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Enabling poor rural people
to overcome poverty

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

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Executive Board — 104th Session
Rome, 12-14 December 2011

For: Information

Report on the third 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 third session of the IFAD9 Consultation is herewith provided in the annex to this document.

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Enabling poor rural people
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Chairperson's summary

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Consultation on the Ninth Replenishment of IFAD's Resources —
Third Session
Rome, 24-25 October 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 24 and 25 October 2011 for the third session of the IFAD9 Consultation. The following papers, prepared by IFAD Management, were reviewed: the IFAD9 Consultation Intersessional Paper (on which an informal technical session was also held on 23 October), Managing for Efficiency in IFAD: Progress under IFAD8 and proposals for IFAD9, South-South cooperation in IFAD's business model, the Results Measurement Framework 2013-15, the Draft Report of the Consultation on the Ninth Replenishment of IFAD's Resources, and the draft resolution on the Ninth Replenishment of IFAD's Resources. In his opening remarks, the President of IFAD highlighted the enormous demand and need for long-term investment in smallholder agriculture and rural development, in order to achieve the first Millennium Development Goal of eradicating poverty and hunger. He thanked Members for their long-standing support to the Fund, and urged their strong contributions towards a successful IFAD9 Replenishment.

A. IFAD9 Consultation Intersessional Paper

2. Members conveyed their appreciation for the many clarifications provided in the paper, and the reassurance provided by the external auditor on IFAD's financial model.
3. Management's proposals for implementation of a cash-flow sustainable approach to financial management, to take full effect from January 2013, were widely endorsed, and viewed as representing an important move towards best practice.
4. List A strongly endorsed the proposal of harmonizing IFAD's highly concessional lending terms with those of the International Development Association (IDA). List C Members felt they did not have enough information to judge the impact of the proposed changes on specific countries and requested further clarification on this matter. Moreover, they recommended that this matter be referred back to the Executive Board for subsequent decision by the Governing Council. Management agreed to take this issue under advisement.
5. Management agreed to a request by some List A Members that it present a proposal for consideration by the Executive Board before IFAD10 on a mechanism to deal with compensation of foregone principal arising from the adoption of the Debt Sustainability Framework, starting in the IFAD10 period. Some Members further requested consideration of incentives for accelerated repayment.

B. Managing for efficiency in IFAD

6. Members welcomed Management's efforts and the progress made in enhancing its efficiency since 2009 under the Change and Reform Agenda, and provided guidance on proposals to enhance the Fund's performance further in IFAD9. Members also welcomed the planned corporate-level evaluation on IFAD's efficiency. In this context, Members emphasized the following:
 - Importance of pursuing a value-for-money approach that addresses operational as well as administrative efficiency to deliver better results with resources available;
 - Need to specify what actions IFAD will carry out to increase efficiency in IFAD9 jointly with Rome-based agencies, and to report on savings;
 - Need for IFAD to deepen its human resource reform agenda, including through ongoing and potential new initiatives with the International Civil Service Commission, such as IFAD becoming a pilot institution for pay-for-performance within the United Nations system;

- In strongly supporting IFAD's plans to expand its country presence, Members underscored the premium on ensuring adequate delegation of authority to country-based staff, and cost-efficiency in the set-up and operation of IFAD's country offices;
- While welcoming the proposed new efficiency indicators, Members encouraged adoption of a smaller set of indicators in the RMF for 2013-2015;
- In this context, some Members requested that the current efficiency ratio be retained in the RMF 2013-15 for tracking purposes until sufficient experience with the new indicators is acquired;
- The Executive Board should explore the possibility of efficiency gains in the operations of governing bodies;
- The need to take special care in the design of IFAD's time-reporting system to ensure it is fit-for-purpose and efficient to use; and
- Given its ultimate mandate of poverty alleviation, IFAD should explore the development of an indicator that draws a relation between the resources invested by IFAD and the people moved out of poverty as a result.

C. South-South Cooperation in IFAD's business model

7. Members expressed unanimous support for IFAD's approach and plans to strengthen its role in promoting and facilitating South-South cooperation. Members endorsed the proposal to establish a corporate coordination function at IFAD to ensure that South-South cooperation is pursued in a strategic manner, is widely mainstreamed across country programmes, and is grounded in a robust evidence base. Members emphasized the need to ensure that adequate resources and incentives were provided to staff to pursue South-South cooperation. Members encouraged IFAD to promote models that include triangular cooperation. On thematic priorities, some Members highlighted the need for strengthening of research extension systems and for youth engagement in agriculture.

D. Results Measurement Framework 2013-2015

8. Members commended Management for the many improvements introduced to IFAD's Results Measurement Framework, and its clear focus on impact evaluation. While noting the methodological complexities, Members considered IFAD's work on impact measurement to be potentially pioneering. Members emphasized the importance of assuring adequate baseline data; the need for active pursuit of partnerships with institutions specialized in impact evaluation; and the need to mobilize adequate resources to develop internal capacity to support work in this area.
9. Management was urged to review its mechanisms for reporting results to its governing bodies, with a view to, on one hand, consolidating the various reports Management presents, and on the other to providing a more succinct account of the Fund's results and impact over time, targeted at a high-level policymaking audience, better showing the link between resources invested and outcomes achieved. Management indicated that the results of the Independent Office of Evaluation of IFAD (IOE) corporate-level evaluation on IFAD's efficiency should be of assistance to the Executive Board and Management in responding to this request.
10. Members noted that the proposed Results Measurement Framework includes indicators aimed at tracking performance in fragile states, and on gender and climate change, and welcomed Management's commitment to assess IFAD's contribution to moving people out of poverty. However, some Members expressed the desirability of further strengthening measures in these areas, and of disaggregating the rating of programmes by level of performance; others warned against the risks of indicator proliferation. Some Members urged Management to make greater efforts to improve operational efficiency and to raise the targets for indicators of portfolio management. Management committed to review how these

demands could be best accommodated either in the context of the Results Measurement Framework itself or in relevant policies, such as the upcoming policy on gender equality and women's empowerment.

E. Draft Report of the Consultation on the Ninth Replenishment of IFAD's Resources

11. Members thanked Management for the draft IFAD9 Consultation report, and expressed satisfaction with the proposed timeline for its review, finalization and approval.
12. They provided guidance on themes and issues to be addressed or further elaborated in the report, such as the reforms in the areas of human resource management and efficiency, and plans to strengthen results measurement and reporting, gender equality and women's empowerment, partnerships, scaling up, South-South cooperation and aid effectiveness.
13. Members called for the report to be succinct and to set out specific reform deliverables for IFAD9 in the executive summary, the main body of the report and the commitment matrix. They also welcomed the inclusion of a summary of progress in delivering on IFAD8 commitments as an annex to the report.

F. Financial scenarios and contribution targets for IFAD9

14. Members thanked Management for the revised financial scenarios for IFAD9, which provided a broad range of options for consideration. They took note of and endorsed the proposed exchange rates for the IFAD9 replenishment.
15. Members highlighted the huge need and demand for investment in smallholder agriculture and rural development, and noted that IFAD had the organizational capacity to deliver an expanded Programme of Loans and Grants in IFAD9. While sharing a strong desire for IFAD to increase or at least maintain its Programme of Loans and Grants in IFAD9 at the same level as IFAD8, they recognized the challenges this implied, and underscored the need for all Members and lists to make an extraordinary collective effort in this direction.
16. A number of Members indicated their willingness to support important increases in their contributions to IFAD9 in the context of such a collective effort, and subject to their expectations being met with respect to IFAD9 reforms. Some other Members signalled that similar or modest increases over contributions to the IFAD8 Replenishment would represent a very successful outcome in light of significant increases in previous replenishments and present fiscal constraints. Some Members urged Management to explore the possibility of an increased use of IFAD's internal resources for IFAD9. Several others advocated vigorous exploration of additional sources of financing by Management in consultation with the Executive Board, subject to examination of the impact that any new financing mechanisms may have on the Fund's governance structure. Members urged each other to explore maximum financial support in their capitals to achieve the greatest possible replenishment target. The Chairperson and Management committed to assisting delegates in their efforts to rally support of key decision makers for a successful IFAD9 replenishment.

G. Draft Resolution on the Ninth Replenishment of IFAD's Resources

17. Members welcomed the revised draft resolution. Clarifications were provided on queries raised by Members. Of special concern to some Members was section I of the resolution dealing with the adequacy of resources. Management was urged to carefully review and revise this section. Management agreed that, within one week, it would share a revised draft resolution responding to Members' comments, indicating changes introduced in track-changes mode.

H. Conclusion

18. The President thanked the delegates for their constructive comments and support, and stressed the importance of a concerted effort by all in achieving a positive outcome of the replenishment, which would allow IFAD to maintain or even expand its level of support for rural development and food security. He indicated the next steps to be undertaken by Management in preparation for the fourth and final Consultation session in December. Subsequently, a Member suggested that careful thought needed to be given to efficient preparation and organization of the December session, and proposed that preparatory work be undertaken by the membership of the three Lists to ensure effective articulation of positions in advance of the session. Management and the Chairperson welcomed this general guidance and assured the participants that they would explore all aspects to assure a successful final IFAD9 Consultation session.

List A statement on the IFAD9 Consultation Intersessional Paper

List A would like to thank Management, particularly the CFO, for this very useful paper, which responds to the requests we made in the June replenishment meeting.

The revised scenarios provide a more realistic basis for replenishment planning. This paper effectively outlines the challenges, options and tradeoffs that will assist us in achieving a successful replenishment.

We would like to reiterate our strong support for IFAD's mission to meet critical needs in food security and nutrition in the poorest rural areas of developing member countries, and our shared view that IFAD has been improving its delivery of results through its programs. List A members will make every effort to maintain their strong support for IFAD9, following the significant increases we made to IFAD8. At this difficult time internationally for assuring IFAD finances, each List must make its best efforts. Increases from donors in List C and a strong resurgence in List B contributions, which used to form a larger part of IFAD's financing, are both needed more than ever. We call on all members to join together to ensure the success of the Ninth Replenishment.

In response to the questions posed, we see a strong case for harmonizing IFAD's lending terms with those of IDA. Repayment terms should be differentiated based on the relative economic strength of member countries, and there is room for somewhat stronger differentiation within IFAD. We recognize that this would mean somewhat harder terms for some countries, but overall, IFAD terms for IDA-eligible countries would remain significantly concessional. We hope that other Lists will be open to exploring this option. Agreeing to harmonize IFAD's terms with IDA's would be a further meaningful way for borrowing countries to contribute to IFAD's financial sustainability. We also support IFAD management in exploring the possibility of accelerating loan repayments.

Finally, we welcome the additional information on IFAD's plans to implement a cash flow sustainable approach to advanced commitment authority during IFAD9. We thank Management for facilitating the recent external audit of IFAD's assumptions and projections related to the ACA, which has provided additional reassurance. We believe IFAD is moving in the right direction in modernizing its system for ACA, in line with good practice at multilateral development banks.

We look forward to working together with all members to support IFAD in its mandate and achieve a successful outcome to this Replenishment, particularly at a time when the world is calling for increased efforts to address global food and nutrition security.

Thank-you very much.

List C statement

We, the Members of List C States, agree that the financing scenarios provided by the Management present a suitable range within which to discuss the needs of borrowing members. More importantly, however, we share expectations that the IFAD-9 will be capped by an increased Work Program.

Regarding the plan for implementing a “cash flow sustainable” approach, we still have concerns over its impact on the member countries.

Regarding the alignment of IFAD’s lending terms with those of IDA, members of List C feel the need of further discussion with both the Management and the other IFAD members before adopting a conclusive position on this crucial issue.

Accordingly, we ask the Management to come up with an “intersession paper” on the implications of both the alignment of financing terms with IDA and the adoption of the CFS approach, in order to clarify the grounds on which final decisions are to be made.