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Report on the first session of the Consultation on the Eleventh Replenishment of IFAD's Resources

Note to Executive Board members

Focal points:

Technical questions:

Luis Jiménez-McInnis
Director
Partnership and Resource Mobilization Office
Tel.: +39 06 5459 2705
e-mail: l.jimenez-mcinnis@ifad.org

Gulmira McHale
Senior Partnership and Resource Mobilization Officer
(Replenishment)
Tel.: +39 06 5459 2732
e-mail: g.mchale@ifad.org

Dispatch of documentation:

William Skinner
Chief
Governing Bodies Office
Tel.: +39 06 5459 2974
e-mail: gb_office@ifad.org

Executive Board – 120th Session
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For: Information

Report on the first session of the Consultation on the Eleventh Replenishment of IFAD's Resources

In accordance with resolution 195/XL on the Establishment of the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11), 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 IFAD11 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 Eleventh Replenishment of IFAD's Resources

Note to Consultation members

Focal points:

Technical questions:

Luis Jiménez-McInnis
Director
Partnership and Resource Mobilization Office
Tel.: +39 06 5459 2705
e-mail: l.jimenez-mcinnis@ifad.org

Gulmira McHale
Senior Partnership and Resource Mobilization Officer
(Replenishment)
Tel.: +39 06 5459 2732
e-mail: g.mchale@ifad.org

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William Skinner
Chief
Governing Bodies Office
Tel.: +39 06 5459 2974
e-mail: gb_office@ifad.org

Consultation on the Eleventh Replenishment of IFAD's Resources —
First Session
Rome, 16-17 February 2017

For: Information

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

1. Members of the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11), IFAD Management and staff, observers and guests met at IFAD headquarters in Rome on 16 and 17 February 2017, to review IFAD's progress at the midterm of IFAD10 and completion of IFAD9, and the status of contributions to IFAD10, and to agree on the sessions, workplan and themes for IFAD11. The President-elect of IFAD participated as an observer. Representatives from the World Bank and the African Development Bank also attended as observers.
2. Introductory remarks were made by the External Chair and the President of IFAD. These were followed by a statement made by a representative of the Indigenous Peoples' Forum, which was being held at IFAD. The agenda was adopted without amendment.

A. IFAD at the midterm of IFAD10

3. Delegates welcomed Management's presentations on the completion of IFAD9 and the midterm review (MTR) of IFAD10, as well as the presentation by the Independent Office of Evaluation of IFAD (IOE) on the Annual Report on Results and Impact of IFAD Operations. They also warmly welcomed the President-elect of IFAD, Mr Gilbert Fossoun Hounbo.
4. Delegates commended IFAD on the progress made towards meeting its quantitative and qualitative results targets for IFAD9 and IFAD10, noting that IFAD was on track to deliver on its commitments, and that, overall, it had made significant progress since IFAD8. IFAD's progress in reaching increasing numbers of beneficiaries, as well as in climate and gender mainstreaming, decentralization and more efficient human resource management, was noted; and the expectation was expressed that further progress would be made in these areas during the remainder of IFAD10 and during IFAD11. Delegates recognized the good performance of IFAD's portfolio compared to the agricultural portfolios of other multilateral development banks.
5. Delegates praised IFAD's people-centered approach to development and its strong commitment to implementing Agenda 2030. They recognized the role that IFAD had to play in achieving the Sustainable Development Goals, and praised its focus on, and support for, inclusive rural development in Africa. They also welcomed the Development Effectiveness Framework and efforts to move from measuring results to managing for results; and they encouraged Management to provide an update on its implementation, and to ensure it had clearly analysed the key constraints of moving to results-based management.
6. Delegates welcomed Management's ongoing efforts and commitment to address the areas identified as needing further attention; but they stressed that the MTR would have benefited from a more analytical approach and greater clarity on performance data, on the gaps and obstacles encountered and on lessons learned for the remainder of the IFAD10 period. Delegates requested such an approach be used for the papers being prepared for the remaining sessions of the IFAD11 Consultation.
7. Specific areas highlighted by delegates for further discussion and attention in the remaining sessions include:
 - (a) Replenishment target and financial resource mobilization. Some delegates noted that the original IFAD10 target had not been reached and called for a realistic target for IFAD11, stressing that the financial resources

were not an end in themselves. Others encouraged the Replenishment Consultation to consider increasing IFAD's resources in view of its important mandate and good performance. Additional information was requested on the financing gap and on efforts to diversify resource mobilization.

- (b) Institutional capacity and decentralization. Delegates requested further analysis of IFAD's institutional capacity relative to the programme of work, including feasibility and the changes that may be needed to handle a larger programme of work in line with the ambition of the Strategic Framework. Further information was requested on the extent to which programme management had been decentralized, and on the performance of IFAD Country Offices and whether their role could be further strengthened. It was noted that effective staffing for gender and nutrition work was essential.
- (c) Mainstreaming. Delegates confirmed the continued importance of climate, gender and nutrition as topics for mainstreaming and requested that they each be explicitly incorporated into the IFAD11 business model. They urged Management to take an integrated approach to addressing these issues and to provide additional information on how they jointly contributed to the rural transformation agenda. Delegates also requested further analysis of the challenges that had been experienced in putting these mainstreaming agendas, and the public-private-producer partnerships agenda, into practice at the country and project levels, as well as the cost implications, recognizing that progress to date had been varied. Further information on climate mitigation was also requested.
- (d) Additional thematic areas highlighted for further attention included: (i) agricultural technology and information and communications technology, building on IFAD's growing experience in this area; (ii) financial inclusion, including microfinance, remittances and support for better access to a range of financial products in rural areas; (iii) value chains, public-private-producer partnerships and leveraging of private-sector engagement; (iv) rural youth employment; (v) knowledge management; and (vi) further overall specification of IFAD's approach to rural transformation and the priorities to be addressed as part of it.
- (e) Country allocations and tailoring to country context. Delegates sought clarification on the differences between planned and actual performance-based allocation system allocations by country and country group, and on the projected increases in performance-based allocation system allocations to middle-income countries (MICs) in IFAD10 compared to IFAD9. Delegates discussed the importance of placing an appropriate level of priority on low-income countries (LICs) and sub-Saharan African countries; of ensuring that engagement with MICs did not come at the expense of LICs; and of not treating MICs as a homogenous group. Delegates also discussed the middle-income group's continued strong demand for IFAD support, and noted that IFAD's engagement with these countries contributed to the ongoing challenge of eradicating rural poverty. Engagement with these countries was also helping to strengthen IFAD as an institution, by enhancing financial sustainability and opportunities for learning and sharing experiences between MICs and LICs via South-South and Triangular Cooperation. Management recognized the need to ensure differentiation in country programming across country-income classifications, and it noted that the composition of these country categories was dynamic. Management also noted the linkages to the paper to be submitted to the Executive Board in April 2017, "Tailoring operations to country context – a holistic approach".
- (f) Portfolio performance. Delegates took note of the recommendations made by IOE for improving portfolio performance, including partnerships,

cofinancing and non-lending activities; and they highlighted the importance of strengthening cooperation with the Rome-based agencies and regional development banks. Targeting was raised as a priority issue for the Consultation, particularly in view of the 2016 Annual Report on Results and Impact of IFAD Operations recommendation on targeting.

- (g) Disbursement/implementation constraints. Delegates requested a clear diagnostic analysis of disbursement and implementation constraints, along with a comprehensive strategy to address them. Management confirmed that analytical work had been done on the topic of disbursement and that a working group was developing proposals based on the findings.
 - (h) Ensuring value for money was highlighted as a priority, with delegates stressing the importance of having a realistic assessment of the costs and benefits of new and cross-cutting initiatives undertaken by IFAD.
8. Delegates noted the need for further discussions on the timing of the MTR in future replenishment consultations, and the possible involvement of IOE and external experts.

B. Status of contributions to IFAD10

9. Delegates welcomed the update provided by IFAD Management on the status of contributions to IFAD10, and affirmed that core replenishment contributions must remain the cornerstone of IFAD's financial framework. They encouraged a realistic approach to setting targets for IFAD11; and they requested information on the benefits of IFAD's replenishment-based encashment schedule compared to a schedule related to disbursement needs.
10. With regard to IFAD's future financial framework, delegates asked for an analysis to be made of best practices and experiences in the different funding options used by the concessional windows of other international financial institutions (IFIs); and they called for a range of options to be put on the table for consideration for IFAD11. This would include the possibility for concessional partner loans, with appropriate incentives for the countries providing them by recognizing the grant element embedded in such loans in the computation of voting rights.
11. With regard to market borrowing, delegates requested an update on the time frames within which market borrowing was likely to be feasible, highlighting the need for IFAD's financing framework to support a strategy that ensured financial sustainability, while allowing an appropriate allocation of resources to each country group. Management responded that the tentative road map for market borrowing – which was submitted to IFAD's Executive Board in December 2016 – had indicated a possible timing of a first capital market borrowing in 2019. Management further indicated that subsequent preliminary analysis showed that the steps required for eligibility to borrow in the market mean it would probably not be possible for IFAD to engage in market borrowing until IFAD12, subject to the results of the feasibility study under way and the agreement of the Membership. Therefore, Management did not expect to include market borrowing as a component of the IFAD11 resource plans.
12. Delegates requested that the paper to be presented in June cover the long-term consequences of different borrowing options for IFAD's financial sustainability and country allocations, in order to provide a basis for developing a common vision for IFAD's future financing framework. Delegates highlighted the need to explore options for funding the growing compensation requirements of the Debt Sustainability Framework, including examining prevailing practices of other institutions where similar schemes had been incorporated in the general replenishment process. It was noted that this issue would need to be fully addressed prior to market borrowing.

13. Members also congratulated IFAD on its accreditation to the Green Climate Fund, and on the positive assessment made by the European Union of IFAD's financial management capacity across all seven pillars of the European Union assessment framework.
- C. Sessions, workplan and themes for the IFAD11 Consultation
14. There was general agreement to hold the IFAD11 Consultation negotiations over a total of four meetings, all at IFAD headquarters in Rome. As proposed by Management, the next three meetings would be scheduled for 29-30 June, 19-20 October and 14-15 December 2017.
15. Delegates approved the workplan and themes for the IFAD11 Consultation proposed by Management on the basis of informal consultations that had taken place over recent months, with the addition of an intersessional meeting on the three cross-cutting thematic issues, to be held on the afternoon of 28 June in advance of the June session. Delegates also recognized that there would be a need to provide some flexibility going forward to allow the President-elect to bring his vision to bear on the IFAD11 Consultation after he takes office.
16. In addition to the issues highlighted during the discussions on the first day of the session, delegates made several additional comments on the various papers to be presented at subsequent sessions. These included ensuring that:
 - (a) The "Looking ahead: IFAD in the context of the 2030 Agenda for Sustainable Development" paper provided a vision of how ambitious IFAD would be in its role in fulfilling the 2030 Agenda, and a compelling narrative of "Why IFAD?", linking rural transformation to concrete issues such as youth employment, leveraging private-sector investment and the right to food; and
 - (b) The "Business model and programme of work for IFAD11" paper addressed self-evaluation, differentiation, the Development Effectiveness Framework and the human resources required for IFAD to deliver. This was also likely to be the paper in which the United Kingdom's proposed framework covering "which countries, what terms, and how much", as well as transparency and value for money, could be considered. Overall, the business model paper should be closely coordinated with the papers on "Financial strategy and leveraging" and "Tailoring operations to country context" in order to present a closely coordinated package of how IFAD will work going forward.
 - (c) The "IFAD11 results measurement framework" paper reflected the integrated approach to the mainstreaming of gender, climate and nutrition; included measures for rural employment; and explored options to report on value for money.
17. Management was also asked to ensure that issues relating to the private sector, information and communication technology, land tenure, remittances and South-South and Triangular Cooperation were integrated appropriately, as well as references to linkages with other important global processes, such as the Cancun Declaration on Mainstreaming Conservation and Sustainable Use of Biodiversity and the Malabo Declaration on Accelerated Agricultural Growth and Transformation. A specific update on the Development Effectiveness Framework would be provided at the October session.
18. With regard to process issues for the remainder of the Consultation period, delegates welcomed continuation of the practice of informal or intersessional meetings. They also suggested providing an opportunity for IFAD's Office of Audit and Oversight to contribute to the June session; and they asked IFAD Management to provide a consolidated calendar of the programme of work for the Replenishment Consultation, Executive Board, and Audit and Evaluation Committees during 2017, to ensure coordination of the discussions.

19. The Chair confirmed that IFAD Management and he would welcome comments from members of the Replenishment Consultation at any time during the process, including between sessions, and that pledges could also be made at any point during the Consultation.

D. Concluding statements

20. Delegates and the Chair expressed their appreciation to the outgoing President, Mr Kanayo Nwanze, for his outstanding leadership of IFAD and for his dedicated service to IFAD's Membership. They wished him well in all his future endeavours.

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

Note to Executive Board members

Focal points:

Technical questions:

Luis Jiménez-McInnis
Director
Partnership and Resource Mobilization Office
Tel.: +39 06 5459 2705
e-mail: l.jimenez-mcinnis@ifad.org

Gulmira McHale
Senior Partnership and Resource Mobilization Officer
(Replenishment)
Partnership and Resource Mobilization Office
Tel.: +39 06 5459 2732
e-mail: g.mchale@ifad.org

Dispatch of documentation:

William Skinner
Chief, Governing Bodies Office
Tel.: +39 06 5459 2974
e-mail: gb_office@ifad.org

Consultation on the Eleventh Replenishment of IFAD's Resources –
First Session
Rome, 16-17 February 2017

For: Approval

Sessions, workplan and themes of the Consultation on the Eleventh 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 period of the Tenth Replenishment of IFAD's Resources (IFAD10) expires on 31 December 2018, the Executive Board, at its 118th session in September 2016, reviewed a draft resolution on the Establishment of the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11) and decided to submit the resolution as contained in document GC 40/L.6, together with its recommendations, to the Governing Council for approval at its fortieth session. In anticipation of the adoption of this resolution and after consultations with the List Convenors and Executive Board members, the President of IFAD sent out an invitation to the first session of the IFAD11 Consultation, to be held on 16-17 February 2017 at IFAD headquarters, together with a midterm review of the IFAD10 period.
2. To ensure that IFAD11 enters into effect by 2019, Consultation sessions will be held in 2017 and the Consultation's recommendations will be reported to the forty-first session of the Governing Council in 2018. One organizational and three substantive sessions are expected to suffice for the conclusion of the IFAD11 negotiations. Accordingly, Member States are invited to approve the following dates for the sessions of the IFAD11 Consultation:
 - Second session: Thursday and Friday, 29-30 June 2017
 - Third session: Thursday and Friday, 19-20 October 2017
 - Fourth session: Thursday and Friday, 14-15 December 2017
3. The proposed workplan and themes for the IFAD11 Consultation are attached hereto as an annex for consideration by Consultation members. The proposed themes have been selected based on an assessment of anticipated challenges, opportunities, trends and risks, and the policies, practices and reforms that will be required to achieve targets for the IFAD11 period and beyond. The themes also reflect informal consultation and discussions with List Convenors and Consultation members.

Proposed workplan and themes for the IFAD11 Consultation

Second session (29–30 June 2017)

Looking ahead: IFAD in the context of the 2030 Agenda for Sustainable Development

1. Based on the IFAD Strategic Framework 2016-2025, and against the backdrop of the 2030 Agenda for Sustainable Development (Agenda 2030), Management will provide an overview of the investments needed to better enable smallholders to contribute to economic development, poverty reduction, food and nutrition security and, more broadly, to the implementation of Agenda 2030. Management will also describe IFAD's value proposition and comparative advantage and propose the overall scope for its work during IFAD11.

Business model and programme of work for IFAD11

2. Management will explain how it proposes to enhance IFAD's business model in the IFAD11 period in order to better tailor its operations to country context and further increase its effectiveness as a catalyst for promoting inclusive and sustainable rural transformation. In this context, various operational products, approaches and tools will be identified, along with plans to ensure optimal efficiency and value for money during IFAD11.
3. In tandem, Management will present the projected programme of work for IFAD11, including the number and geographic distribution of projects and the focus areas of grants, based on demand for IFAD financing, absorptive capacity and the performance-based allocation system.

Presentation by the Independent Office of Evaluation of IFAD on the corporate-level evaluations on IFAD's decentralization experience and on IFAD's performance-based allocation system

Tailoring IFAD's operations to country context

4. Management will describe the differing challenges and opportunities associated with investing in smallholder agriculture in lower-income countries, middle-income countries and countries with fragile situations and how these will be tackled in the context of the performance-based allocation system, decentralization and addressing root causes of migration. IFAD's comparative advantage and role will be examined and new products, approaches, tools, resources and measurement modalities will be identified to increase its relevance for specific country contexts.

Financial strategy and leveraging

5. Management will propose a financial strategy for IFAD11 inclusive of the replenishment target, compensation for forgone principal and payments as a result of the Debt Sustainability Framework, and a diversified resource base and new financing options. A new financial structure and products that will better equip IFAD to access new sources of finance will be elaborated. Management will also provide an assessment of what would be the appropriate leverage ratios in the context of IFAD's financial sustainability.

Review of the status of the Debt Sustainability Framework

6. Management will analyse the Debt Sustainability Framework and its implications for the long-term financial sustainability of the Fund with the objective of identifying alternative approaches for securing compensation for related payments.

Draft resolution on the Eleventh Replenishment of IFAD's Resources

7. Management will present a draft resolution on the Eleventh Replenishment of IFAD's Resources. The resolution – when finalized – will reflect contents of the Report of the Consultation of the Eleventh Replenishment of IFAD's Resources,

results of the Consultation's deliberations, the commitments to be fulfilled by Management during the IFAD11 period and the conditions governing IFAD11 contributions.

Third session (19–20 October 2017)

IFAD11 results measurement framework

8. Management will review the evolving structure of IFAD's results measurement framework for continued relevance and alignment with the Sustainable Development Goals and the Strategic Framework, taking into account developments in the corporate results frameworks of other international financial institutions (IFIs). The process will lead to the development of new and refined results measurement approaches and targets in the course of the IFAD11 Consultation – aligned with the theory of change set forth in the Strategic Framework – which will make explicit the linkages between IFAD's activities, outputs and strategic priorities. The process will be duly managed so as to strike the right balance between simplicity and comprehensiveness in the framework.

Financial framework and financial scenarios

9. Management will present various financial scenarios for IFAD11 funding based on the agreed methodology. The scenarios will be based on different Member State contribution patterns and will present the leverage ratios necessary to achieve the target programme of loans and grants.

Effective foreign exchange rates for use in IFAD11

10. Management will present the currency exchange rates to be used in IFAD11. An overview of exchange rates movements and their impact on IFAD11 will also be provided.

Mainstreaming nutrition, gender and climate

11. IFAD Management has made corporate commitments on nutrition, gender and climate to strengthen these dimensions of IFAD's lending activities. The premise for the commitments is that IFAD's investments will be "better and smarter" if they are more sensitive to these cross-cutting core priorities. Management will report on the mainstreaming of these priorities into IFAD's lending operations, including through a responsive institutional architecture that builds on the synergies among the three priorities. Management will propose a proactive approach to strengthen future project design and implementation towards positive outcomes across all three areas. Strong consideration is being given to setting up a new unit for inclusive rural transformation, focused on the empowerment of women, youth and indigenous peoples, which would in turn support delivery of positive outcomes and commitments made under each cross-cutting area.

Leveraging partnerships: Private sector, South-South and Triangular Cooperation and development partners

12. Management will discuss its approach to corporate-level and country-driven partnerships, with a particular focus on leveraging increased private-sector investment, and South-South and Triangular Cooperation. In the context of Agenda 2030, strong emphasis will be placed on the need for effective partnerships with other development actors, including collaboration with the Rome-based agencies and IFIs.

Draft Report on the Eleventh Replenishment of IFAD's Resources and revised draft resolution

13. Management will summarize the opportunities and challenges discussed during the Consultation and explain the rationale for the overarching theme and focus areas for IFAD11. It will present a framework of actions and commitments to be undertaken, along with the financial framework and a revised results measurement framework.

Fourth session (14-15 December 2017)

Final Report on the Eleventh Replenishment of IFAD's Resources

14. Management will present the revised IFAD11 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 IFAD11

15. Member States will be invited to announce their pledges to IFAD11.