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Investing in rural people

Catalytic Initiatives Programme

IFAD's Regular Grants Policy

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Abbreviations and acronyms

ABSUMI	Agricultural Bank of Sudan Microfinance Initiative
ASAP+	Adaptation for Smallholder Agriculture Programme +
CIP	Catalytic Initiatives Programme
CLE	corporate-level evaluation
DSF	Debt Sustainability Framework
IFAD11	Eleventh Replenishment of IFAD's Resources
IOE	Independent Office of Evaluation of IFAD
MOPAN	Multilateral Organization Performance Assessment Network
PBAS	performance-based allocation system
PoLG	programme of loans and grants
PSFP	Private Sector Financing Programme
REAF	Specialized Meeting on Family Farming
QAG	Quality Assurance Group
RIDE	Report of IFAD's Development Effectiveness
SDGs	Sustainable Development Goals
SFOAP	Support to Farmers' Organizations in Africa Programme
SSTC	South-South and Triangular Cooperation

Catalytic Initiatives Programme: IFAD's Regular Grants Policy

I. Introduction

1. **Overview of the grants instrument in IFAD.** The grants instrument has been at IFAD's disposal since its creation, as reflected in the Agreement Establishing IFAD in 1976.¹ In 2003, the Executive Board approved a dedicated Policy for Grant Financing and over the years a series of refinements have been made to the policy and its operational framework. Specifically, the policy was revised in 2009² and, following a corporate-level evaluation (CLE) of the policy carried out in 2014 by IFAD's Independent Office of Evaluation of IFAD (IOE),³ it was replaced by a new policy in 2015.⁴
2. The three successive policies for grant financing (2003, 2009 and 2015) outline a series of objectives for the regular grants programme, which have seen some evolution over time to adapt to the changing context of development assistance in general and to the evolution of IFAD's priorities. Pro-poor innovation and technical approaches and capacity-building of institutions and smallholder farmers' organizations have remained among the objectives of IFAD's grant funding through the years, although the 2015 policy supplemented these objectives with explicit reference to the use of grants as a tool to enhance policy engagement and to generate and disseminate knowledge for development impact.

II. Specificities of the Catalytic Initiatives Programme

3. Through the transition framework developed in connection with the Eleventh Replenishment of IFAD's Resources (IFAD11), IFAD is moving to offering a broader range of products to better respond to the varied country contexts in which it operates and the diverse needs of its developing country Member States. The Catalytic Initiatives Programme (CIP) is one such product. The activities that it is able to finance have a number of characteristics that make the CIP a distinctive and essential tool for furthering IFAD's mandate.
4. Grant-funded activities have at least six noteworthy features: (i) they have a **catalytic effect**, as the relatively small amounts of IFAD grant funding can serve as the basis for leveraging larger investments and fostering policy changes that have a more substantial and wider development impact; (ii) grant-funded projects **allow IFAD to engage beyond the country level** in activities at the subregional, regional and global levels, addressing important challenges related to rural transformation and food systems more broadly; (iii) unlike loan-funded projects, grant-financed activities provide IFAD the opportunity to **work directly with a range of institutional partners**, such as civil society organizations, research and academic institutions, multilateral entities and the private sector, which allows for a flexible choice of partners, based on capacities, outreach in the target countries and potential for leveraging cofinancing; (iv) grant-funded activities offer the possibility for IFAD to take greater risks than is possible through loan-financed investment projects and thus to **promote innovations**, which, if successful, may be scaled up; (v) with a strong learning agenda, such activities have a unique potential for **generating knowledge** that can be shared across different contexts; and (vi) grant-funded activities can be **fast to design, approve and operationalize**, making them a flexible tool for responding to unforeseen opportunities and needs.

¹ <https://www.ifad.org/en/document-detail/asset/39500701>

² See EB 2009/98/R.9/Rev.1.

³ IOE, *Corporate-level Evaluation on the IFAD Policy for Grant Financing* (Rome: IFAD, 2014).

⁴ See EB 2015/114/R.2/Rev.1.

5. It is also essential to highlight in this context that grant-funded initiatives under the CIP are fundamentally different from the grants provided by IFAD to Member States under the Debt Sustainability Framework (DSF) initiative. DSF grants provide support on grant lending terms to countries that are not able to access IFAD resources on loan terms and support the implementation of “traditional” investment projects that would normally be financed through loans. Grants under the CIP have a totally different scope and mandate that goes above and beyond the “core” investment activities funded by IFAD; they are not used as a substitute for DSF, supplementary funds or regular loan resources.

III. Results and lessons

6. **Results.** An overview of the performance and results of IFAD’s regular grant-funded activities may be obtained from the various evaluations and reviews carried out during the period 2014–2019. Besides the aforementioned CLE, these include the 2019 assessment carried out by the Multilateral Organization Performance Assessment Network (MOPAN),⁵ the 2019 Annual Report on Results and Impact of IFAD Operations⁶ and the Report on IFAD’s Development Effectiveness 2019,⁷ as well as a number of dedicated evaluations and reviews of individual grant-funded activities.
7. Over the years, the regular grants programme has been able to achieve tangible results that are considered extremely important for the overall pursuit of IFAD’s mandate. For example, grants have provided specific opportunities for policy dialogue on critical themes at the national, regional and global levels, thus addressing IOE recommendations to increase responsiveness in non-lending activities in general and policy dialogue in particular. They have also contributed to the development of important knowledge products and related communities of practice, funded pro-poor agricultural research for better food security, enabled the piloting of innovations that have subsequently been scaled up through loan-funded operations and supported capacity-building (e.g. towards improved monitoring and evaluation in developing countries).
8. Most recently, results from the 2019 CLE on IFAD’s engagement in pro-poor value chain development⁸ show that the regular grants programme has allowed IFAD to pilot the public-private-producer partnership approach in various regions, while at the same time supporting capacity-building on value chain development at the national and project level. Grants have also allowed IFAD to expand its offerings through testing of innovative approaches and, in particular, to demonstrate to governments the effectiveness of potentially risky innovations that they might be unwilling to finance through loans; this has proved especially useful for innovations that promote inclusiveness and mainstreaming of corporate priorities (climate, gender, nutrition and youth).
9. One notable example of a successful initiative funded through grant resources is the small grant to the Mujeres Cuatro Pinos women’s cooperative, in Guatemala, which resulted in the creation of 450 direct jobs, plus 1,350 indirect jobs in related field activities. In addition to job creation, the grant played a key role in ensuring the sustainability of the supported cooperatives of women smallholder farmers by unlocking marketing opportunities, which are ultimately expected to result in increased income and improved household nutrition. Other similar success stories are presented in further detail in annex I and in boxes 1, 2 and 3.
10. Moreover, grants have permitted IFAD to support important international initiatives such as the United Nations Decade of Family Farming and Food Systems Summit. They have allowed it to adopt a regional approach to advancing food security and

⁵ MOPAN, *2017-18 Assessments – International Fund for Agricultural Development* (Paris: MOPAN, 2019).

⁶ See EB 2019/127/R.14.

⁷ See EB 2019/127/R.15.

⁸ IOE, *IFAD’s Engagement in Pro-poor Value Chain Development – Corporate-level Evaluation* (Rome: IFAD, 2019).

combating climate change in small island developing states. They have enabled it to undertake activities at the regional and subregional levels that have a strong dimension of knowledge- and experience-sharing and South-South and Triangular Cooperation (SSTC). They have also supported IFAD's continued engagement in some countries in the absence or limited existence of loan-funded operations. Other initiatives have seen IFAD join forces with other development partners in the delivery of large cofinanced initiatives in support of smallholder farmers' organizations, such as the Support to Farmers' Organizations in Africa Programme (SFOAP).

11. Through grants, IFAD has also been able to provide rapid responses to crisis situations, within the broader context of its specialized mandate, complementing humanitarian relief provided by other agencies and organizations with activities aimed at restoring and rebuilding the productive capacities of rural people living in areas affected by crises. Two successful examples of rapid response to crisis situations are the Rapid Response to Post-Typhoon Haiyan Agriculture Rehabilitation Programme in the Philippines and the Post-Cyclone Rapid Recovery in Agricultural Production programme in Vanuatu – both funded through resources from the regular grants programme.

Box 1

Results and lessons learned in promoting policies for inclusive and sustainable rural transformation

The grant-funded Specialized Meeting on Family Farming (REAF), a platform for policy dialogue on family farming in South America, was originally implemented in Argentina, Brazil, Paraguay and Uruguay and then extended to most of the rest of the region. It has contributed to a shared definition of the concept of family farming and created national registries as the basis for the development of targeted policies.

REAF recommendations have been adopted by several members of the Common Market of the South and associate countries as the basis for promoting and strengthening family farmers and their production systems.

12. **Lessons learned.** Numerous important lessons have emerged from the above-mentioned evaluations and reviews. They need to be addressed to ensure greater value for money from the CIP and to fully capitalize on its potential.
13. Some key lessons (which are also further analysed in annex I) are as follows:
 - (i) The objectives adopted by the programme in the past have been too broad and generic, with insufficient attention to focus and prioritization and an overall lack of strategic vision across the portfolio.
 - (ii) Insufficient efforts have been made to ensure that the outcomes of grant-funded activities are systematically integrated into IFAD country programmes and investment operations, limiting the opportunities to leverage the grants programme for greater results and impact on the ground.
 - (iii) The knowledge generation, sharing and learning potential of grant-funded activities has not been capitalized sufficiently and in a consistent way, thus undermining the programme's overall effectiveness.
 - (iv) Though individual grant-funded projects generally have adequate monitoring and evaluation functions and supervision activities, less attention has been devoted to monitoring, evaluation and reporting on the regular grants programme at the corporate level.
 - (v) Though they are faster to design and approve as compared with investment projects, the internal procedures for regular grants are still cumbersome and can be further streamlined and improved.

IV. Rationale for a new policy

14. While the regular grants programme continues to be a highly relevant instrument, the above lessons learned, coupled with the current evolution in IFAD's strategic

direction, business model and financial architecture, call for the adoption of a new policy for this programme.

15. The new policy⁹ ensures alignment of the CIP with IFAD's vision for the future, in line with the Fund's commitment to doubling its impact by 2030. The rationale for proposing a new policy at this point in time rests on four main pillars:
- (i) **Attaining an affordable programme.** The overall allocation to the CIP will be resized with a view to ensuring IFAD's financial sustainability. This will be accomplished by applying the sustainable replenishment baseline concept to determine the maximum level of grant resources allocated in any replenishment cycle, with the amount directly linked to the level of core replenishment contributions. This will ensure that the overall size of the envelope is commensurate with the availability of resources.
 - (ii) **Ensuring synergies amongst IFAD's instruments.** Objectives and priorities will be refocused in order to ensure stronger alignment during the transition to IFAD12 and during future replenishment cycles. Concretely, the introduction of new instruments – including, but not limited to, the Adaptation for Smallholder Agriculture Programme + (ASAP+) and the Private Sector Financing Programme (PSFP) – will require both strong synergies between all programmes and the new CIP and clear delineation between these to prevent the possibility of overlap and duplication. At the same time, the CIP will contribute to the achievement of a strengthened country programme approach in countries where activities will be implemented.
 - (iii) **Enabling IFAD to have the flexibility to provide timely response in situations of crisis or fragility.** This will be done within the context of IFAD's mandate, and the focus will therefore be not on dealing with emergency humanitarian relief, but on rehabilitation and restoration of livelihoods for longer-term development outcomes.
 - (iv) **Capitalizing on lessons learned.** Increased focus will be placed on the areas in which grants have shown stronger relevance, better results and greater leverage. At the same time, areas requiring further attention will be tackled and robust mechanisms will be introduced for managing and sharing knowledge and making lessons learned accessible to all, thus maximizing effectiveness.
16. It is important that the new policy be adopted in a timely manner in order to ensure well-timed synergies and alignment with the programmes that will be established in the transition towards IFAD12 and beyond. Annex II provides an overview of the main changes to be introduced under this policy, as compared with the previous policy, approved in 2015.

⁹ This policy applies solely to grant resources funded by IFAD that are not part of the DSF initiative. The policy also does not cover grants provided through ASAP+ and PSFP, with which the CIP will establish mutually reinforcing synergies. Supplementary contributions provided by donors for grants beyond the regular programme of loans and grants (PoLG) are also excluded from this policy, as their objectives, use and administration are defined under specific modalities agreed upon with the respective donors.

Box 2

Results and lessons learned in promoting partnerships

Implemented between 2013 and 2018, SFOAP is a successful example of partnership and resource mobilization through grant-funded resources. An IFAD-funded grant of EUR 1.9 million resulted in a total investment of almost EUR 20 million in support of stronger farmers' organizations, including through access to economic services and increased participation by farmers' organizations in policymaking at the national and subregional levels.

Among the most notable outcomes achieved at farm level, SFOAP resulted in increased productivity (almost doubled in East Africa), higher revenues (between 16 and 47 per cent increase) and the construction/renovation of over 400 storage, production and transformation facilities.

At the end of the implementation period, the organizations supported by SFOAP were able to mobilize EUR 12 million from public sources and over EUR 4 million through partnership agreements or contract sales.

V. Overall goal and objectives of the CIP

17. The overall goal of the new CIP is to help IFAD in furthering its mandate of sustainable and inclusive rural transformation, including by making an impactful contribution to promoting sustainable global and national food systems and achieving the Sustainable Development Goals (SDGs).
18. This overall goal will be pursued through the following objectives:
 - (i) Contribution to the formulation of global, regional and national **policies** that support **inclusive and sustainable rural and food system transformation**.
 - (ii) Strengthening of **strategic and operational partnerships** with institutions and organizations involved in inclusive and sustainable rural and food system transformation. This will also involve building the capacities of agricultural institutions and organizations in developing countries. Operational partnerships can be deployed in situations in which **rapid response** is required to address **situations of crisis or fragility**.
 - (iii) Generation, dissemination and application of **pro-poor knowledge and innovation** in areas related to agriculture, rural transformation and food systems. Relevant knowledge will include innovative pro-poor research and technology options. There will be a particular focus on piloting, testing, adapting or scaling up pro-poor innovations.
19. While not all grants will be expected to address all of the above, the objectives are interrelated, interdependent and mutually reinforcing, and they will be pursued in a way that makes them supportive of IFAD's evolving strategic orientation. While the new objectives do not represent a substantive deviation from those introduced by the 2015 grants policy, they are formulated so as to provide greater clarity and scope for prioritizing proposals that are more strategically relevant and that will support IFAD in furthering its mandate.
20. **Strategic alignment.** In order to ensure strategic relevance, activities funded under the CIP will have to demonstrate, as part of the eligibility criteria, alignment and catalytic potential towards:
 - (i) The 2030 Agenda for Sustainable Development and, in particular, SDG 1 (no poverty) and SDG 2 (no hunger);
 - (ii) Applicable IFAD replenishment commitments and priorities;
 - (iii) The strategic objectives of IFAD's Strategic Framework; and
 - (iv) Regional and national priorities including country-level policy engagement of the countries in which CIP-funded activities will take place, as articulated in regional and national strategies and/or relevant country strategic opportunities programmes or country strategy notes.

Box 3

Results and lessons learned in promoting knowledge and innovation

The grant to Farm Radio International for the Upscaling Technologies in Agricultural through Knowledge Extension project in Tanzania is a successful example of how innovation and knowledge can be leveraged in grant-funded proposals to strengthen linkages between research, extension services and farmers through the power of information and communications technologies.

Through this grant, two ICT-based innovations were developed: Uliza Answers and the Knowledge Plus (K+) Platform.

Uliza Answers is an innovative mechanism that uses a blend of smart and traditional technologies to enable the pooling of real-time feedback and insights from farmers. The K+ Platform is a digital tool that enables virtual extension services to reach farmers via web and mobile applications. These two innovations have already reached hundreds of thousands of smallholder farmers in Tanzania, with promising prospects for future scaling up.

VI. Theory of change

21. The theory of change for the CIP is informed by the lessons learned through the implementation of grant-funded activities in IFAD over the years, as well as by the current evolution in IFAD's strategic direction. The overall goal and the three objectives will define action areas for CIP proposals: (i) policies that support inclusive and sustainable rural and food system transformation; (ii) strategic and operational partnerships – including partnerships being deployed to provide rapid response in situations of crisis or fragility, in which the need for resources is widely recognized; and (iii) pro-poor knowledge and innovation. Proposals will include catalytic interventions with leveraging potential to unlock broader opportunities for IFAD's engagement through the PoLG and other programmes. This, in turn, will result in mutually reinforcing synergies between the menu of lending and non-lending instruments at IFAD's disposal, stronger engagement beyond the country level, partnerships with potential to leverage cofinancing, and overall stronger quality of IFAD policies and operations.
22. This theory of change is presented visually in annex III, which illustrates how the catalytic effect of CIP-funded interventions will unlock pathways that will support IFAD in the delivery of its broader mandate. While this theory of change describes the vision and impact of the CIP as an instrument, individual initiatives will also be expected to define their own alignment with the principles and objectives of this policy.

VII. Principles of the new CIP

23. **Value addition.** Grants under the CIP should focus on interventions where grant financing has a clear added value and where the comparative advantage of using grants as opposed to investment project financing or other instruments is evident. Furthermore, CIP grants must not be used as a substitute for resources from IFAD's administrative budget under any department.
24. **Allocation of resources for the CIP.** The notion of a fixed allocation percentage will be discontinued for the CIP,¹⁰ in order to ensure that the amount of IFAD resources going to grants does not exceed a level consistent with ensuring IFAD's financial sustainability, derived from replenishment outcomes. The estimated level of CIP resources available in each replenishment period will be calculated at the beginning of each three-year cycle, based on the commitments made by members at the start of each replenishment and on the concept of a sustainable replenishment baseline.¹¹ At the beginning of each replenishment cycle, departments will be encouraged to present preliminary plans for the intended use of CIP resources to guide corporate planning.

¹⁰ Until IFAD11, the allocation of resources for the IFAD grants programme was calculated by applying a fixed percentage (6.5 per cent) to the overall PoLG figure for a given replenishment period.

¹¹ As introduced by the Debt Sustainability Framework Reform (EB 2019/128/R.44).

25. **Selection of grantees.** Competitive selection will be the norm in selecting grantees for CIP activities, with the exception of proposals not exceeding a value of US\$100,000 in IFAD resources. CIP grantees may include developing Member States, intergovernmental organizations (including United Nations agencies), civil society organizations, academic institutions, producers' associations/organizations and private sector foundations and companies (in the case of grantees from the private sector, more stringent requirements in terms of required cofinancing will apply). Identified grantees will have to have been legally constituted in an IFAD Member State.
26. **Size of individual proposals.** To strengthen the requirement for project proposals to be small yet catalytic, as well as to better distinguish the CIP from alternative tools and instruments, it is expected that the size of individual grant proposals will be reduced, as compared with the current threshold of US\$3.5 million. Smaller grants in response to situations in which resources need to be quickly deployed will be particularly encouraged, including for example analytic and knowledge- and policy-related work. A flexible and fast-tracked process for the review and approval of such proposals will be defined as part of the development of implementing procedures to operationalize this policy.
27. **Catalytic approach.** Given the inherently limited size of the CIP in general, and of the individual proposals funded by this programme in particular, all efforts will be catalytic and supportive of other initiatives and programmes that form part of the new business model and strategic orientation of IFAD. **CIP-funded projects will thus act as key enablers** of IFAD's programmes, policies and strategies.
28. For example, initiatives funded through the CIP may enhance the availability of tailored non-lending support to countries in transition¹² and support countries with fragile situations or countries facing a crisis through the deployment of flexible and targeted interventions. CIP grants could also be used in support of regional public goods or to finance regional activities that are essential to the success of IFAD's regional lending operations,¹³ or to pilot innovations to be subsequently deployed on a larger scale including through ASAP+, private sector work or lending operations.
29. Moreover, the CIP will be expected to initiate or strengthen partnerships, some of which may result in a pipeline for the operationalization of the IFAD Private Sector Engagement Strategy 2019–2024 or otherwise contribute to the successful implementation of the IFAD Partnership Framework, including through cofinancing. CIP grants will also generate and share knowledge resources, thus contributing to the operationalization of the IFAD Knowledge Management Strategy. Furthermore, the use of regular grants is expected to enhance country strategies and loan-funded interventions by establishing linkages for scaling up, promoting sustainability and maximizing impact and by testing innovations before their uptake and replication on a broader scale.
30. **Country eligibility.** Under the former grants programme, individual (green) countries received an allocation of grant resources as part of their performance-based allocation system (PBAS) allocations. Under the new policy, resources under the CIP will be delinked from the PBAS. As a result, in principle, it will be possible to finance CIP-supported activities in all IFAD developing Member States, regardless of the availability, size and financing terms of their PBAS allocation. The selection of target countries will be informed by a mapping of ongoing initiatives funded through different resources, to avoid duplications, maximize synergies and ensure a fair distribution of resources. Furthermore, in line with IFAD's evolving business model, CIP resources will be used in upper-middle-income countries only

¹² See EB 2018/125/R.7/Rev.1.

¹³ See EB 2018/125/R.7/Add.2.

as part of broader initiatives – that is, as part of activities being implemented in more than one target country.

31. **Approval.** The IFAD President has been delegated authority by the Executive Board to approve grant proposals of up to US\$500,000 or the equivalent, while proposals exceeding this amount will be subject to approval by the Executive Board.¹⁴ This provision will be maintained under the new policy. All the CIP proposals awarded to private sector entities shall be discussed and approved by the Executive Board regardless of their size, in line with the provisions set forth in the IFAD Private Sector Engagement Strategy 2019–2024.

VIII. Risk management

32. The CIP is expected to finance activities that in many cases are innovative and for which there is only proof of concept. IFAD recognizes that the innovative elements of CIP-funded activities are key to the role of the programme as a catalyst in bringing together various instruments at the Fund's disposal under a synergistic and mutually reinforcing approach. IFAD recognizes that it may be exposed to some risks under the CIP, for which corresponding mitigation measures are being envisaged. Given the nature of CIP activities, and in line with IFAD's enterprise risk management initiative, the following types of risks and mitigation measures will be considered:

- (i) **Strategic risks** may occur in the event of insufficient institutional prioritization and lack of alignment with IFAD's mission and vision. The main mitigation strategy to counter-balance such risks will be to ensure the implementation of a strong grants portfolio oversight function, strategic prioritization of proposals as a prerequisite to their entry into the pipeline and timely reporting through a dedicated CIP results framework.
- (ii) **Operational risks** could result from the potential use of funds for activities that are not eligible for CIP financing or not aligned with the objectives agreed upon by the grantee. These risks will be mitigated through appropriate screening, due diligence and controls during implementation to ensure that CIP resources are used appropriately and for their intended purpose.
- (iii) **Fiduciary risks** relate to failure to carry out project activities in accordance with the provisions of IFAD's financial regulations and to the possibility that funding will not be used for the intended purpose, with due regard for economy, efficiency and effectiveness. This risk will be mitigated through the application of IFAD's procurement and financial management procedures, including external audit, as well as due diligence and upfront assessment in relation to the grantee, where relevant.
- (iv) **Reputational risks** relate to: (i) inefficient procedures that result in prolonged uncertainty regarding the approval of proposals, and (ii) failures of various types on the part of recipients of CIP-funded grants. Revised implementing procedures focusing on efficiency in grant review and approval processes will be enforced, including regarding risks associated with sub-grantees, contractors and service providers. Furthermore, due diligence and appropriate legal protection will be ensured via the legal agreements signed by grantees. Enhanced due diligence will continue to be applied in the event of grantees from the private sector, including with respect to environmental, social and governance standards.
- (v) **Financial risks** relate to financial loss and to IFAD's ability to manage financial resources efficiently and economically. Measures to mitigate such risks are embedded in the resource allocation mechanism introduced by this

¹⁴ See EB 2009/98/R.9/Rev.1.

policy. As the notion of a fixed percentage of resources to be allocated to the CIP is to be discontinued, financial commitments made through the CIP will never exceed IFAD's financial sustainability and will always be commensurate with replenishment outcomes.

- (vi) **Legal risks** are inherent in the above risks and will be treated as a cross-cutting dimension. IFAD will seek to ensure appropriate legal protection and mitigation measures in the development and negotiation of the legal instruments that will govern initiatives funded through the CIP.
33. In addition to these higher-level categories of risk that apply to the CIP as an instrument, risks at the level of individual CIP-funded proposals will be identified and assessed, and appropriate mitigation measures will be proposed. The robustness of risk management measures will be among the review criteria for grants under the CIP.

IX. Implementation of the policy

34. **Implementing procedures.** The policy will come into effect on 1 January 2021, superseding the previous policy on grant financing. Implementing procedures to operationalize the policy will be prepared immediately after its approval by the Board. The new implementing procedures will address shortcomings highlighted by the lessons learned from the implementation of the IFAD grants programme. Accordingly, it will include, among other provisions, increased attention to the overall strategic relevance of proposals, streamlined design and approval processes, the establishment of a corporate portfolio monitoring function to enhance reporting and learning, and clear requirements for more effective and efficient grant management by the sponsoring division/department. The policy will be evaluated after five years and its results and the lessons learned from it will be presented to the Board.
35. **Communication, outreach and resource implications.** Systematic efforts will be made to ensure a comprehensive and timely roll-out of this policy and its implementing procedures and to train relevant staff in its implementation. Efforts will also be made to sensitize potential grantees through a variety of communication instruments and to enhance the communication aspects of individual CIP-funded proposals. The operationalization of this policy could have some resource implications for IFAD, mainly related to the need to ensure stronger implementation management. It is, however, expected that this may be achieved through a recalibration of existing internal resources and that the decentralization of operational staff to subregional hubs will also facilitate supervision and implementation support for relevant grants.
36. **Deviations from the policy.** Any deviations from the present policy will be assessed on an ad hoc basis for exceptional purposes, and be endorsed by the President of IFAD.

Summary of findings, lessons learned and examples of successful grant-funded initiatives

I. Summary of findings and lessons learned

1. **Grants are a relevant instrument to complement IFAD's efforts in furthering its mandate.** Having a regular programme of grants aligns well with IFAD's dual nature as a financing institution and a specialized United Nations agency. Grants are appropriate instruments for building partnerships, including within the United Nations system and with the private sector, and for supporting pro-poor research, fostering innovation and generating knowledge. Furthermore, the grants programme can remain relevant notwithstanding the introduction of new programmes, such as ASAP+ and PSFP, and in the overall context of IFAD's evolving business model, as there is scope to establish mutually reinforcing synergies among different programmes through the CIP.
2. **The objectives of the regular grants programme should be revised.** The experience with grant-funded proposals in the past suggests that the objectives of the previous grant policies, while relevant overall, may have been too broad and generic, with insufficient attention to focus and prioritization. This has resulted in grant-funded activities being only loosely aligned with the overall goal of the respective policies and suffering from an overall lack of strategic vision. A revision and reprioritization of the objectives of the grants policy can play a fundamental role in ensuring the continued relevance of the programme as a whole.
3. **Greater strategic prioritization of proposals will be needed.** In light of the evolving strategic vision of IFAD, it will be important to ensure that only the most strategic proposals – those demonstrating a strong catalysing effect and synergies with the overall package of instruments available to IFAD – are selected to be part of the grants programme.
4. **Greater efforts should be deployed to demonstrate the ability of grant-funded initiatives to generate impact.** While the impact of grant-funded initiatives may be difficult to attribute due to the short implementation time and to the high transaction costs of carrying out an impact assessment exercise for projects of a relatively small size, evidence from past projects and the nature of the initiatives themselves suggest that greater impact could be achieved through stronger alignment with other IFAD-funded initiatives and strategies.
5. **There is ample evidence of results achieved through grant-funded activities, but reporting and dissemination of lessons learned has not been consistently successful.** In spite of the good performance of numerous proposals, the effectiveness of the grants programme as a whole could have been greater had more attention been devoted to best practices in the management of the grants portfolio. For example, grant-funded activities have generated a significant body of knowledge, but its dissemination – including in-house – has not always been consistent. The same remark applies to monitoring and evaluation, supervision and reporting. Virtually all of the highlighted shortcomings could be addressed through improved management during implementation and after completion. Attention is required to address the issue of language barriers among different regions, which in the past has posed challenges due to a lack of resources to make such lessons available in English at the corporate level.
6. **Lack of centralized oversight, monitoring and extraction of lessons has undermined the effectiveness of grant-funded initiatives.** Responsibilities for corporate-level oversight, monitoring and extraction of lessons and results from the grants programme at the portfolio level should be identified with specific roles and responsibilities to be defined in the development of the revised implementing procedures.

7. **The efficiency of the grants programme could be improved.** This may be done by envisaging leaner review and approval processes, with a view to reducing both the duration of the design process and the transaction costs incurred by grant-sponsoring divisions and departments.

II. Examples of successful grant-funded initiatives

8. **Rural Youth, Territories and Opportunities: A Policy Engagement Strategy.** This knowledge-sharing and policy dialogue project covered Colombia, Ecuador, Mexico and Peru, where it established national rural development groups; it helped draft 14 project documents and 7 policy briefs, and greatly influenced the national youth and rural development policies in all four countries.
9. **Aquaculture Entrepreneurship Promotion Project.** The project established three aquaculture stations to produce fry and train young fish farmers in Cameroon. The project helped establish 300 fish farms with over 1,000 ponds, thereby creating 1,500 jobs, producing 637,000 tons of fish and benefitting 7,525 rural people.
10. **Asociación Nacional del Café.** This grant represented a breakthrough in precision agriculture for sustainable, competitive and high-quality coffee production in Guatemala. Through this grant, the Asociación Nacional del Café was able to implement specialized equipment for technology transfer (e.g. global positioning system, drones, meteorological stations, data loggers), generating real-time information on good agronomic practices. This has led to improvements in traceability in the coffee value chain, thus enabling smallholders to meet the requirements for access to domestic and international markets. More than 125,000 households were able to benefit from improved technical assistance through this grant.
11. **IFAD-Morocco-Madagascar South-South and Triangular Cooperation.** This grant has resulted in an institutional breakthrough, being instrumental in the creation of the Ifrane Centre of Excellence for South-South Agricultural Cooperation. The centre is now a fully fledged institution for implementing the strategic vision of the Government of Morocco in pursuing its agricultural SSTC agenda. The mandate of the centre is duly reflected in the Official Gazette of Morocco. Morocco and Madagascar came together in this flagship SSTC programme, under the brokering role of the Near East, North Africa and Europe Division. This partnership is innovative and is the first in Morocco to bring the triangular dimension and catalytic role of IFAD into play.
12. **Agricultural Bank of Sudan Microfinance Initiative (ABSUMI).** IFAD committed grant resources in support of the Agricultural Bank of Sudan's goal to enhance small rural entrepreneurs' access to microfinance services in collaboration with the Microfinance Unit of the Central Bank of Sudan and IFAD. The tailor-made technical assistance funded through the grant paved the way for the scaling up of ABSUMI in conjunction with other IFAD-financed projects (the Seed Development Project, the Supporting Small-scale Traditional Rainfed Producers in Sinnar State Project, and the Butana Integrated Rural Development Project). This successful initiative covered around 900 communities in nine Sudanese states. It converted 30,000 rural women into successful entrepreneurs. It encouraged rural women to set up savings and credit clubs of 10–20 members. The members of these groups obtained 70,000 small loans totalling US\$7.4 million, mostly used to start or expand small businesses. The repayment rate reached almost 100 per cent.
13. **Viet Nam Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Quang Provinces.** The small grant attached to this project supported policy dialogue on topics related to market-oriented agriculture and poverty reduction, public-private partnership and value chains. The grant also aimed at facilitating knowledge-sharing between ministries and between central

and local governments through IFAD innovations. As a result, Government Decree No. 210 on public-private partnership guidelines was issued and their implementation is being piloted through IFAD-funded projects. In addition, agri-insurance models were tested in 20 provinces. The grant provided overall implementation support to the National Targeted Programme for New Rural Development, notably for the development of a results-based monitoring and evaluation reporting system.

14. **Innovations in Smallholder Agriculture for Climate Change Resilience in South Africa.** This small grant was instrumental in ensuring that IFAD remains engaged in supporting South Africa's rural agriculture, in spite of there not being any IFAD-supported investments in the country. Thanks to this grant, studies were undertaken through South African universities, which resulted in articles being published in *New Agenda: South African Journal of Social and Economic Policy*. These articles have contributed to the debate on land and climate change in South Africa.
15. **Partnering for Value: Promoting Public-Private-Producer Partnerships in IFAD-funded Value Chain Development Projects.** This grant supported the establishment of public-private-producer partnerships in IFAD-funded loan projects and work with government and project staff and with producers' organizations. Some of the partnerships established were instrumental in demonstrating the potential for long-term agreements among stakeholders in different value chains, such as coffee, dairy, aquaculture and staple crops. The grant also supported the development of viable business plans by smallholders, and offered capacity-building activities for both project staff and beneficiaries for stronger value chain integration.

Main changes introduced by the new policy

	<i>2015 policy</i>	<i>New policy</i>
Allocation of resources to the programme	Fixed percentage calculated as 6.5 per cent of the total PoLG.	Variable amount calculated following a sustainable baseline concept, determining the maximum level of grant resources allocated in any replenishment cycle, directly linked to the level of core replenishment contributions.
Catalytic approach	Not present in the 2015 policy.	Given the inherently limited size of the CIP in general, and of the individual proposals funded by this programme in particular, all efforts will be catalytic and supportive of other initiatives and programmes that form part of the new business model and strategic orientation of IFAD. CIP-funded projects will thus act as key enablers of IFAD's programmes, policies and strategies. This is reflected in the policy's theory of change (see annex III).
Overall goal	To significantly broaden and add value to the support provided to smallholder farming and rural transformation, thereby contributing to rural poverty eradication, sustainable agricultural development, and global food security and nutrition.	The overall goal and vision statement was refocused in light of the catalytic potential of grant proposals. The new goal is to act as a catalyst to support IFAD in furthering its mandate of rural development and transformation; making an impactful contribution to the targets of the 2030 Agenda; and achieving IFAD's commitment of doubling its impact by 2030 in support of the SDGs.
Objectives	<ul style="list-style-type: none"> ▪ Promote innovative, pro-poor approaches and technologies with the potential to be scaled up for greater impact; ▪ Strengthen partners' institutional and policy capacities; ▪ Enhance advocacy and policy engagement; and ▪ Generate and share knowledge for development impact. 	<ul style="list-style-type: none"> ▪ Contribution to the formulation of policies that support inclusive and sustainable rural and food system transformation; ▪ Strengthening of strategic and operational partnerships (including for timely response to crises and fragility); and ▪ Generation, dissemination and application of pro-poor knowledge and innovation. <p>While not representing a major deviation from the objectives of the 2015 policy, the new objectives, coupled with the adoption of a catalytic approach, offer greater clarity and scope for prioritization of the most strategically relevant proposals.</p>
Strategic alignment	Determined on a yearly or three-year basis through the implementation of a strategic guidance note.	Proposals must be strategically aligned with the 2030 Agenda, the applicable replenishment commitments, the IFAD Strategic Framework and the applicable country strategies. Strategic alignment will be assessed in terms of the catalytic potential demonstrated by each proposal to unlock and leverage opportunities for IFAD's engagement in broader initiatives.
Linkages to IFAD-funded initiatives	Mostly focused on the IFAD loan portfolio.	Extended to include all the programmes at IFAD's disposal, including those to be implemented in the transition towards IFAD12 and beyond.
Country eligibility	Fixed sub-allocation to global and regional proposals and fixed sub-allocation to country-specific proposals based on available PBAS resources.	Grant resources will be delinked from the PBAS and provided over and above PBAS allocations. This will allow further prioritization based on overall strategic relevance and potential to realize the programme's catalytic effect. Upper-middle-income countries will be allowed to access resources only in the context of broader initiatives at the regional or global level.
Risk management framework	Only applicable at the individual proposal level.	Risk management for individual proposals will be retained. In addition to this, a broader risk management framework, with corresponding mitigation measures, will be provided for the overall programme.
Portfolio-level oversight function	Not present in the 2015 policy.	A corporate portfolio monitoring function will be established to enhance reporting of results throughout implementation and at completion and to enforce provisions for capturing and disseminating knowledge gained from the implementation of the policy and of individual proposals.
Reporting	Through a results management framework	The results management framework has been enhanced through the addition of output indicators for monitoring progress against specific objectives, both during implementation and at completion (see annex IV).

Theory of change

Impact

IFAD's mandate of sustainable and inclusive rural and food system transformation is advanced

IFAD's contribution to the 2030 Agenda is enhanced

IFAD's commitment to doubling its impact by 2030 is supported

IFAD's visibility and positioning are promoted

Outcomes

Lending and non-lending instruments at IFAD's disposal are deployed in a mutually reinforcing way

IFAD's country-level, regional and global engagement is strengthened

Partnerships are unlocked and cofinancing is boosted

Knowledge is used to strengthen quality of programmes and policies

Key outputs

Pro-poor innovation, research and technologies are piloted for scaling up through ASAP+/PoLG/partners

Partnerships are initiated, including for crowding in resources under the IFAD Private Sector Engagement Strategy 2019–2024

Integrated packages of solutions are available for countries in transition and countries with fragile situations

Regional public goods and regional activities in support of regional lending operations are funded

Knowledge is shared and disseminated for uptake to benefit IFAD's lending and non-lending instruments

Action areas

Inclusive and sustainable rural and food system transformation policies

Pro-poor knowledge and innovation

Strategic and operational partnerships, including for rapid response to crises and fragility

CHALLENGES

Ensure an affordable programme

Provide mutual reinforcement amongst IFAD's instruments

Provide timely response to fragility or crisis situations

Capitalize on lessons learned

CIP results framework

<i>Expected results</i>	<i>Performance indicators</i>	<i>Means of verification</i>
Relevance and alignment to the CIP policy	<ul style="list-style-type: none"> ▪ Number and percentage of new CIP projects rated 4 or better at entry for overall quality of design ▪ Number and percentage of new CIP projects rated 4 or better at entry for innovation ▪ Number and percentage of new CIP projects rated 4 or better at entry for partnership ▪ Number and percentage of new CIP projects rated 4 or better at entry for knowledge management ▪ Number and percentage of new CIP projects rated 4 or better at entry for scaling up ▪ Number of CIP projects cited in project design reports (ongoing) 	<ul style="list-style-type: none"> ▪ Quality Assurance Group (QAG) ratings ▪ Project design reports
Implementation effectiveness	<ul style="list-style-type: none"> ▪ Number and percentage of ongoing CIP projects rated 4 or better for overall implementation progress ▪ Number and percentage of CIP projects rated 4 or better for knowledge management during implementation and at completion ▪ Number and percentage of CIP projects rated 4 or better for innovation during implementation and at completion ▪ Number and percentage of CIP projects rated 4 or better for partnership during implementation and at completion ▪ Number and percentage of CIP projects rated 4 or better for scaling up during implementation and at completion ▪ Number and percentage of CIP projects rated 4 or better for effectiveness at completion ▪ Number of CIP projects leading to at least one policy being formulated (ongoing) ▪ Number of strategic and operational partnerships initiated or strengthened through CIP resources (ongoing) 	<ul style="list-style-type: none"> ▪ Grant status report ▪ Progress reports ▪ Supervision reports ▪ Completion reports
Efficiency in grant management	<ul style="list-style-type: none"> ▪ Average number of working days required to process new CIP proposals from entry into pipeline to approval ▪ Disbursement ratio (grants) ▪ Cofinancing mobilized by CIP projects (per US\$ invested by IFAD) 	<ul style="list-style-type: none"> ▪ QAG data ▪ Grants and Investment Projects System