Agricultural Innovation Funds

In order for agricultural development to fulfill its potential role as a source of growth and reducer of poverty, it must be constantly renewed through knowledge and innovation. Getting resources into the hands of innovators and providing incentives for producers, agricultural service providers, and entrepreneurs to collaborate in developing and applying new methods and technologies is a priority among institutions concerned with agricultural knowledge. While grants have long been used to finance agricultural innovation, in many countries there has been a shift away from block grant funding and towards the use of innovation funds. These are used to provide incentives and resources for investment and collaboration between innovators, producer groups, private entrepreneurs, and public institutions. Innovation funds allocate grants to targeted applicants based on a system for evaluating the eligibility, relevance, and quality of applicants’ proposals. As of 2010, more than 40 percent of agricultural innovation-related projects apply competitive research grants; and more than 50 percent apply matching grants. The latter are used primarily for advisory services, small development projects, and agribusiness development.1

Grants are used to promote a variety of activities. Some support demand-driven or adaptive research, and focus on increasing and improving communication between farmers, extension agents, and researchers. Some are used to promote productive partnerships, demand-driven services, and the linkages between producers and markets. They usually consist of a one-time subsidy. Grants were the subject of a report by the World Bank’s Agriculture and Rural Development Department published in May 2010 titled Designing and Implementing Agricultural Innovation Funds. Lessons from Competitive Research and Matching Grant Projects (World Bank 2010).

The rationale for providing grants is often associated with the non-rival, public good nature of the investment, such as those which promote innovation, learning, and partnerships to resolve market failures. As instruments of government policy, grants should be coordinated with other policy instruments, and their benefits should exceed their cost (van der Meer and Noordam 2004; Donovan 2006). Grants generally assign higher priority to investing in know-how rather than equipment, and the resources are used for technical assistance, capacity building, services, and analytic studies more often than for operating costs (such as salaries, inputs), costly equipment, or infrastructure. This is particularly so in the case of matching grants that support enterprise development.

Competitive research grants (CRGs) provide funding to research based on scientific peer review of alternative research proposals. These grants, which may also require grantees to provide matching funds, can promote innovation in several ways, focusing scientists’ efforts on high-priority research or new fields of expertise. CRGs can be used to improve the relevance and quality of agricultural research, extension, and training. They can be used to promote research partnerships and to leverage research resources. They can also be applied to the development of more efficient and pluralistic research systems, and are often associated with research system reform.

Matching grants (MGs) have also been used to finance research, but are increasingly used to promote the generation, transfer, and adoption of technologies that are tailored for specific markets.

Photo: Gennady Ratushenko – Group of people tending flowers in Tajikistan.
They are also used to support innovation more generally, often by including multiple stakeholders. By consulting with those who will use technologies and other knowledge as partners, MGs incorporate issues of demand and use from the very beginning, and in so doing, may be more effective than competitive research grants at encouraging uptake by farmers and other entrepreneurs. MGs are commonly used to support private economic activity—agribusiness and value chain development. Funds from the granting organization (usually a public agency) are matched with funds from the beneficiary. Most MGs that target agribusinesses or farmer groups are not competitive; all proposals that meet the minimum requirements are funded, but are subject to technical and financial appraisals based on weighted criteria.

Both CRGs and MGs rely on transparent selection criteria and feasibility reviews, and both are short- to medium-term funding arrangements. Neither can replace stable funding for long-term research, private sector development, human resource development, or infrastructure maintenance and development.

**FIGURE 1: THE MAIN STEPS AND ACTORS ASSOCIATED WITH A GRANT SCHEME**

Prioritization of themes; Communication and awareness creation; Sector development; Coordination; Capacity building.

1. Communication: Direct solicitation of concept notes (CNs) or call for CNs
2. Submission of CN by applicant
3. Screening of CN by secretariat
4. Approval of CN by board/secretariat
5. Development of full proposal
6. Submission of full proposal to the secretariat
7. Review of and comments on full proposal by technical reviewers
8. Comments on the full proposal submitted
9. Full proposal endorsed by board/committee
10. Signing arrangements by the secretariat
11. Funds released for project
12. Implementation, reporting, and monitoring
13. Completion and evaluation

CN rejected
CN approved and adjusted
Appeal process (as needed)
Field appraisal of CNs
Training/support to applicants on grant requirements
Appeal process (as needed)
Full proposal not endorsed (rare)
Training on proposal development
Technical assistance

**DESIGN ISSUES**

A number of challenges may emerge that reduce the effectiveness of grant schemes, including equity and sustainability issues, unforeseen administrative costs, and limited capacity on the part of participants. Designing grants to purposefully account for such challenges generally begins with articulating the objectives and priorities of the grant to prospective participants, and soliciting concept notes describing how participants propose to pursue these purposes.

**Defining priorities.** Determining specifically which themes and strategic interventions the grant scheme will support enables funding to be targeted purposefully on a set of clearly-defined priority areas. This avoids situations in which resources are spread too thinly between loosely-related activities while allowing some latitude for supporting initiatives that may prove relevant during the period covered by the grant. Priorities are often set based on an analysis of existing research and technology development needs and opportunities, and of investment needs. In some cases, these priorities become clear through value chain analysis.

Optimally, priorities should be determined in consultation with the major stakeholders involved in the scheme.

**Defining eligibility.** Clearly defining the roles of the respective stakeholders and specifying which groups are eligible to apply for funding can greatly reduce the costs associated with processing large volumes of applications submitted by parties who are not eligible. Significant delays and costs occur in awarding grants when large numbers of ineligible applicants submit proposals, and this has been a major problem experienced by grant schemes. The size of the projects the grant scheme will support and the activities and expenditures that qualify for funding also need to be clearly defined.

**Engaging stakeholders throughout the process.** In addition to consulting stakeholders with regards to priority setting, stakeholders should participate in the governance of the grant or program, and be solicited for feedback on the implementation process on an ongoing basis. Qualifying them to fulfill these vital roles entails investment in capacity building and partnership facilitation among applicants, grant management staff, and prospective service providers who often require support to meet the requirements of the grant program and to capitalize on the opportunities it generates. Stakeholder platforms, forums, and associations are highly useful in bringing multiple perspectives into the formulation of sector strategies and action plans, particularly in the early stages of development.

**Grant schemes usually work better when combined with other efforts.** CRGs, for instance, are often used in the larger context of agricultural research system reform programs. MGs that are used to support value chain development work best when combined with other, complementary investments such as those in infrastructure, financial services, collective action, and market development. They also tend to benefit from complementary policies that are similarly introduced to provide enabling conditions that make overall investment more effective, and more attractive to prospective investors.

**Grant Management.** The capacity of the grant administration is one of the most crucial factors to a grant scheme’s success. Most grant schemes require a secretariat to handle day-to-day administrative functions such as communication, processing, and monitoring and evaluation. The grant secretariat may be located in a government agency (autonomous or otherwise), in a nongovernmental organization, or in a private entity. Where it is located should be determined based on the capacity and sustainability of the institutions, overhead costs, the need to separate the financing and implementation of activities, the risk of political interference, and the interests of key stakeholders. A board or committee provides oversight and approves subprojects. A technical review panel or reviewers assesses proposals and makes funding recommendations. A body may also be recommended to handle potential appeals. Maintaining separate units for policy setting, technical evaluation, management, and governance is considered good practice.

**Processes.** The main processes in managing and implementing subprojects include management of applications, contract arrangements, disbursement, financial management and audits, procurement, and safeguard management. Calls for proposals at regular intervals are common for CRGs, which often fund large subprojects and set funding limits for each call. An open call for proposals is common for MGs, particularly when individual grant amounts are small. In order to encourage sufficient participation, some MG schemes,

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### Checklist of Characteristics of a Matching Grant Program in an Investment Project

<table>
<thead>
<tr>
<th>Recommended general activities for an efficient and sustainable grant program:</th>
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<tbody>
<tr>
<td>✓ Prioritization of themes/activities targeted by the grants.</td>
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<tr>
<td>✓ Client and stakeholder engagement throughout the design and implementation.</td>
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<td>✓ Capacity-building and partnership facilitation arrangements (for example, to grant implementing units, applicants, potential service providers).</td>
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<tr>
<td>✓ Parallel supporting activities to build synergies between infrastructure, regulatory and market development activities.</td>
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<td>✓ Coordination with other programs and actors.</td>
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<th>Minimum requirements to consider:</th>
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<tr>
<td>✓ Rationale for grant use.</td>
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<tr>
<td>✓ Target group: main beneficiary, including eligibility criteria.</td>
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<tr>
<td>✓ Eligible activities and expenditures.</td>
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<td>✓ Anticipated grant demand (volume and time schedule).</td>
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<td>✓ Subproject size, grant range, and match requirement (as relevant).</td>
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<td>✓ Implementation arrangements, including implementation units and their roles, and administrative costs.</td>
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<tr>
<td>✓ Basic implementation procedures, including procurement.</td>
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<td>✓ Monitoring and evaluation arrangements.</td>
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<td>✓ Cost-benefit analysis, using representative examples.</td>
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such as those targeting enterprises, may require direct communication to prospective participants rather than to general public awareness raising. Capacity building may be required to expand the pool of competitive applicants.

A good practice is to assess the procurement, administrative, disbursement, and financial management capabilities of the applicants and provide training in the main skills and procedures the grant scheme requires. Financial management and procurement practices are verified through regular field visits, timely reporting, and audits. The grant scheme must also assign resources to provide for environmental and social safeguards. Because innovation funding is demand-driven, the specific subprojects that will be funded—and their potential environmental and social impacts—cannot be identified in advance. A thorough assessment of potential environmental and social effects likely to result from the subprojects can provide the basis for establishing detailed guidelines for monitoring and mitigating any negative impacts.

**Monitoring and evaluation (M&E).** Tracking and documenting the outcomes of innovation funding are too often neglected in grant schemes. Yet having a sound M&E system enables grant schemes to identify and address problems as they arise. M&E relies on clear indicators and milestones purposefully selected to gauge progress in implementing subprojects. The data gathered during field visits and documented in progress reports is used to populate the management information system used by the grant scheme, and can be reviewed as needed. Specialized M&E personnel can be employed in the grant secretariat or the responsibilities can be outsourced to independent experts—or both. Grant recipients are often not adept at fulfilling M&E requirements and will benefit from specific training and hands-on support.

The need for more thorough evaluations of the impacts of innovation funds is growing more urgent as global demand for agricultural innovation increases. The objectives of these funds entail economic, social, and environmental impacts, as well as pronounced effects on the capacity of the institutions responsible for agricultural innovation. Yet, up to now, information on how effectively these objectives have been achieved is limited. A World Bank assessment of four competitive research grant schemes in Latin America noted that such grant schemes are more likely to make a lasting contribution to agricultural innovation when they are introduced within relatively strong public sector frameworks for research—organizations that have stable core funding and a critical mass of staff. They are less likely to reduce disparities between strong and weak research institutions than they are to strengthen the strongest agencies. And while the competitive grant model did not lead to much greater private sector investment in agricultural research and extension in the four countries, it did contribute to private sector development more broadly (World Bank 2009a).

**References**


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1 As documented in the AIS Annotated Database of World Bank Agricultural Innovation Systems Related Projects (Agriculture and Rural Development Department, World Bank, internal use only).