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IFAD12 Priority Replenishment Commitments to be Addressed through Financing from the Regular Grants Programme

Note to Executive Board representatives

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Thematic priority areas (PAs) for global/regional grants 2015–2021

Abbreviations and acronyms

AR4D	agricultural research for development
BRAM	Borrowed Resource Access Mechanism
EMC	Executive Management Committee
IFAD12	Twelfth Replenishment of IFAD's Resources
LIC	low-income country
LMIC	lower-middle-income country
M&E	monitoring and evaluation
OSC	Operational Strategy and Policy Guidance Committee
PBAS	performance-based allocation system
PCA	priority commitment area
PoLG	programme of loans and grants
QAG	Quality Assurance Group
SO	strategic objectives
ToC	theory of change

Recommendation for approval

The Executive Board is invited to approve the selection of the five priority replenishment commitments of the Twelfth Replenishment of IFAD's Resources (IFAD12) identified in the paper for financing from the regular grants programme during the IFAD12 period (2022–2024).

I. Background and rationale

1. At its 132nd session in April 2021, IFAD's Executive Board approved the new Regular Grants Policy.¹ The policy establishes a new process for determining the thematic focus of the IFAD regular grants programme during each IFAD replenishment cycle. Under the 2015 Policy for Grant Financing,² the thematic focus was determined on an annual or three-year basis through a strategic guidance note approved by the Executive Management Committee (EMC).³ Under the 2021 policy, a summary of the priority replenishment commitments that could benefit from grant-funded activities is to be presented for approval at the last Executive Board session preceding the start of each replenishment cycle.
2. In line with this provision, this paper identifies the IFAD12 priority replenishment commitments that could benefit from activities funded by the regular grants programme during the IFAD12 period (2022–2024).⁴ These priority commitments will allow the Board and Management to make informed decisions on the prioritization of activities to be funded through regular grant resources.

II. Strategic directions for IFAD regular grants

3. The Regular Grants Policy stipulates that the overall goal of the regular grants programme is to contribute to furthering IFAD's mandate of sustainable and inclusive rural transformation and to help achieve the Sustainable Development Goals.
4. The regular grants programme has two mutually reinforcing strategic objectives (SOs):
 - (i) SO1: Leverage better impact on the ground for IFAD's programme of work, including through improvement of in-country capacity for greater sustainability of benefits; and
 - (ii) SO2: Foster a more conducive policy and investment environment for smallholder agriculture and rural development, including at the regional and global level.
5. The theory of change (ToC) of the regular grants programme states that the programme will fund catalytic interventions with leveraging potential to unlock broader opportunities for IFAD's engagement through the programme of loans and grants (PoLG) and other programmes and instruments.⁵ Interventions will operate through the following pathways: (i) improving the policy and investment environment; (ii) leveraging strategic and operational partners' expertise and resources to deepen the impact of IFAD's programme of work; and (iii) improving the availability and uptake of relevant knowledge and innovation for enhanced impact and sustainability. Each pathway corresponds to an action area/input in the regular grants programme's ToC.

¹ EB 2021/132/R.3.

² EB 2015/114/R.2/Rev.1.

³ The most recent strategic guidance note covered the IFAD11 replenishment period (2019-2021).

⁴ The IFAD12 replenishment commitments are presented in annex I to the "Report of the Consultation on the Twelfth Replenishment of IFAD's Resources: Recovery, Rebuilding, Resilience" (GC 44/L.6/Rev.1).

⁵ EB 2021/132/R.3, section IV.B and annex III.

6. Interventions along these pathways will activate synergies between lending and non-lending instruments, lead to strong engagement beyond the country level, help unlock partnerships with potential for cofinancing, favour the use of knowledge to strengthen the quality of programmes and policies, and foster an enabling environment for policy and investment (the five outcomes of the regular grants programme).

III. Priority commitment areas for the regular grants programme during the IFAD12 period (2022–2024)

7. The following five priority commitment areas are being proposed for the regular grants programme during IFAD12; they were selected from among all the IFAD12 replenishment commitments, based on the rationale discussed in section IV:
- (i) **Priority commitment area 1: Increased ambition on mainstreaming and other priority issues, and enhanced targeting of the most vulnerable rural people (IFAD12 replenishment commitment 1.1).** This area covers initiatives that will help better reflect mainstreaming and social inclusion priorities in IFAD-funded operations. Initiatives should focus on piloting innovative solutions with regard to nutrition, climate, gender, youth and biodiversity. Activities that favour the inclusion of indigenous peoples and persons with disabilities as priority target groups will also be considered.
 - (ii) **Priority commitment area 2: Strategic focus on fragility, conflict and building resilience (IFAD12 replenishment commitment 1.2).** This area covers initiatives that will help IFAD achieve more effective operations, leverage resources and strengthen collaborations in fragile, emergency and conflict-affected situations, together with activities that will support sustainable and inclusive development in Small Island Developing States.
 - (iii) **Priority commitment area 3: Strategic partnerships to enhance impact (IFAD12 replenishment commitment 1.4).** This area covers initiatives that will contribute to furthering the objectives of the IFAD Partnership Framework or more broadly support the partnerships pathway of the Regular Grants Policy (leveraging strategic and operational partners' expertise and resources to deepen the impact of IFAD's programme of work). Activities should focus on establishing or strengthening high-priority strategic regional and global partnerships and on supporting IFAD's global engagement with global platforms and alliances (such as the African Green Revolution Forum, the Committee on World Food Security, the High-level Political Forum on Sustainable Development, the International Land Coalition and follow-up on the United Nations Food Systems Summit, the United Nations Decade of Family Farming and other initiatives), knowledge institutions, producers' organizations, thematic networks, the private sector and other non-state actors. Initiatives in this area can also contribute to the implementation of the new IFAD South-South and Triangular Cooperation Strategy.
 - (iv) **Priority commitment area 4: Enhancing performance and efficiency (IFAD12 replenishment commitment 2.1).** This area covers initiatives that will help IFAD maximize impacts and results through enhanced performance and efficiency in transformational country programmes by: (i) improving in-country capacities; and (ii) improving the availability and uptake of relevant knowledge and innovation targeting the poor, in line with IFAD's operating model and guidelines for innovation. Activities that focus on building the capacities of project management units with respect to monitoring and evaluation (M&E) and Social, Environmental and Climate Assessment Procedures and activities that will promote solutions based on

information and communications technologies for development and digital agriculture approaches will be prioritized.

- (v) **Priority commitment area 5: Sustainability and scaling up results (IFAD12 replenishment commitment 2.2).** This area covers activities that will support IFAD's increased emphasis on policy engagement as a means of promoting systemic change for IFAD's target groups and that will help enhance the sustainability of IFAD's programme of work by improving the policy and investment environment for smallholder agriculture and rural development. In line with the policy pathway of the Regular Grants Policy, proposals in this priority commitment area should focus on global- and regional-level activities to support higher-level policies for inclusive and sustainable rural food systems transformation. They may also include analytical work in support of such activities.

IV. Rationale for the selection of the strategic priority commitment areas

8. **Lessons learned and continuity.** In proposing the five priority commitment areas, lessons learned in relation to the performance and results of activities funded by the regular grants programme were considered with a view to ensuring that IFAD focuses the available resources on areas in which regular grant performance was strong.⁶ Evaluations and reviews show that regular grants achieved tangible results by supporting pro-poor agricultural research, piloting innovations to be scaled up through loan-funded operations, contributing knowledge and building communities of practice, creating opportunities for policy dialogue and building capacities to enhance the performance and efficiency of IFAD investment projects. These will continue to be pursued under the proposed priority commitment areas. Care has been taken to ensure a degree of continuity with the thematic priority areas defined for the regular grants programme under IFAD11 (e.g. mainstreaming priorities and partnerships) in order to foster synergies with ongoing and recently completed grant-funded interventions and to help consolidate or scale up past achievements.⁷
9. At the same time, the proposed priority commitment areas build on lessons learned to help address identified areas for improvement. Evaluations indicate that the value-for-money and development impact of regular grants could be enhanced through more focused objectives, enhanced integration with country programmes, consistent leveraging of knowledge, the streamlining of design and approval procedures and consolidated M&E, reporting and learning at the corporate level. While these issues will be comprehensively addressed through the key principles of the Regular Grants Policy, the selected priority commitment areas will contribute to bringing about the needed improvements. For example, they will lay the groundwork for enhanced integration with country programmes and with IFAD's expanding toolkit (especially through priority commitment areas 1, 2 and 4). They focus on a limited range of activities strongly tied to the ToC to help IFAD strategically prioritize among proposals on a competitive basis.
10. **Linkages to the ToC of the regular grants programme.** Table 1 maps the proposed priority commitment areas against the pathways/inputs, outcomes and SOs of the regular grants programme's ToC. While initiatives under each priority commitment area can contribute to more than one outcome or SO, table 1 indicates those to which each one is mainly expected to contribute. The priority commitment areas cover all the aspects of the ToC, so that the initiatives funded under the

⁶ The lessons learned from various evaluations and reviews of IFAD activities funded by the regular grants programme are discussed in the Regular Grants Policy (EB 2021/132/R.3) and its annex I.

⁷ The thematic priority areas selected for global/regional grants between 2015 and 2021 are presented in annex I.

various areas will jointly contribute to achieving the high-level vision and expected impacts of the regular grants programme.

Table 1
Linkages between the priority commitment areas (PCAs) and the theory of change

	<i>Linkages to ToC pathways /inputs</i>	<i>Linkages to ToC outcomes</i>	<i>SO1: Leveraging impact</i>	<i>SO2: Policy/ investment environment</i>
PCA1: Mainstreaming and targeting	Knowledge, evidence and innovation	Knowledge is used to strengthen the quality of programmes and policies Lending and non-lending instruments act in synergy	Primary objective	
PCA2: Fragility, conflict and resilience	Knowledge, evidence and innovation	Knowledge is used to strengthen the quality of programmes and policies Lending and non-lending instruments act in synergy	Primary objective	
PCA3: Strategic partnerships	Strategic and operational partnerships	Partnerships are unlocked and cofinancing is boosted IFAD's country/regional/global engagement is strengthened		Primary objective
PCA4: Performance and efficiency	Knowledge, evidence and innovation	Knowledge is used to strengthen the quality of programmes and policies Lending and non-lending instruments act in synergy	Primary objective	
PCA5: Sustainability and scaling up results	Policy and investment environment	Enabling environment for policy and investment is fostered IFAD's country/regional/global engagement is strengthened		Primary objective

11. **Comparative advantage over other IFAD instruments.** The selected priority commitment areas focus on activities that would be difficult to support through other instruments and funding sources available to IFAD. Based on the evaluative evidence underlying the Regular Grants Policy, regular grants have a demonstrated comparative advantage and unique profile compared with other IFAD instruments. Regular grants are the only available instrument that permits IFAD to test and pilot innovative approaches requiring a higher risk appetite; this is reflected in priority commitment areas 1 and 3. Regular grants make it possible to fund activities that are important but difficult to include in loan-funded investments, such as capacity-building, global advocacy, knowledge work and partnership-building (captured in priority commitment areas 3, 4 and 5). Regular grants also enable IFAD to provide rapid response in emergency situations beyond the availability and remit of the performance-based allocation system (PBAS) and the Borrowed Resource Access Mechanism (BRAM); this is addressed through priority commitment area 2. They are also one of the few instruments that allows IFAD to engage beyond the country level, approaching rural development from a regional or global perspective, and to engage with non-state actors as critical members of IFAD's core target groups (priority commitment areas 3 and 5).
12. The initiatives funded by the regular grants programme under the proposed priority commitment areas will thus be essential for IFAD to achieve impact and fully deliver on its replenishment commitments and development mandate. Focusing on areas that are complementary to other instruments and engagement modalities will offer the greatest opportunities to maximize the catalytic effects of interventions, in line with the ToC and key principles of the regular grants programme.

13. **Rationale for excluding the remaining IFAD12 commitments.** The following four IFAD12 commitments are **not being proposed** as priority commitment areas for the regular grants programme:
- (i) Prioritizing IFAD’s core resources for the poorest countries (commitment 1.3);
 - (ii) Expanding IFAD’s toolkit for supporting rural poor people (2.3);
 - (iii) Increase IFAD’s decentralization, while strengthening institutional safeguard mechanisms and risk management (3.1);
 - (iv) Increase resources by integrating borrowing to achieve a target PoLG of US\$3.8 billion and introducing two new programmes – the enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) and the Private Sector Financing Programme (PSFP) (3.2).
14. These commitments have been excluded because they do not fall under the scope of the regular grants programme and are not strictly linked to the two SOs of the Regular Grants Policy. Moreover, they can be more appropriately funded through resources from IFAD’s administrative budget, investments under the PoLG and BRAM, and other sources. However, the regular grants programme may indirectly contribute to these non-priority commitments through the underlying principles of the Regular Grants Policy. For example, resources under the regular grants programme are delinked from the PBAS and will be primarily allocated to low-income countries (LICs) and lower-middle-income countries (LMICs), in line with the overarching principles governing the distribution of IFAD’s resources. By concentrating activities in LICs and LMICs, the regular grants programme will help IFAD deliver impacts and increase the value for money of its operations in the poorest and most vulnerable countries, in line with replenishment commitment 1.3.

V. Guiding principles, assessment of proposals and reporting

15. All the provisions and key principles established in the Regular Grants Policy to prioritize the allocation of resources within the regular grants programme will apply, and will be used to assess the eligibility of proposals and to competitively prioritize them.⁸ In line with the Regular Grants Policy, individual grant proposals will not be approved on a first come, first served basis, but will be assessed by means of IFAD’s rigorous arm’s length quality assurance processes to determine their suitability for funding. Further guidance on the initiatives potentially to be supported under each priority commitment area will be included in the grant procedures, currently under preparation. The scorecard in annex IV of the Regular Grants Policy document will be fine-tuned to ensure that grant proposals are systematically assessed for their potential contribution to at least one of the priority commitment areas approved by the Board.
16. For the IFAD12 period, an allocation of US\$75 million has been agreed for the regular grants programme.⁹ To ensure that resources from the regular grants programme are not committed upfront, the available resources will be evenly allocated across the three years, with an indicative envelope of about US\$25 million to be committed each year during the IFAD12 period. This will help maintain flexibility in responding to any priorities that might emerge during the replenishment period and will ensure that synergies with IFAD’s programme of work are maximized as the programme unfolds.
17. The Regular Grants Policy stipulates that SO1 will receive a significantly larger amount of regular grant funding in any replenishment period. Therefore, a higher

⁸ The key principles are defined in section C of the 2021 Regular Grants Policy (EB 2021/132/R.3, para 18-28).

⁹ GC 44/L.6/Rev.1, and revised replenishment assumptions in EB 2021/133/R.13.

share of resources will be allocated to initiatives under the priority commitment areas contributing primarily to SO1 as shown in table 1 and to initiatives under other priority commitment areas when it is clear that these initiatives will substantially contribute to SO1. To help the Operational Strategy and Policy Guidance Committee (OSC) make informed decisions on new grants proposals, a table reporting the breakdown of the resources already allocated and committed to each SO and priority commitment area will be included in each regular grants OSC cover memo.

18. **Results framework and reporting.** The Regular Grants Policy indicative results framework includes an indicator related to strategic priority commitments. This is indicator 2 under expected result "Relevance and alignment with the Regular Grants Policy": number and percentage of new grant projects aligned to each SO and priority replenishment commitment identified by the Executive Board.
19. Data for this indicator will be collected at the design stage by the Quality Assurance Group (QAG), with specific reference to the priority commitment areas identified in this paper, and will be reported upon in the dedicated progress report that will be submitted to the Board each year at its April session. The report will comprehensively cover other aspects related to the grant programme's effective and efficient implementation and will regularly inform the Board on how grant resources are being allocated across priority areas. Moreover, as part of the midterm review report presented to each replenishment consultation, Management will include a dedicated section on the implementation of the Regular Grants Policy.
20. **Implementing procedures.** Implementing procedures for the Regular Grants Policy are being developed by QAG in collaboration with all relevant divisions, and will be submitted to the EMC for approval. Following EMC approval, the updated procedures will be circulated to IFAD staff by early 2022. The new implementing procedures will be shared for information as part of the progress report that will be presented to the Board at its April 2022 session.

Thematic priority areas (PAs) for global/regional grants 2015–2021

For grants approved in 2019 and 2021 (strategic guidance note 2019–2021):

- PA1 Production for food security, nutrition and income generation
- PA2 Climate change, resilience and environmental sustainability
- PA3 Gender equality and women's empowerment
- PA4 Opportunities for youth
- PA5 Business opportunities and partnership with private sector
- PA6 Strategic priority endorsed by EMC

For grants approved in 2018 (strategic guidance note 2018):

- PA1 Access of rural youth and vulnerable rural populations to productive assets, financing, natural resources and new skills/capacities
- PA2 Advisory and agricultural extension services for small-scale rural producers and their organizations
- PA3 Information technology and applications
- PA4 Agricultural research for development (AR4D) to sustainably increase production and productivity for food security, nutrition and income generation

For grants approved in 2017 (strategic guidance note 2017):

- PA1 Rights and access of most vulnerable populations to resources
- PA2.1 Innovative information and communications technology for smallholder farmers
- PA2.2 Food losses along value chains
- PA3 Improved data collection and better results management
- PA4 AR4D

For grants approved in 2016 (strategic guidance note 2016):

- PA1 Rural youth and unemployment
- PA2 Rural financial inclusion
- PA3 Improved data collection and better results measurements
- PA4 AR4D

For grants approved in 2015 (strategic guidance note 2015):

- PA1 Pro-poor AR4D programmes
- PA2 Stronger linkages between smallholder farmers/rural producers with value chains
- PA3 Empowerment of farmers' and indigenous peoples' organizations
- PA4 Leveraging the rural-urban nexus for development
- PA5 Better accountability for results and closing the data gaps on issues of high relevance to IFAD