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Enabling poor rural people
to overcome poverty

Report on the second session of the Consultation on the Ninth Replenishment of IFAD's Resources

Note to Executive Board representatives

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For: Information

Report on the second session of the Consultation on the Ninth Replenishment of IFAD's resources

In accordance with Resolution 160/XXXIV on the Establishment of the Consultation on the Ninth Replenishment of IFAD's resources, requiring that the Executive Board be kept informed of the progress of the deliberations of the Consultation, the Chairperson's Summary of the second session of the IFAD9 Consultation is herewith provided in the annex to this document.

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Chairperson's summary

Note to Consultation members

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Consultation on the Ninth Replenishment of IFAD's Resources — Second
Session
Rome, 13–14 June 2011

For: **Review**

Chairperson's summary

1. Members of the Consultation on the Ninth Replenishment of IFAD's Resources (IFAD9), IFAD Management and staff, and observers met in Rome, Italy, on 13 to 14 June 2011 for the second session of the IFAD9 Consultation. The following papers, prepared by IFAD Management, were reviewed: IFAD's Strategic Vision to 2015; IFAD's business model in IFAD9; Programme of loans and grants for IFAD9; Financing requirements and modalities for IFAD9; and Draft resolution on the Ninth Replenishment of IFAD's resources. The President of IFAD welcomed participants, thanked the members for their long-standing support, and expressed his confidence in a fruitful consultation process.
2. Members commended Management on the quality, conciseness and timeliness of the papers presented to the Consultation. They strongly emphasized the importance of investing in food security and the crucial role of smallholder agricultural development in that context. They expressed broad support for the key messages of the strategic vision and business model papers, and gained a solid understanding of the parameters underlying IFAD's financial framework. It was agreed that IFAD Management would submit an intersessional paper elaborating on questions raised by members with regard to the financial paper.

A. IFAD's Strategic Vision to 2015 and business model in IFAD9

3. In addition to introductions to the strategic vision and business model papers by IFAD Management, the Independent Office of Evaluation of IFAD (IOE) presented an overview of findings from recent corporate and project-level evaluations entitled "Managing for impact and improved performance since IFAD8". In light of the interrelation between members' comments on the strategic vision paper, the business model paper and the IOE presentation, the summary of discussions thereon has been combined.
4. Members strongly endorsed the Fund's proposed strategic vision and principles of engagement, recognizing IFAD's unique mandate and comparative advantage in driving smallholder agricultural development and urging it to stay the course with its pro-poor targeting policy. Among other things, members welcomed the increased emphasis on nutrition, climate change, gender and partnerships. They also provided feedback and suggestions on a wide range of themes and issues. IFAD Management indicated that many of the issues raised related to commitments undertaken under IFAD8 and that important progress was underway in addressing them through a series of policy papers discussed with the Executive Board.
5. IFAD Management reassured members that nutrition will be addressed in complementarity with its food security agenda, drawing on increased collaboration with, among others, the Consultative Group on International Agricultural Research (CGIAR) system to promote and take advantage of technological advances in the area of nutrition. Members recognized the recently developed IFAD Climate Change Strategy as an important step in strengthening IFAD's performance, and urged for attention to effective mainstreaming of the strategy throughout new and ongoing operations. With respect to strengthening performance on gender, members took note of the recent IOE corporate-level evaluation on gender equality and women's empowerment and ongoing work by IFAD Management to develop a new gender policy and strategy for presentation to the Executive Board in 2011, as part of IFAD8 commitments.
6. Members emphasized the importance for IFAD to expand and deepen collaboration with relevant partners – especially with in-country stakeholders – to strengthen local capacities and ownership, and promote stronger engagement with the private sector. Members highlighted that partnerships – together with strengthened policy analysis and advocacy, knowledge management and innovation – are critical to

fulfilling IFAD's scaling-up agenda. Towards this, IFAD Management undertook to further enhance its capacity for policy analysis and dialogue and, in parallel, its capacity for knowledge management and innovation.

7. Members encouraged IFAD Management to continue efforts to enhance collaboration and coordination with relevant international partners operating in the rural and agricultural development milieu – notably the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) – to ensure greater synergy in the implementation of IFAD's and its partners' programmes, to achieve broad and efficient impact in poverty reduction and food and nutritional security. In this context, members suggested that IFAD Management review and articulate IFAD's role within the emerging development architecture. Members highlighted the need to improve partnership performance indicators, and asked IFAD Management to identify additional indicators, besides cofinancing. IFAD Management confirmed that these aspects would be addressed in the partnership strategy that it is developing for presentation for Executive Board approval in 2011, as part of IFAD8 commitments.
8. At the request of members, IFAD Management elaborated on its planned approach to increasing engagement with the private sector. Premised on the objectives of moving smallholders beyond subsistence to a higher path of economic development, increasing employment opportunities in rural areas and better linking rural economies to broader economic growth at the national level, IFAD's focus would be on ensuring access by smallholders and the rural poor to markets and value chains. In this connection, members urged IFAD Management to incorporate information communication technology (ICT) activities more systematically into IFAD's operations as a means to enhance smallholder productivity, and spur private-sector investment and creation of new business opportunities in rural areas. IFAD Management reassured members that the Fund's approach to engaging with the private sector will be further detailed in a revised private-sector engagement strategy to be developed by IFAD Management and presented for Executive Board approval in 2011, as part of IFAD8 commitments. The strategy will draw on the recently completed IOE evaluation of IFAD's current Private-Sector Development and Partnership Strategy.
9. Members commended IFAD Management on progress made in strengthening the Fund's business model, in particular its results focus and emphasis on country leadership and ownership, and welcomed proposals to enhance it during IFAD9. In this context, members suggested that the following areas should receive high priority during IFAD9: scaling up, project and institutional efficiency, country-level decentralization with adequate delegation of authority, and national monitoring and evaluation capacity. In addition, members strongly emphasized the need to align IFAD's business model and country presence approach to the special conditions and requirements prevailing in fragile states, as these countries face the greatest challenges in achieving food and nutritional security and poverty reduction. IFAD Management assured members of its commitment to address these important themes in IFAD9, and indicated that several initiatives were already under way or planned on each of these fronts, with the strong engagement of IFAD's Executive Board and subsidiary committees. Management cited as cases in point the IFAD Country Presence Policy and Strategy presented to the Executive Board in May 2011; the papers on managing for efficiency and managing for results to be presented to the third session of the IFAD9 Consultation in October 2011; and the corporate-level evaluation on IFAD's efficiency recently initiated by IOE.

B. Programme of loans and grants for IFAD9

10. Members took note of IFAD Management's analysis and clarifications regarding the estimated resource requirements for effective smallholder agriculture development, and on the range of scenarios for the programme of loans and grants within IFAD's

delivery capacity over the period 2013-2015, including corresponding levels of cofinancing and beneficiary outreach.

C. Financing requirements and modalities for IFAD9

11. Members expressed unanimous support for IFAD's mandate and confidence in the reforms it has implemented to strengthen operational performance and development impact. Members voiced a strong desire for a successful IFAD9 that would strengthen IFAD's capacity to respond to the great demand for investment in agriculture and rural development. At the same time, members noted the challenges to its achievement, posed mainly by the lower level of internal resources available in IFAD9 and the difficult fiscal environment faced in several countries.
12. There was general consensus that IFAD Management should actively pursue contribution arrears relating to Member States' pledges to prior replenishments, as well as soliciting pledges for IFAD8. There was also wide agreement that IFAD Management should explore how best to expand its resource base by further encouraging existing, new and prospective Member States to contribute to the Fund's resources. Members had diverging views on IFAD Management's proposals to align IFAD's lending terms and conditions with those of the International Development Association's, and to eliminate the intermediate lending term category.
13. Members made a number of specific requests to IFAD Management for additional information, including: elaboration of scenarios taking the target donor contribution level for IFAD8 as a point of reference; a review by the external auditor of the advance commitment authority (ACA) and finance papers presented by IFAD Management to the Executive Board in May 2011 and at this session of the IFAD9 Consultation; analysis of the longer-term implications of proposed IFAD9 scenarios on IFAD's finances in subsequent replenishment periods; estimation of future resource requirements for the compensation of foregone principal and interest repayments stemming from implementation of the Debt Sustainability Framework (DSF); and historical data on members' initial and replenishment pledges and contributions to IFAD. IFAD Management agreed to respond to these and other requests and present a realistic range of programme of loan and grant scenarios through an intersessional paper in advance of the third session of the IFAD9 Consultation in October 2011. Furthermore, IFAD Management reassured members that it would vigorously pursue efforts to ensure a successful IFAD9, exploring as many alternatives as possible, including building on lessons from recently introduced mechanisms such as the Spanish Food Security Cofinancing Facility Trust Fund.

D. Draft resolution on the Ninth Replenishment of IFAD's resources

14. Members welcomed IFAD Management's initiative to streamline the format and structure of the resolution for the Ninth Replenishment of IFAD's resources, and took note of clarifications provided by IFAD Management in response to their questions. They agreed to refer it to legal counterparts in their respective capitals for review and revert with comments through the Member Interactive Platform in advance of the third session of the IFAD9 Consultation in October 2011.

E. Conclusion

15. The President thanked the delegates for their strong support, detailed feedback and helpful guidance. He pledged his and Management's intensive efforts to assure a successful replenishment outcome. After reading the draft summary, the Chairperson identified key follow-up actions in preparation for the third session of the IFAD9 Consultation in October 2011: (i) preparation of documents for the third session; (ii) preparation of the intersessional paper on finance; (iii) comments by delegates on the draft replenishment resolution; and (iv) preparatory visits to and

contacts with capitals by IFAD Management and the Chairperson. Finally, the Chairperson thanked all participants for their constructive engagement and expressed his appreciation for the excellent preparation by IFAD Management and staff of the second session of the IFAD9 Consultation.

List statements

List A statement: financing requirements and modalities for IFAD9 (REPL.IX/2/R.5)

I am speaking on behalf of List A to share some core points on this paper.

We recognise that IFAD9 comes at a time when food security and rural development remain high on the global agenda. We are all committed to IFAD's mandate and strongly support IFAD in its ongoing change and reform to continue delivering improved results and impact more effectively and efficiently. We all wish to see a successful replenishment that allows IFAD to do this and scale up its successes, whatever the final replenishment outcome, strengthen partnerships and provide a vehicle for investment, including through co-financing.

We welcome the update on IFAD's financial situation and the modelling presented. Our comments are structured around the five questions posed:

(i) List A is open to IFAD pursuing the short-term measures proposed to boost internal resources, including loan prepayments and aligning IFAD's lending terms with those of the World Bank.

(ii) We would welcome further information on the implications of a cash flow sustainable approach for IFAD, including how the Organisation would be staffed to deliver.

(iii) We appreciate that IFAD is now addressing the question of Advanced Commitment Authority. We request management assurance that financial management will be further strengthened and more robust systems introduced. We would also welcome information on the longer term perspective and the projected level of internal resources in IFAD10 and beyond, as well as on the implications of the use of ACA and future requirements regarding grant compensation.

It would also be helpful if the external auditor could review the ACA papers presented to the Executive Board and Replenishment, taking into account the more recent trends in liquidity and provide a report. This would help to restore confidence and move forward.

(iv) We take note of IFAD's scenarios and view of what it could deliver. We also believe that IFAD has made significant progress in many areas and must consolidate. In other areas, there is still much to do to meet the challenges of delivering sustainable results and impact.

We recall that the Eighth Replenishment was exceptional, representing an increase of 67% of member state contributions. As noted, this is not a repeatable exercise. From a List A perspective, it would be unrealistic to consider an increase of 114% or 77%. Indeed, maintaining the Eighth Replenishment level of contributions from List A, considered as a one-off at the time, would be a success given current financial constraints. In this light, we suggest framing the desired scenarios in terms of donor contributions rather than the level of programme of loans and grants. This would take into account the fact that even a significant increase in the level of donor contributions will not lead to a similar increase in programme due to the various issues highlighted.

We appreciate the importance of developing parameters for a framework of financial scenarios as we move forward. In order to reach a suitable range, we propose excluding the higher levels and presenting alternative lower scenarios for consideration with respect to the extraordinary Eighth Replenishment.

List A would like to work closely with all other members over the coming months to explore all options in order to succeed together in achieving a strong replenishment through our joint efforts.

(v) List A supports IFAD in encouraging contributions from existing, new and prospective Member States, building on lessons learnt through other recently introduced mechanisms, such as the Spanish Fund.

We look forward to continuing to work constructively together across the membership and with management to reach a successful conclusion to the Ninth Replenishment that consolidates and builds on IFAD's vision and reform, providing opportunities for the rural poor that IFAD represents, improving their food security and nutrition, contribution to rural wealth creation and resilience to the increasing effects of climate change.

Thank-you

**List B members' intervention at IFAD9
Presented by its convenor, Dr Yaya O. Olaniran (Nigeria)**

1. List B is very much encouraged by the suggestions and expectations from other lists, however, we believe that unilateral actions won't do any good for the future of IFAD. What we need is concerted actions agreed upon by all members and stakeholders.
2. List B will support the general acceptable quantum of funds scenario to all members of the Fund as a way of ensuring the sustainability of excellent work of IFAD in the area of addressing food security and poverty alleviation, though the decision of what is finally contributed depends on the capital.
3. List B is however not unaware of the current challenges being faced by all the member states, irrespective of the list or group. We therefore urge IFAD to:
 - a. Expand a broadening of IFAD membership and contributions over the medium term to include other states, supranational institutions, NGOs and other entities.
 - b. Pursue outstanding loan repayments with a view to mobilizing enough resources.
 - c. Expand the co-financing arrangement options.
 - d. Avoid general hardening of lending terms as they may be counterproductive to what IFAD stands for, i.e. poverty alleviation.
 - e. Pursue any other positive initiative to enhance resource mobilization.
4. List B agree that hardened terms and other financial issues should be further discussed among members and we welcome the proposed intersessional papers by UK to serve the better interest of members.
5. List B trusts that each and everyone of us will be working very hard to achieve IFAD's vision and list B will communicate with their capitals and support an acceptable scenario which is in line to general consensus by all members, that is rational and justifiable.

List C intervention on financing requirements and modalities for IFAD9

1. On behalf of List C members we would like to welcome the document "Financing requirements and modalities for IFAD9" and would like to make some comments on it.
2. In our view, reducing the level of IFAD's financing provided to developing Member States is we have to deal with its consequences: the increase of the pace of cash flows and the reduced internal resources left for future actions. For IFAD9 we must guide IFAD's Management towards a balanced solution for a very complex dilemma: how to sustain IFAD 8 Programme of loans and grants (PoLG) level in IFAD9 period - and this is the minimum level we expect - without damaging the Fund's financial health.
3. With regards to the Advance Commitment Authority (ACA), we also manifested our concern with it during the last Executive Board. Its usage results in a virtual, momentaneous increase of resources, but it definitely does not contribute to a solid long-term financial framework. Our experience from IFAD 8 tells us it may not be very prudent to increase ACA maximum ceiling taking into consideration a long-term perspective.
4. Therefore, list C members thank IFAD for this thoughtful work and for the transparency on its financial projections in the tentative of ensuring its minimum liquidity requirements in the next 40 years. However, with regards to the proposed alignment with IDA and IBRD and also with respect to increasing ACA maximum ceiling, we believe there are alternative possibilities to be explored that would not mean an excessive burden for developing countries. Therefore, we encourage Management to search for these alternative scenarios before members can take a decision on new financing modalities and requirements for IFAD9 period.
5. Finally, we would like to express our support to initiatives such as developing contribution partnerships with non-governmental institutions and other development funds and the pursuing of these new sources in a systematic way, which is in line with 24th session Governing Council 122- XXIV resolution on increasing the financing available from non-donor resources and submitting any proposals that may result from such initiatives to the Executive Board for approval.