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Investing in rural people

## IFAD Management response to the evaluation synthesis report on environment and natural resource management

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For: Review

## IFAD Management response to the evaluation synthesis report on environment and natural resource management

1. Management welcomes the evaluation synthesis on environment and natural resource management (ENRM) and thanks the Independent Office of Evaluation of IFAD (IOE) for their effective and fruitful collaboration throughout the process.
2. Management welcomes the manner in which IOE conducted the evaluation synthesis, which emphasized a consultative approach with a large number of IFAD staff. As a result of this iterative approach, the evaluation was able to document lessons and good practices from a sample of 51 evaluation reports and nine project completion report validations; it also successfully identified opportunities for further strengthening the integration of ENRM and climate resilience activities into IFAD operations.
3. Management appreciates IOE's acknowledgement of the significant efforts and major initiatives put in place to improve IFAD's capacity to integrate ENRM and climate resilience successfully, i.e. the establishment of the Environment and Climate Division, the adoption of IFAD's ENRM Policy, Climate Change Strategy, and revision of the Social, Environmental and Climate Assessment Procedures (SECAP).
4. However, Management regrets that due to the nature of the exercise, the evaluation synthesis drew only on existing evaluative documents (2010-2015). Therefore, it does not reflect progress made through IFAD's principal instrument for climate change work – the Adaptation for Smallholder Agriculture Programme (ASAP), other ongoing projects with TerrAfrica and the Least Developed Countries Fund and the implementation of the SECAP.
5. In terms of performance, Management is conscious of the relatively weak ratings for the ENRM impact domain. However, it is worth noting that monitoring and evaluation for ENRM and climate poses challenges due to the long period needed to achieve results. Management concedes that in order to build a more responsive monitoring system for these activities, clear and robust environmental and climate indicators are required. Management is already tackling this issue as part of the comprehensive review and update of the Results and Impact Management System (RIMS). The new indicators will respond to the strategic objectives (SOs) of the IFAD Strategic Framework 2016-2025, namely: increase poor rural people's productive capacities (SO1), and strengthen the environmental sustainability and climate resilience of poor rural people's economic activities (SO3).
6. Management welcomes the evidence that validates IFAD's current approach of adopting incentives to strengthen its commitment to ENRM and climate resilience in its country strategies and portfolio. It is committed to ensuring that all country strategic opportunities programmes (COSOPs) and country strategy notes (CSNs) mainstream ENRM and are climate-proofed by the end of the period of the Tenth Replenishment of IFAD's Resources (IFAD10), adding to the efforts made throughout IFAD9.
7. Management recognizes the need to further enhance monitoring and supervision of ENRM in order to improve performance and welcomes the affirmation of this finding. It is committed to continuing work on these areas to ensure enhanced ENRM results. Environmental sustainability and climate resilience indicators have now been fully integrated into IFAD's operational procedures. Guidelines were finalized and are already being applied (i.e. quality assurance markers, portfolio reviews, completion report templates and the new Evaluation Manual). Future measures will be adopted as needed in line with international standards. In addition, various initiatives are being implemented during IFAD10. For example, the

Strategy and Knowledge Department (SKD) and Programme Management Department (PMD) are collaborating on the design of 10 projects with an ENRM and climate change component using a robust set of baseline data. These will be used for a collective impact assessment at the midterm review and during the preparation of the project completion reports. The findings will provide a greater insight into the linkages between poverty alleviation, ENRM and climate adaptation/resilience and promote replication of best practices.

8. Management is committed to the application of environmental and social standards during the design and implementation of all IFAD investments. This includes ensuring that SECAP compliance is monitored and strengthened during the entire project cycle. Similarly, it will continue developing the technical capacity of PMD and project staff and that of its country-level partners as they are all instrumental in enhancing environmental sustainability and climate resilience.
9. Management recognizes that grant financing for environment and climate work (ASAP and Global Environment Facility [GEF]) plays a critical role in mainstreaming ENRM and climate-resilient activities. These grants and others (i.e. Green Climate Fund) will continue to be used to address the linkages between poverty alleviation and ENRM to maximize the contribution to environmental sustainability and climate resilience.

## Recommendations

10. Management welcomes and agrees with the four recommendations outlined in the evaluation synthesis report and looks forward to working with the GEF (particularly its Secretariat, Independent Evaluation Office and sister agencies) and other development partners and partner countries to further enhance the results and impact of ENRM in IFAD-supported investments. Management's views on the proposed recommendations are presented below:
  - (a) Recommendation 1: IFAD should explore options to continue and broaden the use of grant finance to boost the integration of ENRM, not just climate change adaptation, into its future operations.  
 Agreed. Management will pursue the mainstreaming of environmental sustainability and climate resilience into IFAD's policies, business processes and investment programmes. Through the mandatory environmental, social and climate-risk screening of all new designs, IFAD will continue identifying areas in need of additional grant funding and secure the required funding to strengthen its investments. This includes securing financing from the Green Climate Fund for enhanced ENRM results and impact. Management will continue to mobilize environment and climate financing, and to operationalize innovative finance mechanisms such as payments for ecosystem services and the second phase of ASAP.
  - (b) Recommendation 2: IFAD should strengthen its efforts to foster demand for greater integration of ENRM at the country level.  
 Agreed. Management is committed to ensuring better integration of ENRM and climate resilience during the preparation of COSOPs and CSNs. This includes strengthening engagement with country-level sector planning processes, with national policies and strategy initiatives, and with a wider set of partners at the government and non-government levels. Concrete steps are already being taken to this end, aiming at fostering demand for greater integration of ENRM and climate resilience into 100 per cent of IFAD's future operations, as suggested by the evaluation.
  - (c) Recommendation 3: IFAD should enhance its focus on the contribution of ENRM activities to poverty reduction.  
 Agreed. Management agrees with the recommendation that IFAD should improve its understanding of how ENRM interventions contribute to poverty

reduction. It also agrees that applying safeguards to projects that use financial service providers (FSPs) presents challenges, particularly with regard to small investments and microenterprises. In response, the new Guidance Statement 12 under SECAP requires due diligence on FSPs and FSP projects, and ensures that appropriate environmental and social management systems are put in place. IFAD will explore further refinement of Guidance Statement 12 in view of the forthcoming IFAD11 Consultation. In addition, IFAD is currently addressing a number of issues, including updating the SECAP procedures to address health impact and labour issues.

As was previously mentioned, through cooperation between SKD and PMD, work is under way to demonstrate the impact of 10 projects by measuring the benefits and contributions of ENRM and climate resilience to poverty reduction.

Management will also maintain its ongoing efforts in terms of knowledge management products for both advocacy and policy/programme development. These include concept notes such as: (i) "The Adaptation Advantage" which demonstrates that it is possible to quantify in economic and financial terms the benefits arising from adaptation investments (including ENRM);<sup>1</sup> (ii) "Pragmatic Economic Valuation of Adaptation Risk and Responses Across Scales" in collaboration with the CGIAR research program on Climate Change, Agriculture and Food Security; and (iii) "Review of Economic and Livelihood Benefits for ASAP-Supported Investments" in collaboration with the Policy and Technical Advisory Division. Through the ongoing knowledge management efforts, IFAD is currently: (i) generating evidence on what works and under what conditions, with regard to improving livelihoods; (ii) promoting environmental and social standards; and (iii) continuing climate change mainstreaming in IFAD policies and investments. Management finds that the evaluation synthesis has gathered valuable lessons from the experiences of other international financial institutions in their implementation of safeguards. IFAD will consider how these can be used going forward in the implementation of this recommendation. Management is committed to continuing applying SECAP in order to manage risks and identify opportunities for more sustainable investments.

- (d) Recommendation 4: IFAD should enhance its data management and monitoring of ENRM projects.

Agreed. Strengthening self-assessment and impact measurement remains a key element of IFAD-financed projects (and not only specifically for ENRM initiatives). Management will address this element through IFAD's ongoing improvement of the RIMS. IFAD is committed to capitalizing on recent advances in geospatial technology and global and local databases for project and portfolio data to significantly improve results monitoring and reporting. It is also ensuring integration of environmental sustainability and climate resilience indicators into IFAD operational procedures and guidelines. IFAD will take advantage of opportunities within its portfolio to further develop the evidence base with a view to better monitoring and evaluating ENRM performance. The SECAP tracking tool will be strengthened to capture progress and recommendations made and will be used for informational and analytical purposes.

Management is committed to internalizing lessons, findings and good practices identified in this evaluation synthesis and ensure that they inform the design and implementation of IFAD's ongoing and future policies, strategies and work in ENRM and climate resilience.

<sup>1</sup> [www.ifad.org/documents/10180/0a24e248-3f96-49af-b2df-ebbce284335c](http://www.ifad.org/documents/10180/0a24e248-3f96-49af-b2df-ebbce284335c).