IFAD Policy for Grant Financing Corporate-level Evaluation

Executive Summary

1. **Introduction**. The corporate-level evaluation (CLE) on the IFAD grants programme was undertaken by the Independent Office of Evaluation of IFAD (IOE) at the request of the Executive Board. It is the first comprehensive independent evaluation since the start of the grants programme. The basis of the evaluation was the IFAD Policy for Grant Financing, which was first approved by the Board in 2003 and revised in 2009. The CLE covered grant activities from 2004 to the end of 2013. It was conducted according to the provisions contained in the IFAD Evaluation Policy (2011) and Evaluation Manual (2009).

2. **Objectives**. As agreed with IFAD Management and the Evaluation Committee at the start of the process[1], the overall objectives of the CLE were to: (i) assess the performance of the IFAD Policy for Grant Financing (in terms of relevance, effectiveness and efficiency); and (ii) generate knowledge and recommendations to inform IFAD's strategy and priorities for future grant activities.

3. **Evaluation framework and methodology**. The evaluation followed the approach of previous CLEs, which assess policies for their relevance, effectiveness and efficiency. Evidence was gathered from a combination of qualitative and quantitative assessments derived from desk reviews (including documentation relating to 152 grants, or 19 per cent of the grants approved during the 2004-2013 evaluation period); interviews with IFAD staff members and with key individuals in partner organizations (e.g. grant recipients, governments and end-users); an IFAD staff survey; and country case studies in Benin, Jordan, Kenya, Lebanon, the Philippines and Uruguay. The evaluation also benefited from a self-assessment seminar held in June 2013, during which IFAD managers and staff members spoke about their experience with grants, particularly their potential and limitations. Many findings from this evaluation coincide with observations stemming from the self-assessment seminar.

4. In determining the relevance of the policy, the evaluation assessed:
(i) the extent to which the objectives of the grant policy were appropriate to support achievement of the broader development objectives stated in IFAD's strategic frameworks from 2004 onwards; (ii) the clarity and adequacy of the framework specified in the policy to achieve the objectives (e.g. in terms of the coherence of the results framework); and (iii) planned provisions for policy governance, including internal corporate processes and arrangements to implement the policy (e.g. oversight mechanisms in place and arrangements for reporting to the Executive Board). To assess policy effectiveness, the evaluation examined the progress made in achieving the objectives defined in the two grant policies of 2003 and 2009. This was supported by a review of a sample of individual grants financed by IFAD. Policy efficiency was determined through a review of the procedures for grant approval, monitoring and reporting, and of the use of resources (human and financial) to achieve the desired results.

5. It should be noted that the purpose of the CLE was to conduct an overarching assessment of IFAD's grant policies and procedures and not to produce separate detailed evaluations of individual grants financed by IFAD. In the course of the CLE, however, evaluation reports, studies and reviews prepared by IFAD Management and grant recipient organizations were carefully analysed to increase the understanding of the results and impact of selected IFAD-funded grants. The six

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[1] CLE approach paper: https://webapps.ifad.org/members/ec/76/docs/EC-2013-76-W-P-5-Rev-1.pdf

country visits also provided an opportunity for IOE to gain valuable insights from grant recipients and other partners into the opportunities and challenges of specific grant activities.

6. IFAD's grants programme has a long history. The 1976 Agreement Establishing IFAD explicitly refers to grants as one of the Fund's financing instruments. According to the 1978 Lending Policies and Criteria for IFAD financing, grants were originally intended to provide developing IFAD Member States with technical assistance, mainly in project preparation. Over time, the use of grants has been expanded to cover a range of activities, such as international agricultural research, knowledge management, policy dialogue, and capacity-building for governmental and non-governmental organizations engaged directly or indirectly in rural poverty reduction.

7. Until 2003, IFAD had no single policy devoted exclusively to grant financing. Grant financing was governed by criteria established periodically by the Executive Board, for example in the context of the Fund's annual programme of work and budget. The first grant policy document was prepared and approved by the Board in 2003. After nearly six years of implementation, the policy was revised by Management, and the revised policy was approved by the Executive Board in December 2009.

8. The 2003 policy set two objectives for the grants programme: (i) promoting pro poor research on innovative approaches and technological options to enhance field level impact; and (ii) building pro-poor capacities of partner institutions, including community-based organizations and NGOs. It also included several stipulations on the use of grants. In particular, the policy stated that grants: (i) could not be used for activities normally funded from the administrative budget; (ii) should not be a substitute for loan funds; (iii) should be implemented at arms-length (i.e. by grant recipient institutions, not by IFAD, which had been the case before the approval of the 2003 policy); and (iv) should not include activities that duplicate efforts being financed by other donors.

9. The revised 2009 policy maintained the two original objectives and the various stipulations, but introduced several changes. For example it: (i) established the eligibility of private-sector recipients for IFAD grants for specific activities; and (ii) increased the threshold of grants approved by the IFAD President to US$500,000.[2] For regional/global grants, the 2009 policy introduced the principle of strategic planning based on divisional strategic workplans for grants.

10. The grants programme is divided into two windows: (i) global and regional grants, which support work across two or more geographical regions, and work across two or more countries within a region, respectively; and (ii) country-specific grants, which support work within a single Member State. In 2003, the ceiling of resources allocated for grants was set at 7.5 per cent of IFAD's annual programme of loans and grants, of which 5 per cent for global/regional grants and 2.5 per cent for country-specific grants. When IFAD introduced the Debt Sustainability Framework (DSF) in 2007, the maximum allocation for country-specific grants was reduced to 1.5 per cent. This was based on the assumption that DSF funds would consume about 1 per cent of the annual programme of loans and grants. It should be noted that grants and the DSF are two distinct instruments and respond to different needs.[3]

11. **IFAD's grants programme is large in relative terms**. During the period covered by this evaluation (2004-2013), IFAD approved 784 grants to 337

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[2] Before the 2009 policy, the threshold of grants approved by the IFAD President was US$200,000.
[3] Grant funding under the DSF has very different objectives from the grants programme that is the subject of this CLE. The DSF is designed to ensure that development efforts of the poorest countries are not compromised by the re-emergence of unsustainable debt levels. It provides such countries with additional development assistance on terms consistent with achieving and maintaining sustainable levels of debt, thereby supporting debt management at the country level.

organizations worldwide, for a total of US$449 million. The number of ongoing grants was always higher than that of ongoing loans: on average, 263 grants against 226 loans.

12. Grant financing represents an average of 6.1 per cent of IFAD's annual programme of loans and grants each year from 2004 to 2013. In the period following the approval of the 2003 policy (from 2004 to 2009), overall, grants financed by IFAD corresponded to a total of 6.9 per cent of IFAD's programme of loans and grants. Following the approval of the 2009 policy (between 2010 and 2013), this proportion decreased to 5.6 per cent. Other international financial institutions (IFIs), notably the World Bank and the Inter American Development Bank, use grants or instruments that are similar to IFAD's grants. In other IFIs, the proportion represented by grants in the annual programme of loan and grants from core resources is much lower, typically between 1 per cent and 1.5 per cent. The CLE recognizes that caution should be exercised in making such comparisons because IFAD's lending programme is far smaller in volume than that of other IFIs. In addition, it is not easy to establish the total level of resources invested by other IFIs that can be compared to IFAD's grant envelope.

13. Between 2004 and 2013, IFAD approved an average of just over 78 grants per year, with a slight decline from 2010 onwards. The average size of grants increased, however, between 2004-2009 and 2010-2013 from about US$490,000 to US$700,000. This was a positive development because it helped lower transaction costs. It was due in part to the increase in the ceiling of grants that could be approved by the President and in part to an increase in the proportion of large grants (above US$1.5 million). Because of the higher corresponding allocations, global and regional grants constituted 70 per cent of the number of grants approved from 2004 to 2013, and 77 per cent of the total financial volume of grants.

14. **Grant recipients are diverse**. The organizations that have received grants include Member State governments, intergovernmental organizations (e.g. United Nations agencies, and regional and other multilateral organizations), civil society organizations (including national and international NGOs, and farmer federations and their umbrella organizations) and research institutions (including the Consultative Group on International Agricultural Research (CGIAR) and other institutions).

15. In terms of the number of grants approved, civil society organizations are in first place with 266 grants between 2004 and 2013, followed by intergovernmental organizations with 188. The single largest recipient of grants in terms of both number and financial volume was the Food and Agriculture Organization of the United Nations (FAO) with 64 grants (9 per cent of the total) and US$29 million (7.6 per cent). The category receiving the largest amount, in terms of financial volume, is research organizations. Seven of the top ten grant recipients are CGIAR organizations. The International Center for Agricultural Research in the Dry Areas (ICARDA) and the International Center for Research in Agroforestry (ICRAF) rank second and third after FAO in terms of number and financial volume of grants; both organizations received 4 per cent of the total financial volume of grants approved between 2004 and 2013.

16. As noted, there have been many grant recipients: a total of 337 organizations received at least one grant between 2004 and 2013. While some of these were repeat recipients, 224 – or two thirds of recipients – received only one grant. Fifty five grant recipients (or 16 per cent) received three or more grants in the period evaluated, accounting for 62 per cent of the total financial volume.

Relevance

17. **Policy objectives were broadly relevant but without sufficient prioritization and clarity.** The two main objectives of the 2003 grant policy – contributing to innovation and capacity building – were pertinent to IFAD's mandate and its broader objectives of reducing rural poverty through activities to support smallholder agriculture.

18. For both objectives, the domain of application was vast. Particularly in the case of capacity building, the experience of other IFIs shows the importance of careful design and clear expectations to avoid a host of routine items such as training, conferences, and acquisition of office supplies and computer software being collected together under this rubric. Priorities were not clearly established, which left room for the two objectives to be widely interpreted in the implementation of the policy.

19. The revision of the grant policy in 2009 could have been an opportunity to improve the clarity and focus of grants but it was not preceded by a comprehensive assessment of previous grant experience. The 2009 revised policy did not address the issues of clarity and prioritization. Instead, it introduced definitions of outputs and activities that allowed grants to be used for an even wider range of initiatives.

20. In part, this may also explain why the CLE found that a significant proportion of grants (30 per cent of those reviewed) were not properly aligned with the policy objectives or did not comply with some of the policy's stipulations. Typically, compliance problems are associated with how a policy is implemented but, in this case, the CLE revealed that compliance issues were largely due to the policy's lack of clarity. The most prevalent examples of non-compliance were: (i) loan-component grants being used to finance project management activities or project components that had limited innovation or capacity building content (which were the two main objectives of the grant policy); (ii) grants being used for the building of emergency post-disaster infrastructure (again, not related to the innovation and capacity-building objectives of the policy); and (iii) grants financing activities that should be funded by the administrative budget (such as the preparation of reports and documents, or communication products mostly for internal use within IFAD) and had no clear connection to the innovation or capacity-building objectives. While some of these grants may have been useful for IFAD, Member State governments or the beneficiaries and their communities in one way or another, the question raised by this evaluation is whether they were consistent with the spirit of the grant policy and its priorities.

21. Although the relevance of the policy is assessed as moderately unsatisfactory overall, the CLE noted improvements in compliance with policy objectives and stipulations in the cohort of grants approved from 2010 onwards. This is due to tighter oversight by Senior Management and efforts – including by the President and Vice-President – to enhance the relevance of the grants programmes in general in recent years.

Effectiveness

22. **The CLE identified several examples of successful grants, which contributed to the effectiveness of the policy. Yet, opportunities exist to ensure more robust linkages between loans and grants, and to enhance the potential for learning from grant activities**. The CLE team found that several grants funded by IFAD were producing useful results, which illustrates the importance of the grants programme in furthering IFAD's mandate. For instance, grants have supported regional initiatives to promote policy dialogue on family farming in the Common Market of the South (Mercosur) region, ensuring that the concerns of smallholder farmers are taken into consideration more effectively at the regional and national policy levels. Grants have been instrumental in developing strategies to respond to the food price crisis in the Asia and the Pacific

region through improved varieties of roots and tubers. Grants have promoted exchanges between project staff and policy makers in the Near East, North Africa and Europe region, improving awareness among policy makers of important issues concerning smallholder agriculture. Grants are also financing the testing of tools to improve the transparency of market transactions and raising farm gate prices in East Africa, which in turn contributes to raising the incomes of smallholder farmers. Grants have helped strengthen regional networks of farmer federations, notably in the regions of East and West Africa.

23. The CLE also found limitations that have hindered the achievement of the policy objectives. Firstly, evidence from past country programme evaluations and from this CLE suggests that linkages can be established more directly between individual country-specific grants and other activities promoted by IFAD at the country level (e.g. policy dialogue and loan funded investment projects), although opportunities for even stronger linkages may emerge in the future. More direct linkages can be achieved if country-specific grants are better integrated into country strategic opportunities programmes (COSOPs) and their periodic reviews, and more specific guidance is provided on how these grants should be used to further the broader COSOP objectives. The issue of greater concern identified by the CLE is that links between global/regional grants (which form the bulk of grant financing) and individual country programmes are weak, and the results and learning from such grants are not adequately benefiting IFAD country programmes. In addition, the classification of some of the grants reviewed as "regional" merits reflection, because they often fund a combination of country-specific activities in several countries (which are sometimes artificially linked) rather than addressing truly transborder issues (e.g. trade, migration and intergovernmental agreements).

24. The CLE acknowledges that the purpose of some global/regional grants is to promote wider-ranging agricultural research, which may in itself be considered a global public good and an achievement in developing technologies and systems to benefit smallholder farmers in all regions. But even in these cases the feedback of research into IFAD policies and operations is limited, thus reducing the possible direct impact of important grants financed through IFAD loan activities. The CLE also noted cases of grants funding international agricultural research centres to work on community mobilization and routine extension activities that could have been conducted by national agricultural research systems or NGOs.

25. Secondly, and related to the above, insufficient attention has been devoted to documenting and disseminating the results of research. This is an important finding, especially as knowledge management was one of the key objectives of the grant policy. The CLE found that, in recent years, most grant recipients produced reports of various kinds. Yet, the systematic internalization of knowledge within IFAD remains a challenge, and this is particularly the case for global and regional grants.

26. The CLE identified four main constraints to knowledge management: (i) tracking of documentation and information on grants continues to be a difficult and time-consuming task; (ii) although IFAD has introduced annual reporting requirements for grants, the reports produced do not undergo sufficient quality checks and there is no systematic consolidation and analysis of findings; (iii) where ex post assessments of grants have been conducted in view of a follow-up phase, quality is variable and results are difficult to retrieve and not shared systematically; and (iv) the highly diverse nature and total number of grants financed represents a challenge. IFAD should continue reducing the number of grants financed, which will enable it to ensure that learning from grants can be properly internalized for better overall development effectiveness.

27. Thirdly, in recent years, IFAD Management has endeavoured to improve selectivity in the screening of grant proposals. Several grant proposals were rejected by

Management, for example because they were not adequately aligned with the policy or because linkages with country programmes were poor. Nevertheless, a number of design issues have hindered the performance of the grants programme during the ten-year evaluation period. For instance, many grant designs have been supply-driven[4] and therefore have not always been adequately connected to IFAD's country programmes or to broader corporate priorities. Grant objectives have often been ambitious in relation to the resources allocated. The ways in which IFAD plans to internalize and use the technology, experience and knowledge generated by the grants have not always been made clear at the design stage.

28. Fourth, some grants have been instrumental in fostering cooperation with other institutions, such as the Indigenous Peoples' Forum, regional farmer federations, CGIAR centres and others. Grants used to fund work in various different fields have contributed to promoting dialogue with selected recipients on key thematic, development and policy issues. This is particularly the case with institutions that have received several grants over time from IFAD.

29. At the same time, partnerships have not been established to the extent envisaged by the policy, especially when institutions have received a one-off grant from the Fund. Collaboration with such institutions has been largely geared to the provision of specific services or activities and may not therefore be considered integral to IFAD's efforts to promote strategic partnerships with key development organizations.

30. The CLE noted that the grants programme has helped IFAD collaborate with institutions that have a comparative advantage in certain areas and can therefore provide complementary input to advance the Fund's mandate. This type of collaboration has usually been a response to opportunities that have arisen, rather than pursued in a strategic manner. Part of the reason for this is the supply driven and fragmented nature of the programme, which fails to ensure that all grants contribute more directly to achieving the overarching objectives of the Fund.

31. The CLE rated the effectiveness of the policy moderately unsatisfactory over the ten year period covered. However, encouraging signs of improvement and progress towards moderately satisfactory performance have been evident since 2010. Most regional divisions have reduced the number of grant proposals in the annual pipeline in order to make supervision more manageable. Large grants have been given more detailed treatment in the annual portfolio review carried out by the divisions of the Programme Management Department: these reviews now contain a dedicated section on grants. Recent efforts to define a corporate strategy for grants in agricultural research under Agricultural Research for Development (AR4D) can be seen as a prelude to a better definition of strategic priorities for global grants.

Efficiency of processes and procedures

32. Implementation procedures for the grant policy were issued in 2004 (for the 2003 policy), in 2011 (for the 2009 policy) and again in 2013 as an interim draft document. These procedures covered: allocation of grants, ex ante quality assurance, legal and fiduciary compliance, internal approval, and Executive Board approval, in addition to grant monitoring, supervision, reporting and assessment. The CLE found that IFAD grant procedures have been inspired by the good intention to improve the quality of grant design and implementation performance but have resulted in cumbersome internal processes.

33. By establishing divisional quotas for regional grants and tying country-specific grants to the performance-based allocation system (PBAS), the current procedures do not foster sufficient competition for grant resources within the sponsoring divisions. The PBAS risks creating a perception of grants as an "entitlement", rather than initiatives whose worth must be demonstrated. In addition, further reflection

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[4] In other words, they respond to ad hoc requests from different organizations in Member States.

is needed on the decision, following the approval of the DSF in 2007, to exclude the poorer countries ("red" and "yellow" countries) from receiving grants. These countries may have a greater need for capacity building and innovation, which are fundamental activities funded under the grants programme.

34. The grant approval process is onerous and impinges on IFAD's institutional efficiency. Most grants are approved through ex ante quality assurance processes similar to those used for investment projects funded by loans. Grant proposals are exposed to the scrutiny of both quality enhancement and quality assurance processes, where a degree of duplication in reviews is evident. This needs attention, especially given that the level of effort required for the grant approval process is similar to that of the process for loan approvals, which usually have a significantly larger financial envelope. The disproportionately stringent grant approval process has at times discouraged country programme managers from seeking access to grant resources. On a related issue, the CLE found instances of grant resources being used for mainstream activities that should have been financed through the administrative budget, thereby reducing the workload related to the processing of grants.

35. Efficiency has also been affected by the fact that over the years a large number of grants have been designed, approved and implemented each year, leading to high transaction costs for the Fund. It is difficult to monitor, supervise and evaluate the total ongoing grant portfolio at any point in time. In recent years, efforts have been made to reduce the number of new grants proposed per year, which is a move in the right direction to enhance both effectiveness and efficiency.

36. Taking the entire period of evaluation (2004-2013) into account, oversight of the grants programme by IFAD Management and the Executive Board was not sufficient and monitoring and supervision were not regularly conducted by regional divisions. Both IFAD Management and the Executive Board focused more on the grant design documents than on the results and lessons emerging from grant activities. The Report on IFAD's Development Effectiveness includes a section on grants but would benefit from more systematic treatment of the subject and discussion of lessons learned.

37. In recent years, however, IFAD Management has dedicated more attention to the grants programme, and divisions are required to develop annual plans for their grants programmes. The consolidated annual grants workplan is now discussed with the President and the Vice President, who review proposals, for example for their consistency with IFAD's broader priorities. Grant status reports are also being produced regularly for large grants, although they focus mostly on implementation progress and their coverage of best practices and learning is limited. Monitoring and supervision needs to be better tailored to the grants programme and commensurate with the overall resources available to IFAD.

38. The storage and retrieval of grants documentation and data has been weak, which in turn has posed challenges in analysing portfolio data for strategic management and using grant results for other analytical purposes. Management has recently introduced the Grants and Investment Projects System (GRIPS), which mainly includes basic data on grants. However, GRIPS is a database and does not provide for the storage and easy retrieval of essential documentation on individual grant activities.

39. Overall, the CLE rated the efficiency of processes and procedures moderately unsatisfactory. It is useful to note that, towards the end of 2013/beginning of 2014 the President of IFAD appointed the Vice-President to conduct a comprehensive review of the strategic orientation, management, efficiency and effectiveness of IFAD's grant policy and operations. This review has recently been completed, an interim quality assurance procedure for grants has been issued and a working group to prepare a new grant policy has been established: these are examples of

measures taken by Management to improve the performance of the grants programme.

Conclusion

40. The overarching conclusion of the CLE is that the grants programme is indeed a valuable and unique resource for furthering IFAD's mandate. Individual grants have been used successfully to finance specific activities related to, for example, capacity-building, promoting innovation, knowledge management, scaling up impact, and agricultural research. Grants have also allowed IFAD to build partnerships with institutions that have expertise and experience complementary to its own.

41. At the same time, the CLE revealed the existence of a gap between the potential and the achievements of the grant policy. There is room for improvement in the use and management of grants so that their full potential can be realized. For instance, the corporate grant policy and operational framework can be further tightened to ensure grants better support the objectives of IFAD country programmes and are used for building strategic partnerships. Learning from grant activities can be systematized and used more routinely to inform IFAD-funded loan investment projects and programmes and policy dialogue efforts. Internal business processes and procedures, including those for monitoring and reporting, can be enhanced. Efforts by Management to streamline the grants programme have been encouraging.

Recommendations

42. While the new policy should be formulated by IFAD Management in consultation with the Board, and some flexibility may be needed in defining implementation processes, this evaluation presents IOE's recommendations. The recommendations reflect the findings and conclusions of the CLE and draw on the best practices of other organizations with a viewing to informing the future policy.

Strategic

43. **Prepare a new policy for grant financing**. There is a need for a new grant policy that addresses the main issues highlighted in this CLE report. The new policy should be prepared afresh, rather than being a revision of the 2009 policy. The recommendations of this CLE, country programme evaluations conducted by IOE and the best practices of other IFIs can serve as useful building blocks for IFAD Management in this process. IOE is prepared to provide input to the design process, as and when requested by Management.

44. In line with the IFAD Evaluation Policy (2011), IOE will prepare written comments on the final grant policy document. IOE comments will be shared with the Evaluation Committee and Executive Board in 2015 when they review the final policy.

45. **Specify clear and realistic grant policy objectives and eligibility**. Two types of grant allocation are needed: (i) country-specific; and (ii) non-country-specific (including global, regional and thematic). While there is scope for grants to fund regional initiatives, there is no need to establish a further distinct category with its own separate allocation. Such grants could be funded from the non-country-specific allocation (in competition with other grant proposals) when a valid transboundary theme is involved.

46. The overarching objective of country-specific grants should be to promote programmes and policies for rural poverty reduction, although not as a substitute for activities funded through loans. Under this objective, IFAD grant funding would support: (i) elaboration of national policies and strategies for rural development; (ii) testing of innovative approaches that could be scaled up through IFAD-funded initiatives and those of other development partners; (iii) capacity-building of key players, governmental and non-governmental, responsible for rural poverty

reduction programmes; and (iv) knowledge management activities supporting policy dialogue and IFAD's scaling up agenda.

47. Non-country-specific grants should be used for: (i) research and policy analysis; and (ii) IFAD's priority corporate partnerships. Research and policy analysis grants could include support for: (i) research into new and innovative approaches to rural poverty reduction; (ii) agricultural research; and (iii) drawing lessons from experience gained in different countries or IFAD's participation in global or regional initiatives that pursue its corporate priorities, which need to be defined specifically.

48. **Establish strategic priorities for non-country-specific grants.** These grants should be driven by corporate-level strategic priorities for partnership, research and policy analysis. The strategic priorities would be articulated through an institution-wide and duly documented review. IFAD could establish key priorities and needs on a rolling basis (e.g. every three years) and identify the types of partner institutions and themes to be supported through grants in line with its corporate priorities, which themselves would need to be periodically reviewed.

49. For country-specific grants, COSOPs would represent the main strategic reference. Periodic COSOP reviews, COSOP completion reports, country programme evaluations and ongoing policy dialogue with the recipient countries could be used in updating and refining strategic directions.

Operational

50. **Key stipulations and eligibility**. It is also recommended that the key stipulations of the 2003 and 2009 policies remain, with certain modifications and additions: (i) instead of being linked to IFAD loan projects, country-specific grants need to be linked to COSOPs or to provide the basis for a future COSOP; (ii) grants should not be used for activities that are normally funded from IFAD's administrative budget (e.g. reports, documents, workshops and communication products mainly for IFAD internal use); (iii) grants should not co-fund project management activities; (iv) grants need to be implemented by the recipients at arm's length from IFAD; and (v) all country-specific grants should be brought to the attention of national authorities and reviewed periodically with them to facilitate policy dialogue and scaling up.

51. **Country eligibility**. All IFAD borrowers, rather than "green" countries only, should be eligible for grants. "Red" and "yellow" countries may also need grants to fund essential activities related to, for example, capacity-building, innovation and agricultural research.

52. **Larger allocation for country-specific grants.** It is recommended that country-specific grants receive a larger allocation of resources than in the past for reasons such as the following: (i) in many cases, action to reduce rural poverty needs to be country-level; (ii) rural poverty policies and programmes will eventually need to be supported by the governments of Member States; and (iii) the broadening of country-specific allocations is likely to increase the demand from IFAD country programme managers for policy work, capacity-building for state and non-state actors, and the testing of innovations; (iv) this would allow IFAD to address the current significant imbalance between the large volume of research supported by non-country-specific grants and the Fund's limited internal technical capacity to absorb research. Manageability and absorptive capacity is a more pressing issue for non-country-specific grants.

53. It is recommended that loan-component grants in their current form be discontinued: loan-component grants have mainly funded project management or project sub-components with limited innovation or capacity-building content. In addition, country-specific grants should be allocated through a competitive process within each regional division, rather than automatically through the PBAS, which would avoid a "country entitlement" approach.

54. **Simplify and strengthen the grant allocation and internal review process.** For all grants, this evaluation recommends a single strengthened process of approval that would focus the review on policy compliance, linkages with the current or future COSOP (for country-specific grants) and with the corporate strategy (for non-country-specific grants) and the likelihood of the work proposed being incorporated into IFAD's rural poverty reduction programme and/or that of the government concerned. The approval process could be adjusted according to the risks inherent in a grant-funded initiative, the level of capacity of the recipient, and IFAD's in-house knowledge of the area of activity proposed for funding. The higher the topic-specific or institutional risks involved, the more intensive the review the process should be.

55. It is important to minimize duplication and loopholes in the internal review process. The implementation procedures of the new grant policy should simplify and strengthen fiduciary due diligence by providing grant sponsors with guidelines on how to assess the reasonableness of grant proposal budgets and delineating the scope of legal and financial reviews of design documents.

56. **Simplify and strengthen grant management**. An annual grant status report (GSR), or any equivalent instrument that IFAD may introduce after the approval of the new policy, needs to be a requirement for all grants and should be peer-reviewed for quality, with findings consolidated and presented to Management and to the Executive Board. Supervision activities could be geared towards fulfilling the requirements of GSRs or their equivalent.

57. **Strengthen accountability systems, knowledge management and Executive Board oversight**. Ex post grant assessment needs to become more systematic and the results need to be made easily available through a dedicated web page. In addition, assessment findings should be consolidated, with a focus on the key lessons learned and reasons for success and shortcomings, in an annual report presented to IFAD Management and the Executive Board, along with the consolidated GSRs (or equivalent tool) and with IOE's comments, in keeping with current practice. This would also contribute to improving grant-related knowledge management.

58. The Board should require a more comprehensive annual report containing a high-level consolidated review of all completed grants and of the performance of ongoing grants. The reporting to the Board recommended by the CLE could take the form of a dedicated section in the Report on IFAD's Development Effectiveness produced by Management each year. Finally, the Board might also consider giving Management full authority to approve grants.

59. **Invest in a grant management information system**. IFAD Management needs to develop and implement a management information system for grants that maintains a record of all grant-related documents, saved in an accessible format, from inception to completion.