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Investing in rural people

Status of Reimbursable Technical Assistance and Way Forward

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Abbreviations and acronyms

AsDB	Asian Development Bank
APR	Asia and the Pacific Region
COSOP	country strategic opportunity programme
DFID	United Kingdom's Department for International Development
ESA	East and Southern Africa Region
IFAD11	Eleventh Replenishment of IFAD's Resources
IFI	international financial institution
LAC	Latin America and the Caribbean Region
NEN	North East, North Africa and Europe Region
RAS	reimbursable advisory services
RBA	Rome-based agency
RTA	reimbursable technical assistance
WCA	West and Central Africa Region

Status of Reimbursable Technical Assistance and Way Forward

I. Introduction

1. In order to make the largest contribution possible to the 2030 Agenda for Sustainable Development and the Sustainable Development Goals, IFAD approved a new business model in June 2017 focused on results and innovation to increase its impact. This focus involves utilizing lessons learned to be realistic, as well as bold and innovative, in mobilizing, allocating and utilizing its resources. The transition framework is an important aspect of the Fund's business model, ensuring that IFAD provides the right mix of financial and non-financial instruments to engage with all of its Member States, regardless of their level of development.
2. Reimbursable technical assistance (RTA), the policy for which was approved by the Board in 2012, is an important potential tool in the basket of interventions that IFAD can offer its Member States. They serve as a primary source of non-lending assistance, helping to meet country programme objectives as laid out in country strategic opportunities programmes (COSOPs) and country strategy notes. Given that RTAs can be a means for IFAD to meet the needs of all Member States, it is time to take stock of the RTA, to see what lessons have been learned to date and how the instrument can be improved to adapt to IFAD's new methods of allocating and utilizing its resources.
3. Experience with RTA to date has been mixed. Demand has been relatively modest and some opportunities to design RTAs are on hold due to: changing circumstances in Member States; the instrument's lack of flexibility (in a few cases); and a lack of clarity within country or technical teams about how to move forward. Only two RTA agreements have been signed – both projects are currently ongoing. While initial interest was greater than current demand, IFAD has not actively generated demand by marketing the product broadly to Member States as part of its mix of instruments, nor has the value proposition of RTA been clearly defined. While the policy sets out three broad types of RTA products, country teams have not been given clear guidance on how the tool could be useful – either in addition to IFAD's traditional lending products or as a new product in countries that do not borrow from IFAD.
4. IFAD has a track record of adapting its business model as conditions in Member States change along with larger changes in the global economy. For example, as more states transition to higher-income status, with larger domestic budgets dedicated to development, IFAD's business model has adapted to increasingly focus on the poorest countries, where the poorest people live. The transition framework seeks to respond to the challenges posed by these changes. RTA is a critical means of ensuring that IFAD has a wide – and appropriate – set of tools to leverage the knowledge and expertise gained over its 40 years of operation to benefit rural poor people and smallholder farmers – even in countries where the need for ODA and IFAD's lending is, on aggregate, not as acute.
5. IFAD's Management believes that RTA could be a valuable instrument in two additional sets of countries. First, there are a number of countries that do not borrow from IFAD yet may still be interested in drawing on the Fund's expertise. Second, in low-income countries or countries in transition, the financing of RTA by a third party may make such instruments attractive. There is ample evidence to suggest that IFAD could play a role in designing projects for third-party development financiers with less experience in rural and agricultural development, but are interested in utilizing their resources to reach poor smallholder farmers and other traditional IFAD beneficiaries. Discussions are ongoing with the Government of Guinea and the Abu Dhabi Development Fund about the use of this approach.

6. In order to enable RTA to play a central role in the Fund's service offering for countries in transition to higher-income status – and clarify its potential role in other contexts – it is necessary to provide more details on this instrument and guidance on generating and meeting demand. This paper provides a review of experience to date – both within IFAD and benchmarked against other institutions – and sets out ideas about the potential demand for RTA, the product IFAD could seek to supply and what is required for IFAD to offer this revised product.

II. RTA, IFAD's business model and the transition framework

7. The introduction of a transition framework is one of the innovations in IFAD's business model with the goal of establishing a comprehensive, predictable, transparent and sustainable package of support for borrowers. The proposed framework would include both IFAD's current instruments and new policies and instruments to ensure that IFAD provides the right mix of financial and non-financial tools to meet its Member States differing needs.
8. IFAD's enhanced business model, which was proposed and approved during consultations on IFAD's Eleventh Replenishment (IFAD11), focuses on four pillars: (i) resource mobilization; (ii) resource allocation; (iii) resource utilization and (iv) transforming resources. RTA plays a critical role in two of these four pillars: resource allocation and utilization. With regard to resource allocation, IFAD has committed to prioritize the number of countries eligible to borrow from its core resources through the performance-based allocation system (PBAS) during each replenishment cycle. As the sequence of countries accessing IFAD's resources changes, the value of additional financial instruments changes, particularly in countries where IFAD's expertise and experience are still highly valued.
9. Additionally, doing development differently, the core principle of the third pillar of the business model (resource utilization), requires the recognition that IFAD's resources are limited compared to national budgets for agriculture and rural development. IFAD's loans to countries further along in the development spectrum can serve as pilots that can inform future government programmes. RTA(s) provides an important means to ensure that IFAD's expertise and knowledge are transmitted to governments seeking to address rural poverty, low productivity, a lack of market access among smallholder farmers, malnutrition and marginalization of poor rural people (especially women, youth and indigenous people).
10. IFAD's business model also puts increasing emphasis on the importance of decentralization as a means of getting closer to governments in order to identify their specific needs and engage in policy discussions. RTAs could play a major role in future support in this respect.
11. Because IFAD is seeking to enhance its business model in order to make a larger contribution to the Sustainable Development Goals, and because the needs of IFAD's members are changing, IFAD's RTA should be reviewed to make sure that it is fit for purpose.

III. What is RTA: IFAD's definition and modalities

12. At its 106th session in September 2012, the Executive Board approved RTA as an additional instrument to serve IFAD's Member States. In September 2016, the Executive Management Committee approved operational procedures that provide a framework for RTA implementation.
13. Under the current framework for RTA, IFAD can provide the following types of services:
 - (a) Operational assistance. This includes: (i) providing design services for full operations or specific programme components; and (ii) supervision and

implementation support services for full operations or specific components of projects. In the latter case, IFAD can provide full or partial technical assistance for project design, supervision and implementation support (including in the completion phase) for projects that IFAD is not financing through its programme of loans and grants.

- (b) Analytical and advisory assistance. This includes technical assistance in the form of studies, evaluations, strategy development, analysis or non-operational policy position papers.
- (c) Learning and knowledge sharing. This includes assistance related to programmes that entail exchanges of ideas, or coalition partnership building related to IFAD's mandate and priorities, including for capacity building purposes through events, conferences, meetings, training courses etc. It makes use of IFAD's convening power.

IV. IFAD's experience with RTA to date

A. Reviewing current RTA

14. Since 2015, IFAD's experience with RTA has been limited and only partially successful. Seven countries have approached IFAD to discuss the possibility of an RTA, with requests ranging from US\$400,000 to US\$4 million. While two RTAs – in Mauritius and Saudi Arabia – are active and ongoing (see box 1 below), RTA agreements with Algeria, Botswana, Chile, China and Guinea are on hold or under discussion (see table 1 below). While IFAD has received RTA requests to be financed both directly by governments and third parties (e.g. the Abu Dhabi Development Fund), the Fund's only two active RTA agreements are self-financed by the participating government. In several of the countries in which RTA agreements are on hold or still in discussion, delays in formalizing the RTA request were due to changing conditions within the country.

Box 1

IFAD's RTA in Mauritius and Saudi Arabia

Mauritius

In mid-2015, the Government of Mauritius and IFAD agreed to develop an RTA programme for the strengthening of its seed industry. The goal of this RTA is to support the Government in operationalizing its Seed Act and developing a national seed policy and strategy based on the country's comparative advantages in the national and regional markets. Key areas of investment included the: (i) creation of a suitable legal and regulatory environment for the seed sector; (ii) establishment of a quality-control system for seed testing and certification; (iii) development of procedures for field testing new varieties of high-priority crops for food security and export; and (iv) analysis of national, regional and global demand for seeds that can be produced in Mauritius. The RTA agreement was signed on 26 May 2016 for three years and a recent midterm review recommended a no-cost extension until May 2020. The total value of the contract is US\$1.15 million.

Saudi Arabia

The Kingdom of Saudi Arabia, through its Ministry of Environment, Water and Agriculture, requested RTA aimed at enhancing the productivity, profitability and climate change resilience of smallholders farmers' in the Jazan region. This RTA aimed to improve the management skills of producer organizations in that area. It employed a value chain development approach targeting coffee and mango, and focused on household and group cooperation for production and sustainable markets linkages. The US\$4 million agreement was signed in February 2018. The initial 36-month RTA is envisaged as a first phase of the investment and a pilot of RTA instrument. If successful, a much larger investment is foreseen in other regions of Saudi Arabia; initial results are promising.

Table 1

IFAD's experience in negotiating RTA to date

Client	Donor/Client	Amount (US\$ million)	Duration	Type of assistance	Year	Status
Mauritius	Government of Mauritius	US\$1.2	36 months	Capacity-building and technical assistance to develop a national policy	2016	Active
Saudi Arabia	Kingdom of Saudi Arabia	US\$4.0	36 months	Provision of sector-wide policy advisory services and support to the implementation of designated initiatives	2017	Active
Algeria	Technical support through RTA to help Algeria access new markets and create job opportunities for youth.				2018	Under discussion
Botswana	The Ministry of Finance is considering a request for IFAD assistance through RTA. An exploratory mission will take place in Q4 2018.				2018	Under discussion
Chile	IFAD is sharing its expertise on rural development approaches in building resilience among its vulnerable population, particularly through work with indigenous peoples in the Araucania region.				2018	Under discussion
Guinea	Abu Dhabi Development Fund	US\$0.5	7 months	Feasibility study and design of US\$30 million national agricultural project to be financed by the Abu Dhabi Fund for Development	2015	On hold
China	Asian Development Bank	US\$0.4	18 months	Capacity-building and technical assistance to develop a national policy	2016	On hold

B. Lessons learned

15. While demand has been uneven and progress in RTA discussions limited, IFAD has also learned lessons about its ability to market such an instrument and respond quickly to demand when it arises. Some of these lessons are listed below:
 - RTA has not been specifically identified as a potential instrument in COSOPs or country strategy notes. The interest in RTA expressed thus far has been due to the efforts of individual country programme management teams and country directors.
 - There has been no centralized source of technical support within IFAD to facilitate the design or supervision of RTA, capture lessons learned and adapt practices to ensure successful delivery.
 - IFAD country and technical teams are often stretched in responding to demand for RTA due to the extent of the traditional lending portfolio.
 - There has been no specific training for country programme managers or country teams on the instrument and its potential application.
 - Supply packages have been too loosely defined.
 - IFAD has lacked concise marketing materials on RTA (either online or in print), reflecting a lack of involvement by both IFAD's Partnership and Resource Mobilization Division and Communications Division in RTA.
16. These lessons also emphasize the need to ensure that there is an RTA focal point in IFAD and that the fees associated with RTA fully cover IFAD's costs. Governments seeking RTA expect IFAD to respond quickly and efficiently to their requests: there is a need to ensure that this demand can be met quickly without compromising quality, and that lessons learned are captured. While procedures are already in place, a greater understanding of the instrument within IFAD is critical.
17. The slow uptake and the need for periodic adjustments are not surprising: the World Bank, with a reimbursable advisory services (RAS) portfolio of US\$100 million, has emphasized that the development of its RAS services has taken many years. Its RAS policies and procedures have recently been updated to address unexpected challenges such as adjusting its financial systems, aligning internal incentives and ensuring that management fees cover associated costs. The percentage of the World Bank's RAS portfolio focused on agriculture – approximately 2.5 per cent – is broadly similar to that of its agricultural lending (approximately 4.5 per cent).
18. In fact, all international financial institutions (IFIs) have some form of a RTA instrument: for example, the Asian Development Bank (AsDB) provides technical assistance aimed at financing the promotion of foreign trade, especially intra-regional trade, among its Member States. The Food and Agriculture Organization of the United Nations (FAO) provides RTA through its Special Fund for Development Finance Activities. A range of private consulting companies also provide technical advice on a commercial basis.
19. Evaluations conducted by the World Bank show that: a local presence is needed to ensure that country knowledge is sufficient and sustainable; and RAS services are more impactful when they are linked to local programmes. Evaluations of RTA undertaken by both the United Kingdom Department for International Development (DFID) and the World Bank emphasize the importance of continuous monitoring and evaluation, and building RTA on proven concepts.

V. Redefining supply: IFAD's comparative advantage and RTA packages

A. IFAD's comparative advantage

20. The expansion and redefinition of RTA at IFAD must build on the Fund's comparative advantages and focus on the thematic areas that support its strategic vision of inclusive and sustainable rural transformation.¹ IFAD's comparative advantages are rooted in its experience in supporting smallholder agriculture and rural development by designing and supporting the implementation of investment projects and national policies. Specifically:

- IFAD is recognized as a provider of high-quality solutions that focus on rural smallholder agricultural development – an area in which no other IFIs focus.
- IFAD targets the poorest households and communities in the most remote rural areas, and works to improve their productivity and economic well-being rather than other types of social outcomes.
- IFAD has substantial experience guiding the design of large government programmes and providing supervision and implementation support to those programmes.
- IFAD works on a cost-recovery basis only and is not for profit, making it more flexible and results focused, and less costly than private-sector actors.

21. The provision of RTA is expected to strengthen the economic livelihoods of smallholder farmers and other rural people in order to reduce poverty and food insecurity in rural areas, especially among marginalized groups such as women, rural youth and indigenous peoples. To this end, it is expected that all RTA services will be in the domains in which IFAD has concrete experience and knowledge. Where appropriate, IFAD will also draw on collaboration of other RBAs, especially FAO. Focus areas for IFAD identified in its Strategic Framework (2016-2025) include:

- Access to natural resources;
- Access to agricultural technologies and production services;
- Inclusive financial services;
- Nutrition;
- Diversified rural enterprise and employment opportunities;
- Rural investment environment;
- Rural producers' organizations;
- Rural infrastructure;
- Environmental sustainability; and
- Climate change.

B. Principles of engagement

22. IFAD proposes that RTA be identified, embedded in COSOPs and country strategy notes whenever appropriate, and tailored to both demand and country context, including the scope and nature of IFAD's partnerships in the country.

¹ IFAD Strategic Framework (2016-2025).

23. In all thematic areas, IFAD expects to apply its principles of engagement: targeting; empowerment; gender equality; innovation, learning and scaling up; and partnerships. All these dimensions are integral to IFAD's comparative advantages. In addition, given the significant impacts of climate change on poor rural farmers in all countries, IFAD's RTA should involve efforts to ensure that all investments are climate proof and assist farmers in adapting to climate change.
24. IFAD will guarantee the quality of its RTA through quality assurance and supervision processes similar to those in place for its lending programme. RTA will also be monitored and evaluated utilizing the Fund's existing tracking, reporting and evaluation systems, which will enable it to be delivered in a timely manner with maximum positive impact.

C. Supply of RTA

25. One clear lesson learned from discussions with other IFIs is that RTA is most successful when it provides a mix of support, allowing these institutions to scale up quickly and build efficient technical assistance packages while maintaining quality and flexibility.
26. In order to develop standard support packages with efficient delivery and high-quality implementation, IFAD needs to marshal instruments such as the: (i) Multidimensional Poverty Assessment Tool, which provides data for decision making by providing a clear understanding of rural poverty at the household and village levels; (ii) household methodologies, aimed at harnessing families' potential for change; and (iii) Gender Action Learning System. The fund can also employ tools aimed at mapping and assessing the capacity of rural people's organizations such as the Community Driven Development Decision Tools for rural development programmes,² and tools aimed at assessing the strength of rural organizations.³ IFAD toolkits in a range of thematic areas⁴ will provide the building blocks of knowledge for delivering RTA services.
27. IFAD Member States are increasingly being asked to design and implement policies around their intended nationally defined contributions to the United Nations Framework Convention on Climate Change. These requirements provide an additional entry point for IFAD to provide RTA in the form of policy advice. IFAD has a comparative advantage in this area through its work on climate change mitigation with smallholder farmers.
28. As mentioned above, IFAD's RTA policy defines three types of support: (i) operational assistance; (ii) analytical and advisory services; and (iii) learning and knowledge sharing. The table below identifies examples of IFAD's potential offerings in these three categories, either individually or as a part of a package of programming.

² See for example: www.ifad.org/documents/38714170/39150184/Community-driven+development+decision+tools+for+rural+development+programmes.pdf/93df0cc9-e122-49f3-b7d6-9111c01e7f3f.

³ See for example: www.ifad.org/web/knowledge/publication/asset/39417249 and www.ifad.org/web/knowledge/publication/asset/39412322.

⁴ www.ifad.org/web/knowledge/series?mode=search&catSeries=39130681.

Table 2
Examples of support to be provided through IFAD RTA

	<i>Theme 1: Inclusive value chain development</i>	<i>Theme 2: Access to agricultural technologies and production services</i>	<i>Theme 3: Adaptation to climate change</i>	<i>Theme 4: Improved nutrition</i>
Operational assistance	Design of national programme for smallholder cocoa production and marketing	Feasibility study for programme to promote pluralistic provision of farmer services	Support to the design of a pilot project for climate-smart smallholder agricultural development	Design of a multi-sector rural nutrition programme
Technical assistance/ Policy support	Capacity-building to government for developing a national strategy that supports inclusive agricultural value chains	Advice to government to define process for designing a national agricultural extension policy, and facilitating this process	Assistance to government officials in identifying a package of adaptation support to smallholder farmers	Evaluation of a government evaluation policy and its impact
Knowledge/ Convening	Convening and supplying knowledge products for an international conference on behalf of government on smallholder adaptation to climate change	Conducting a training course for government officials on farmer field schools	Organizing and supplying knowledge products for a bilateral donor workshop on climate change and agriculture aimed at government officials	Evaluation of a government nutrition policy and its impact, and facilitating an inter-ministerial seminar on nutrition

VI. Increasing demand for IFAD's RTA: Estimating uptake

29. As cited above, experiences of other IFIs suggest that there is demand for RTA in agriculture comparable to that for lending in this sector. But IFAD must be realistic about the possible demand for a well-defined RTA product.
30. Three sources of data were utilized to estimate demand, and high-, low- and moderate-demand cases were generated. These sources of data were:
 - IFAD services to countries whose access to IFAD resources are estimated to be more limited during IFAD11;
 - IFAD's policy support, embedded in ongoing projects, as a proxy for potential utilization of IFAD's technical and policy assistance; and
 - An estimation of potential demand for RTA in low-income countries financed by third parties.
31. First, an estimation was made of the number of projects initiated over the past several years in countries where access to IFAD11 resources will likely be more limited during IFAD11 compared to past PBAS cycles. Assessing the number of projects previously financed by loans provided insights into potential demand for RTA. The analysis suggested that in the Asia and the Pacific (APR), Latin America and the Caribbean (LAC) and Near East, North Africa and Europe (NEN) regions, there could be demand during IFAD11 that cannot be met solely by lending. In some of these countries, IFAD could assist governments by offering RTA focused on designing nationally owned programmes utilizing IFAD's expertise.

32. Second, projects implemented during the last two replenishment cycles with an embedded policy development component were analysed. This data served as a proxy for potential demand for policy-related technical support through a better-defined and marketed RTA instrument. Table 3 below presents the results.

Table 3
Projects during IFAD9 and IFAD10 with a policy engagement component

	<i>Average value of component</i>	<i>Countries</i>	<i>Example topics</i>
APR	US\$4.8 million	Bhutan, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Nepal, Philippines, Viet Nam	Pluralistic extension policy, inclusive irrigation policy, capacity strengthening for provincial planning and climate change adaptation
ESA	US\$6.8 million	Angola, Malawi, Rwanda, Uganda, Zambia	Policy development for the dairy sector, policy framework for agribusiness promotion, support for poverty graduation programmes
LAC	US\$8.6 million	Brazil, El Salvador, Mexico	Adaptation of strategies on women, indigenous peoples and youth to the agricultural sector; expansion of assistance to conditional cash transfer beneficiaries to focus on economic inclusion
NEN	US\$2.6 million	Bosnia and Herzegovina, Egypt, Jordan, Kyrgyz Republic, Tunisia	Policies for community-based pasture management and inclusive value chains; strengthening agricultural-sector planning
WCA	US\$2.4 million	Cameroon	Policy and institutional framework for youth entrepreneurship

33. The table above shows the wide range of countries utilizing IFAD resources to finance policy support and highlights the possibility that some countries may seek RTA for policy making rather than embedding these activities in lending programmes.⁵ The analysis above also indicated the topics of current interest for policy support from IFAD.
34. Third, demand was forecasted for countries that do not borrow from IFAD; and low-income countries or in countries in transition that could utilize RTA financed by a third-party development partner. Based on an analysis of demand over and above IFAD's available lending resources, as well as experience to date with ongoing RTAs and the experience of the World Bank, potential demand was estimated.
35. Utilizing the three data sources above, it was then possible to estimate the number of countries that may demand RTA during IFAD11. Assuming scenarios of high, moderate and low RTA adoption, this provides a range of total demand of between 8 and 13 requests during IFAD11.
36. The analysis above suggests that IFAD could expect to develop three RTA packages per year during IFAD11, especially in APR, LAC and NEN. This would provide a broader set of experiences to build upon as IFAD strengthens its ability to define these packages and identify demand. An initial discussion with regional divisions and some countries indicated that these expectations are realistic. RTA experiences during IFAD11 are expected to lead to a gradual expansion of RTA utilization as countries progress on development pathways. These experiences will also enhance IFAD's ability to provide RTA services to institutions in developed economies looking to invest in IFAD borrowing countries.

⁵ Ongoing analysis will provide further guidance regarding the costs and benefits of this approach for borrowing countries.

VII. Way forward

37. The construction of an RTA pipeline depends on IFAD making a number of changes to its current practice. The paragraphs below provide a first outline of the types of changes required to re-design RTAs as an additional tool among IFAD's instruments.

A. Reviewing and updating procedures

38. IFAD's detailed procedures for RTA are broadly in line with the ideas and lessons set forth in this paper. However, the eligible activities and thematic areas require further clarification in order to integrate lessons learned to date and sharpen IFAD's comparative advantage in the delivery of these services. Similarly, the definition of potential clients must be revised and the costing structure and financing arrangements for RTAs must be reviewed to ensure that IFAD's RTA services are attractive to Member States, yet fully cover their delivery costs.
39. IFAD must review the procedures for proposing, designing and approving RTAs to ensure that: (i) they are in line with those for IFAD's traditional lending products; and (ii) enhancements in project design, risk management and safeguards are fully reflected in RTA practice. RTA management arrangements must also be reviewed to ensure that RTAs receive the required supervision to maintain IFAD's reputation as a valuable provider of technical assistance.

B. Building demand: Outreach and communications

40. IFAD will develop an outreach and communications plan for RTA to ensure that there is sufficient clarity in the offer to potential clients. Building on this plan, IFAD must then ensure that teams actively: (i) explain the RTA instrument to Member States, donor countries and other development agencies; and (ii) establish reliable means to generate demand in different technical areas.
41. These activities should lead to the definition of a clear demand pipeline, generated through discussions between country teams and governments (during COSOP design, results reviews or on other occasions), to be monitored, reported on and supported in a similar fashion to IFAD's pipeline of lending.
42. The generation of an RTA pipeline will naturally lead to the inclusion of RTA into other IFAD business processes such as budget and human resource planning, quality assurance and compliance. This will require adjustments to IFAD's internal systems.

C. Building supply capacity

43. In order to build supply capacity for RTA, IFAD needs to define institutional roles and responsibilities, including: (i) a focal point that can respond to demand for RTA and consult within IFAD on the expertise required for designing responsive RTA packages; and (ii) those responsible for marketing and/or explaining the instrument to Member States and development partners.
44. Drawing on updated procedures, training for staff will be required on the technical, legal and financial aspects of designing and implementing RTA. Training also provides opportunities to share experiences with successful RTA in order to develop support packages that build upon IFAD's comparative advantages.
45. Finally, efforts are needed to create incentives for IFAD's provision of RTA. For example, RTA needs to be considered as an important complementary instrument to traditional financing. Where appropriate, RTA should be embedded in the process of defining country programmes. Staff should receive recognition for identifying, developing and managing RTA.

D. Conclusion

46. Work in the above-mentioned areas of RTA will commence during the remainder of 2018 to ensure that this instrument is utilized effectively throughout the IFAD11 period. IFAD will update the Executive Board on steps taken and further actions needed to re-shape RTAs, including time-bound commitments.