

Document: EB 2020/130/R.14/Add.3
Agenda: 8(c)
Date: 9 September 2020
Distribution: Public
Original: English

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Report on the Status of Implementation of the Rural Poor Stimulus Facility and IFAD's Wider Operational Response to COVID-19: Responses by IFAD Management to Questions Raised by Member States

Note to Executive Board representatives

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Executive Board — 130th Session
Rome, 8-11 September 2020

For: Information

I. Background

1. This document provides additional responses to questions that were raised during item 8(c) of the 130th session of the IFAD Executive Board, which focused on the "Report on the Status of Implementation of the Rural Poor Stimulus Facility (RPSF) and IFAD's Wider Operational Response to COVID-19" (EB 2020/130/R.14). As there was insufficient time during the session for IFAD Management to respond to the questions in sufficient detail, it was agreed that IFAD Management would provide in-depth responses to these questions ex-post. IFAD Management is of course very happy to respond to any further questions that Member States may have on this topic.
2. We would also like to take the opportunity to provide an update on a recent batch of proposals that were approved shortly after the session. This batch consisted of 11 single-country proposals, amounting to US\$6.4 million in RPSF financing, along with US\$0.8 million in cofinancing from the Food and Agriculture Organization of the United Nations (FAO), the World Food Programme (WFP) and governments. This takes the total approved financing for the facility to US\$30 million. In addition, we currently have another eight proposals, amounting to US\$5.1 million, that are currently under review.

II. Responses to Executive Board questions

A. Outreach and resource mobilization

3. *Question 1. Please provide more information on how/if the country allocation mechanism will be updated to reflect the current threats posed by COVID-19 on the rural poor.*
4. As explained during the session, we are currently reviewing how we allocate funds within the pool for single-country initiatives (to which 85 per cent of the funds are assigned). It is challenging to incorporate data on COVID-19 cases into the current allocation formula¹ without running the risk of introducing bias given the different testing and reporting capacities between countries. However, our Research and Impact Assessment Division is currently investigating the data sources available and conducting a scenario-based analysis to see whether this is feasible. Depending on the outcome, we may use a slightly modified formula that incorporates COVID-19-related data when we allocate the first round of supplementary funds (estimated at around US\$36 million) in mid-October.
5. Whether or not the formula for allocating resources is adjusted, we will continue to leverage the flexibility of the pool for multi-country projects (to which 15 per cent of funds are assigned) to ensure financing from the RPSF reaches those most in need. The recently approved multi-country project for Bolivia (Plurinational State of), Guatemala, Haiti, Honduras and Peru is a prime example of how the multi-country pool can help to fill the gaps in this regard. This project uses allocations from the single-country pool for Bolivia (Plurinational State of), Guatemala, Haiti and Honduras, combined with a contribution from the multi-country pool. The contribution from the multi-country pool serves to enhance the project's ambitious targets under the digital services pillar. It also allows Peru – a country where rural people are severely affected by the pandemic, but which is not eligible for financing from the single-country pool – to also be included in a synergistic manner.
6. Moving forward, as mentioned by the President during the session, IFAD is committed to data- and evidence-driven allocation through the RPSF. This applies both to funding from the single- and multi-country pools, where applicants must

¹ The current formula used the INFORM COVID-19 Risk Index as a starting point and then "ruralized" using data on rural population and undernourishment.

include detailed information on the threats posed by COVID-19 so that funds can be directed to where the need is greatest.

7. *Question 2. The report focuses on the number of beneficiaries that the RPSF will reach. We would like to know how this outreach is monitored and understood as compared to the concept of impact.*
8. As outlined in the Results Measurement Framework (RMF) of the RPSF, we will monitor both the outreach and the impacts of RPSF projects. In terms of outreach, this is understood as the number of project beneficiaries. In terms of projects that are anchored to an ongoing IFAD intervention, outreach will take account only of those who receive support specifically financed by the RPSF. Outreach will be tracked, as mandatory, through monitoring and evaluation systems managed by project implementing partners. All projects will be required to report on their outreach at completion.
9. In terms of impact, we have devised a small set of core indicators tracking whether incomes, assets, productivity, sales, resilience, nutrition and food security have been maintained or improved for project beneficiaries. The target is that these results are achieved for 75 per cent of project beneficiaries. This will be measured for a sub-sample of RPSF projects, with the assessment conducted by implementing partners, with technical support from IFAD.
10. *Question 3. The results framework states that the number of people to be supported can vary from one to seven million and for the fourth pillar from 500,000 to 60 million, depending on the size of the budget. The immediate question which comes up is how can the identified needs be met in the absence of sufficient contributions?*
11. These ranges were set based on the amount of contributions received. The lower number is the outreach target for the initial US\$40 million in seed funding, while the maximum number would be the target if US\$250 million in total contributions is reached.
12. Recognizing that the amount of additional resources mobilized is uncertain, all approved proposals must be able to stand alone on the basis of the initial financing provided. To increase efficiency, many proposals include a financing gap to be filled once additional resources are obtained, but the proposal review process is very clear that there must not be any expectation of additional financing, and the results of a project must in no way be dependent on the receipt of additional funds. For example, a project must be able to maintain or improve the incomes of at least 75 per cent of beneficiaries on the basis of the initial financing, with any extra money being used mainly to increase outreach.

B. Alignment with the wider COVID-19 response of the United Nations

13. *Question 4. You mention in paragraph 24 of the main report that efforts are being made to complement the work of the RPSF and the ongoing repurposing efforts by mobilizing in-country cofinancing, including from the United Nations COVID-19 Response and Recovery Multi-Partner Trust Fund (COVID-19 MPTF). Could you provide more information on this?*
14. As regards the United Nations COVID-19 Response and Recovery Fund Multi-Partner Trust Fund (COVID-19 MPTF), IFAD is continuously exploring opportunities to engage with this facility, including as a financier and as a grant recipient. So far, IFAD has been part of one approved proposal from the COVID-19 MPTF. This initiative will address COVID-19 threats to livelihoods in sub-sectors of informal economies, creative industries and agriculture in Fiji, Palau, Tonga and Vanuatu. The International Labour Organization, the United Nations Educational, Scientific and Cultural Organization and the United Nations Development Programme will be the recipient organizations and IFAD will serve as the implementing agency, while

also contributing US\$1 million of cofinancing in kind. For the upcoming round of financing, IFAD will submit a joint proposal with FAO for an initiative in Brazil, and another with the United Nations Industrial Development Organization for an initiative in Viet Nam. So far US\$45.2 million has been allocated through the COVID-19 MPTF to 47 countries across 19 agencies, and the current remaining balance is US\$10.8 million. We will continue to work with United Nations Country Teams (UNCTs) to engage fruitfully with the fund, but in terms of accessing direct financing we are also realistic given the limited amount of funds available and the size of demand.

15. Nevertheless, we continue to work hard to raise in-country financing from other sources to complement all aspects of our COVID-19 response. So far this has mainly been achieved through the RPSF projects themselves. This includes cofinancing contributions from governments for RPSF projects in Burundi, Cambodia, Chad, Congo, Democratic Republic of the Congo, Gabon, Liberia, Madagascar, Malawi, Palestine, Senegal, Sudan and Uganda. In addition, WFP and FAO have provided joint cofinancing for RPSF projects in Djibouti and Sao Tome and Principe, while FAO is also a cofinancier for an RPSF project in Afghanistan.
16. *Question 5. We would like to know whether funds from the COVID-19 MPTF have been channelled to IFAD and, if so, whether these contribute to the RPSF and whether there is any kind of permeability between these funds?*
17. As mentioned above, we have not had any proposals for direct financing approved by the COVID-19 MPTF. However, the overarching mantra of IFAD's COVID-19 response is to ensure maximum alignment and synergies with the wider United Nations response. This applies to the proposals submitted to the COVID-19 MPTF. Moving forward, country teams are being encouraged to explore options for RPSF or repurposing funds to be combined with COVID-19 MPTF funds within the same projects.

C. Challenges faced

18. *Question 6. We would welcome more information on how lessons learned have been incorporated so far and whether IFAD anticipates any major challenges moving forward.*
19. Our experience with the RPSF so far has produced many lessons, which we have tried to use to improve the efficiency and effectiveness of the facility. For example, consistent themes emerged in comments made during the arm's length reviews of early RPSF proposals. They included the need for better incorporation of IFAD's mainstreaming themes, clearer exit strategies, and robust systems for knowledge management. We have therefore placed greater emphasis on ensuring that these themes are adequately addressed in proposals. We have also clearly stipulated that proposals will not be approved if these issues are not adequately addressed.
20. Another key lesson has been the value of the more flexible pool for multi-country projects. Through this pool, we have been able to promote innovation and partnerships that will reap both short- and longer-term rewards. We have also been able to achieve significant efficiency gains by grouping countries within these projects. As mentioned earlier, the pool has also shown itself to be a key instrument in ensuring that financing is directed towards the rural people most at risk. Based on this lesson, we are currently exploring and discussing the prospect of increasing the allocation to this pool.
21. The main challenge that we face moving ahead is to ensure that supplementary funds are allocated efficiently. As contributions are being provided on a rolling basis, we must devise a system for allocating these funds to the 59 eligible countries without requiring 59 new approvals each time more money becomes available. The main way to do this is to group supplementary fund contributions together in order to release larger amounts across fewer rounds. We are also encouraging design teams to group countries together within single proposals

wherever this is feasible. Finally, we will implement a streamlined review and approval procedure when supplementary funds are being used to top-up ongoing RPSF projects.

D. Thematic issues

22. *Question 7. On the programmes promoted, which are often related to agricultural inputs, we wonder how, for example, sustainability aspects, or with digital solutions, gender aspects have been considered. Some more details in general on how RPSF projects are incorporating gender aspects would also be appreciated.*
23. RPSF projects are carefully tailored to local needs and are aligned with the priorities outlined in national and UNCT COVID-19 response plans. Based on this, sustainability and gender aspects are considered in different ways depending on the context. In terms of sustainability, as mentioned above, we place emphasis on RPSF projects having clearly defined exit strategies. In the case of projects providing access to agricultural inputs, exit strategies are often structured around planting seasons to ensure a smooth transition from the short-term input support back to their regular farming activities once COVID-19 restrictions are lifted. Moreover, input support activities are often combined with support for post-harvest processing and market access to ensure that the full production cycle is secured against COVID-19 threats and that long-term damage to livelihoods is avoided.
24. Making certain that all IFAD's mainstreaming themes, including gender, are properly incorporated in the design of RPSF projects is a priority. The importance of gender and youth is highlighted by their inclusion as core indicators in the RMF. We have set the ambitious targets of 50 per cent of beneficiaries being women and 25 per cent youth, as well as 100 per cent of RPSF projects being rated as gender-sensitive and 50 per cent being rated as youth-sensitive. IFAD's Gender and Social Inclusion team is currently helping to finalize a robust system for assigning these ratings, which involves assessing projects at completion based on a specifically tailored matrix of indicators including economic resilience, voice and well-being.
25. As part of this emphasis on IFAD's mainstreaming themes, proposals focusing on improving access to digital services must demonstrate how they will overcome the specific barriers that women and youth face in accessing these services. For example, the multi-country project in Kenya, Nigeria and Pakistan, which is being implemented by the NGO Precision Agriculture for Development, will leverage the gender inclusion strategies of IFAD's Southern Punjab Poverty Alleviation Project in Pakistan as an entry point for supporting access for both women and youth. Similarly, in an RPSF project in Nepal, which will establish a mobile phone application to improve access to financial services, tailored financial service products will be developed to meet the specific needs of women and youth.
26. *Question 8. Around seven per cent of the RPSF funds will be disbursed as cash transfers. It would be helpful to receive some clarity on IFAD's capacity for using this method which has shown its advantages, but also challenges. As always, we are keen to avoid duplication within the United Nation System.*
27. The seven per cent figure refers to the proportion of repurposing that has been used for cash transfers, rather than financing through the RPSF. Only two approved RPSF proposals contain a cash transfer component – which is minor in both cases. From the beginning of the pandemic, IFAD has been careful to avoid mission creep in its COVID-19 response. In all of the Fund's COVID-19 interventions, activities must be focused on providing short-term support to avoid longer-term damage to livelihoods, and should not fall into the kind of humanitarian support that is within the mandate of WFP, for example. Activities such as providing cash and food transfers are therefore only approved if they are focused upon securing livelihoods during and after the pandemic.
28. All repurposing is agreed and requested by governments, so in the cases where funds from ongoing IFAD projects have been used for emergency cash transfers,

that is because doing so has been identified as the way that IFAD can best contribute to the national COVID-19 response. As part of this, avoiding duplication of local response activities is a key consideration. Where they are provided, cash transfers are always part of an integrated set of support measures with a clear COVID-19 response goal. For example, for one project in Malawi, in addition to a recently approved RPSF project, US\$1 million was repurposed to support ultra-poor project beneficiaries who were experiencing extreme liquidity issues due to the effect of the pandemic on their livelihoods. To enable those affected to meet their basic needs, and to avoid the development gains achieved by the project being eroded, short-term cash transfers were provided alongside financial literacy messages to ensure that the transfers were used for their intended purpose.