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Enabling the rural poor to overcome poverty

## **IFAD Initiative for Mainstreaming Innovation Operational Framework for the Main Phase**

Executive Board  
1-2 December 2004 – Rome

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Action: **Approval**

## **Note to the Executive Board Directors**

This document is submitted for approval by the Executive Board.

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## **Abbreviations and Acronyms**

EAD	External Affairs Department
ENRAP	Electronic Network for Rural Asia/Pacific
FIDAFRIQUE/	
FIDAMERICA	Internet-based networks of organizations and projects in West and Central Africa and in Latin America and the Caribbean
IFAT	International Fair Trade Association
IMI	Initiative for Mainstreaming Innovation
IMI-PP	Preparatory Phase of the Initiative for Mainstreaming Innovation
ISC	IMI screening committee
MFI	Microfinance institution
MIX	Microfinance Information-Exchange
NGO	Non-governmental organization
PDFF	Programme Development Finance Facility
PDIP	Project Development and Implementation Partnership
PDT	Project development team
PMD	Programme Management Department
PMU	Project management unit
PROMER	Rural Microenterprise Support Programme in Latin America and the Caribbean

## **Recommendation for approval**

The Executive Board is invited to consider the proposed framework contained in this document and to approve the operationalization of the IMI accordingly



## **Executive Summary**

### **Context and Preparatory Phase of the IFAD Initiative for Mainstreaming Innovation**

1. Reaching the Millennium Development Goals requires new and more effective solutions to the obstacles facing the rural poor – and coordinated, country-led action to put these solutions to work on a wide scale. Within the international system of development assistance, IFAD has historically been the only institution dedicated exclusively to rural poverty reduction globally, and it is looked to as a major source of new approaches in this area – for its own assistance operations, but also for the development assistance system as a whole. The purpose of the IFAD Initiative for Mainstreaming Innovation (IMI) is to strengthen the tools with which IFAD can play this expanded role – to increase the scope and quality of the replicable innovations explored and disseminated by IFAD and its partners to reduce rural poverty. The goal of this three-year initiative is to enhance IFAD’s capacity to promote innovations that will have a positive impact on rural poverty. In its simplest form, innovation is a process that adds value or solves a problem in new ways. For IFAD, it is the development of improved and cost-effective ways to address problems and opportunities faced by the rural poor. In that context, the Fund’s role is that of a facilitator, mediator, enabler and promoter of innovation.
2. The evaluation that was done of IFAD’s capacity as a promoter of replicable innovation contained the following observation: for IFAD to have the sort of systematic approach to innovation that will be needed to satisfy the demands of its evolving role, a number of changes will be necessary. The IMI creates a foundation for these changes. It was conceived as a two-phased undertaking with preparatory and main phases. The preparatory phase comprised the design of the present operational framework and the financing of eight innovative, small projects.
3. The small-project selection and implementation activity of the preparatory phase paralleled the design team activities for the operational framework. The lessons learned from developing some of the most promising innovations in the small projects fed into the design of the framework. Among these were the needs to bridge the design/implementation gap, develop new partnerships, assess the risks of innovation, recognize the value of traditional knowledge and ideas as a starting point for innovation, and acknowledge the importance of policy dialogue in creating an enabling environment for lasting change.
4. Specific outputs and achievements of the preparatory phase were: 48 case studies of IFAD-financed innovation in the field; implementation and evaluation of eight innovative pilot projects; start-up of two innovation inventories; sharing of the project learning on innovation at 11 conferences or workshops; and development of nine tools for innovation in support of future activities. Apart from specific outputs, the preparatory process, itself, has already initiated a process of cultural change and capacity development within IFAD.

### **Expected Results of the IMI Main Phase**

5. The expected outcomes of the IMI main phase are:
  - innovation mainstreamed into IFAD operations;
  - strengthened learning on innovation and sharing, and the application of such learning; and
  - a changed organizational culture and practices.
6. Partnerships will be the basis for both strengthening innovation in IFAD operations and for learning and sharing lessons on innovation.

### **Principal Components of the IMI Main Phase**

7. There are three principal components of the IMI main phase (shown in the table of the main text). The first is "strengthening innovation in IFAD operations". This consists of promoting innovation in and through country and regional programmes, including policy dialogue and engagement. The aim is a richer, stronger and better-coordinated pipeline of innovations that feeds the loan and grant programme, with more innovators associated at all stages. There are three major areas of action. One is the building of new partnerships with public- and private-sector, innovative organizations. The second area is development of design tools for improved analysis of the risk of innovations. The third is strengthening the implementation of innovations, which includes: bridging design and implementation of projects; providing decentralized back-up support for the more difficult to implement and innovative projects; and 'twinning arrangements' for project management units. The IMI will further contribute to making the voices of the poor, leading policy institutes, and innovative development centres heard at the IFAD policy level. The IMI will also strengthen the policy role and impact of the field-presence pilot.
8. The second principal component is "learning and sharing lessons on innovation". There is a recognized need to: approach learning – particularly on innovation – in a more structured way, strengthen learning across IFAD organizational units, remove the barriers that surround learning from mistakes, and create more space for learning by IFAD staff. This component will focus on capturing learning from rural development programmes, communicating and promoting IFAD-supported innovations, and developing IFAD expertise in areas of innovation that are strategic for IFAD's leadership role.
9. The third principal component is "changing organizational culture and practices" for innovation. This focuses on three types of activities: culture-change activities; testing new work arrangements; and providing incentives for staff for innovative performance.

### **Use of IMI Resources**

10. IMI resources would be used on a declining basis, over a period of three years. Two funding approaches would be employed: (i) certain activities essential to creating an enabling institutional environment for innovation would be financed by the IMI through specifically earmarked funds; and (ii) the bulk of IMI activities would be subject to an innovation-focused competitive financing line. The defined purpose and operating criteria and procedures of the small, competitive financing facility will ensure that there will be no overlap with IFAD's existing grant line. Moreover, the IMI would play a leadership role in increasingly directing both loan and grant programmes towards innovations that are proved, directly or indirectly, to have a positive impact on the rural poor.



## I. Introduction

1. Raising the incomes and food security of the rural poor is essential to the achievement of the Millennium Development Goals. While commitment of resources is essential, success will also depend upon finding new and better approaches to rural development and poverty reduction. Many well-established approaches have not succeeded, and there is no reason to believe that failure will be overcome by simply doing **more** of the same in a context that has changed. Rural economies have been caught up in new processes of globalization and exchange. The role of the state in agricultural systems has changed rapidly. The private sector, large- and small-scale, is at the centre of the economic transformation process – even in developing countries and in rural areas.
2. Old failures and new challenges call for new solutions in approaching rural poverty. These solutions must build on what has been learned from both success and failure. IFAD has been at the forefront of such potential learning. There can be no single blueprint for effective rural transformation and poverty reduction. New solutions must evolve in the context of the processes that are defining common strategies and platforms for comprehensive, coordinated action – including poverty-reduction strategy processes and sector-level change mechanisms. IFAD is being called upon to play a key role in the development of new, more coordinated and effective approaches to rural poverty. It brings some crucial assets to this task: it has the experience of focusing exclusively on challenges facing rural poor people; it has the methodology of working out solutions **with** the rural poor; it has confronted the question of successful strategies squarely in the context of structural change; and it provides a bridge between the world of the rural poor and the upstream policy and institutional processes that so affect their opportunities.
3. For IFAD to play this role, it must be able to respond to the urgent call for new and better solutions – not just for its 'own' activities, but for the wider rural development effort. Innovation is not new to IFAD. On the contrary, the Fund was born out of the need to forge a new path to the elimination of food insecurity and poverty. However, the challenge – and opportunity – of today is not only the development of innovative programmes and projects in themselves, but using them to develop new **systemic** responses to problems old and new. To respond to this demand, IFAD must invest in expanding its capacities for innovation, learning and influence. Reflections on how to achieve this increased with the IFAD V: Plan of Action (2000-2002), which called for the Fund "to develop methodology and evaluate IFAD's capacity as a promoter of replicable innovations in rural poverty, in cooperation with its partners". The subsequent Evaluation of IFAD's Capacity as a Promoter of Replicable Innovations in Cooperation with Other Partners<sup>1</sup> made some concrete recommendations for further enhancing IFAD's capacity to promote innovation. Similarly, the ongoing Independent External Evaluation of IFAD found that while there are some good activities and instruments, a more systematic approach to or strategy for innovation is necessary.
4. The IFAD Initiative for Mainstreaming Innovation (IMI) is part of the Fund's response to the above challenge. The IMI will be partly financed by the United Kingdom's complementary contribution of USD 10 million to the Sixth Replenishment, as well as IFAD's own resources. Proposals for the expenditures on the IMI for 2005 are being submitted in the Programme of Work and Budget of IFAD and its Office of Evaluation for 2005 for the consideration of the Executive Board.

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<sup>1</sup> Office of Evaluation, November 2002, Report No. 1325.

5. The IMI was conceived as a two-phased undertaking with preparatory and main phases. Among the activities of the preparatory phase was development of the present operational framework, which will guide the main phase, and identification of – and analysis and learning from – a number of the Fund’s current innovations (see Annex). The development of the framework was overseen by the IMI design team and based on extensive consultation.

### **A. IFAD’s Concept of Innovation**

6. For the Fund, ‘innovation’ is a process that adds value or solves a problem in new ways. It is:  
*“...the development of improved and cost-effective ways to address problems and opportunities faced by the rural poor through the projects and programmes it supports. These encompass institutional and technological approaches, as well as pro-poor policies and partnerships. IFAD directly supports innovation and, together with its partners, facilitates its processes and promotes its replication and scaling up.”<sup>2</sup>*

Innovation is not pursued for its own sake, but for its potential to impact rural poverty reduction.<sup>3</sup> For IFAD, the most important innovations are those that change the way smallholders and other rural poor people invest, produce and market their products; manage their assets; get organized, communicate and interact with their partners; and influence policies and institutions. Thus the innovations that IFAD promotes on the ground can take many forms – institutional, procedural, methodological, administrative, political, social, technical and legal. Innovations are frequently needed in the way that agencies – governments, non-governmental organizations (NGOs), research and finance institutions and private enterprises – support rural development and serve the rural poor so as to lift barriers and create new platforms for action for the poor.

7. IFAD’s approach to mainstreaming innovation in its operations and culture is:
  - people-centred;
  - integral to all operations and processes, not an isolated activity;
  - decentralized, field oriented, based on partnership and not ‘IFAD-centric’;
  - rapid, flexible and responsive to needs;
  - carefully monitored and evaluated in order to mitigate risks for poor people; and
  - focused on learning and the sharing of knowledge.

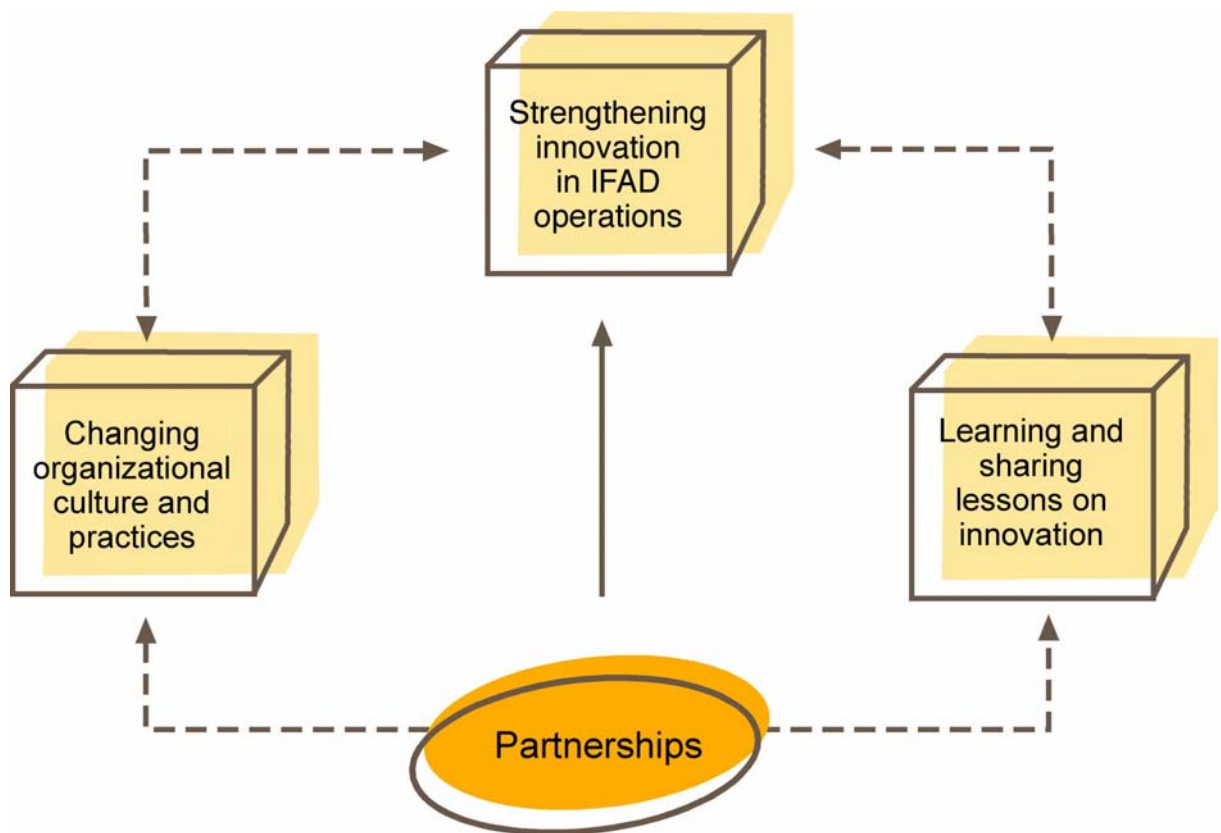
### **B. An Overview of the IMI**

8. As a corporate process, the main phase of the IMI will run over three years (2005-2007). It will equip IFAD to respond to old and new challenges with new solutions, and to improve its processes and instruments accordingly. To ensure the sustainable mainstreaming of innovation, IFAD’s culture and capacity for innovation will be enhanced, and the learning and sharing of lessons on innovation will be improved. The three pillars shown in Figure 1 are mutually reinforcing – “strengthening innovation in IFAD operations” will be facilitated by the two flanking pillars – and all three are underpinned by strategic partnerships. The IMI builds on key stakeholder involvement as an operating principle.

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<sup>2</sup> From the Agreement at Completion Point, in the Evaluation of IFAD’s Capacity as a Promoter of Replicable Innovations in Cooperation with Other Partners.

<sup>3</sup> The IFAD style of innovation was further described in document EB 2003/80/INF.4 – Information Note: IFAD Initiative for Mainstreaming Innovation.

**FIGURE 1: An Overview of the IMI**

### C. The Goal of the IMI

9. The goal of this three-year initiative is to **enhance IFAD's capacity to promote innovations that will have a positive impact on rural poverty**. To that end, the capacity of IFAD's loans and grants to define and promote innovation needs to be strengthened; learning and sharing improved; the partnerships through which IFAD operates reinforced (e.g. grant and loan project, policy dialogue and advocacy partners); and the missions of regional networks<sup>4</sup> and the evolving field presence fine-tuned.
10. The expected outcomes of the IMI are very much interrelated:
  - innovation mainstreamed into IFAD operations;
  - strengthened learning on innovation and sharing, and the application of such learning; and
  - a changed organizational culture and practices.
11. IMI funding will be available for use by IFAD – defined as comprising both IFAD headquarters and its field dimensions – and will be systematically linked to the funding of loans and grants

<sup>4</sup> These include Electronic Networking for Rural Asia/Pacific (ENRAP), FIDAFRIQUE and FIDAMERICA (Internet-based networks of organizations and projects in West and Central Africa and in Latin America and the Caribbean), but also Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean, the Regional Programme to Consolidate Gender-Mainstreaming Strategies in IFAD-Financed Projects of Latin America and the Caribbean, the Rural Microenterprise Support Programme in Latin America and the Caribbean (PROMER), and the Regional Unit for Technical Assistance.

under IFAD's lending programme. All donor contributions channelled through the IMI will link to and complement IFAD's funding of loans and grants. The spread of funding over the three-year period, on a declining basis, will determine the phasing of activities.

## II. Principal Components of the IMI

12. The small-project selection and implementation activity paralleled design-team activities for the IMI operational framework. The lessons learned from reviewing some of the most promising innovations in these projects also fed into the design of the framework, including the need to: bridge the design/implementation gap, assess the risks of innovation, develop new partnerships, recognize the value of traditional knowledge and ideas as a starting point for innovation, and acknowledge the importance of policy dialogue in creating an enabling environment for lasting change. The principal components of the IMI main phase, summarized in the table below, drew on these lessons and those from the Office of Evaluation's Annual Report on Evaluation for 2002 (document EB 2003/78/R.18).

### Principal Components, Indicative Activities and Role in Innovation of the IMI

Principal Components	Indicative Activities	Role in Innovation
<b>A. Strengthening Innovation in IFAD Operations</b>	Promoting innovation in and through country and regional programmes	Strengthens the pipeline of innovations, provides new partnerships and tools, and strengthens learning-based design and implementation in the project cycle.
	Innovation and policy dialogue	Ensures that the voices of the rural poor shape IFAD policies.
<b>B. Learning and Sharing Lessons on Innovation</b>	Capturing of knowledge from rural development programmes	Develops a more structured and effective process of learning on innovation, with wide involvement of partners.
	Communicating and promoting IFAD-supported innovations	Strengthens IFAD internal and global capacity to promote innovation.
	Development of IFAD strategic areas of innovation	Provides IFAD with the special expertise in innovation that underpins its leadership role.
<b>C. Changing Organizational Culture and Practices</b>	Culture-change activities	Provides IFAD staff with opportunities for field-level learning, training and dialogue on innovation.
	New work arrangements	Tests and evaluates strategies for organizational innovation.
	Incentives for staff	Tests and evaluates ways to motivate innovation in staff performance.

## A. Strengthening Innovation in IFAD Operations

13. **Partnerships for innovation.** In agriculture, microfinance, natural resource management and peoples' empowerment, some of the most successful innovations are those developed by the poor themselves, or in close interaction with them. Thus IFAD will need to strengthen its connections with the rural poor and their partners at the regional and local level, where innovations emerge. The IMI will support the formation of new partnerships and 'twinning arrangements' (see paragraph 16(d)) with networks of innovators such as research centres, farmers' groups and NGOs. Some potential partners were identified during the IMI preparatory phase (see Annex). In particular, partnerships in innovation should focus on activities that directly involve and empower the rural poor, especially in terms of building on indigenous knowledge and making the voices of the poor heard at the policy level.
14. **Capacity of the 'extended IFAD'.<sup>5</sup>** Strengthening the capacity to identify, promote and assess innovations is essential. To the extent that innovations are location specific, the IMI has to take full advantage of the proximity of the extended IFAD to country realities and local innovators. Measures through which capacity will be improved include:
- financial and technical support for linking regional networks to other networks of innovators;
  - financial support for organizing competitions in innovation on a country, regional or subregional basis (with farmer organizations, the private sector, NGOs and community-based organizations);
  - financial and technical support for further testing of promising innovations, nurturing of innovators and promotion of innovations; and
  - financial support for ongoing, web-based sharing of identified innovations with network members (the rural poverty portal, one of the preparatory-phase small projects, will play a central role in this area).
15. **Development of design tools for innovation.** An important area that requires increased attention is risk analysis. IMI funding could be used for further development and field-testing of risk-assessment tools (work started during the preparatory phase). Other design tools could include guidance in the design of monitoring and evaluation systems for innovations, and in planning information/education/ communication components of innovative loan projects<sup>6</sup> to support targeting and impact. The IMI could also cofinance initial applications of such tools during the design of projects to be financed by loans.
16. **Strengthening implementation of innovations.** IMI resources will be used to ensure that innovations included in design are implemented as expected, with the anticipated positive results. A gap can arise between design and implementation due to variance in capacity, understanding and commitment among implementation partners. Capacity-building among key implementation actors (project manager, key staff) will include preparing them for their role in the project, particularly when an entirely new approach is to be implemented.<sup>7</sup> IMI funding could be used for the types of activities outlined below:

<sup>5</sup> The 'extended IFAD' refers to country programme partners (see footnote 7).

<sup>6</sup> See the IFAD Evaluation Committee's Discussion Paper on Communication Directions for IFAD 2004-2007: Strategies and Programmes, especially pages 85-86.

<sup>7</sup> Principal partners for country programmes are IFAD project design teams and consultant-led teams involved with reviews and start-up workshops; project stakeholders and beneficiaries; cooperating institutions; project management units; and regional information networks.

- a. **Bridging design and implementation** of loans through, inter alia:
  - funding of critical, early start-up and/or similar preparatory work;
  - learning trips for staff, consultants or government officials to other countries where the innovation has been implemented;
  - pilot testing on a small scale to further fine-tune or adapt an innovation.
- b. **Back-up support** for implementation of innovations in country programmes. Existing supervision coverage is inadequate for the more innovative types of IFAD projects, particularly during the first three years. The IMI can help remedy this situation by financing back-up support for particularly innovative aspects of a loan. Such support might include:
  - back-up support for early implementation operations;
  - development of sub-networks of learning and support to IFAD projects in specific areas of innovation;
  - capacity-building for IFAD project staff on problem areas of an innovation being widely implemented;
  - evaluation of ongoing field experience in implementing innovations under IFAD loan projects, sharing of lessons with relevant project management units (PMUs) and wider dissemination of lessons learned.
- c. **Creation of a project development and innovation partnership (PDIP)** for selected innovative projects. The IMI could support a comprehensive PDIP<sup>8</sup> composed of all key partners (including beneficiaries and grass-roots organizations). At key stages of the project cycle, members of the PDIP would meet to discuss, share experiences and make important decisions. The critical points for meeting would be at project start-up; after 1 or 2 years of implementation – usually the critical period in innovative projects – during preparation of annual work plans and budgets; mid-term review or inter-phase review exercises; and evaluation. The frequency of PDIP meetings would depend on the nature of the project, the innovation involved and its progress.
- d. **PMU 'twinning arrangements'** for effective replication of innovations. In cases where an innovation is being replicated by IFAD in another loan project, whether in the same or a different country/region, a project manager or senior technical staff member from the 'experienced' project could engage in a twinning arrangement with a counterpart in the replicating one. He or she would lend technical and managerial support during implementation and provide off-site back-up to problems and questions on an ongoing basis for one or two years. IMI funds could cover part of the associated costs. In addition, IMI support might cover the costs of IFAD staff facilitating and participating in such twinning arrangements, thereby contributing to cultural change within IFAD.

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<sup>8</sup> This would employ the PDIP integrated mission concept, which includes the key partners involved. The PDIP is, in essence, the extension of the project-development-team concept (which focuses on design and headquarters activities) through to implementation support. The intention is to increase (i) IFAD's emphasis on implementation; (ii) involvement of stakeholder organizations and partners in the interests of sustainability; and (iii) learning – for greater impact. The concept of PDIP was outlined in IFAD's Impact Achievement in the Project Cycle Report (2000) and Project Management Department Retreat (2002) Report.

17. **Policy dialogue and engagement.** Increased IFAD understanding of the policy and institutional dimensions of successful innovations – and even more so of their scaling up and replication – could be facilitated by:
  - identification and analysis of policy issues encountered during implementation of innovative loan projects, and establishment of linkages for their discussion with other policy institutions and think-tanks concerned with rural poverty;
  - identification and analysis of key policy issues encountered in project review, supervision and evaluation, and their discussion at the Policy Forum (see paragraph 19) and subsequent incorporation in policy dialogue at the country level;
  - participation of representatives of poor peoples' organizations at policy forums, including at IFAD headquarters;
  - consultations with peoples' organizations at the regional and country level and development of their capacity for policy analysis and dialogue; and
  - development of a rigorous, more systematic understanding of the country-specific role that policies and institutions perform in creating a conducive environment for innovation in favour of rural poor people.
18. The 15 field-presence pilots presently being developed by IFAD can actively contribute to increasing IFAD's understanding of the policy and institutional dimensions needed. IMI financial support might be used to cover the costs of involvement of external participants at policy forums and of support for the engagement of peoples' organizations in policy dialogue. Analysis of policy issues will be the responsibility of the IMI policy coordinator, in collaboration with relevant IFAD staff.
19. **IFAD Policy Forum.**<sup>9</sup> The forum is, in itself, an organizational innovation, and will play an important role in the innovation mainstreaming process. The IMI could support the functioning and effectiveness of the Policy Forum by bringing new issues to its attention from both internal and external sources, and giving a stronger voice to the rural poor. The IMI could serve as a bridge between the Policy Forum and:
  - the needs and voices of the rural poor. It could occasionally present representatives of the rural poor at the forum for dialogue with IFAD (either physically or through virtual means), or support the organization of extraordinary sessions of the forum at regional or country levels;
  - IFAD field experience in grant and loan programmes. For example, it could support the collection and channelling to the forum of policy issues encountered at the country level through regional networks, PMUs, country programme managers (CPMs) and consultants;
  - leading policy institutes and centres. This would help ensure that the forum focuses on the most current policy issues of regional or global relevance, enabling IFAD to develop a position on these.
20. The IMI could also support IFAD's visibility as an innovator at global or regional events and external policy forums, enabling IFAD staff to present ongoing discoveries in innovation.

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<sup>9</sup> The Policy Forum is the central body for discussing, agreeing upon and guiding the development of IFAD policies on rural poverty. It is an institutional space for the exchange of experiences and ideas on policy topics as they are encountered in IFAD's operations, from other institutions and from international policy processes.

## **B. Learning and Sharing Lessons on Innovation**

21. Experience shows that an innovative learning organization is one that constantly collects and analyses its own experiences and keeps itself informed of new ideas from external sources. IFAD currently learns across regions and programmes by drawing on project development teams (PDTs) and on thematic groups addressing specific themes pertinent to rural development. Other learning processes include the preparation of learning notes, which draw on experiences from the project cycle and on lessons emerging from evaluation and supervision of loan- and grant-funded interventions, including those of IFAD's partners. Informal learning occurs in the interactions between staff and consultants, and through participation in missions and conferences.
22. **Capturing learning from rural development programmes.** A more effective, institutionalized process of analysis and synthesis is required, along with a more structured approach for involving consultants and network partners in learning and sharing lessons on innovation. The process will emphasize strengthening learning links between the field and headquarters, as well as cross-divisional learning and sharing within IFAD. All IMI activities in this domain will draw on relevant elements of the Strategic Change Programme. Learning from and with the rural poor will be highlighted.
23. Learning materials will be widely distributed internally and externally. The rural poverty portal is expected to play a central role in the learning and sharing of lessons, building on electronic communication. Finally – and perhaps most importantly – the IMI will promote a learning culture.
24. There is a need to develop a model for the routine management of learning on innovation from loan and grant projects. The measures envisaged to achieve this include:
  - capture of the field experience and learning acquired by consultants and partners during loan design, using means such as references to 'innovation' in terms of reference and more effective, issue-focused debriefing of consultants, staff and partners;
  - further focusing of thematic group and PDT functions on innovation assessment, sharing and dissemination;
  - extraction and evaluation of lessons from extended-IFAD experience in implementing innovation on the ground; and
  - development of an electronic system for tracking commonalities between grant and loan projects to ensure greater synergy in innovation; this will build on the rural poverty portal and regional networks.
25. **Communicating and promoting IFAD-supported innovations.** IFAD needs to become more effective in communicating and promoting successful innovations. In-depth analysis of the elements that constitute a successful innovation and documentation of this knowledge will place IFAD in a better position to communicate with external partners in promoting innovations.
26. **Developing IFAD-strategic areas of innovation.** This activity will be forward-looking – aimed at building a knowledge and expertise base in strategic areas critical to innovation. The areas will be need-based, with regional networks and PMUs involved in their identification. It could operate through the rural poverty portal to benefit from coordinated communication and dissemination of knowledge. Work in this area will involve intense collaboration between the regional networks and headquarters.

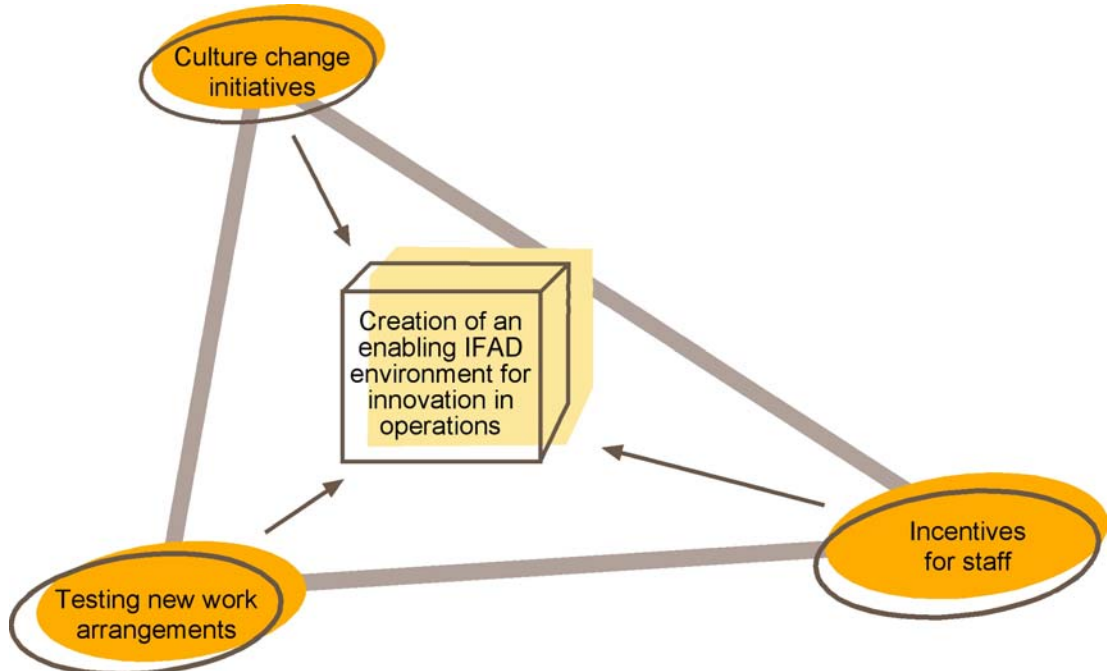


27. Learning in specific areas could be spearheaded by a regional network or thematic group as appropriate.<sup>10</sup> The process would involve: (i) stocktaking of existing experience by the extended IFAD; and (ii) a review of wider experience by others.
28. Particular attention would be paid to lessons on the necessary conditions for implementation, replication and scaling up of innovations, since the latter is a principal objective of IFAD, including by other international financial institutions and bilateral donors.

### C. Changing Organizational Culture and Practices

29. Achieving IMI objectives also requires changes in IFAD’s culture and practices. IFAD requires an organizational culture that values innovation and encourages and motivates interest and engagement in innovation on an ongoing basis. Moreover, IFAD staff (including consultants and partners) must receive the knowledge, skills and expertise necessary to conceive of and formulate innovation. And the organizational framework must be supportive of the promotion of innovation.
30. The corporate-level initiatives outlined below reflect a belief that hands-on learning and involvement in innovative activities will have a more lasting impact on the organizational culture than theoretical training – as confirmed by the experience of the preparatory phase (see Annex). The initiatives are intended to equip IFAD to respond to new demands, and they will be supported through earmarked IMI funds, as shown in Figure 2.

**Figure 2: Developing an IFAD Environment for Innovation**



<sup>10</sup> Which is more appropriate will depend, inter alia, on whether the topic should be approached at a global or regional level.

31. **Promoting cultural change.** Changing organizational culture requires time. Some positive impact can be expected from participation in and hands-on learning about innovation. Entry of innovative ideas and viewpoints from outside IFAD will serve to refresh the organizational culture and motivate staff and management. The IMI will implement specific activities aimed at introducing new ideas and approaches. Three such possible activities are outlined.
32. Field exposure and immersion for IFAD staff and management will provide hands-on experience and learning opportunities. Participation in this initiative will be demand-driven.
33. Informal and formal discussions and training activities for IFAD staff, management, consultants and partners to increase the exchange of information and learning across organizational boundaries (particularly regional divisions). These will range from informal discussions to more formal training centred on case studies.
34. Dialogue with private-sector and field-level innovators to promote the introduction of fresh ideas and approaches into IFAD. Priority might be given to interactions with (i) innovators from the private sector; and (ii) innovators from among the rural poor, or those that work directly with them as facilitators.
35. **Testing new work arrangements** that have proved successful in the private sector can contribute to increasing the organizational competence of IFAD to promote innovation. Such arrangements might include temporary job rotations, job-sharing, cross-divisional teams (including PDIPs), temporary staff replacement by members of the extended IFAD, programme assistants, consultants and others.
36. **Providing incentives for staff.** Promotion of innovation requires an appropriate system of incentives and rewards to motivate staff. A major element of motivation would be derived from gaining the time and freedom to pursue good ideas. This should be reinforced by the professional recognition associated with successful innovations. Therefore the following should be introduced:
  - non-financial rewards to motivate staff, competency development, results achievement, client feedback and incentives for learning and sharing;
  - release of staff time for participation in immersion opportunities, training and promotion of innovations;
  - integration of the innovation support function into job descriptions;
  - a system for evaluation of IFAD staff performance in relation to the promotion of innovation; and
  - a mentoring arrangement between junior and senior staff members.

### III. IMI Processes and Procedures

37. IMI resources would be used on a declining basis, over a three-year period, to mainstream innovation into IFAD organizational culture, processes and core operations. The declining IMI financing over that period will be balanced by financing from the regular lending and grant programme to incorporate, and perhaps expand, the IMI measures that have proved effective. Such measures and practices will be incorporated into the annual programme of work. As this will either enhance efficiency or replace existing practices, it will not necessarily entail an increase in the administrative budget. Two different funding approaches would be employed for the IMI:

- a. Certain activities essential to creating an enabling institutional environment for innovation would be financed by the IMI through specifically earmarked funds, e.g. the organizational change activities. These activities are primarily organization-wide and not appropriate for competitive funding.
  - b. The bulk of IMI activities would be financed on a competitive basis. Most of these are country-level activities, but several also have a strong corporate role. Their primary function is to develop, test and evaluate adjustments or improvements to the existing IFAD pipeline of innovations. These activities would be demand-driven. The major part of this competitive funding line will follow an application and screening process analogous to the regular IFAD grant programme. A part of it (15-20%) will be allocated to a fully decentralized, small pilot funding facility (see paragraph 41).
38. The defined purpose, operating criteria and procedures of the IMI competitive funding facility will ensure that there will be no overlap with IFAD's existing grant line **during the three-year implementation period of the IMI**. Moreover, the IMI would play a leadership role in increasingly directing both the grant and loan programmes towards innovations that are proved, directly or indirectly, to have a positive impact on the rural poor.
  39. **Basic operating principles.** IMI funding will be available for use by IFAD itself – both headquarters and the extended IFAD (e.g. existing regional networks, field-presence pilots, IFAD projects) – and are thus differentiated from ordinary IFAD grants. All initiatives will be managed by IFAD staff. However, IFAD may rely on partners and consultants for implementation of specific tasks within the framework of a primarily IFAD-led activity and in order to free staff time.
  40. **Eligibility and approval procedures for the IMI competitive funding facility will be analogous to the regular IFAD grant programme.** Proposals can arise from any IFAD division or unit and are submitted to an IMI screening committee (ISC) for consideration on a competitive basis. The ISC will meet several times each year to assess IMI proposals – according to operating procedures of the grant screening committee defined in July 2004.<sup>11</sup> However, the ISC would use the IMI criteria indicated below, not those defined for regular grants. The policy coordinator for IMI will be secretary of the ISC for the duration of her/his assignment. Experience from the IMI preparatory phase suggests that proposals should have budgets of up to USD 200 000. IMI proposals, allocation of funds to these proposals and the budget for use of the IMI will be approved by the President of IFAD.
  41. At the start of each year, the ISC will retain 15-20% of the IMI resources, according to demand, for small, rapidly disbursing IMI funds (up to USD 50 000). The use of this small pilot facility will be fully decentralized to the divisional level, and approval for the utilization of funds will rest with division directors. Procedures will be straightforward, so that funds can be mobilized soon after the submission of proposals. This small pilot facility will scout for and support innovation upstream of the project cycle and will respond quickly to innovation support opportunities and needs – in particular those identified by field-presence-pilot staff, regional networks and IFAD staff and consultants. The annual divisional allocation of the small pilot facility will be activated, on a voluntary basis, on request from a division director to the Assistant President and will be renewed on the basis of demand and performance. This small pilot facility should be conceived as **complementary** to both the IFAD grant programme and the Programme Development Finance Facility. An annual ex-post evaluation of the facility should be done. Information on all funds awarded will be made public to increase awareness, facilitate knowledge-sharing

<sup>11</sup> IFAD Technical Advisory Division, Guidelines and Procedures for the Implementation of IFAD's Grant Programme, Version No. 10, Rome, July 2004.

and ensure transparency. At IMI completion, this facility will be evaluated and could become part of IFAD's standard set of instruments.

42. **Selection criteria.** IMI funds will only be eligible for purposes that:
  - are consistent with IFAD's mandate and strategic framework;
  - have the potential to increase the quality, number or effectiveness of innovations in IFAD core activities;
  - cannot be funded under the regular grant programme; and
  - demonstrate clear evidence of commitment of other funds on the part of the applicant organizational unit to realize IMI objectives.
43. Proposals that meet several of the following criteria will be given priority. Proposals:
  - indicate the potential impact of the innovation described;
  - have defined potential for scaling up or replication by others;
  - will generate priority learning products or capacity;
  - outputs are likely to catalyse policy development or open up policy-dialogue opportunities for the poor; and
  - are based on a system-wide initiative (headquarters and the extended IFAD, or cross-divisional/departamental),<sup>12</sup> and will generate outputs relevant to more than one IFAD organizational unit.

#### **IV. Monitoring, Evaluation and Reporting**

44. As a corporate change initiative, the IMI will be managed by the normal management structure of IFAD. However, an IMI policy coordinator will be recruited and paid from IMI funds to facilitate follow-up and reporting. Progress reports will be provided to the Executive Board annually.
45. Allocation and use of resources will also be reported to the Executive Board annually. Maximum transparency will be ensured by public posting of annual reports, and will include reporting on progress in the unit work programmes, IFAD annual reports, and the IFAD website. The Policy Forum and the rural poverty portal can both serve to increase transparency and promote wide involvement in learning and sharing.
46. The evaluation of the entire IMI will be carried out by the Office of Evaluation. The evaluation reports will be shared across IFAD and will also be publicly posted, either individually or in a summarized form as appropriate.

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<sup>12</sup> Involvement of a thematic group or similar cross-divisional interest or working group will help meet this criterion.

Annex

## IMI Preparatory-Phase Small Projects

### I. Overview of the Projects

#### A. Background

1. The hitherto rather unsystematic IFAD approach to innovation has limited the learning and information available on IFAD-facilitated innovation. Thus one of the activities of the preparatory phase of the IMI (IMI-PP), as noted in EB 2003/80/INF.4<sup>1</sup>, was to:

*"Identify the Fund's most promising innovations, concepts and experiences, and start preparing them for further implementation or dissemination."*

2. This small-project selection and implementation activity paralleled the IMI-PP design team preparation of an IFAD framework for mainstreaming innovation. This annex provides a summary report of the IMI-PP small projects.

#### B. Selection

3. The IMI-PP financed eight small projects of various types. An opportunity to prepare and submit proposals was presented to both the External Affairs Department (EAD) and the Programme Management Department (PMD). A brief guide was made available by IMI for the purpose. Because of the very tight deadline for submission, only 19 proposals were available in completed form. Of these, eight were selected by the design team and the Resource Mobilization Division, using a formal scoring system based on the following criteria:
  - degree of innovation implicit in the proposal;
  - potential impact of the innovation;
  - evidence of achievability in the short term;
  - potential interest (in expected outputs) in more than one region;
  - origin in a thematic group/PDT or similar broad-based mechanism, indicating wide institutional support; and
  - linkage to IFAD core resources/capacity development.
4. In addition to the above positive selection criteria, certain disqualifying features were also specified. The purpose of these was to make sure that the project was not overly ambitious and was therefore achievable by the deadline; would produce concrete products; and would not meet with opposition by any key parties involved in implementation.

<sup>1</sup> Information Note: IFAD Initiative for Mainstreaming Innovation, Rome, 17-18 December 2003, p.2.

5. The eight projects selected were:
- Innovative Approaches to Targeting in Demand-Driven Projects;
  - Scaling Up Innovative, Small-Stock Management Practices;
  - Microfinance Information-Exchange Pilot Initiative;
  - Linking Land and Water Governance;
  - The Rural Poverty Portal;
  - Partnering for Market Access and Development;
  - Private-Sector Development and Partnerships; and
  - Institutional Analysis Guidelines and Training Modules.

Each of the above projects was financed for a total of USD 75 000.

### **C. Implementation**

6. Implementation of the above projects was managed by IFAD staff. In cases where consultants were employed, or implementation partnerships were formed (sometimes for the explicit purpose of evaluating such new partnerships), IFAD staff allocated their time and maintained active involvement throughout.
7. The actual implementation period was approximately six months. Within this narrow time frame, each of the IMI-PP small projects developed both an interim product for the IFAD IMI Workshop in May 2004, and final products. In all instances, the final product involved a synthesis report and one or more of the following types of outputs: case studies, pilot projects, inventories, design or implementation tools. Several of the IMI-PP projects also participated in interagency or other workshops or conferences, with special products prepared for such purposes.

## **II. Summaries of the Projects<sup>2</sup>**

8. IFAD engages in innovation in a variety of ways. The majority of IFAD innovations in the field are in the approach or strategy, with some in practices and technology. Policy innovation is less frequent, although several outstanding cases do exist. The focus of the IMI-PP small projects followed a similar pattern. Additionally, they reflected the fact that innovation need not always involve radical change: it can be incremental, or involve adaptation or new combinations of existing procedures or technologies. Often this type of approach works best with community-level innovation.
9. Several of the small projects were also innovative in their implementation approach, demonstrating models for change in IFAD processes and culture. Lessons learned on innovation are summarized at the end of Section III, with cross-reference to the individual projects.

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<sup>2</sup> Full reports will be available for discussion at the December Executive Board.

## A. Innovative Approaches to Targeting in Demand-Driven Projects

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### Innovation

This project has relevance both for mainstreaming innovation in IFAD country programmes and for introducing new work processes in the Fund itself:

- It focuses on a project strategy – demand-driven development – that is relatively new. Within this broader framework, it has studied innovative approaches used by such IFAD-financed projects to target women and the poor.
  - At the organizational level, the collaborative, cross-regional and cross-departmental (PMD and EAD) process used to carry out the project is innovative in itself, and a model for what can be done in the future.
  - The conclusions and strategic recommendations of the project largely question conventional ‘exclusionary’ approaches to socio-economic targeting, and propose greater focus on enabling and empowering measures, as well as attention to the procedural aspects of demand-driven funds, as elements in targeting.
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10. **Overview.** The project was derived from findings under earlier IFAD studies that the channelling of grants to specific categories of people – such as the poorer or more vulnerable – is particularly challenging in projects that use demand-driven approaches. Various types of development funds that are being increasingly financed by IFAD fall into this category. In this type of project, it is often the relatively better off that are most capable of presenting proposals, paying the required contribution, and influencing choices in their favour. Thus the project evaluated effectiveness, and documented some of the innovative targeting strategies being used under such IFAD loan-financed activities. The goal was to draw lessons from these approaches in order to improve future project design and implementation.
11. In addition to a general background review, four in-depth case studies were implemented in Cape Verde, India, Nicaragua and Peru. The first three were field studies and the fourth was a desk study based on a large amount of existing information. The primary focus was socio-economic rather than geographic targeting. Findings showed which tools or approaches to targeting worked best. Overall, they demonstrated that commonly used exclusionary measures were not as effective as empowering ones, which create an enabling environment for the effective targeting of more vulnerable members. Such targeting often occurs through targeted information, strengthening the capacity and representativeness of community organizations, and ensuring transparency in decision-making. Moreover, demand-driven projects call for a broader concept of targeting, which includes the procedures and menu of each development fund.
12. This project had several process benefits in addition to the end products. The cross-regional learning process established and the cross-departmental (PMD and EAD) approach used for case-study implementation created a model of collaboration for IFAD. At the field level, the process of conducting case studies increased the commitment to targeting of all stakeholders. At another level, it demonstrated the value of a thematic type of supervision mission during implementation of innovative approaches under IFAD loan projects. The findings of the project have already been presented at a multi-partner workshop in India.
13. **Final outputs.** The project completed four case studies and a draft PMD Learning Note on targeting under demand-driven approaches, to guide project design and implementation.

14. **Anticipated impact.** Primary impact will be on IFAD loan project design and impact. As lessons are applied, there will be an increase in the share of resources accruing to the poor, women and other vulnerable groups under IFAD financed demand-driven projects, such as community and other development funds.

## B. Scaling Up Innovative, Small-Stock Management Practices

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### Innovation

This project focuses on a change of practices by the poor. It highlights several important aspects of the process of innovation at this level, as applied to innovative small-stock management practices:

- The issue of scale in implementation of innovation, and how this aspect interacts with the nature of the innovation itself in determining eventual success or failure.
  - The promising strategy of linking indigenous and modern technology and knowledge for developing low-cost, low-risk and readily adoptable innovations.
  - The importance of monitoring and evaluating implementation of innovations, not only to ensure that a new approach, practice or technology works, but to learn for the future.
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15. **Overview.** This project grew from recognition of three important facts: (i) small livestock are critical to the livelihood of the poorest rural dwellers, especially women and the elderly; (ii) many of the most promising small-stock management practices worldwide build on linking new technologies with indigenous practices and knowledge – which is often the most successful kind of innovation; (iii) development and selection of the appropriate livestock services (e.g. for small stock, or with community ownership) is an important means of giving poor people access to the resources they need, but needs to be adapted to the conditions existing in each particular situation.
16. The project analysed three reportedly successful cases of IFAD-financed small-stock management practices. The innovations were: the **Smallholder Poultry Production Model** (SHPPM), which targeted women from poor households in Bangladesh; **Village/Community-Based Animal Health Workers** (V/CBAHW), which set up a livestock version of a community-based 'primary health care' facility in Cambodia; and **Community-Based Rangeland Management** (CBRM), which empowered local communities for rangeland management in Morocco. Further analysis of three replicate case studies in Senegal (SHPPM), The Sudan (V/CBAHW) and Syria (CBRM) were undertaken following the same process. The goal was to identify the most favourable circumstances for their scaling up or successful replication either in the same or other countries.
17. Analysis of the three innovations led to the conclusion that the critical interface for scaling up this type of innovation can be viewed as consisting of three domains: (i) the research/action-research domain in which the innovation is either developed or adapted on a small scale, and with a relatively small number of beneficiaries; (ii) the development/implementation domain in which the innovation is included in an investment project (such as those of IFAD), has many more beneficiaries and is scaled up by national authorities; and (iii) the monitoring and evaluation domain, which serves as a catalyst of the two other domains and generates essential learning. In the projects that tested or scaled up the three innovations, poor monitoring and evaluation systems weakened IFAD's ability to learn from and evaluate the impact of the different options, mechanisms and components of each project, thus limiting the capacity to scale up these innovations.



18. **Final outputs.** Six case studies of three innovations; a pilot application in an IFAD project; decision-support tools; and materials for publication on the IFAD website through the Livestock and Rangeland Knowledgebase system.
19. **Anticipated impact.** The project has provided future loan design with an understanding of the guiding principles for scaling up implementation of small-stock innovations. Learning acquired will also enhance ongoing web-based systems for knowledge management for livestock, including the linkage of indigenous and external knowledge for innovation development. This initiative has already being integrated into the ongoing development process for IFAD policy and strategy.

## C. Microfinance Information-Exchange Pilot Initiative

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### Innovation

The Microfinance Information-Exchange (MIX) project incorporates innovation in various ways:

- The MIX Market reporting system is innovative, including its decentralized nature and its web-enabled features, which allow data entry to be performed directly by rural finance institutions.
  - The open and transparent market that IMI-MIX promoted is also innovative, and serves to attract investors interested in funding microfinance.
  - The nature of the IFAD-MIX partnership is also new: IFAD was the first donor to develop a partnership with MIX, creating important benefits for both partners.
  - This initiative applies a relatively new IFAD monitoring approach to rural finance operations, namely, a shift from 'activity-based' to 'performance-based' monitoring, which has important implications for both impact and learning.
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20. **Overview.** The MIX project grew out of the recognition in IFAD's strategic framework of the need to improve monitoring of the performance and impact of IFAD operations in the field, including in rural finance. IFAD recognized that the non-profit Microfinance Information Exchange was a promising solution. The MIX Market was created in 2002 as the first global, virtual marketplace between microfinance institutions (MFIs) and potential investors (donors, socially oriented investors, financial institutions). However, it was not known and hence not adequately used by MFIs under IFAD-supported projects. The aim of the IMI-PP-financed MIX projects was therefore to: (i) sensitize IFAD CPMs and rural finance partners in the field to the potential benefits of the MIX Market; (ii) assess the potential for IFAD-supported rural MFIs to join the market; and (iii) aid those IFAD's rural finance partners that were sufficiently advanced and possessed adequate capacity to begin reporting on the market.
21. The project worked closely with CPMs. It met a very positive response both within IFAD and among PMUs and MFIs in the field. In all, 23 case studies were produced of MFI responses to the MIX Market. The project also obtained a high international profile in donor meetings. As a result of the project, nine MFIs in Burkina Faso, Nicaragua and Uruguay have already started reporting on the MIX Market, while a further nine MFIs in Colombia, El Salvador, Honduras, Kenya, Nicaragua and Uruguay are expected to do so in the next few months. This has provided them with access to a web-based platform that not only improves their reporting and promotes greater sharing and transparency of basic financial information among MFIs, but also provides them with better opportunities to come to the attention of potential donors and investors.

22. The preparatory phase yielded three important lessons that will help improve future scaling up of this initiative: (i) ongoing training and capacity-building is needed for all stakeholders in order to optimally capture the benefits of using the MIX Market as a platform for transparent performance monitoring; (ii) the establishment of long-term relationships with regional and national partners is essential for decentralizing certain functions; (iii) considerable unmet demand still exists among IFAD-supported MFIs, and this presents a valuable opportunity for IFAD to build on this initiative during the next few years.
23. **Final outputs.** Within the short implementation period, this project completed 23 comprehensive case studies of MFI responses to the MIX Market, linked to 11 IFAD loan projects; produced a CD-ROM-based briefing tool on standardization of performance monitoring in microfinance and on the MIX Market; and achieved a high profile for IFAD at the interagency level as an organization concerned about performance monitoring and transparency.
24. **Anticipated impact.** IMI-MIX has improved the performance reporting of partner MFIs. For those MFI partners that have already started reporting on the MIX Market, the project has allowed increased visibility to donors and social investors, comparison of their performance with peers, and highlighting of their funding and technical assistance needs to potential donors. At a general level, this project will enhance the impact of both ongoing and future IFAD-financed rural finance activities.

## D. Linking Land and Water Governance

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### Innovation

This project adopts a holistic view of land and water governance for rural poor communities as the basis for reviewing experience and developing project guidance:

- Linking land with water governance is an innovative step for many development agencies and actors that usually treat them separately. The project demonstrates that IFAD has significant land and water governance experience in its country programmes and is potentially one of the leaders in this field.
  - It employs an innovative approach that involves working through local professionals, whose empathy with local people enables them to 'listen to and learn from the poor'. This encourages cross-pollination of ideas between farmers and development organizations and their staff.
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25. **Overview.** The project developed from concerns that the internationally proposed changes to 'business-as-usual' scenarios will not be sufficient to meet the Millennium Development Goals on water. The international debate on the water crisis, which is now focused on water governance as the main issue, does not fully appreciate the importance of land and the substantial water needs of agriculture in meeting the Millennium Development Goal of reducing by half the proportion of people living in extreme poverty and hunger by 2015. For most poor farmers in developing countries, land and water are inseparable – secure access to land is essential for secure access to water and to the wherewithal to invest in their future livelihoods. The growing water crisis can be addressed comprehensively only if the links between land and its impact on water governance are fully recognized by all parties.
26. Several IFAD projects have already used innovative ways of linking land and water governance and have demonstrated the importance of this linkage for improving the livelihoods of disadvantaged rural communities. This provided an opportunity to pilot-test a process that

would bring together this experience, synthesize it and draw lessons, so that other stakeholders might benefit, and to investigate ways of disseminating this knowledge more widely.

27. Five case studies were selected from IFAD-financed loan projects in Bangladesh, The Gambia, Peru, The Sudan and Zimbabwe. In each country, a different approach was taken to land and water governance – as a result of adapting the linkage principle to the local political, social and cultural environment. Each case examined the land and water linkage strategy, how the innovation was identified, how and why it was selected, how it was implemented and with what impact. Information was gathered in the field, and emphasized listening to and understanding the viewpoint of the rural poor themselves. Local professionals were used for this purpose, because of their profound knowledge of the projects, local language and culture. The views of end-users served as a reality-check on learning from the 'experts' own research and knowledge.
28. The dissemination strategy for this pilot phase was to take full advantage of national and international events on water management. Internationally, a half-day seminar was organized at the World Water Week in Stockholm, Sweden in August 2004, on Farmers' Views First: Linking Land and Water Governance. The audience-wide interest and acclaim underscored the importance of IFAD contributing a piece on land and water governance – a subject not covered in previous editions – to the next edition of the United Nations World Water Development Report, to be published in 2006. Two seminars were held in Rome, one for staff within IFAD and a second for international postgraduate students at the University of Rome. In each case, IFAD demonstrated to the international community the importance of linking land and water governance, as well as IFAD's capability and willingness to listen and learn from those to whom it is ultimately accountable: the men and women from disadvantaged rural communities.
29. Many lessons were learned from this project about creating conditions for sustainable change for improved livelihoods. These included: building on existing governance and indigenous knowledge – 'old plus new' – was preferable to starting from scratch; the role of women in land and water management must be fully recognized as an important part of any process of change in governance; sufficient time must be allowed to enlist the broad support and trust of stakeholders for change; creative and innovative conflict resolution and equity issues must be addressed to avoid increasing competition for resources; and there must be sufficient capacity, among individuals and organizations. and an enabling environment to allow change to take place.
30. **Final outputs.** The outputs included: (i) five case studies of land and water governance, documented by local professionals in the field; (ii) a synthesis of the key issues and experiences from the case studies from the farmers' perspective; (iii) a start-up inventory of IFAD experience in land and water governance (with 25 experiences covered to date); (iv) identification of relevant areas for research that could form the basis of proposals for funding under the IFAD grants line; and (v) one international and two national seminars on land and water governance to disseminate and share the knowledge and experience gained from the project.
31. **Anticipated impact.** The impact and sustainability of IFAD country programmes would be significantly improved by early recognition of the importance of land in pursuing improvements in water governance and the development of strategies that link them together for the benefit of the rural poor. IFAD could also develop a strategy for land and water governance that would enable it to influence both its own programmes and the international development community as to the importance of this issue.

## E. The Rural Poverty Portal

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### Innovation

The rural poverty portal contributes to IFAD corporate-level innovation through a participatory implementation process:

- The project employs an unusually collaborative and needs-based approach: it not only crosses departmental barriers within headquarters, but also actively involves IFAD's extended family, such as regional networks and project management units, in the design of the portal.
  - The portal model uses an innovative approach to knowledge-sharing and the generation of new knowledge that is highly interactive, outward-looking, non-IFAD-centric and open. Among the several innovative features are the frank discussion and learning from both successes and failures, allowing the voices of the poor to be heard, and spontaneous learning and sharing.
  - The various features, functionalities and content of the portal will create opportunities for further innovation.
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32. **Overview.** The goal of the rural poverty portal project was to help eradicate rural poverty by enhancing the sharing of information and knowledge and by positioning the fight to eradicate rural poverty as a global priority. The portal was conceived as a tool and a service that will connect communities of people with the information and knowledge they need to eradicate rural poverty, including the power to create, acquire, adapt, sort, disseminate, manage and use information and knowledge.

33. The portal is a tool to enhance the information- and knowledge-sharing process, and acts as the foundation of information and knowledge management at IFAD, and beyond to the 'virtual IFAD'.

*The portal will help create a conducive environment for learning and sharing knowledge, asking questions, communicating and collaborating in better ways, and reusing and refining knowledge in order to influence policies.*

*The portal's single repository and decentralized content management approach will make it possible for information to be captured at its source, thus ensuring its timely and accurate dissemination.*

34. The rural poverty portal is a scaling up of innovations from the ground, and more specifically that of IFAD's regional networks, FIDAMERICA, FIDAFRIQUE and ENRAP, and an enhancement of many existing activities. Its development helps IFAD fulfill its catalytic role by enhancing the organization's ability to function as a rural-poverty knowledge broker and influencer of policies. It does this by:

- providing access to distilled information;
- creating a collaborative environment for sharing and learning;
- linking farmers, governments, decision-makers, field officers, headquarters staff, all partners in rural development and all existing networks;
- creating a platform for hearing and learning from rural poor people and their organizations;
- supporting the sharing of information about successes and failures; and
- connecting the field to policy-makers.

35. Through the IMI, the first important steps were taken for establishment of the rural poverty portal.

36. The collaborative approach adopted by the project set the pattern and groundwork to develop and maintain the portal. It also resulted in an innovative way to communicate and to foster greater cooperation and a coming together of ideas from IFAD and its extended family, including the regional networks, partners on the ground and IFAD's projects and programmes.
37. **Final outputs.** The portal project generated a web-based working model and a series of rural poverty information needs-assessment surveys. The working model pilot-tested two regional pages (Asia and the Pacific, and Latin America and the Caribbean), two country pages (India and Peru), one topic page (rural finance), one lesson learned from different approaches to rural poverty reduction (community and leasehold forestry) and a 'listen to the voices' section featuring stories, videos and testimonials from participants in IFAD programmes/projects (four from Latin America and one from Western and Central Africa), IFAD's extended family and other partners. The working model is currently being developed further. The implementation process also involved presentations of the emerging portal working model at several regional meetings. At a more general level, the project has influenced IFAD culture and practices through the participatory approach adopted.
38. **Anticipated impact.** At IFAD, the rural poverty portal can potentially create a foundation for effective, cross-boundary information and knowledge management. Among other things, such information sharing could help to promote an open learning culture within IFAD. Externally, the portal will enhance the Fund's ability to function as a rural-poverty knowledge broker and influencer of policies.
39. The main benefit expected from the portal is that it become a catalyst for knowledge-sharing and the generation of new knowledge. The various features, functionalities and content of the portal will in turn create opportunities for further innovation. By creating a community of practice for rural poverty-related issues, the portal will contribute to the international discourse on the eradication of rural poverty.

## F. Partnering for Market Access and Development

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### Innovation

As in several other cases, this small project manages to both focus on innovation and be innovative in the implementation approach it uses:

- The project implementation process builds on a novel partnership between an international fund and a global network established for the purpose of promoting better market access for small producers.
  - Internally within IFAD, implementation of the project generates a cross-regional and cross-departmental process of learning and sharing information and knowledge on market access.
  - The focus of the project itself is on developing new and better strategies and tools for helping poor producers obtain access to national and international markets. The exercise builds on a global innovation scouting exercise.
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40. **Overview.** The initiative grew out of current IFAD interest in making market access and development into more effective elements of rural poverty reduction – and in helping reduce some of the obstacles that small producers face in accessing the opportunities that globalization offers, particularly in certain niche markets. The specific purpose of the project was to design and develop prototype tools that would facilitate small-producer access to national and international markets.

41. The project partnered with and built on the expertise of a leading international practitioner in the market access field – the International Fair Trade Association (IFAT) – and the market-access centre of Traidcraft. IFAT is a global network working with small producers in 59 countries. In all, six products were produced through a highly participatory and cross-regional approach, with outputs growing out of the common concerns and interests of regional divisions. There was also active participation by two regional programmes of the Latin America and the Caribbean Division (FIDAMERICA and the Rural Enterprise Support Programme in Latin America and the Caribbean).
42. The project's stocktaking exercise concluded that, although in most IFAD projects market access represents a small component in relative terms, IFAD does have a considerable amount of related experience, including promoting rural enterprise development, building up market linkages with the private sector, and training. However, such country programme experience remains scattered, underexploited, and largely in the hands of consultants, thus impeding the potential for learning and developing tools and policies. It was further concluded that the approach taken to market access differs across regions, sometimes in a remarkable way, thus providing opportunities for comparative evaluation of strategies and mutual learning. A third important conclusion argued for a stronger two-way link between loan- and grant-financed projects. The latter have financed some of the more innovative but riskier initiatives in market access. A stronger link can open up valuable opportunities for learning and scaling up under loans, once the level of risk has been reduced or mechanisms for coping with such risk have been defined.
43. The project generated a variety of lessons that can become the basis of future activities, including on the potential of e-commerce, especially in relation to the marketing of agricultural goods in developing countries. Another lesson learned was on the amount of useful internet resources available (now brought together by the project in the form of a virtual library), and which provide scope for productive collaboration and sharing of best innovative experiences in the field. IFAD can play an important role in scaling up successful practices developed by IFAT members and the local organizations with which they work.
44. The project also generated lessons on specific obstacles faced by producers. Although there is of course considerable variation across geographical areas and individual situations, common gaps include: a need for better market information, for technical assistance in product development and for training to improve entrepreneurial and managerial skills.
45. **Final outputs.** This project generated a large number of products: two case studies – one of business development centres designed to serve rural producers, and the other of e-commerce; an IFAD stocktaking paper; a virtual library on market access; a manual for market access entitled *Into the Market*; a tool kit for participating in international trade fairs (*How to Make the Most of Trade Fairs*); and a guide that summarizes developments in the field of e-commerce that may be useful to rural producers, with annexed summaries of available resources. The experiences and lessons learned under the project were also presented at an international conference.
46. **Anticipated impact.** The above outputs will enhance IFAD and partner ability to help low-income producers and farmers access markets at national and international levels. Within IFAD itself, the project has already led to an increase in IFAD staff interest and cross-divisional dialogue on the topic. Conclusions could also trigger a change in market-access-related activities in country programmes, with greater emphasis on services.

## G. Private-Sector Development and Partnerships

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### Innovation

The project contributes to IFAD innovation in several ways:

- It draws lessons from a number of past and ongoing IFAD-funded projects with a private-sector development objective or a private-sector partnership component. These lessons are the basis for the development of guidelines for future partnership identification.
  - The project develops an innovative “constraints and interventions matrix” as a foundation tool to facilitate country programme design and partnership selection.
  - The project produces key elements of a manual for CPMs and others that are interested in integrating private-sector development and partnership-opportunities analysis at all stages of the project cycle. This includes the adaptation of the core principles for private-sector partnership developed by the United Nations for corporate-level partnerships.
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47. **Overview.** The catalyst for this project was the Final Report of the IFAD Consultation on the Sixth Replenishment, which flagged the need for more attention to direct engagement of private enterprise in the financing and implementation of IFAD projects and programmes.
48. The objectives of the project were to: (i) identify needs that can be met through private-sector development; (ii) analyse past instances of involvement of private-sector partners for possible lessons; and (iii) prepare tools for use by IFAD to help establish such effective cooperation with the private sector. The project employed an interdepartmental network to meet the above objectives.
49. **Final outputs.** The IMI financing allowed completion of eight case studies, covering five regions, focusing on different levels of private-sector involvement in existing IFAD programmes and projects. A manual was produced with guidelines and due diligence processes for private-sector partnerships by IFAD, both at the corporate level and at each stage of country programme activities. An annex to the manual provides a set of more detailed guidelines for such partnerships in rural finance, as a complement to existing IFAD policies and guidelines. Three examples of potential IFAD private-sector partnerships were prepared.
50. **Anticipated impact.** In situations where it is appropriate, the initiative will allow IFAD to use a more systematic, transparent and effective approach to involvement of the private sector as a partner in rural poverty reduction. The project has also established a basis for more effective institutional learning on the topic, to capture and disseminate best practices and lessons learned.

## H. Institutional Analysis Guidelines and Training Modules

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### Innovation

This project aims to contribute to IFAD innovation, particularly in connection with the two preceding initiatives, in the following manner:

- It assists IFAD stakeholders in diagnosing and overcoming institutional problems and constraints that hinder successful project implementation.
  - It facilitates design and execution of more process-oriented rural development projects, which aim to build sustainable, demand-driven service-delivery systems by focusing on livelihoods and governance issues.
  - It helps IFAD attain its objective of strengthening the organizations of the rural poor by providing a methodological, actor-centred framework within which to map out pro-poor institutional transformation.
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51. **Overview.** IFAD is increasingly shifting from the 'input-output' type of project to 'process' interventions that stress systems-building and longer-term impact. However, this has not yet been accompanied by a concomitant shift in upgrading the skills of project and programme designers, appraisers and implementers to be better equipped to handle the institutional issues that affect service-delivery systems. For IFAD projects to effectively operate within increasingly wider and complex institutional settings, the focus must be shifted from users and deliverers, as such, to the enablers, that is, the actors and agencies that enable the successful interaction between users and deliverers.
52. Weak and inadequate institutional environments are one of the leading reasons for suboptimal performance in rural development projects and programmes, and often for a lack of downward accountability towards IFAD's target groups as well. The Independent External Evaluation confirmed that IFAD needs a more rigorous understanding of institutional systems and governance issues during design and implementation. Sound institutional analysis is also critical to informing policy dialogue and coordinating IFAD interventions in any one country – by placing them within a common-system setting that would provide for cross-fertilization and joint learning (e.g. for mainstreaming the delivery arrangements for public goods through decentralized structures). For conducting such institutional analysis in project design and implementation, practical tools, methods and guidance adapted to IFAD's specific investment requirements are needed. At the same time, while all these are important, it has increasingly become apparent that they will only be used if hands-on training is provided and if that training is firmly anchored in field realities.
53. The recognition of this by IFAD's Africa I Division led to the drafting of a preliminary version of the Practitioner's Guide and related training materials. These materials are based on pilot-testing of IFAD projects during different phases (design, supervision, evaluation) in Cameroon (microfinance, and roots and tubers commodity-chain development) and Mali (community-driven development). The tests clearly showed their enormous potential for adding value across IFAD's heterogeneous portfolios. After successful field-testing, the guidance and training material was further validated and finalized with experts and other relevant stakeholders at a Rome workshop held on 22-23 September 2004. Workshop participants provided comments and suggestions on the draft guide – and inputs on a range of possible, complementary follow-up activities, tailor-made for different types of users and audiences. The workshop also built internal IFAD support for promoting better institutional analysis skills and ownership of the preliminary products. In addition, an initial training workshop for selected change 'champions' among IFAD staff and senior consultants is planned for late 2004 or early 2005. Scaling up and mainstreaming plans include the



development of a multi-year training programme for IFAD staff, regular consultants, and regional and in-country stakeholders, modelled on the IFAD sustainable livelihoods training approach supported by the Department for International Development (United Kingdom).

54. **Final outputs.** The main output is a validated, draft practitioner’s guide for institutional analysis to improve pro-poor service delivery and the governance settings affecting the former. Although developed for one region, the guide is relevant to IFAD interventions and policy dialogue in general.
55. **Anticipated impact.** This project allows for the development of a new perspective and skills among CPMs, consultants, project staff, field workers, etc. – as well as of the materials to support the application of these new skills throughout the IFAD project cycle in a systematic, bottom-up approach. It will also allow IFAD to make better-informed contributions to policy dialogue on important issues – such as pro-poor service delivery; community-driven development; decentralization; reform of technical line agencies, including extension services; agricultural commodity-chain development; and rural financial systems development– for sustained poverty reduction.

### III. Outputs and Achievements of the Projects

#### A. Summary of Main Outputs

56. As a result of the above-described impact of the IMI-PP project implementation process, the actual outputs or achievements of the IMI small projects should be viewed as only one part of their contribution. Nevertheless, such outputs have been notable, particularly in view of the very limited implementation period and small operating budget.

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#### IMI Small-Project Outputs

- 48 case studies of IFAD-financed innovation in the field
- implementation and evaluation of eight pilot projects in innovation
- start-up of two innovation inventories
- sharing of the project learning on innovation at 11 conferences or workshops
- development of nine tools for innovation in support of future activities

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#### Capturing Learning on Innovation

57. The purpose of the IMI case studies was to document and capture learning from some of IFAD’s innovation experience on the ground. As evident in the above box, the most common output of the small projects was case studies, with the type of in-depth analysis of process and impact that is rarely available in other types of documents. Although it was initially assumed that the duration of the preparatory period was too short for pilot testing of innovations, both the MIX and the rural poverty portal successfully implemented and evaluated such pilots, with useful resulting lessons. Other IMI-PP projects conducted evaluations of already existing IFAD-financed innovation experience under loan or grant projects, generating lessons on: land and water governance; replication or scaling up of successful small livestock practices; the value of rural business development centres; how to promote successful public-private sector partnerships; and the best use of targeting strategies under demand-led IFAD projects.

58. Stocktaking of IFAD experience in specific types of innovation was started up in land and water governance and in market access and development. These will be developed further over the next year or so. Even when actual inventories were not initiated, some IMI-PP projects did preparatory work for developing innovation inventories, as in the case of Innovative Targeting in Demand-Driven Projects.

### Sharing Learning on Innovation

59. The preliminary-phase projects not only captured learning on innovation, but have already shared it both within IFAD and with external partners. In addition to the specially organized IMI Workshop in May 2004, a number of other global, regional and headquarters sharing platforms have been used during this short period of time, as shown in the table below.

### Sharing of Learning by IMI-PP Projects

Global Level	Regional/National Level	IFAD-Rome
Presentation of PP learning on Land and Water Governance at the World Water Week in Stockholm, Sweden in August 2004	Presentation of the Market Access and Development Project learning at the IFAT European Regional Conference in Barcelona, Spain	Validation of the institutional analysis guidelines at a workshop in Rome, Italy September 2004 (non-IFAD participants also involved)
Presentation of the MIX experience at the Consultative Group to Assist the Poor, donor meeting in Paris, France in April 2004	Presentation of the rural poverty portal at the ENRAP meeting in Thailand in June 2004, and at the FIDAFRIQUE regional network start-up workshop in Senegal in July 2004	Seminar at IFAD on the Land and Water Governance IMI-PP project experience, with attendance from IFAD and the Food and Agriculture Organization of the United Nations
	Presentation of the India Innovative Targeting case study at the World Bank/Self Employed Women's Association conference in India, July 2004	Seminar for students at the University of Rome on Land and Water Governance
	Presentation of MIX at the SERFIRURAL* workshop in Latin America, in June 2004	Training of IFAD CPMs in MIX reporting by the MIX-PP project

\* SERFIRURAL: *Rural Financial Services Support Programme*

### Development of Innovation Tools for Future Use

60. Three of the preliminary-phase projects – private-sector development, institutional analysis and market access – emphasized development and testing of tools, or 'innovation technology', to support future IFAD and partner work on innovation. In the case of other IMI-PP small projects, tools were developed as one of the several outputs generated.
- The private-sector development project produced key elements of a manual for CPMs and others that are interested in integrating private-sector development and partnership-opportunities analysis at all stages of the project cycle. An annex to the manual offers detailed tools for rural finance.
  - The market-access project produced a manual for market access, a tool kit for participating in international trade fairs, and a guide for rural producers that summarizes developments in the field of e-commerce.

- The project on institutional analysis validated guidelines for conducting institutional analysis during IFAD country programme work. Although initially developed for and tested in western and central Africa, these guidelines have potential for wide use within IFAD, and are particularly relevant to the more challenging innovative projects.
  - The project on innovative targeting developed the conceptual framework for a broad approach to targeting under demand-driven projects and a new Learning Note on targeting, both based on lessons learned during the project's implementation. The Learning Note would guide project design and IFAD/Technical Advisory Division review of loan projects.
  - MIX generated a CD-ROM, in English, French and Spanish, for briefing and start-up training of interested MFIs and other stakeholders on the MIX Market.
61. Although primarily developed for implementation of the specific projects, several other tools have future use or further development potential. These include the needs assessment surveys used by the rural poverty portal, the guide for characterizing innovations and the framework for scaling up innovations used by the small-livestock project, and the case-study guide for analysing targeting strategies that was developed under the innovative targeting project.

## **B. Impact of the Implementation Process**

### **Contributing to an IFAD Culture of Innovation and Partnerships**

62. Apart from their direct contribution to learning about innovation, the IMI-PP implementation process has already contributed to creating both an IFAD innovation culture and greater capacity for innovation. This contribution has been enhanced by the active partnership approach employed. All but one of the PP projects has either worked with an established thematic group within IFAD, or established and collaborated actively with a new, informal resource or working group. In all, some 14 partnerships have been involved. Of these, ten have been partnerships within the extended IFAD. The collaborating support or work groups have cut across divisional and often departmental boundaries. For example, the rural poverty portal not only established a dynamic resource group in-house, but also actively collaborated with three regional networks.

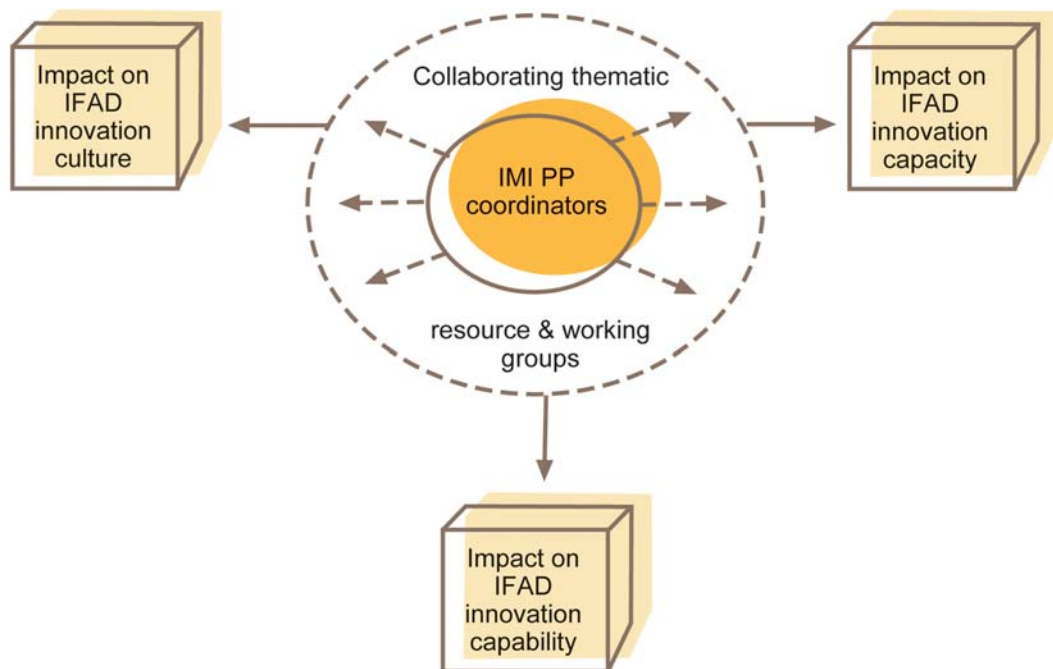
### **Linking to Ongoing Loan and Grant Projects**

63. IMI-PP project partnerships and dialogue have not been restricted to headquarters. Projects have involved a total of 22 different countries, with more than one project operating in countries such as Bangladesh, Honduras, India, Nicaragua, Peru, The Sudan and the United Republic of Tanzania. In all, the eight IMI-PP projects have linked operationally to more than 34 ongoing IFAD financed loan projects, and involved active dialogue and collaboration on innovation with PMUs and regional networks. Linkages have also occurred with IFAD-financed grants. For instance, the MIX project linked to as many as 11 ongoing IFAD financed grant projects in nine countries: Benin, Burkina Faso, Colombia, El Salvador, Ghana, Honduras, Mali, Nicaragua and Uruguay.

### Providing Hands-on Learning Experience about Innovation

64. A survey of IMI small-project coordinators suggests that the implementation experience has been one of hands-on learning about innovation. Such learning is critical for cultural change, as well as for capacity development. The benefits of hands-on learning, as stated by the project coordinators, were:
- increased the sharing of knowledge and learning across regional divisions;
  - led to learning and sharing on innovation with external partners;
  - influenced own interest in innovation; and
  - provided fresh ideas on the topic and helped develop existing ideas further.
65. In the institutional learning process, the IMI-PP project coordinators can be viewed as a nucleus for spin-off capacity development and cultural change, extending IMI-PP influence to the more indirectly involved IFAD thematic or working groups and staff (see figure below).

### Impact of the IMI-PP Small Projects on IFAD Culture and Practices



## **IV. Some Emerging Lessons on Innovation**

66. Some early general lessons emerging from these projects include the following:
- Innovative technologies, approaches and procedures always pose higher risks to adopters and users than do more conventional ones. Recognizing and addressing such risks during project design helps minimize them (land and water governance, innovative targeting).
  - Failures or mistakes, where recognized and objectively analysed, offer useful learning opportunities and can provide stepping stones to success (rural poverty portal, innovative targeting).
  - The traditional knowledge, ideas and skills of the rural poor are frequently the best starting point for developing effective and widely adopted innovations (small livestock, land and water governance).
  - The gap between innovative design in IFAD projects and successful implementation of these innovations frequently reflects limitations of capacity and motivation. The will and commitment of the PMU in IFAD projects is particularly necessary (innovative targeting, institutional analysis).
  - If an innovation is replicated elsewhere, or scaled up, one or more aspects of it invariably need to be changed to better match the different features of the new context (small livestock, innovative targeting).
  - Stakeholder participation in the process of developing innovation is essential to ensuring commitment to the innovation (rural poverty portal, land and water governance).
  - Policy dialogue is often a prerequisite and an essential support in introducing lasting change at the institutional or community level (land and water governance, small livestock, institutional analysis).
  - Because there are so many unknowns in any innovation - even if it has been well tested, with the risks assessed - close monitoring of the innovation process is critical.