

# Environment and Natural Resource Management Evaluation Synthesis

## Executive summary

### I. Background

1. This Evaluation Synthesis looks at the support that IFAD has provided to Environment and Natural Resources Management (ENRM) in recent years. IFAD, in common with other international financial institutions (IFIs), has increased its attention to integrating ENRM issues into its operations over the past decades. But, like almost all other IFIs, IFAD faces scrutiny from various sources as to whether it is doing this as well as it should. So, in approving the 2014 Work Programme of the Independent Office of Evaluation of IFAD (IOE), the Executive Board requested IOE to prepare an evaluation synthesis on IFAD's interventions in ENRM.
2. The term ENRM is used in IFAD's 2012 Environment and Natural Resources Management Policy to mean "the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity – together with the goods and services they provide". The underlying concept is one of sustainability – ensuring that the use of natural resources benefits the poor, through supporting livelihoods and income opportunities without degrading the resources. This is distinct from more traditional understanding of natural resources management simply as production systems deriving from the use of natural resources.
3. Since the 1992 Earth Summit in Rio, it has been generally accepted that the agriculture and environment agendas are inseparable. Degradation of natural resources undermines the basis for agricultural production and increases vulnerability to risk, thus harming production, livelihoods and well-being. Smallholders depend critically on the natural resources base for their livelihoods but they also risk harming the environment through unsustainable farming practices.
4. Recent global policy initiatives have set out a goal of "sustainable intensification" of agricultural production – a challenge particularly in the context of poor marginal rural populations that need to transform how they use their natural resource base to sustain their livelihoods and increase their income. This has been termed an "evergreen revolution".
5. IFAD's target group are the rural poor who struggle to achieve sustainable livelihoods and who are in greatest need of an "evergreen revolution". But is IFAD doing enough through its lending and other programmes to "integrate the sustainable management of natural assets across the activities of IFAD and its partners" – as its 2012 ENRM Policy states – so that the well-being of the rural poor is improved through better management of productive natural resources while safeguarding the environment?
6. In recent years, there has been some concern that IFAD needs to examine its performance in the ENRM domain. IFAD's 2009 Annual Report on Results and Impacts of IFAD Operations (ARRI) Issues Paper drew attention to the fact that IFAD's ENRM focus had been mainly on "avoiding environmental harm" while it had a substantial opportunity to "do environmental good" given the extent of its operations focused on natural resources management. Also, IOE's performance ratings for the ENRM impact domain had been poor.

7. IFAD's current approach to ENRM is grounded in its recent Strategic Frameworks, its Replenishment Consultations, its Climate Strategy and its Policy on ENRM. The goal of the ENRM Policy is to enable poor rural people to escape from, and remain out of, poverty through more productive and resilient livelihoods and ecosystems. Clearly, there has been a steady strengthening of the commitment to better integration of ENRM concerns in IFADs operations.
8. In particular, there have been very significant ENRM initiatives to improve IFAD's capacity to integrate ENRM successfully, including the new ENRM Policy, upgraded Social, Environmental and Climate Assessment Procedures (SECAP) and the creation in 2010 of the Environment and Climate Division (ECD).
9. IFAD's support to ENRM, using conventional sub-categories of investment, over the period 2010-2015 amounted to US\$588.7 million, 11.8 per cent of total IFAD funding. Of this total, loans made up 58 per cent, the recently established Adaptation for Smallholder Agriculture Programme (ASAP) 41 per cent and grant funding 1 per cent. However, it is likely that this measure underestimates total support to ENRM owing to difficulties of measurement.

## **II. Evaluation objectives, methodology and process**

10. In view of the concern about IFAD's ENRM performance and its efforts to increase the integration of ENRM into its operations, this Evaluation Synthesis addresses key questions of whether IFAD has delivered its strategy on ENRM effectively. The specific objective, therefore, of this Synthesis is to generate findings, document lessons and good practices, and provide recommendations that can inform the design and implementation of IFAD's ongoing and future policies, strategies and work in ENRM.
11. The analysis is shaped by four key questions:
  - (i) How effectively do programmes/projects address potential environmental risks?
  - (ii) To what extent do programme/project evaluations reveal any ENRM opportunities overlooked in project design or inadequate consideration of the environmental context?
  - (iii) Are there any lessons about the effectiveness of ENRM project components and activities and what causes good or poor performance?
  - (iv) What do the evaluation reports recommend about improving the integration of ENRM issues into programme or project preparation, design and implementation?
12. The Evaluation Synthesis draws on country programme and project evaluations conducted by IOE as well as IFAD/Global Environment Facility self-evaluations, project completion report validations (PCRVs) and to a limited extent project documents and country strategic opportunities programmes (COSOPs). The sample of evaluations analysed, completed between 2010 and 2015, consists of 72 IOE evaluation reports, of which 30 are project evaluations representing 52 per cent of all project evaluations. This period was chosen to include evaluations conducted after the ARRI 2009 Issues Paper and to ensure that the most recent evaluations were included. Evidence of learning that has taken place as a result of evaluations –in terms of new COSOPs taking account of recommendations in country programme and project evaluations leading to improved design of follow-on projects – was also explored.
13. Clearly the focus on evaluations conducted between 2010 and 2015 results in a sample of projects approved in some cases more than a decade ago, which is an unavoidable limitation of the evaluation synthesis methodology, given the increased focus on ENRM in recent years.

### **III. Programme and project design**

14. The analysis of country programme evaluations (CPEs) revealed that most COSOPs contain some level of focus on integrating ENRM in line with the evolving IFAD ENRM strategy. As one would expect, the range of ENRM issues that appear in the COSOPs' objectives is quite broad, depending in part on issues specific to the country or on sectors or sub-sectors that IFAD has focused on in its operations. However, it must be stressed that it is hard to make a clear judgment on whether the strategic focus on ENRM is adequate in any specific country content and the scope of IFAD's role.
15. There are a few cases where the CPE covers more than one COSOP, and one can see that the ENRM focus has strengthened from one COSOP to the next. However, in a small number of cases, it appears that new strategic issues have been adopted and have displaced a focus on ENRM. In a couple of cases, it is evident that the emphasis has shifted from conventional ENRM issues to climate change adaptation.
16. Overall, there is a number of project design issues that come up often in project evaluations which are perhaps not unique to ENRM projects but critical to their success. These include being responsive to the prevailing environmental conditions, taking account of social and political factors, creating good institutional set-up, enhancing capacity of community organizations and building on participatory planning and engagement.
17. Evaluation reports do not systematically examine whether an adequate environmental and social impact assessment has been carried out or whether suitable management measures were agreed upon and implemented effectively. However, a significant number of cases are reported where environmental risks have been overlooked or there is a risk of future environmental impacts as a result of scaling up the intervention or launching follow-on projects.
18. Looking at project effectiveness, there is some variation in reporting. There is a good deal of evidence in the evaluation reports on the direct results of tangible ENRM activities, such as soil and water management, but much less on how diversification of production or adoption of more sustainable production options have contributed to better use of natural resources and thereby to better livelihoods for farmers. Also it is hard to analyse the results of ENRM activities that form part of complex projects that offer multiple options to widen income generation opportunities or to promote more sustainable use of natural resources for production.
19. There are some consistent success factors evident from examining effectiveness in the evaluation reports. These include combining institutional strengthening, awareness raising and piloting of innovations in more environmentally sustainable production systems. Also participatory approaches, stakeholder engagement, support to community organizations and measures to encourage the buy-in of beneficiaries are highlighted given the challenge of changing the behaviour of farmers, especially those facing degraded environment and natural resources conditions.
20. Finally, the challenge of creating the right incentives for farmers to adopt innovative and more sustainable production systems or change their use of natural resources recurs frequently. Several reports describe the role of awareness raising, piloting of production innovations and a strong focus on market viability of production innovations. In some cases, the projects include financial mechanisms to generate incentives for the involvement of targeted beneficiaries, for example to take up innovative practices.

#### **IV. Main findings**

21. **IFAD's commitment to ENRM has clearly evolved in recent years.** It has combined a growing focus on "avoiding harm" by assessing and managing environmental and social impacts with targeting its investments at "doing good" in the ENRM domain. In so doing, it has built on years of experience in community-based natural resources management.
22. **Significant steps at the corporate level mirror the evolution of IFAD's commitment to ENRM issues.** The ECD has been established, the environmental and social safeguards have been upgraded to become SECAP, and the ASAP has been launched. Also it should not be forgotten that IFAD has been a Global Environment Facility (GEF) executing agency since 2001.
23. **However, spending on ENRM, measured by conventional sub-component categories and excluding ASAP, has not increased greatly as a proportion of IFAD's overall budget over the period 2005-2015.** Over the period 2010-2015, ENRM spending, including ASAP, was 11.8 per cent of total IFAD investment, but only 7.3 per cent of loan finance.
24. **In terms of performance, it is apparent that the rating for the ENRM impact domain has not improved significantly in recent years, although it is higher than it was a decade ago.** It remains a low rating relative to other criteria, with only efficiency and sustainability lower, as was reported in the 2015 ARRI. The reasons for this are hard to pin down, but in part are likely to be due to a longer timeframe for achieving benefits and the challenges in measuring and monitoring the results.
25. **Taking a broader perspective, IFAD has clearly pursued the goal of improving the incomes and livelihoods of the rural poor** through traditional natural resources management activities as well as more innovative projects that seek to bring about "sustainable intensification". These projects involve a more complex integrated approach and are perhaps harder to track in terms of fund allocation and performance targets. Also, in contrast to the global environmental issues targeted by GEF and climate change targeted by ASAP, "sustainable intensification" lacks the impetus of a dedicated supplementary funding mechanism.

#### **V. Conclusions**

##### **Strategic level**

26. **There has clearly been a strong effort to improve the integration of ENRM into IFAD operations in recent years.** The review of IFAD Policy documents and COSOPs reveals that there has been a steady strengthening of commitment to better integrate ENRM concerns into IFAD operations.
27. Overall, it is clear from the analysis of country strategies, project design and performance, and recommendations made by evaluations that **IFAD has taken steps to avoid doing environmental harm as well as pursuing opportunities to do good.** It has also taken significant initiatives at the corporate level.
28. **While accurate data exist on ASAP and GEF funding, the data regarding ENRM content in loans are incomplete and probably understate the actual amount.** Despite the increased prominence of ENRM in Strategic Frameworks and Replenishment Consultations, ENRM remains an area that IFAD systems have difficulty in tracking reliably.

##### **Country level**

29. The evidence from the analysis is that alignment with ENRM policies in IFAD country strategies has been mixed during the period covered. A small number of COSOPs show a clear progression to a stronger focus on ENRM; others reveal a

shift in the direction to other priority strategic areas, such as value chain investments.

30. **Recommendations on integrating ENRM issues more strongly in future COSOPs are generally followed up.** Often CPEs recommend that ENRM issues be more strongly integrated in future COSOPs, in some cases highlighting key sub-sectors on which to focus.
31. **Climate change emerges as a strategic focus in some newer COSOPs.** While more focus on climate resilience in the agriculture sector is to be welcomed, it is possible that this could lead to less support for the broader scope of persistent natural resources management issues relevant to the livelihoods of the rural poor.
32. **It is clear that successful ENRM integration requires mainstreaming** into the country strategies and policy dialogue, the fostering of partnerships with relevant agencies and the participation in country-led planning processes in a more ambitious and coherent manner. Such requirements need back-up from IFAD in terms of institutional priorities, resources, expertise and knowledge.

#### **Project level**

33. As reported by the ARRI 2015, performance on ENRM impact remains weak although there has been some modest improvement since 2009. The evidence suggests that this is partly a matter of project design and partly related to issues arising from implementation, including monitoring and supervision.
34. **There is evidence from the analysis that inadequate budgets for ENRM activities compromise implementation.** The sample of project evaluations consists mainly of projects with an ENRM objective or component, but the average allocation of funds is only 17.8 per cent. In only four projects is the allocation over 30 per cent.
35. **Project design success factors most frequently mentioned as contributing to ENRM performance are:** i) governance and institutional set-up – of particular importance in projects that involve multiple agencies and depend on the involvement of local community organizations; ii) participatory planning – projects that have a high level of participation by stakeholders and the target population in planning and committing to delivering project results; iii) and incentives – especially for demand-led projects, incentives for the uptake of more sustainable practices or for influencing behaviour.
36. **It appears that projects that aim to promote “sustainable intensification” have certain features in common,** bringing together a package of measures at the institutional and community levels, relying on awareness raising, participatory approaches, and incentives.
37. **The ENRM poverty and livelihood linkages are not captured well.** In general, there is more evidence of direct results of ENRM activities, such as soil and water management, but much less on how diversification of production or adoption of more sustainable options have contributed to better livelihoods of farmers.
38. **The majority of comments in the reports highlight that environmental risks are overlooked.** In particular, scaling up or intensification of production or follow-up investments should trigger an assessment of harmful impacts.
39. There is some concern about applying environmental and social safeguard measures to projects that may result in multiple sub-projects such as micro-investments or enterprises. This is an issue that challenges most IFIs in applying their safeguard procedures for projects implemented by financial intermediaries or community level bodies.

## VI. Recommendations

40. **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.** Although, there is undoubtedly some understatement as indicated above, the data on ENRM funding appear to be quite low in the context of IFAD's ENRM policy commitment and its efforts to mainstream ENRM into its investment portfolio. Without ASAP, the level of funding looks even lower. Also, GEF funding plays a large role in relative terms, certainly in the adaptation arena. In fact, ASAP and GEF combined are almost equivalent to ENRM lending over the period 2010-2015.
41. There is significant value in IFAD's continuing efforts to mainstream ENRM. However, if IFAD is really to implement the goal of "sustainable intensification", it needs a means to generate substantial incentives, preferably financial, within the organization to make this happen. While there are disadvantages to relying on supplementary funding instruments, there is clearly an imbalance at present, leaving the challenge of mainstreaming ENRM effectively under-resourced. IFAD should therefore pursue options for grant finance. The goal would be to galvanize efforts to balance the incentives already in place for tackling adaptation and global environmental issues. More resources could be targeted at supporting the innovative approaches to improving poor farmers' livelihoods through sustainable management and use of natural resources. This is IFAD's comparative advantage.
42. **Recommendation 2. IFAD should strengthen its efforts to foster demand for greater integration of ENRM at the country level.** While recognizing that IFAD has recently adopted a stronger focus on ENRM during COSOP preparation, the value of better engagement with country-level sector planning processes, building on their policy and strategy initiatives, and engaging with a wider set of partners at government and non-government levels is essential if agriculture sector strategies are to embody an "evergreen revolution" approach to which IFAD is committed. A good number of recent CPEs make this recommendation.
43. The demand from some countries for ENRM interventions is constrained by traditional approaches to the agriculture and natural resources sectors and poor coordination among different government agencies when developing sector strategies, and especially budget allocations through conventional government processes. IFAD, in its specialized role, can help to shape agriculture sector strategy, building on existing strengths, and promote greater coordination between government bodies to ensure an improved level of priority for ENRM issues. Clearly, the most feasible entry point is COSOP preparation, but IFAD can play an important role in following up commitments in the COSOP through support to partners to ensure mainstreaming of an ENRM focus, especially for the rural poor living in difficult environmental conditions.
44. **Recommendation 3. IFAD should enhance its focus on the contribution of ENRM activities to poverty reduction.** IFAD's ultimate goal is to improve the livelihoods and well-being of the rural poor. The investment in sustainable agriculture production and natural resources management is designed to contribute to livelihoods enhancement and poverty reduction overall. IFAD's ENRM agenda is a key element of this mission.
45. IFAD should increase its, and its country partners', understanding of how ENRM interventions contribute to poverty reduction and upgrade its knowledge management and communication strategy for this issue. This is important both for enhancing the incentives for integrating ENRM within the organization as well as for shaping policy and strategy at the country level. This can be especially powerful in promoting a "mainstream" value for ENRM among decision makers dealing with allocating budgets and setting priorities for investment. Among the

options for action are knowledge products designed to “make the case” for better integration of ENRM into the agricultural sector and guidance materials on how to estimate the value of natural resources assets for the livelihoods and incomes of poor farmers.

46. **Recommendation 4. IFAD should enhance its data management and monitoring of ENRM projects.** Despite corporate initiatives to strengthen the integration of ENRM, it is disappointing that the ENRM impact domain ratings remain low. Addressing this requires better data. First, IFAD is currently unable to account accurately for the level of investment in ENRM projects. This is despite an increasing emphasis on this domain in the Strategic Framework and Replenishment process. IFAD should take measures to track ENRM investments better. This implies a focus on how IFAD project fund allocations are classified and tracked to ensure that ENRM interventions can be monitored.
47. Second, in terms of measuring, monitoring, and indeed evaluating ENRM performance and in order to better understand the causes of weak performance, it will be important to get a better grasp of what can be understood to be specific to this type of project and how the results of ENRM projects are best measured and monitored.
48. In doing so, the focus should be on providing more data on direct environmental benefits but also on indirect benefits that arise from diversification of production or adoption of more sustainable options which have contributed to better livelihoods of farmers. Given that many of the more innovative ENRM projects depend on a package of measures, including ENRM, combined to bring about improvements in income and livelihoods, it is important to monitor and evaluate the results with an integrated approach rather than with a traditional perspective that separates income, social, institutional and productivity criteria from ENRM. Good use of results frameworks that reflect the important contribution of ENRM activities to poverty alleviation is needed.