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Enabling poor rural people
to overcome poverty

Management's response to the corporate-level evaluation of IFAD's capacity to promote innovation and scaling up

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For: **Information**

Note to Executive Board members

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I. Introduction

1. IFAD Management sees innovation as a critical element in improving IFAD's operations and development effectiveness, and as a consequence in enhancing the impact of the Fund on the lives of rural poor people. Management therefore welcomes the corporate-level evaluation of IFAD's capacity to promote innovation and scaling up.
2. This evaluation was conducted in line with the decision taken by the Executive Board when approving the IFAD Innovation Strategy and the Board decision in December 2008 requesting a second corporate-level evaluation of IFAD's capacity to promote innovations, including the assessment of the performance of the Initiative for Mainstreaming Innovation (IMI). This document, which is submitted along with the executive summary of the evaluation report for the review of the Board, records the views of IFAD Management on the substantive findings and recommendations.

II. Findings

3. IFAD Management broadly concurs with the findings of this corporate evaluation, in particular the following conclusions:
 - (a) IFAD's performance in terms of innovation has improved and 100 per cent of the projects evaluated in 2008 were rated as moderately satisfactory by the Office of Evaluation (OE);
 - (b) IFAD's direct supervision and country presence - two important elements of IFAD's new operating model - are playing critical roles in promoting innovations;
 - (c) More recent country strategic opportunities programmes (COSOPs) have been paying greater attention to innovations, knowledge management and promoting partnerships; and
 - (d) Innovation in the areas of institutions, access to land and water, rural microenterprise and marketing has increased in recent years.
4. IFAD Management also takes note of the finding that among the agencies benchmarked, IFAD alone has adopted an explicit definition of innovation, an innovation strategy, and a knowledge management strategy (paragraph 100). As the report notes (paragraph 94), "[t]he need to scale up successful innovations has long been recognized by IFAD."
5. IFAD Management also takes note of the findings emerging from the focus group that highlighted the need to improvise, despite a formal institutional structure that is not fully supportive; the lack of adequate incentives to do so; and, above all, the relatively limited opportunities for sharing knowledge (paragraph 60).
6. Management is also in broad agreement with the finding that the COSOPs fall short in analysing the risks related to innovations and that greater innovation is needed to enhance technology in agricultural production.
7. It also agrees that there is a need to undertake non-lending activities such as policy dialogue, knowledge management and partnership building; increase synergies between loans and grants to improve the scaling up of innovations (paragraph 95); and pay more attention to the cross-fertilization of experiences on innovations across divisions and departments (paragraph 113).

8. Nonetheless, Management wishes the Board to take note of the significant decisions taken by the Fund in recent months to strengthen institutional capacity to promote innovations. These include the establishment of the Office of the Chief Development Strategist (CDS), with the CDS now designated as champion of both innovations and knowledge management. The need to integrate these two distinct but complementary activities is thus recognized, as is the importance of seeking synergies in the implementation of these two strategies.
9. In terms of scaling-up innovations, as the evaluation report notes, a grant has been provided to the Brookings Institute aimed mainly at enhancing IFAD's aid effectiveness through country-led scaling up of the results of local innovations and project-level policy gains.
10. Similarly, the relocation of IFAD's operational policy function to the Programme Management Department (PMD) is expected to improve policy dialogue and thereby improve scaling up. The Revised IFAD Policy for Grant Financing – approved by the Executive Board in December 2009 – also gives high priority to innovation and is expected to improve the synergy between loans and grants.
11. While agreeing with the evaluation finding that IFAD needs to work on building institutional capability for innovation, changing organizational culture and allocating more resources to promoting innovation, IFAD Management strongly believes in introducing innovation through its principal instrument: its investment projects and country programmes. This approach dramatically improves the chances of the innovations being scaled up.
12. Management agrees that the IMI has played an important role in mainstreaming innovation within IFAD. It also agrees that strengthening innovation in operations and increasing learning and sharing were more successful than promoting the required culture change. What could be considered as the IMI's main result is the space it provided for individuals and teams to experiment and test new ideas in new contexts. Such a space is critical for innovation to take place in an institution.
13. The point raised on culture change is indeed a critical one. Unfortunately, the evaluation does not offer an analytical framework of IFAD's current organizational culture that would help define the elements of the culture that need to be changed. Nonetheless, with the designation of the CDS as knowledge management and innovation champion, IFAD now has a leadership and accountability structure that will allow it to make more systematic efforts in this direction.
14. Management supports the main finding that the innovation strategy was useful in that it articulated a rationale and a clear definition for innovation. However, the view that the innovation strategy did not contain anything new is somewhat surprising. In its note to the Evaluation Committee assessing the proposed IFAD Innovation Strategy (EC 2007/48/W.P.5), the Office of Evaluation states in paragraph 2: "In addition the strategy (i) proposes an IFAD-specific definition for innovation, (ii) builds on lessons from IFAD's own experiences and those of other development partners, (iii) recognizes the need to establish linkages with other relevant corporate processes ... and (iv) proposes logical steps for the implementation of the strategy ...". It further states (paragraph 9) that "[t]he strategy includes an interesting section on risk assessment and management" and in paragraph 10 that "OE welcomes the explicit links that the proposed strategy makes with articulated in the proposal with IFAD's important direct supervision and implementation support activities and the country presence initiatives...".
15. While recognizing that the start up of the innovation strategy has been slower than expected due to a number of institutional changes, Management is nonetheless committed to full implementation of the strategy, in an integrated manner with the IFAD Strategy for Knowledge Management.

III. Recommendations

16. Management agrees with the thrust of the three recommendations of the evaluation report. Its views on these recommendations are given below.
17. **Define an innovation agenda for IFAD.** The evaluation report recommends that IFAD adopt a more systematic approach in implementing the innovation strategy, in particular by defining an innovation agenda for IFAD. There are two dimensions to this issue: first, the need to establish an innovation agenda and second, the way this should be done.
18. On the first dimension, Management fully supports the idea of setting a clearer innovation agenda. IFAD Management has, however, some concerns regarding the setting of the agenda using a "big bet" approach. Although the evaluation report does not see this approach as a substitute for the current broad-based innovation approach, care must be taken to ensure that this does not happen in practice.
19. The current broad-based approach does not mean that it is an ad hoc approach. Rather, it implies a convergence of actions that create an enabling environment for innovation that needs to be maintained. By contrast, a strict top-down approach to encouraging innovation could have the unintended effect of stifling innovation at the country/project level. Currently, as recognized by the evaluation, some of the most innovative ideas are developed at the project level with country teams and country programme managers suggesting new approaches in response to perceived challenges at the project and country levels.
20. Management views the big bet approach as complementary to the current approach in order to allow a focus on those areas where it is generally acknowledged that IFAD faces major challenges across regions, countries or in specific sectors. In such cases, IFAD would publicize these challenges to a large global audience, scout systematically for better solutions and provide the required institutional and financial support. Management recognizes, in particular, the need to use IFAD grants in a more strategic manner to support such approaches. Subsequently, successful solutions could be scaled up in IFAD's own programmes as well as in those of its partners.
21. **Treat scaling up as mission-critical.** As noted earlier, IFAD considers scaling up not only as a principle of action, but also as a true measure of innovation in that IFAD needs to create a wider impact on rural poverty, beyond the direct impact it would have through its own operations. In line with the evaluation recommendations, IFAD will strengthen its knowledge management and undertake policy dialogue and partnership building in order to contribute to scaling up. It finds the specific knowledge management initiatives referred to in paragraph 127 relevant and agrees that project-level monitoring and evaluation systems need improvement.
22. Since IFAD Management is currently facing competing demands for resources, its ability to allocate more resources for non-lending activities is limited. It has, however, taken serious note of the recommendation of this report – as well as those of evaluations undertaken in the recent past – to allocate adequate financial and staff resources and space for non-lending activities.
23. IFAD Management would also like to clarify that, contrary to what is noted in the evaluation (paragraph 128), it no longer "lumps together" innovation and scaling up. In 2006, IFAD started measuring its performance at project completion with respect to scaling up as distinct from innovation, and regularly reports in the annual Portfolio Performance Report (e.g. 2009 report, paragraphs 66-71). It agrees, however, that the reviews undertaken by OE and some other internal processes need to adopt a similar approach. In sum, IFAD Management agrees that scaling up must be prioritized and treated as mission-critical.

24. **Strengthen organizational capabilities and culture.** Resources permitting, Management is committed to conducting a cultural analysis to provide a basis for bringing about the required changes in IFAD's innovation objectives, capabilities, processes and organizational climate. Needless to say, this is not an easy task and will require time.
25. Pending such a study, Management is nonetheless committed to taking steps to encourage greater knowledge sharing and risk taking in order to motivate staff to innovate. It is also committed to bringing about institutional and process changes to achieve this goal. In this regard, Management believes that with the establishment of the Office of the CDS and the designation of the CDS as knowledge management and innovation champion, IFAD will have greater capacity to strengthen organizational capabilities and improve the culture, as the evaluation report recommends. It should also be easier to identify innovative projects and programmes that require greater management and financial support. This will also place IFAD in a stronger position to use the remaining IMI funds and other facilities more strategically to support innovation.

IV. Conclusion

26. Overall, Management found the evaluation report very helpful and is prepared to incorporate its recommendations and insights into its future workplans. To this effect, the CDS will lead a corporate effort to develop a framework for implementing the innovation and knowledge management strategies that will translate the agreements reached into concrete activities and measures.

