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Investing in rural people

## **Report on the first session of the Consultation on the Tenth Replenishment of IFAD's Resources**

### **Note to Executive Board members**

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Executive Board – 111<sup>th</sup> Session  
Rome, 8-9 April 2014

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**For: Information**

## **Report on the first session of the Consultation on the Tenth Replenishment of IFAD's Resources**

In accordance with resolution 180/XXXVII on the Establishment of the Consultation on the Tenth Replenishment of IFAD's resources (IFAD10), requiring that the Executive Board be kept informed of the progress of the deliberations of the Consultation, the Chairperson's Summary of the first session of the IFAD10 Consultation is herewith provided in the annex to this document.

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Investing in rural people

## **Summary of the Chairperson: First session of the Consultation on the Tenth Replenishment of IFAD's Resources**

### **Note to Consultation members**

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Consultation on the Tenth Replenishment of IFAD's Resources — First Session  
Rome, 20-21 February 2014

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**For: Information**

## Summary of the Chairperson: First session of the Consultation on the Tenth Replenishment of IFAD's Resources

1. Members of the Consultation on the Tenth Replenishment of IFAD's Resources (IFAD10), IFAD Management and staff, and guests met in Rome, Italy, on 20-21 February 2014 to review IFAD's progress at the midterm of IFAD9 and the status of pledges under IFAD9, and to agree on the sessions, workplan and themes for IFAD10.

### A. IFAD at the midterm of IFAD9

2. Participants welcomed Management's presentations on the midterm review of IFAD9 and on a synthesis of third-party assessments of IFAD. They also welcomed the presentation by the Independent Office of Evaluation of IFAD on the Annual Report on Results and Impact of IFAD Operations (ARRI).
3. Members commended IFAD on the important progress made towards meeting its quantitative and qualitative results targets for IFAD8 and IFAD9. IFAD's progress in the following areas was highlighted:
  - In getting closer to its clients, with an increasing number of IFAD country offices and direct supervision of almost all projects;
  - In improving its efficiency;
  - In enhancing its operational performance and expanding its outreach and development impact;
  - In its effective focus on gender-inclusive and climate-sensitive operational approaches; and
  - In developing a rigorous yet differentiated approach to impact assessment.
4. Members also noted Management's ongoing efforts and commitment to addressing the areas identified as needing further attention, particularly with respect to
  - Improving project performance, particularly in fragile states;
  - Ensuring project efficiency, sustainability and expanding scaling up;
  - Working in partnership with others, especially with the private sector;
  - Increasing levels of cofinancing in a changing development context;
  - Developing innovative approaches to resource mobilization, while strengthening IFAD's financial management capacity;
  - Promoting and mainstreaming South-South and triangular cooperation;
  - Continuing to give attention to improvements in administrative efficiency; and
  - Demonstrating comparative and absolute advantage.

### B. Status of contributions to and financial outlook for IFAD9

5. Members welcomed the update on the status of contributions to IFAD9 and noted that, compared to past replenishments, a relatively high share of the replenishment target of pledges and payments had already been achieved. At the same time, Members were informed that the IFAD9 financial outlook faces a funding shortfall of US\$528 million due to a lower than expected level of internal resources. This stems from (a) lower investment income because of the global financial crisis, (b) the fact that some countries that had earmarked funds to join IFAD did not do so and (c) the specificities of the financing terms of complementary climate funding that were not accounted for during the IFAD9 Consultation as a result of a breakdown in internal communication among IFAD's teams involved in the IFAD9 Consultation

process. Management noted that it had taken steps to address the internal communications issue and that it was seeking to mobilize additional resources in order to reach the target programme of loans and grants under IFAD9. Members welcomed IFAD's efforts to raise additional resources and looked forward to in-depth discussions on the IFAD9 and IFAD10 financial outlook and resource mobilization plans. They urged that IFAD be strategic in its approach to resource mobilization in line with its core mandate.

### **C. Sessions, workplan and themes for the IFAD10 Consultation**

6. There was general agreement to hold the IFAD10 Consultation negotiations over a total of four meetings, all of which to be held in Rome at IFAD headquarters. As proposed by Management, the next three meetings of the IFAD10 Consultation are scheduled to be held on 9-10 June, 7-8 October and 18-19 December 2014. Delegates approved the workplan and themes for the IFAD10 Consultation as proposed by Management and as annexed hereto. Delegates stressed a number of issues that they expected to be covered in the various papers to be presented at the June and October sessions. Among these was the need for IFAD to:
- Consolidate the reforms carried out under IFAD9, and ensure the quality of its development operations under IFAD10;
  - Define clearly the role of IFAD, indicate the division of labour between IFAD and other international development institutions, and articulate its comparative and absolute advantage;
  - Link the IFAD10 agenda to the emerging post-2015 development agenda;
  - Explain how IFAD can contribute to enabling smallholder farmers to increase their agricultural productivity;
  - Give particular attention to: supporting and mainstreaming climate change and nutrition, ensuring the inclusion of smallholders in agricultural value chains and promoting partnerships with the private sector, developing diverse country approaches for fragile and conflict-affected states on one hand and for middle-income countries on the other, focusing on ensuring project sustainability as an essential underpinning for scaling up, and strengthening gender equality results and data; and
  - Assure an effective, realistic and ambitious financial framework, including cofinancing and a thorough exploration of innovative financing options, consistent with IFAD's mandate and operating model, that will allow IFAD to deliver under IFAD10 and beyond, while ensuring its financial stability

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Enabling poor rural people  
to overcome poverty

## Sessions, workplan and themes of the Consultation on the Tenth Replenishment of IFAD's Resources

### Note to Executive Board members

#### Focal points:

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Consultation on the Tenth Replenishment of IFAD's Resources –  
First Session  
Rome, 20-21 February 2014

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**For: Approval**

## **Sessions, workplan and themes of the Consultation on the Tenth Replenishment of IFAD's Resources**

1. Article 4, section 3 of the Agreement Establishing IFAD requires the Governing Council to periodically review the adequacy of the resources available to IFAD to ensure continuity in its operations. In order to allow for the timely review of resource availability before the Ninth Replenishment period expires on 31 December 2015, the Executive Board, at its 109<sup>th</sup> session in September 2013, reviewed a draft resolution on the Establishment of the Consultation on the Tenth Replenishment of IFAD's Resources (IFAD10) and decided to submit the resolution as contained in document GC37/L.4, together with its recommendations, to the Governing Council for approval at its thirty-seventh session. In anticipation of the adoption of this resolution and after consultations with the List Convenors, the President of IFAD sent out an invitation to the organizational session of the IFAD10 Consultation, to be held on 20-21 February 2014 at IFAD headquarters, together with a midterm review of the Ninth Replenishment (IFAD9).
2. To ensure IFAD10 effectiveness by 2016, Consultation sessions will be held in 2014 and the Consultation's recommendations reported to the thirty-eighth session of the Governing Council in 2015. One organizational and three substantive sessions are expected to suffice to conclude the IFAD10 negotiations. Accordingly, Member States are invited to approve the following proposed dates for the second, third and fourth sessions of the IFAD10 Consultation:
  - Second session: Monday and Tuesday, 9-10 June 2014
  - Third session: Tuesday and Wednesday, 7-8 October 2014
  - Fourth session: Thursday and Friday, 18-19 December 2014
3. A proposed workplan and themes for the IFAD10 consultation for consideration by Consultation members is attached hereto as an annex. The proposed themes are based on an assessment of anticipated challenges, opportunities, trends and risks, along with the policies, practices and reforms needed to achieve targeted results during the IFAD10 period and beyond. The themes also reflect informal consultation and discussions with List Convenors and Consultation Members.

## Indicative IFAD10 workplan and themes

### Second session (9–10 June 2014)

#### Strategic vision

1. Management will present strategic directions with a particular focus on inclusive and sustainable economic development, food security and nutrition, and what it proposes to achieve during the IFAD10 period. Based on IFAD's recent changes and reforms, the strategic vision will describe what Management envisions as the changing demands and the investments needed to better enable smallholders to contribute to economic development, poverty reduction, food security and nutrition, and environmental sustainability in the rapidly changing and increasingly complex rural environment leading up to 2018 and beyond. In that context, it will describe IFAD's value proposition and comparative advantage, and will propose an overarching theme and goal for work during IFAD10.

#### IFAD10 business model

2. Management will describe how it proposes to achieve more ambitious results and impact during the IFAD10 period and beyond. It will explain how project-level operations will better contribute to country-level results and how such results can be extended to reach millions more of the world's under-producing smallholders and rural producers. It will highlight the approaches (private-sector engagement, innovation, knowledge management and capacity strengthening, South-South cooperation, policy dialogue and advocacy, partnerships, grant making and scaling up), focus areas (climate, inclusive finance, nutrition) and targeting (women, indigenous peoples, youth) that will enable IFAD to leverage and catalyse greater impact.
3. Management will also propose the operational changes needed to implement the IFAD10 strategic vision and business model (decentralization, specialized resources, tools, analysis and products for more effective country-level partnership and private-sector engagement).
4. Management will give particular attention to IFAD's comparative advantage and role in lower-income countries, middle-income countries and fragile and conflict-affected states. It will identify any new products, approaches, tools, resources and measurements to improve its relevance and results in each. Finally, it will discuss how IFAD will ensure optimal efficiency and value for money during IFAD10.

#### Programme of work for IFAD10

5. Management will present the projected programme of work for IFAD10, including the number and geographic distribution of projects and focus of grants, based on demand for IFAD financing, absorptive capacity and the performance-based allocation system.

#### Financial framework and modalities

6. Management will then propose an IFAD10 financial framework that reflects the replenishment target, compensation for forgone principal repayment<sup>1</sup> and climate finance, along with new options and potential sources for additional finance identified through its ongoing Additional Resource Mobilization initiative, including sovereign debt. It will discuss how to strengthen fiduciary and risk management systems and tools and will explore options for a new financial structure and products to better equip IFAD to access additional sources of finance. Based on all of this, it will present various financing scenarios for IFAD10.

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<sup>1</sup> The recommended approach reviewed and endorsed by the Executive Board in December 2013 will be the basis for the Consultation's consideration of modalities for compensation, consistent with IFAD's Debt Sustainability Framework.



### **Draft replenishment resolution**

7. Management will present a draft resolution on IFAD10. The final draft resolution will reflect the Consultation's report on the result of its deliberations, commitments to be undertaken by Management during the replenishment period and the conditions governing IFAD10 replenishment contributions.

### **Presentations by IOE on the corporate-level evaluation on the achievements of IFAD replenishments and evaluation synthesis report on IFAD's engagement in middle-income countries**

#### **Third session (7–8 October 2014)**

##### **IFAD10 results measurement framework**

8. Management will review the evolving structure of IFAD's results measurement framework with regard to logic and coherence, taking into account developments in similar frameworks of other international financial institutions (IFIs); integrate new results measures and targets recommended in the course of the IFAD10 Consultation; outline a theory of change that makes explicit the linkages between the activities and accomplishments measured and IFAD's overall objectives; and indicate the steps to be taken to enhance the basis for results measurement.

##### **Scaling up impact**

9. Management will articulate its overall strategy for expanded impact on the basis of scaling up innovations and successes with development partners; describe the evolution and expansion of its engagement at country, regional and global levels; and lay out steps towards further consolidating scaling up impact in programme, policy, knowledge management, partnership and South-South and triangular cooperation activities.

##### **Innovative financing for IFAD's future**

10. Management will discuss its findings regarding new financing instruments and other innovative approaches as identified through the Additional Resource Mobilization initiative that was authorized in IFAD9. In relation to the actual demand for development services and in line with IFAD's mandate and evolving business model, the presentation will assess each instrument in terms of its potential impact, feasibility, and risk. It will describe available options for incorporating various instruments within IFAD's operations.

##### **Draft IFAD10 Consultation report and revised draft replenishment resolution**

11. Management will summarize the opportunities and challenges discussed during the Consultation and explain the rationale for the overarching theme and focus areas for IFAD10. It will present a framework of actions and commitments to be undertaken, along with the financial framework and a revised results measurement framework.

##### **Presentation on corporate-level evaluation on IFAD's engagement in fragile states**

#### **Fourth session (18–19 December 2014)**

##### **Final IFAD10 Consultation report**

12. Management will present a revised IFAD10 report, based on feedback from the third session, comments received on the Member State Interactive Platform and bilateral consultations with Member States.

##### **Final draft replenishment resolution**

##### **Pledges to IFAD10**

13. Member States will be invited to announce their pledges to IFAD10.