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Investing in rural people

Comments of the Independent Office of Evaluation of IFAD on the Policy for Grant Financing

Note to Evaluation Committee members

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Rome, 30 March 2015

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Comments of the Independent Office of Evaluation of IFAD on the Policy for Grant Financing

Note to Executive Board representatives

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Executive Board — 114th Session
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For: Review

Comments of the Independent Office of Evaluation of IFAD on the Policy for Grant Financing

1. **Background.** The Independent Office of Evaluation of IFAD (IOE) completed a corporate-level evaluation (CLE) on the Policy for Grant Financing in 2014. As required by the IFAD Evaluation Policy (2011), IOE has prepared comments on the new grants policy for consideration by the Evaluation Committee and Executive Board.
2. The aim of these comments is to: (i) assess the extent to which the main lessons and recommendations from the CLE on grants – and other IOE evaluations that included assessments of IFAD grants activities, such as country programme evaluations – have been incorporated into the new grant policy; and (ii) highlight systemic issues that merit further reflection in the finalization and implementation of the policy.
3. **Overall observation.** The IOE welcomes the new grants policy, which is a clear and succinct document. It will help the organization to enhance its grant activities, which are a critical complement to IFAD loan-funded operations and non-lending activities (knowledge management, policy dialogue and partnership-building) in promoting sustainable and inclusive smallholder agriculture and rural transformation.
4. In particular, IOE finds that the increased attention to implementation and supervision, learning and knowledge management; the introduction of a competitive process for selection of grantees; the clarification on the duration of grants; inclusion of risk management; and the aim of reducing the number of grants as a way of lowering overall transaction costs are positive features. Similarly, the definition of principles for efficient grant management (in section V of the document) and inclusion of a results framework and performance indicators are important for tracking progress and better managing the grants programme.
5. **Areas for reflection.** Some areas that merit consideration, moving forward, are identified below.
6. **Policy coherence.** The new grants policy is an important addition to the existing set of IFAD corporate policies and strategies, as it provides a broad framework and guidance to staff in implementing grant activities at both the global/regional and the country level. However, there are other interrelated IFAD policies and strategies (such as the private sector strategy, partnership strategy, knowledge management strategy and supervision policy) that reinforce the grants policy. It would be useful if the final version of the grants policy were to include a section specifying how it contributes to strengthening IFAD's policy coherence and creates synergies with other corporate policies. This would ensure that there are no contradictions in the wider policy guidance (especially related to grants) provided to staff, and that these policies holistically contribute to fulfilling IFAD's mandate of improving food security and rural livelihoods.
7. **Allocation of resources by type of grant.** The policy states that the distribution of resources between global and regional grants and country-specific grants remains unchanged at 5 per cent and 1.5 per cent respectively. IOE notes the value of the global and regional grants window for such initiatives as financing agricultural research as a global public good through international research centres. This is also important to ensure that smallholder farmers have access to climate-smart technologies for sustainable development.
8. At the same time, independent evaluations have concluded that country-specific grants provide extremely important support to IFAD's loan-funded and non-lending activities at the country level. According to these evaluations, country-specific grants have the most immediate and direct impact on country programmes in

terms of poverty reduction. Therefore, IOE encourages IFAD Management to increase the percentage share of country-specific grants. This will require a proportionate reduction in the percentage allocation for global and regional grants (in order to retain the grants programme at 6.5 per cent of the projected annual programme of loans and grants).

9. Finally, the document notes in paragraph 13(iv) that linkages between global and regional grants and country programmes will be highlighted in the grant proposals. It would be useful if the policy further elaborated on the measures that will be taken to ensure that relevant global and regional grants are of benefit to IFAD country programmes, noting that in some case these grants might not have immediate relevance for a specific country programme and that such linkages are not easy to establish.
10. **Results measurement and learning.** The new policy clearly recognizes the need to measure results and disseminate the lessons from grant activities. In a dedicated section on this topic (section VI), the policy calls for the formulation of implementation and supervision plans, and the inclusion of a logical framework in each grant.
11. The document could be further strengthened by incorporating a theory of change, which would help to refine the results framework. In this regard, while IOE notes that baselines and target indicators in the policy's results framework will be fixed in the forthcoming medium-term plan, it would be useful for the results framework to map how "expected results" will contribute to achieving the four objectives of the grants policy (paragraph 8), and to distinguish between output- and outcome-level performance indicators.
12. The policy could also specify that individual grant completion reports must be produced by all grant recipients within specific time frames. Similarly beneficial would be the inclusion of provisions for a comprehensive assessment of the grants policy to be undertaken at an appropriate time (for instance, five years after the policy is approved by the Board). It would also be useful to specify the time period covered by the policy.
13. **Policy costing.** Many IOE evaluations have concluded that important objectives of the IFAD grant policy were not fully achieved because of the inadequate human and administrative resources allocated. For example, country programme evaluations have pointed out that the relatively limited resources allocated to non-lending activities have constrained achievements in this area. To ensure that the policy's objectives are met in a timely manner, an indication of the costs of implementing the grants policy should be provided, based on plausible assumptions, to allow these to be clearly included in the Fund's annual administrative budget. While difficult, quantifying the costs of such fundamental corporate policies as the grants policy reduces risks and enhances opportunities for successful outcomes.
14. **Structure of the policy.** The inclusion of annex II on key findings from the CLE on the grants policy is a welcome addition that enhances transparency and illustrates the clear efforts by IFAD Management to inform the new policy with past results and lessons. Along similar lines, it is recommended that all future corporate policies and strategies that are preceded by a related IOE evaluation should include the IOE recommendations together with the IFAD Management response as annexes to the new policy proposal. This would be consistent with the Executive Board's decision to include the agreements at completion point from country programme evaluations (when available) in new country strategic opportunities programmes (COSOPs) upon their presentation to the Board.