policy dialogue agenda. Many CPMs mentioned that the process of preparing country-specific grants was too complex and time consuming, requiring almost as much effort as preparing and supervising projects, to not make it worth their while to pursue them. Many rely on their regional economist and Policy and Technical Advisory Division (PTA) colleagues to develop and implement grants, but these are often not closely linked to the priority policy agenda.
- x. **Country presence is seen by most managers as a step that would improve IFAD's ability to at least participate in policy dialogue and occasionally lead it.** Proximity to country officials offers the prospect of access and interactions on an ongoing basis instead of the current mission-centered dialogue. Country presence also offers the prospect of greater country knowledge and increased policy sensitivity by IFAD staff. The initiative, however, is too recent to provide concrete examples of where country presence has indeed increased policy dialogue. Some managers also expressed reservation as to whether national staff could carry out policy dialogue

effectively given their skill profile when the CPM is not out-posted in the country. Some others emphasized the need to ensure adequate seniority of outposted CPMs, which is still not a key criteria, to ensure greater effectiveness to reduce the professional and reputational risks to the Fund.

IV. Experience of other international financial institutions

12. Experience of other IFIs with policy dialogue is relevant for IFAD only to a limited extent given the significant differences in size and their much larger foot-print in the country. Nevertheless, it provides some lessons that could be pertinent for IFAD going forward. The experience of the World Bank is considered in this review to provide a comparative perspective for IFAD. In the absence of any formal available evaluations, the review has been limited to discussions with a few current and former senior managers of the World Bank.
13. Policy dialogue is an integral part of operations of the World Bank. It can take the form of seeking government agreement on specific policy conditionality that it requires in specific operations. It can also take the form, like in the case of IFAD, for pushing for policy and institutional changes it considers relevant to pursue its development mission in the country. However, unlike IFAD, its policy agenda is backed by an extensive program of analytical and advisory services, sometimes referred to as Economic and Sector Work (ESW), that provide the rationale and justification for the specific policy reforms it seeks to promote in the country. Besides ESW, the World Bank also at times provides technical assistance funded from within the loans and credits or from external trust fund sources (normally grants to the country) to help implement the reform agenda. Together, these comprise the World Bank's program of "non-lending services."
14. The World Bank's Country Assistance Strategy (CAS), also sometimes referred to as the Country Partnership Strategy (CPS), for a country defines the indicative program of non-lending services (and lending) over the CAS period. In contrast with IFAD's COSOPs, the CAS does not include policy dialogue as a discreet activity. Rather, the emphasis is on the strategic objectives and results framework that is to be achieved through both lending and non-lending services, with the latter receiving significant emphasis. This is not merely a difference in form. It reflects a much stronger view in the World Bank of the importance of policy and institutional reforms at the core of achieving development outcomes.
15. The World Bank devotes significant budget resources to non-lending services in the country. This can be as much as one-third the total country budget and in some cases even more. Trust fund resources and project-finance technical assistance can provide additional resources.
16. Following the decentralization thrust started in mid-1990s, the World Bank has significant country presence in most countries, including significant sectoral expertise in the country or in regional hubs. This has helped strengthen country partnerships, but also has had some adverse consequences (discussed below). The Bank has also been able to attract high quality national staff in many countries that are able to shoulder significant autonomous responsibility not just for portfolio management but in many cases also in promoting policy dialogue.
17. There is little doubt that the World Bank carries considerable weight in promoting policy dialogue and has been instrumental in policy and institutional reforms in many countries. However, discussions with World Bank managers also reveal several challenges that should be pertinent for IFAD:
 - i. While many outside groups view the World Bank's significant financial role as a preeminent role in policy dialogue, in practice its policy influence arises from the caliber of its specialists working in the country and their consistent

- involvement in the country over time in activities ranging from project preparation, supervision, and economic and sector work. There is growing concern in the Bank about a dilution of its strong sectoral capacity in recent years that will reduce its policy influence. The problem exists in all sectors, but seems to have become particularly acute in agriculture and rural development. Two recent Independent Evaluation Group (IEG) evaluations² in the agriculture and rural development sector conclude that there has been a substantial, if not major, decline in technical capacity in agriculture in the Bank.
- ii. Decentralization to the field has no doubt had benefits, particularly in improving project implementation. But it has further fragmented scarce technical and global skills that are now demanded by many countries, particularly the middle-income countries. The added cost of decentralization has meant disproportionate cuts in headquarter staff because of considerably higher cost of placing expatriate staff in the field. This has further diluted the Bank's ability to mobilize global expertise that more and more countries now require and demand.
 - iii. Not all ESW has been effective. A recent IEG review³ points to significant shortcomings in quality and relevance, with emphasis on producing formal reports rather than on policy change. There was not always sufficient attention to link ESW with operational follow up. Internal incentives that reward "good reports" create supply-driven tasks that are not always of priority for the country.
 - iv. Availability of trust funds earmarked by donors for specific thrust areas can distort priorities and result in supply-driven tasks.
18. The review did not have an opportunity to seek inputs from regional development banks except for a brief meeting with two managers from the Inter-American Development Bank (IDB), who confirmed that IDB faces similar issues in conducting policy dialogue as the World Bank. In addition, meeting the needs of the large and sophisticated middle-income countries in the Latin America and the Caribbean region create additional challenges. Experience of ADB is likely to be similar.
 19. Experience of AfDB, with which IFAD has a formal partnership, is drawn from the recent (2010) joint evaluation on the agriculture and rural development (ARD) operations in Africa of the two institutions. Although AfDB's mandate and goals for policy dialogue are no different from those of the World Bank or the other regional development banks, the joint evaluation concludes that it has not attempted policy dialogue in agriculture and rural development to any significant extent. Like IFAD, it has capacity constraints that limit its ability to conduct country-level policy dialogue.

V. Issues for discussion

20. There is widespread agreement among IFAD managers that IFAD has not been very successful in influencing policies consistently across its client countries. This has been a recurring theme of most CPEs in the last five years. The reasons for this have been articulated in this review quite eloquently by IFAD managers in PMD, largely supporting the CPE findings. These include internal IFAD constraints,

² Evaluative Lessons from World Bank Group Experience: Growth and Productivity in Agriculture and Agribusiness. Independent Evaluation Group – World Bank, International Finance Corporation and Multilateral Investment Guarantee Agency. The World Bank Group, Washington, D.C. (2011); and World Bank Assistance to Agriculture in Sub-Saharan Africa: An IEG Review. The World Bank, Washington, D.C. (2007).

³ Using Knowledge to Improve Development Effectiveness: An Evaluation of World Bank Economic and Sector Work and Technical Assistance, 2000-2006." Report of the Independent Evaluation Group. The World Bank (2008).

shortcomings in processes and procedures, a lack of realism, and insufficient managerial attention. At the same time, PMD managers have useful insights to offer on possible steps to rectify the situation. This section offers some issues that IFAD would need to address and some possible directions for the future if IFAD is to fulfil its corporate goal of greater policy engagement at the country level. These issues should form the basis for discussion in the learning workshop.

21. **Issue 1: Developing a common understanding of policy dialogue and its purpose.** It should be recognized that policy dialogue is a means and not an end. It is a means to achieve policy and institutional changes necessary to meet IFAD's goals as stated in its results framework, including sustainability and scaling up of its programmes. The emphasis of evaluations and other IFAD documents should correspondingly shift from process to outcomes in this important area. The broad generalized objectives such as "increased overall knowledge about IFAD", "increased institutional orientation towards rural poverty", or "raising awareness of poverty", etc. should be avoided. The important consideration to remember is that the goal of any type of policy dialogue remains to achieve policy and institutional change.
22. **Issue 2: Setting realistic goals for policy and institutional reforms.** The broad agenda for policy dialogue (and the implied reform) set in most COSOPs is unrealistic and generally unachievable for most part given various limitations of IFAD pointed out by the managers. A realistic policy agenda would be: (i) narrow and closely linked to policy and institutional issues that relate directly to its lending activities, in particular scaling up; (ii) limited to a few issues; and (iii) acknowledge that policy and institutional reforms is a long-term process that may spill over successive COSOPs. This should be one of the most important areas of focus in prescribing institutional and policy reforms. At the same time, a narrower reform agenda does not mean that IFAD should shy away from opportunities for broader policy influence that may arise outside of the COSOP agenda (as was the case with the Nepal sector strategy). The challenge is to be judicious and to ensure allocation of commensurate level of resources to achieve the established policy dialogue goals in the COSOPs.
23. **Issue 3: Mechanisms for policy dialogue.** Successful policy dialogue is possible only when it is underpinned by specific analytical work in the concerned areas. Knowledge management and dissemination and country grants are currently the only two tools available to IFAD for this purpose. There is much talk in IFAD about knowledge management but much less agreement on how best to carry out this function to promote country programme objectives. The M&E systems in most cases are not providing the necessary information that could help in policy dialogue. RIMS is an expensive undertaking that still has not provided much useful information beyond project outputs. The SKM Department should as a matter of priority review the experience and propose simplified systems that can provide insights in real time.
24. On grants, the current system may provide perverse incentives for non-operational staff (e.g. PTA, regional economists) to make use of these for purposes that may not always be linked to the COSOP results framework. On country grants, it is unclear if it is the procedural issues that limit their use or the lack of incentives for their use since CPMs and regional directors are not held accountable much beyond lending, or both. The potential for a more strategic use of country and regional grants to support IFAD's strategies in general, and policy dialogue more specifically, may require further investigation by the grant unit being created in SKM.
25. If knowledge management and grants are to become the principal source of generating analytical work for policy dialogue, a challenge will be to be disciplined about producing timely and focused documents that can be absorbed by policy

makers rather than large consultant reports that often remain unread.⁴ Perhaps COSOPs could spell out the possible outputs to be expected and how they would feed into policy dialogue.

26. **Issue 4: Partnerships to promote policy and institutional reform agenda.** IFAD on its own is likely to have only limited influence to be able to shape policy. Partnerships with IFIs and the United Nations who are more active in the country are likely to strengthen IFAD's hand. The World Bank, ADB, AfDB, IDB, the Food and Agriculture Organization of the United Nations and the United Nations Development Programme seem the most promising partners. Other influential players such as established and respected think tanks and NGOs in the country/region are also potential partners for advancing IFAD's policy agenda. Supporting these institutions with grants is likely to be a useful mechanism to gain their buy-in and cooperation. This will also ensure that there is good technical oversight beyond what IFAD could provide. Although many IFAD managers believe that the \$500,000 per grant limit is too small to be worthwhile to pursue, this is actually a significant amount by international standards and likely to attract even major donors who also face budget constraints. AfDB is the logical partner in Africa, but it also lacks the necessary capacity for policy dialogue. This is a factor for the two institutions to consider further.
27. **Issue 5: Technical capacity of country teams for policy dialogue.** As has been the experience of the World Bank, effective policy dialogue first and foremost requires staff with technical expertise and global knowledge that interact with the country policy makers on an ongoing basis through participation in project formulation, supervision, and evaluation. Currently, country teams largely delegate these functions to outside consultants of varying quality. There is often insufficient cross-fertilization across country units, with each CPM relying on "his" selected cadre of consultants. And most importantly, consultants do not provide continuity of dialogue with the country. The country team on the other hand is largely comprised of generalists. What is needed is a judicious mix between generalists and specialists to carry out all country work. Thus, the potential of direct supervision and implementation support to provide a key opportunity for policy engagement with the country is not utilized.
28. How can technical capacity be brought in the country teams? Given IFAD's small size, the technical staff may need to continue to be housed in a central unit like PTA, who are also members of specific country teams depending on their expertise and thematic priorities in the country. Efforts currently underway by PTA to reorient its activities away from ex-post quality enhancement to operational support are a positive step in this direction. However, PTA staff is still too small to be participate effectively in country teams as one of their major functions. A significant expansion of PTA staff is needed. This will have to be done through internal reallocations in the zero growth budget environment that IFAD faces. This will require over time a substitution of generalist and junior officers in the country teams with technical specialists in PTA. This would be a major shift in the PMD staffing strategy, but without which it is difficult to see IFAD being effective in policy dialogue.
29. **Issue 6: Lightening the administrative load of CPMs.** Even with the addition of technical expertise in the country teams, the CPMs and country presence officers carry a significant workload for monitoring and reporting. The possibility of reducing/streamlining some of these functions may need to be considered to allow

⁴ IFAD produces numerous reports during project preparation, supervision, mid-term review, evaluations, and for activities funded from grants. On the surface, they seem far too numerous and lengthy to be within the absorptive capacity of government staff, most certainly the senior policy makers. It may be useful to consider if both the number and volume of reports can be pared down to make room for more policy-focused shorter papers arising from knowledge management and grant activities.

the country teams to devote more and better attention to the tasks of knowledge generation and dissemination and policy dialogue. Annual reviews and reports of COSOP appear to be just one example of such overload. The CPMs cite many more. Delegating more to national country presence officers, as is being done in some cases, is another way in which the load of CPMs can be reduced. There is a need for a more systematic look at this issue.

30. **Issue 7: Accountability for COSOP design and implementation.** The current COSOPs, because of their lack of realism, serve little purpose beyond identifying lending opportunities. Most lack any realistic plans for implementation. The introduction of results framework is a step in the right direction, but it has a limited use if managers are not held accountable for it. CPEs and MTRs of COSOPs are potential mechanisms for accountability, but it is unclear whether in practice they have been used as such. A review of COSOPs currently being carried out by the Independent Office of Evaluation should provide more specific recommendations. It is also essential to be underlined that adequate amount of human and financial resources need to be made available to achieve results in promoting policy and institutional change at the country level. As mentioned earlier, without due resources as well as attention to incentives and accountability, the objectives on policy dialogue (but also for partnerships and knowledge management, which are critical for IFAD's policy dialogue activities) in the COSOPs will largely remain unfulfilled.

2 July 2012

List of evaluations reviewed

Corporate-level evaluations

- (2011) IFAD's Private-Sector Development and Partnership Strategy
- (2010) IFAD's Performance with regard to Gender Equality and Women's Empowerment
- (2010) IFAD's Capacity to Promote Innovation and Scaling up
- (2010) Towards Purposeful Partnerships in African Agriculture. A joint evaluation of the agriculture and rural development policies and operations in Africa of the African Development Bank and the International Fund for Agricultural Development
- (2008) IFAD's Regional Strategies for Near East and North Africa and the Central and Eastern European and Newly Independent States
- (2007) IFADs' Field Presence Pilot Programme
- (2006) IFAD's Regional Strategy in Asia and the Pacific
- (2005) Direct Supervision Pilot Programme

Country programme evaluations

- (2012 draft) Jordan
- (2012 draft) Uganda
- (2011) Ghana
- (2011) Kenya
- (2011) Rwanda
- (2011) Vietnam
- (2011) Yemen
- (2010) Argentina
- (2010) Mozambique
- (2010) Niger
- (2010) India
- (2009) Ethiopia
- (2009) Nigeria
- (2009) Sudan
- (2008) Brazil
- (2008) Morocco
- (2008) Pakistan
- (2007) Mali

List of persons met from IFAD

Programme Management Department

Khalida Bouzar, Director, Near East, North Africa and Europe Division
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Shantanu Mathur, Head Management and Support Unit, PTA
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Hedi Larbi, Country Director, MNA
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