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## Terms of Reference of the Working Group on the Transition Framework

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## Terms of Reference of the Working Group on the Transition Framework

1. At its 122<sup>nd</sup> session, the Executive Board agreed to form a Working Group on the Transition Framework and to present the Working Group's composition and terms of reference at the April session in 2018. Two informal seminars have been organized ahead of the formalization of the Working Group to start planning the topics to be discussed – including the Working Group's mandate – and establishing a time line for such discussions.
2. Phase I of the Transition Framework was completed in February 2018, with the approval of the revisions to the Policies and Criteria for IFAD Financing by the Governing Council.
3. The terms of reference for the Working Group have been prepared with the aim of defining the scope of the work to be undertaken in phase II, which will be concluded by December 2018, so as to have the Framework in place for the start of the Eleventh Replenishment of IFAD's Resources (IFAD11) period.
4. The purpose of phase II is to develop and finalize a Transition Framework to be approved by the Executive Board in December 2018, in line with the document Approach to a Transition Framework (EB 2017/122/R.34) and with the relevant IFAD11 commitment (i.e. IFAD11 commitment 2.1, monitorable action 8; time frame: by Q4 2018).<sup>1</sup> This will comprise the following:
  - (i) Provision of a financial framework for borrowers that are transitioning between financing terms;
  - (ii) Laying of the foundation for:
    - (a) IFAD's enhanced business model, including new and revised operational policies, tools and instruments; and
    - (b) IFAD's evolving financial architecture, including loan pricing.
5. The Working Group will be informed by technical notes prepared by IFAD on proposed approaches and mechanisms and the financial implications of these, including risk management assessment where relevant. These technical notes will include information on lessons learned, relevant case studies and experience of other organizations.
6. The Working Group will be guided by feedback from IFAD Member States, including those not represented on the Executive Board through dedicated consultations.
7. During phase II of the Transition Framework, the Working Group will:
  - (i) Analyse the implications of introducing phasing-out/phasing-in periods for borrowers transitioning to hardened lending terms, to be implemented during IFAD11;
  - (ii) Analyse the results of the cofinancing analysis and oversee the development of a cofinancing strategy and corresponding action plan to be developed during IFAD11 (i.e. commitment 1.2; monitorable action 5; time frame: by Q4 2018);
  - (iii) Assess the rationale and feasibility of results-based lending and regional lending operations, with the aim of developing a proposal to pilot such operations during IFAD11 (for results- based lending: IFAD11 commitment 3.6; monitorable action 36; time frame: by Q2 2020);

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<sup>1</sup> See annex I – "IFAD11 matrix of commitments, monitorable actions and timeline" – of the Report of the Consultation on the Eleventh Replenishment of IFAD's Resources (GC 41/L.3/Rev.1).

- (iv) Analyse the revised guidelines and procedures for results-based country strategic opportunities programmes with the aim of ensuring that they become long-term transition strategies (commitment 3.4; monitorable action 31; time frame: by Q4 2018); and
  - (v) Consider possible ways to strengthen IFAD's provision of non-lending support to members, including a better use of Reimbursable Technical Assistance (RTA).
8. Upon completion of phase II, the Working Group will continue discussions to provide guidance to the Executive Board on items that are included in the Approach to a Transition Framework (EB 2017/122/R.34/Rev.1) approved by the Executive Board in December 2017 that may not be covered in phases I and II because they require a longer time frame, such as:
    - Voluntary graduation approach;
    - Definition of an approach to loan pricing (commitment 1.1; monitorable action 3). It should be noted that this item will be developed in the context of the road map for IFAD's financial strategy, and;
    - Support for the work undertaken by the Working Group on the Performance-Based Allocation System (PBAS) on the allocation of resources to be tailored to countries' needs, performance and demand within the overall context of IFAD's mandate and strategic priorities.
    - Special funding windows, for example to address emergencies, including conflict.
  9. In its assessments, the Working Group will take into account the financial sustainability considerations of any proposal and liaise with the PBAS Working Group on any cross-cutting issues. It should be noted that the Working Group will refer its conclusions on thematic topics to the relevant governing bodies for due process in such cases where specific approval is needed to constitute new policies, instruments and/or tools.
  10. The Working Group will submit to the Executive Board in December 2018 the draft Transition Framework for approval. It will also provide the Executive Board with the minutes of its meetings. Other deliverables will be agreed by the Working Group.
  11. The Working Group will follow the standard composition of all Executive Board subsidiary bodies, i.e.: four members from List A, two from List B and three from List C. In accordance with Rule 11.1 of the Rules of Procedure of the Executive Board, members of the Working Group will be appointed by the President with the approval of the Executive Board.
  12. Pursuant to the above-mentioned rule, the Working Group will elect a chairperson from among its members and the Board will be informed accordingly.