



CoSAI
Commission on
Sustainable
Agriculture
Intensification

Case Study: International Fund for Agricultural Development (IFAD) investment in innovation for sustainable agricultural intensification

Dalberg Asia. 2021. *Case Study: International Fund for Agricultural Development (IFAD) investment in innovation for sustainable agricultural intensification*. Colombo, Sri Lanka: Commission on Sustainable Agriculture Intensification. 10p.

Introduction

The only specialized multilateral development institution focused exclusively on rural development, IFAD has successfully used agriculture as a means of poverty reduction – contributing ~USD 22 billion in funding to date¹. About 90% of IFAD's portfolio is focused on Low to Middle Income (LMI) countries. IFAD stands out with its nutrition and gender-sensitive lenses coupled with investments in climate-resilient agriculture – mainstreaming nutrition, gender, and climate change work in agriculture. An experienced agency in brokering partnerships, IFAD has to date mobilized ~ USD 31 billion in co-financing and funding from domestic sources. IFAD's specialized focus on agriculture with additional lenses, as well as its success with collaborations can inspire many other funders - meriting a deeper look.

This case study accompanies the report: *Funding Agricultural Innovation for the Global South: Does it Promote Sustainable Agricultural Intensification?* The full report can be found on the CoSAI website: <https://wle.cgiar.org/cosai/innovation-investment-study>

The authors recognize the significant contribution of IFAD staff during the review process to prepare this case study.

¹ IFAD, [IFAD at a glance: investing in rural people](#) (2019).

1. Summary

Based on an analysis of IFAD's loan database which this case study focuses on, the organization is estimated to invest² ~USD 800 million annually in agriculture and allied activities. As of 2019, the organization had a ~USD 9 billion portfolio³, comprising mainly of loans of various duration and start dates. More than 90% of the loan portfolio includes concessional loans. Grants constitute a smaller share of IFAD's portfolio (see section on Innovation Funding for more details on the split and the section on non-lending activities for more details on grant-based activities).

Funding for agricultural innovation. IFAD's loan portfolio (~USD 480 million annually, 60% of total) focuses on the dissemination of tested innovations while emphasizing social engineering and institutional improvements. The funding is distributed across several countries. Ethiopia, Bangladesh, and India are the top recipients, attracting ~15% of total loans. The organization's grant portfolio focuses more on testing and piloting novel innovations. Though the granularity in the grant portfolio is limited, IFAD's own analysis³ reveals that more than 60% of grants are likely to have an innovation component.

Funding for SAI⁴ innovation. About ~40% of its innovation investments (~USD 200 million annually) is estimated to be focused on SAI.⁵ SAI-linked projects at IFAD tend to have strong social and environmental intentions of sustainability, only next to the economic intention. IFAD's SAI investments are more evenly spread across the three layers of innovation, compared to other similar organizations; however, the macro layer stands out with policy support and financing systems attracting a significant share of funding.

2. Overall

IFAD's work in agriculture covers a broad spectrum – agriculture and natural resource management, market and related infrastructure and rural financing services cover two-third of the portfolio. ~USD 3 billion of IFAD's portfolio (33% of total portfolio) is focused on core agriculture and natural resource management⁶. Examples include improvement in crop and livestock production through farmer-trainings, on-farm demonstrations, and distribution of inputs and farm implements. The next biggest categories of IFAD's portfolio are market and infrastructure (18%), and rural financing services (13%). Additionally, IFAD's investments prioritize projects that have a higher potential on the social dimensions, such as gender and youth. Further, 25% of projects must support gender-sensitive innovations⁷ and 50% of projects must support youth-inclusive innovation.⁸

² IFAD's database provides total loan value with project duration. These were then adjusted to include only the values for the decade from 2010 to 2020, by removing the values on a pro-rate basis. Actual annual disbursements will likely vary depending on project needs.

³ IFAD Independent Office of Evaluation (IOE), Corporate Level Evaluation: [IFAD's support to innovations for inclusive and sustainable smallholder agriculture](#) (2020).

⁴ Based on tagging of individual investments using a word crawl algorithm. The broad definition of SAI was used: investments that are aimed at productivity and environmental gains.

⁵ This is based on the analysis of IFAD's loan-based database only and excludes analysis of grants

⁶ IFAD Annual Report (2019).

⁷ IFAD, [Mainstreaming Gender-transformative Approaches at IFAD – Action Plan 2019-2025](#).

⁸ IFAD, [IFAD Rural Youth Action Plan 2019-2021](#).

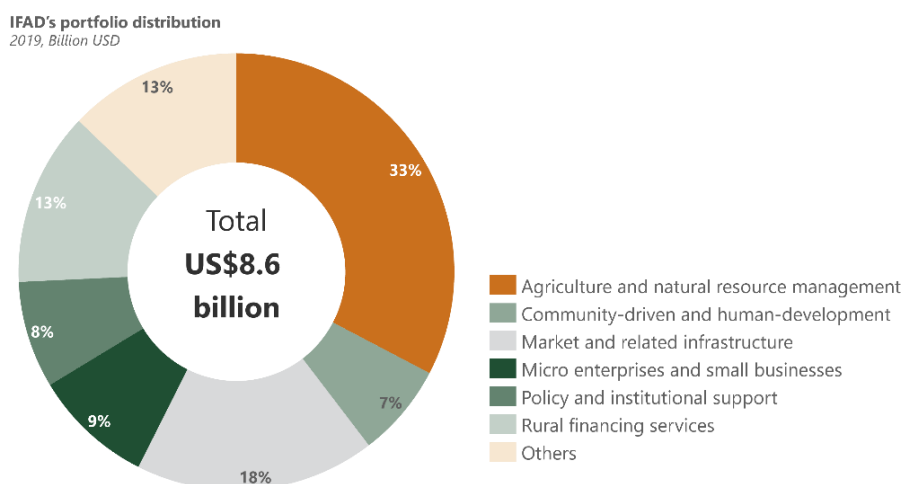


Figure 1. IFAD current portfolio funding by theme as of FY 2019.

3. Agricultural Innovation Funding

Loans make up a significant majority⁹ of IFAD's portfolio, of which ~60% is directed to innovation (~USD 480 million annually). About 90% of innovation-linked loans are directed to Asian and African countries, 5% of loans are directed to South American countries, and the rest are distributed (Figure 2). Within Asia and Africa, loans are fragmented among a large set of countries; Ethiopia, Bangladesh, and India together attract about 15% of total loans. Core agricultural development allied rural development, credit and financial services capture most innovation funding. Further, focus on climate resilience stands out. For instance, the Kenya Cereal Enhancement Program (KCEP) implemented by IFAD focuses on reducing rural poverty and food insecurity among smallholders by graduation to commercially oriented, climate-resilient agricultural practices¹⁰.

⁹ Loans make up ~93% of IFAD's portfolio, based on IFAD Corporate Level Evaluation, 2020, page 30 – "IFAD allocates a maximum of 6.5% of its Program of Loans and Grants (PoLG) to grants <https://www.ifad.org/documents/38714182/41125821/IFAD-CLE2020-COMPLETE-01.pdf/af251dad-10bd-5e80-3fae-a97a82f2059e>

¹⁰ IFAD, [Kenya Cereal Enhancement Programme - Climate Resilient Agricultural Livelihoods Window](#) (KCEP-CRAL).

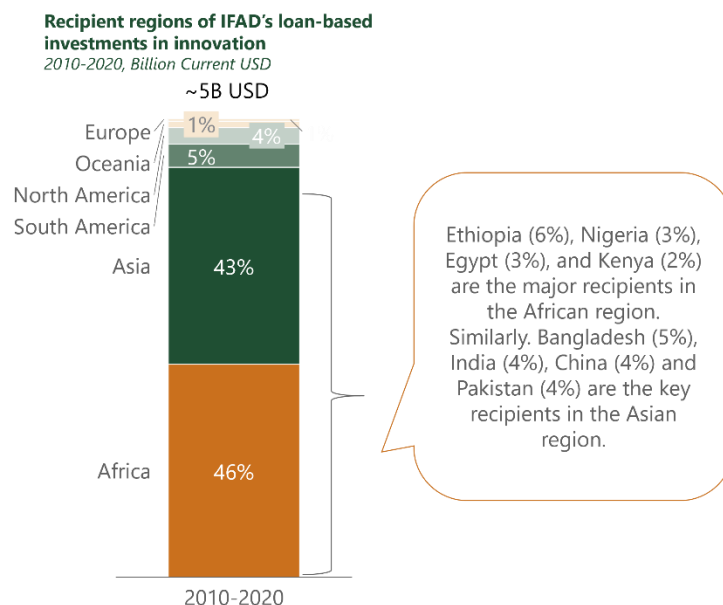


Figure 2. Recipients of loan-based innovation funding by IFAD.

Grants make up about 7% of IFAD's portfolio.¹¹ Based on IFAD's own study, 62% of the 240 large grants for the last decade had a component of innovation, mainly focusing on the development and piloting of technologies. Governments in low-income countries are a major group of recipients of IFAD grants (Figure 3).

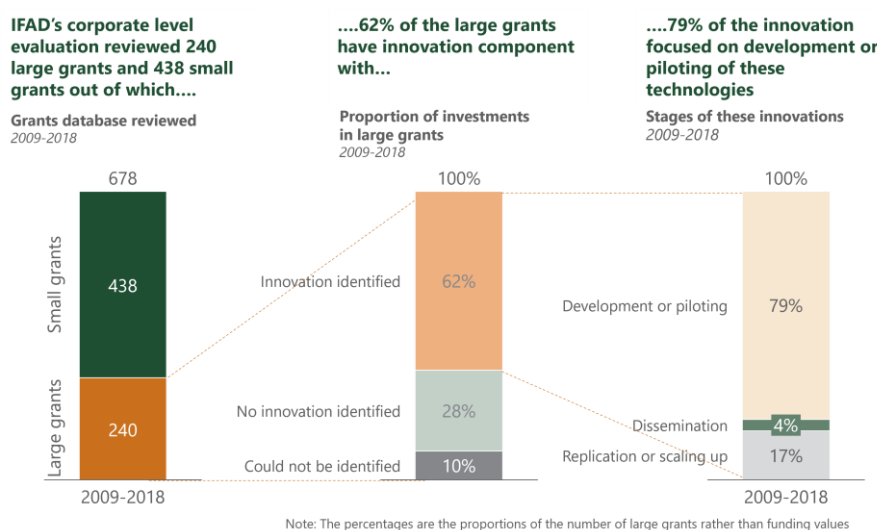


Figure 3. Proportion of innovations in large grants, and stage of these innovations.

¹¹ Please note that grants are excluded from the analysis to compute innovation and SAI funding

4. SAI Innovation Funding¹²

About 40% of IFAD's agriculture innovation loan portfolio promotes SAI innovation¹³ (Figure 4). This translates to an annual investment of ~USD 250 million.¹⁴

Break-up of IFAD's loan-based investments
2010-2020, Billion current USD

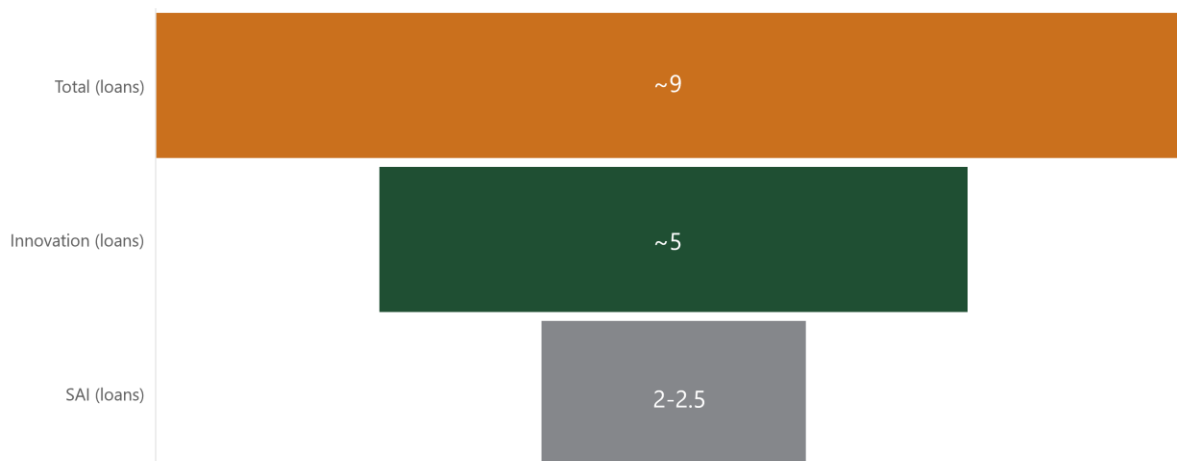


Figure 4. Funding towards agriculture, innovation in agriculture, and innovation in SAI – all through loans.

SAI funding was analysed on the following dimensions:

- **Agroecosystem and innovation canvas:** Of the ~USD 250 million annual estimated SAI innovation funding, ~ USD 70 million is linked to agriculture governance systems and policy support. Similarly, ~USD 70 million annual funding is linked to SAI funding into the production part of the value chain. IFAD's SAI funding is distributed across all three levels (Figure 5), unlike many other bilaterals which focus only on the macro and production system layers.¹⁵ In the macrosystems layer, governance & policy, as well as financing systems, receive a higher focus with significant SAI funding. In the production systems layer, funding is split between inputs and production parts of the value chain. Finally, in the production and NRM layer - water & soil management, as well as forestry & biodiversity, receive the most focus. Overall, even though 'post-production' and 'land use' find negligible intention-mentions in the loan database, there exist notable projects. For instance, the Climate-Resilient Post-Harvest and Agribusiness Support Project (PASP) in Rwanda¹⁶ focuses on a hub approach to climate-

¹² SAI funding has been estimated using a word-crawl algorithm, analyzing intention descriptions of IFAD's loan-database. The data is adjusted to reflect funding from 2010 to 2019, by assuming a linear disbursement of project grants.

¹³ Based on the strict and broad definitions as defined in the main study. Strict definition results in 40% of innovation tagged as SAI, and the broad definition results in ~45% of innovation tagged as SAI

¹⁴ The share of agriculture innovation projects promoting SAI is much higher for IFAD compared to other organizations studied for this work. Please refer to the other case studies.

¹⁵ Refer other case studies

¹⁶ IFAD, [Climate-Resilient Post-Harvest and Agribusiness Support Project](#), 2013-2020

resilient post-harvest support. IFAD’s non-lending work (not part of this analysis) focuses on land-use and post-production support (see section on IFAD’s non-lending work).

- **State impact intention.** Interestingly, social intention stands out (based on Musumba et al.¹⁷) in IFAD’s investments only next to economic intention - ~70% of innovation was tagged with the social intention. Overall, all the five intentions find mentions in IFAD’s generally strong project descriptions (Figure 6).
- **Recipient countries.** China, Ethiopia, Kenya, Brazil, Cambodia, and Rwanda are the top counties attracting SAI funding. These together get ~25% of SAI funding and only 15% of innovation funding.

Area of Focus	Sub-Area of Innovation	Average annual innovation Spending in million USD	Average annual SAI in million USD (broad definition)	% of total innovation spending ¹	Level of focus
Level 1: Macro Systems	Agriculture governance systems & policy support	143	67	48%	High
	Research, knowledge & education systems	61	30	49%	Medium
	Agriculture financing systems	81	50	61%	High
	Collaboration & trade systems	18	13	68%	Medium
Level 2: Production systems layer³	Inputs	85	47	55%	High
	Production	146	64	44%	High
	Post-production				
	Core-processing				
Level 3: Production factors & NRM	Farm-level cross cutting systems				
	Water & Soil Management	37	23	61%	Medium
	Forestry & biodiversity Management	14	12	90%	Medium
	Land use, and rights management ³	2	2	100%	Low

*Notes

1) A project can be tagged on more than one dimension and thus total can be more than 100%.

2) These analyses are conducted using IFAD’s loan approval data, not expenditure.

3) An analysis of the loan-databases found few intention references to the production systems and land-use. However, IFAD’s grants focus on these areas. Please refer to the non-lending activities.

Figure 5. Focus of IFAD’s SAI loan funding across areas (please refer to non-lending activities for other instruments).

¹⁷ Musumba, Mark, Philip Grabowski, Cheryl Palm, and Snapp Sieglinde. 2017. “Guide for the Sustainable Intensification Assessment Framework.” USAID, Kansas State University. https://www.k-state.edu/siil/documents/docs_siframework/Guide%20for%20SI%20Assessment%20Framework%20-%2010.24.17.pdf

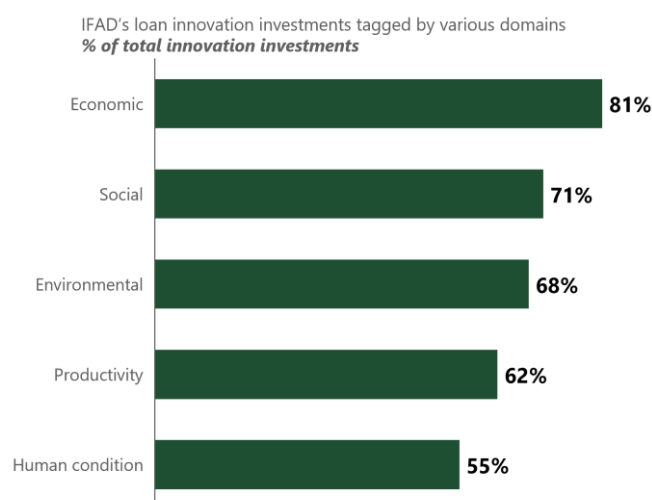


Figure 6. Percentage of loan-based innovation funding tagged by sustainability domains (based on Musumba et al.).

5. IFAD's Non-Lending Activities

Non-lending activities (mostly grants) constitute a small share of IFAD's portfolio (~7% by IFAD's own analysis¹⁸). Despite the small share, non-lending activities contribute to IFAD's multi-dimensional impact on agriculture innovation¹⁹. These activities fit into three categories: partnerships building, country-level policy engagement and knowledge management. Specifically, IFAD's work in the macro-systems layer and land-use stands out, complementing our findings on the loan-database (See Figure 5). We present examples from each of the categories below.

- **Partnerships building:** IFAD has hosted the **International Land Coalition (ILC)** since its inception, to support existing work in reducing poverty, improving food security, and strengthening rural resilience.²⁰ Even though IFAD's loan-database does not highlight SAI funding in land-use, its grants for ILC stand out. Other partnerships include collaboration with the Rome-based Agencies (RBAs) such as the Food and Agriculture Organization (FAO) of the United Nations.²¹
- **Country-level policy engagement:** IFAD collaborates with partner governments to influence policy priorities that shape rural transformation.²² For example, IFAD is a key development partner in Ghana's agricultural sector, co-chairing **Ghana's Agricultural Sector Working Group (ASWG)**.²³ Through ASWG, IFAD is assisting the government with a framework to promote

¹⁸ Loans make up ~93% of IFAD's portfolio, based on IFAD Corporate Level Evaluation, 2020, page 30 – "IFAD allocates a maximum of 6.5% of its Program of Loans and Grants (PoLG) to grants

¹⁹ IFAD, [Non-lending Activities in the Context of South-South Cooperation](#), 2016

²⁰ IFAD, [International Land Coalition](#)

²¹ IFAD, [Leveraging partnerships for country-level impact and global engagement](#), 2017

²² IFAD, [Country-level policy engagement](#)

²³ IFAD, [Country-level policy engagement in IFAD](#), 2016

private sector-led development of agricultural value chains.²⁴ This further corroborates IFAD's focus on level 1 (macro-systems) – (See Figure 5).

- **Knowledge Management:** IFAD has published many high-impact reports. For example, IFAD's review in the Journal of Rural Studies highlights the positive effects of **land tenure security** on agricultural funding.²⁵ Furthermore, IFAD's impact assessments have helped parse out key learnings from multiple projects. For example, impact assessment of rural development support programme in Guéra highlighted the need of continued maintenance and effective management of cereal banks **post-production**.²⁶

In conclusion, IFAD has a substantially large, diversified and SAI focused portfolio of projects. With top-down focus around gender, youth, nutrition, and climate lenses, coupled with a strong internal focus on capturing and articulating project outcomes, IFAD has a higher-than-average share of SAI innovations (as a fraction of funding towards agriculture innovation) compared to other organizations reviewed as part of [this study](#).²⁷ Furthermore, funding is spread out across all the three layers of innovation canvas, suggesting a broad-based focus across several topic areas. While there remains an opportunity to collate granular data on non-lending activities, and generally improve the share of SAI focused projects (especially across countries that receive a larger share of innovation funding), its balanced portfolio can offer lessons for other similar organizations.

²⁴ IFAD, [Country-level policy engagement in IFAD](#), 2016

²⁵ IFAD, Investigating the impacts of increased rural land tenure security: A systematic review of the evidence, 2018

²⁶ IFAD, [Impact assessment: Rural Development Support Programme in Guéra](#)

²⁷ Average SAI as a share of innovations ranges between 10% and 20% across other organizations and countries



The Commission on Sustainable Agriculture Intensification (CoSAI) brings together 21 Commissioners to influence public and private support to innovation in order to rapidly scale up sustainable agricultural intensification (SAI) in the Global South.

For CoSAI, innovation means the development and uptake of new ways of doing things – in policy, social institutions and finance, as well as in science and technology.

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