

profile

Number 99, September 2014

Corporate-level evaluation on the IFAD Policy for Grant Financing

Grants have a long history at IFAD: they were mentioned as one of its financial instruments in the 1976 Agreement Establishing the Fund. In addition, the Lending Policies and Criteria of IFAD 1978 accorded priority use of grants for technical assistance (mainly for the preparation of loan-funded projects). Since then, the use of grants has expanded and funded diverse activities such as international agricultural research, non-governmental organization (NGO) initiatives, capacity-building for government institutions and initiatives to strengthen agricultural producers' organizations and their networks. From the time IFAD's first Policy for Grant Financing was approved in December 2003 until the end of 2013, IFAD approved 784 grants for US\$449 million. This corresponds to 6.1 per cent of its programme of loans and grants.

This is the first corporate-level evaluation (CLE) on the IFAD Policy for Grant Financing conducted by the Independent Office of Evaluation. The objectives of the evaluation were to: assess the performance of the Policy in terms of relevance, effectiveness and efficiency; and to generate findings and recommendations that will inform IFAD's strategic directions and priorities for future grant activities.

The grant policy was approved by the Executive Board in 2003. It was revised in 2009, and the revised policy was also approved by the Executive Board. The 2003 policy set two objectives for the grant programme: (i) promoting pro-poor research on innovative approaches and technological options to enhance field-level impact; and (ii) building pro-poor capacities of partner institutions, including community-based organizations and NGOs. It also placed some stipulations, in that grants: (i) could not be used to finance activities that would normally be funded from IFAD's own annual administrative budget; (ii) should not duplicate loan-financed activities; and (iii) must be implemented at an arm's-length relationship from IFAD.

The 2009 revised policy maintained the original objectives and stipulations, but made the private sector eligible for grants and increased the approval authority for

provision of grants of the President from US\$200,000 to US\$500,000.

The grants programme is divided into two windows: (i) global and regional grants that support, respectively, work across two or more geographical regions, or work across two or more countries within a region; and (ii) country-specific grants that are meant for work within a single member country. The ceiling of resources allocated for grants was set in 2009 at 6.5 per cent of the annual programme of loans and grants, of which 5 per cent is for global/regional grants and 1.5 per cent for country-specific ones.

Main evaluation findings

The evaluation found that grants have considerable potential to promote IFAD's agenda for rural poverty alleviation, but this potential is still to be fully realized. Grants have allowed IFAD to broaden its network and range of activities. In particular, they have enabled the Fund to collaborate with a wide range of organizations that could not have been engaged through loans – for example NGOs (notably farmers' organizations, civil society organizations and indigenous people's organizations) and of course institutions involved in international agricultural research, including the Consultative Group on International Agricultural Research centres.

The CLE found several examples of grants that have served IFAD's overarching objective of promoting rural poverty reduction. These include grants used to: (i) test tools to improve the transparency of market transactions in East Africa ("cash on the bag"); (ii) develop strategies to respond to the food price crisis in Asia and the Pacific based on improved tuber and grassroots varieties; (iii) fund policy dialogue initiatives (on family agriculture) in the Mercosur area; (iv) promote knowledge management by supporting exchanges between higher-level policy makers in the Near East and North Africa Region; and (v) strengthen the regional networks of farmers' federations in West and East Africa.

However, the relevance, effectiveness and efficiency of the grant policy have been constrained by a number of issues in the policy's formulation and implementation. The grant policy objectives were broadly relevant, but priorities were not clearly set in the 2003 and 2009 policy documents and related documentation. This left room for the objectives to be widely interpreted as the policy was being implemented. The 2009 revised grant policy would have been an opportunity to improve the clarity and focus of grants. Yet the policy revision was not informed by a thorough assessment of the previous experience, and these issues were not adequately addressed.

It remains a challenge to ensure that grants are properly linked with loan-funded operations, non-lending activities (knowledge management, policy dialogue and partnership-building) and scaling up impact promoted by IFAD at the country level. It is also a challenge to capture and "internalize" grant results. The grant policy envisaged a significant knowledge management effort by IFAD in order to be able to benefit from the results of the grants. In recent years, most grant recipients produced reports, websites and newsletters. Yet the internalization process within IFAD was hampered by the difficulty of tracking the documentation and subsequently consolidating and analysing the findings on grant performance and results.

Procedures for grant approval, oversight and monitoring, and fiduciary aspects were laid out with the goals of making grant approval more rigorous and transparent, and enhancing follow-up by IFAD. However, the requirements were not sufficiently calibrated with IFAD's resources and capacities. This resulted in complicated processes that do not ensure commensurate value added or selectivity of grant proposals, or better internalization of knowledge and results.

On the positive side, better attention to the grant programme by IFAD Management has contributed to improvements in recent years. For example, some regional divisions of IFAD's Programme Management Department have encouraged a greater role and responsibility for country programme managers to sponsor and manage grants, leading to emerging links between grants and IFAD operations and country strategies. Most regional divisions have reduced the number of grant proposals in the annual pipeline in order to make supervision more manageable. More information has been provided on large grants in the annual portfolio review that the regional divisions conduct. In addition, the recent initiative to define a corporate strategy for grants in agricultural research can be seen as a prelude to better defining strategic priorities for global grants. And finally, there is greater oversight and guidance from the senior Management over the grants programme in general.

Key recommendations

A new policy is required that addresses the main issues highlighted by the evaluation report. There should be **two types of grant allocations**: (i) country-specific (e.g. for the development of national policies and strategies for rural development, testing innovative approaches, capacity-building of key players, governmental and non-governmental, responsible for rural poverty alleviation); and (ii) non-country-specific, such as global, regional and thematic (e.g. for research and policy analysis, IFAD's priority corporate partnerships).

- **Continue key stipulations of the 2003 and 2009 policies, with certain modifications**: (i) country-specific grants should be linked to country strategic opportunities programmes (COSOPs) or provide the basis for a future COSOP; (ii) all country-specific grants should be brought to the knowledge of national authorities and reviewed by them periodically to facilitate policy dialogue and scaling up; (iii) grants should not finance activities that are normally funded from IFAD's administrative budget; (iv) grants should not co-fund project management activities; and (v) grants should be implemented by the recipients at an arm's-length relationship with IFAD.
- **Provide a larger allocation of total resources to country-specific grants**. By broadening the country-specific allocation, IFAD country programme managers are likely to express greater demand for policy work, genuine capacity-building for state and non-state actors, and testing of innovations. Manageability and absorptive capacity are bigger issues for global or regional rather than country-specific grants.
- **Simplify and strengthen the grant allocation and internal review process**. The focus of the review of proposals should be on policy compliance, linkage with current or future COSOPs, priority from the corporate perspective, and likelihood of the work proposed being incorporated in IFAD's and/or the government's programme of rural poverty alleviation.
- **Strengthen Executive Board oversight**. Ex-post grant assessment needs to become more systematic, and assessment findings should be consolidated and presented to Management and the Executive Board, in an annual report along with IOE's comments, as per current practices. For instance, one option is to use the Report on IFAD's Development Effectiveness for reporting to the Board on IFAD grant activities, results and major lessons.
- **Invest in a grant management information system**. IFAD Management should immediately develop and implement a management information system for grants that maintains a record of all grant-related documents, saved in an accessible format, from inception to completion.

Further information:

IFAD Policy for Grant Financing, Corporate-level Evaluation, Independent Office of Evaluation of IFAD, Via Paolo di Dono, 44, 00142, Rome, Italy. The report, Profile and Insights are available online at: www.ifad.org/evaluation; email: evaluation@ifad.org.