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Investing in rural people

Report of the proceedings of the follow-up to the fifth Executive Board retreat: A conversation on the road to IFAD 2.0

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For: Information

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I. Introduction

1. A follow-up session on the fifth annual Executive Board retreat was held at IFAD headquarters from 24 to 25 October 2019. The purpose of the session was to enable Executive Board representatives and Senior Management to discuss IFAD's strategic direction. Specifically, it was designed to: (i) allow for reflection on IFAD 2.0 (updated draft); (ii) create a space for informal dialogue and exchange; and (iii) continue building trust across the Lists and cultivate a productive working relationship among Board representatives, Senior Management and the Independent Office of Evaluation of IFAD.
2. The moderator of the session was Ronald Hartman, Director, Global Engagement, Partnerships and Resource Mobilization. The session focused on (i) IFAD 2.0 and (ii) IFAD's capacity to implement IFAD 2.0.

II. Day one

A. The future of IFAD: Setting the stage

Introduction by the President

3. The President thanked Board members for coming to the session and proceeded to set the stage for a concrete discussion on IFAD 2.0. Management had been working on addressing feedback received from the Board during the May retreat and from bilateral consultations. The revised IFAD 2.0 document recently shared with members incorporated this feedback.
4. The global environment and context are rapidly changing, presenting IFAD with several opportunities and challenges, as indicated in the IFAD 2.0 document. In summary:
 - (i) **IFAD's mandate and the global context.** The United Nations Secretary-General's call to action on climate change has built new momentum on the nexus between climate change and Sustainable Development Goal (SDG) 2.¹ Achieving SDG 2 depends on international collaboration around agriculture. The proposed Food Security Accelerator Programme (Accelerator) will draw on IFAD's comparative advantages and experience in engaging with farmers' organizations and communities in rural areas. It will drive climate adaptation action towards addressing the global food insecurity situation, as highlighted in The State of Food Security and Nutrition in the World report published by the Food and Agriculture Organization of the United Nations (FAO). All these issues point to the need for IFAD to do more
 - (ii) **Debt Sustainability Framework (DSF).** The DSF has provided an opportunity for increased commitment from Member States and increased outreach to low-income countries (LICs) experiencing debt distress, but it has created some financial challenges for IFAD. As the programme of loans and grants (PoLG) constitutes the core of IFAD's business and will continue to do so, the DSF component of the PoLG has made IFAD's financial situation unsustainable. IFAD's PoLG has grown substantially since 2009, and large disbursements will continue in the coming years, creating a need for increased contributions.
 - (iii) **Human resources.** The human resources study prepared by the consultancy firm McKinsey & Company reveals internal challenges. These include the need for additional human resources capacity to meet IFAD's current and future needs and the challenge of attracting and retaining the right talent. IFAD needs to engage more proactively with the other partners in order to address these issues.

¹ SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

B. IFAD 2.0: Updated Global Strategy

Presentation by Paul Winters, Associate Vice-President, Strategy and Knowledge Department.

5. The objectives of this session were to: (i) facilitate understanding and solicit feedback on IFAD 2.0; (ii) agree on the main principles and elements of IFAD 2.0; and (iii) strengthen the Board's understanding of the underlying financial architecture.

Presentation

6. Despite significant progress in fighting poverty and food insecurity, geographic concentrations of poverty remain, and not just in poorer countries. IFAD is responding to calls to intensify production and incentivize inclusion in agricultural value chains by engaging in targeted rural areas to address the underlying causes of poverty and build sustainable food systems.
7. While the PoLG will remain the bedrock of its work, IFAD has the capacity to increase its contribution to the achievement of SDG 2 by leveraging and attracting additional financing, including climate finance. The Accelerator and the Private Sector Financing Programme (PSFP) could multiply IFAD's impact through a comprehensive programmatic approach, and provide IFAD country directors with new tools to address issues such as climate change adaptation and sustainable livelihoods. These new instruments would also give IFAD the agility to take immediate action while longer-term projects are being developed and approved. IFAD could collaborate with NGOs to roll out initial action that could eventually be incorporated by governments into their respective longer-term strategies.
8. IFAD 2.0 will be realized by: (i) building on experience and knowledge; (ii) gradually and prudently advancing the proposed reforms; (iii) developing a broader and more flexible set of financial instruments; (iv) implementing a comprehensive country-level programmatic approach; (v) ensuring coordination across operations and actors; (vi) honouring IFAD's core mission; and (vii) applying a results-oriented focus to double IFAD's impact by 2030.
9. Members were asked to consider: (i) the proposed level of ambition for IFAD 2.0 to increase impact and enhance IFAD's financial sustainability; (ii) the principle of replenishment pledging based on three funding windows: the PoLG, the Accelerator and the PSFP; and (iii) any additional actions that might augment impact, improve performance and avoid mission drift.

Discussion

10. Members thanked Management for the in-depth presentation and for the improved IFAD 2.0 document. The new framework was quite ambitious and potentially relied on increased official development assistance (ODA), which may be challenging within the current global ODA environment. Regarding the new instruments, the Board asked Management to:
 - (i) Make a stronger business case for the proposed financial instruments and clarify the advantage of having three separate windows;
 - (ii) Provide clear, robust financial scenarios with different outcomes (including a scenario with decreased ODA) to facilitate consultations with capitals and build consensus within the Executive Board on the proposed instruments;
 - (iii) Examine IFAD's competitiveness as a lender and the potential overlap with similar initiatives at other international financial institutions (IFIs), for which the credit rating exercise would provide critical data on IFAD's creditworthiness; and
 - (iv) Demonstrate how the new instruments would impact performance-based allocations.

11. Rome-based agency (RBA) collaboration in cross-cutting areas such as climate was suggested as having the potential to increase efficiencies and maximize donor resources. Management reiterated the need to prioritize the implementation of ongoing RBA collaboration efforts such as the joint action plan for the Sahel before taking on other commitments. Members also expressed concern that the new financial instruments could risk diverting funds away from IFAD's core replenishment contributions, which remain the foundation for IFAD's operations.
12. Members wished to know more about: (i) the role of the Executive Board; (ii) how new instruments would be captured in country strategic opportunities programmes (COSOPs); and (iii) the role of IFAD's programme of loans and grants relative to these new instruments. The Board asked Management to elaborate on the governance aspects of the new instruments. Management clarified that governance of the Accelerator and PSFP would be similar to that of IFAD's Adaptation for Smallholder Agriculture Programme (ASAP) in terms of advisory committee structure and function and in that final approval of proposals would likely rest with the Board.
13. Other issues to be clarified for capitals included the proposed replenishment baseline, the solidarity principle, and whether the Accelerator fund would replace ASAP. Members noted that the terminology "solidarity principle" needed to be revisited to avoid the impression that there had been no solidarity previously. IFAD would establish its rates in line with those of comparator development financial institutions (DFIs). The objective was to avoid pushing at-risk countries into debt distress while maintaining competitiveness with other IFIs.
14. Management noted that the Board's inputs were critical to developing the broad vision for IFAD's contribution to Agenda 2030 and making a comprehensive investment case. In light of the Board's feedback regarding shrinking ODA, IFAD's ambition involved a 3 per cent increase in the ODA it received and efforts – including through the Accelerator – to leverage funding from other sources.
15. Concerning future and past DSF commitments, in the event that ODA remained static or decreased, IFAD could only maintain its current PoLG with a reduced DSF. Sustaining the current DSF level would require discussion of the conditions governing the DSF and any required changes to such conditions with Member States.
16. While the Accelerator fund would build on experience from ASAP, it would exceed ASAP's scope as a means of leveraging impact beyond the PoLG, particularly in fragile areas, through a holistic programmatic approach. The COSOP would be the starting point for additional climate finance to build economies of scale and improve the quality of IFAD's delivery. Expanding partnership with FAO's Investment Centre initiative may also yield further lessons learned on targeting, providing an opportunity for combining technical advice rendered by FAO with investments from IFAD.
17. No formal decisions were expected at the retreat follow-up; the discussions were intended to inform future consideration at Board level.

C. IFAD 2.0: Financial strategy

Presentation by Alvaro Lario, Associate Vice-President, Financial Operations Department.

18. This session aimed to: (i) describe the main elements of IFAD's financial architecture; (ii) facilitate an understanding of the linkages between the financial architecture and IFAD 2.0, and their implications; and (iii) seek the Board's feedback on the allocation of resources, including core and borrowed resources.

Presentation

19. IFAD's strategic financing goals include: (i) sustainable and stable funding for all borrowers; (ii) increased lending to LICs and lower-middle-income countries (LMICs); (iii) providing only grants to "red countries;"² (iv) IFAD's borrowing to benefit its lending to all income category borrowers; (v) maintaining the core allocation of 90 per cent to LICs and LMICs, and 10 per cent to upper-middle-income countries (UMICs); and (vi) the sustainability principle, under which the pricing of loans funded from borrowed resources takes into consideration the income category and repayment period of loan by the borrower.
20. To optimize IFAD's balance sheet, an optimal level of borrowing needs to be established. While borrowing brings in some funds (and could help to secure more funding following the credit rating exercise), the bedrock of funding for IFAD's operations remains Member States' contributions. IFAD will need to adjust grants and the DSF in order to maintain engagement with red countries. Consideration of a replenishment baseline to ensure IFAD's financial sustainability to cover its operating and other costs was discussed.
21. Management presented data on the combined development impact of the three funding scenarios. Sustainable financing involves finding the right balance between concessionality, grants, debt, replenishment and sustainable PoLG. Increasing grant-to-loan ratios could risk a decrease in the future PoLG. Management and the Board are discussing options to find a solution for the DSF, including a pre-financing mechanism and covering current disbursements of past DSF approvals.
22. The Board's agreement was sought on: (i) linking the availability of grants to the replenishment size; (ii) the suggested target level of debt-to-equity ratio in order to optimize the use of core resources with debt (35, 50 or 75 per cent); (iii) the solidarity principle to guide the pricing of borrowed resources; and (iv) a new allocation mechanism based on demand and credit risk, with a target allocation of 60 per cent to LICs and LMICs, and 40 per cent to UMICs.

Discussion

23. Members concurred that the most pressing issue was resolving the DSF and sought more information on how the new financial instruments would achieve this. Given that the new financial strategy rested on increased replenishment resources, Member States recommended a step-by-step approach to instituting changes, and asked for different scenarios, including those premised on receiving less ODA. There were also questions on the risks associated with diversifying IFAD's resource base and potential mission drift away from its core mandate. Some members indicated the need for IFAD to maintain its focus on the poorest countries with 100 per cent of the core resources, while offering middle-income countries (MICs) diversified financial and non-financial products.
24. The upcoming credit rating exercise would help to determine the cost of IFAD's borrowing, which in turn, may enable IFAD to access sovereign borrowing on more favourable terms.
25. In the afternoon session, members and Senior Management formed working groups to discuss IFAD's future financial strategy, with a focus on the: (i) acceptable level of the DSF; (ii) target debt-to-equity ratio; (iii) solidarity principle; and (iv) a 60:40 split between LICs/LMICs and UMICs. Following the discussions, a rapporteur from each group summarized their group's discussions and conclusions.

² Countries in high debt distress and hence eligible for 100 per cent grant funding rather than lending.

26. The groups agreed that:
- (i) The DSF had to be sustainable in order to ensure IFAD's future sustainability. One group recommended a "deep-dive" session on the DSF for further discussion. Members also requested scenarios for various replenishment levels (including salary rises, minimum contributions and leveraging ratios) and allocation splits, along with their implications for IFAD11 and beyond.
 - (ii) The solidarity principle could be difficult for countries that were expected to pay more for IFAD financing. Some queried whether there was sufficient demand for IFAD's resources to achieve a 60:40 split.
 - (iii) Enhanced communication on the solidarity principle was required.
27. Management was exercising caution in its leveraging strategy: current estimations of leveraging left enough cushion not to exceed 50 per cent even beyond IFAD15. An analysis of the 60:40 split and related issues was being conducted and findings would be shared with members as soon as possible. Demand for loans in MICs had been assessed as positive – countries were already borrowing at these rates from other DFIs.

D. IFAD 2.0: Food Security Accelerator Programme

Presentation by Donal Brown, Associate Vice-President, Programme Management Department.

Presentation

28. The proposed Accelerator aims to boost progress towards eradication of chronic and severe food insecurity among rural people and to generate measurable impact and results. It will complement and strengthen the PoLG by targeting communities while at the same time remaining country-specific, flexible, agile in delivery and focused on climate financing. It builds on lessons learned from ASAP, such as the need for strengthened monitoring and evaluation.
29. IFAD has several comparative advantages as a result of its country presence, experience in rural areas and established partnerships. The Accelerator is designed to overcome delivery delays due to weak government capacity and the resulting slow disbursement by working through other entities when governments lack capacity. Previous climate-focused initiatives in Mali (on watershed management), Mozambique (on climate-smart technologies) and other countries could be scaled up through the Accelerator. It could also broaden IFAD's work with farmers' organizations and indigenous peoples, and allow IFAD to recommence work in fragile situations through established NGOs.
30. The Board was asked to reflect on: (i) the need for a specific fund and implementation modalities to achieve rapid impact on chronic food insecurity; (ii) the need to focus on climate change; (iii) the level of ambition for the Accelerator; (iv) its level of focus; (v) criteria for countries' eligibility; and (vi) the proposed governance model.

Discussion

31. Working groups agreed that climate change required special focus, and some emphasized that related issues such as nutrition and biodiversity were important as well. The groups also highlighted the following issues:
- (i) The risk of initiating a new funding window, including the diversion of funds from IFAD's core resources;
 - (ii) IFAD's capacity to manage the programme;
 - (iii) Potential overlap of the Accelerator with ASAP and similar initiatives by other organizations; and
 - (iv) The risk that donors would prefer to support NGOs directly.

32. Further information was requested regarding the financial and human resource implications of the Accelerator, including monitoring and evaluation. Scenario estimations of funding would be useful to the Board.
33. The groups found it difficult to define the Accelerator's level of ambition without knowing the level of donor support to be provided. Given this uncertainty, they encouraged an initial focus on a limited number of countries with low income and significant food insecurity, with other countries included as additional resources became available. They requested more clarity on why working with NGOs would increase value for money and timeliness of implementation, including validation data from programmes with similar approaches.
34. The groups agreed in principle with a governance model that builds on previous successes and lessons learned. They requested more concrete information on the advisory committee's role, the involvement of non-state actors, and whether the governance model would require a change to IFAD's governance documents.
35. Management acknowledged that the Board required more detailed information, particularly on governance of the Accelerator. IFAD already had significant experience with the governance mechanisms of ASAP and other funds, and would further elaborate on the Accelerator's governance structure.

III. Day two

The moderator opened the day's session by summarizing the issues discussed on day 1, focusing on IFAD's financial vulnerability in the context of an unsustainable DSF, and IFAD's evolving role in the global financial architecture for rural development. Members reiterated the need for IFAD to maintain its core mandate and focus, while striving for long-term financial sustainability and stronger coordination with other development partners in implementing IFAD 2.0.

A. IFAD 2.0: Private Sector Financing Programme

Presentation by Thouraya Triki, Director, Sustainable Production, Markets and Institutions Division.

36. The objectives of this session were to: (i) gain consensus on the creation of a PSFP; (ii) facilitate an understanding of how the programme would complement the PoLG and enhance IFAD's impact; and (iii) seek guidance on the potential future application of the PSFP.

Presentation

37. Agriculture is the main source of employment and income in many developing countries and is critical for food security. It has great potential for growth compared to other investments. However, as a sector it continues to be extremely underfunded – investments have been too limited and not sufficiently targeted at smallholders. IFAD could mobilize additional resources from the private sector to drive agricultural development and youth employment through the PSFP.
38. IFAD's presence in the rural areas of LICs and LMICs lowers its cost of engagement compared to other organizations with no presence in remote areas. IFAD also has the advantage of government partnerships in the agricultural sector, which reduces the risk for the private sector.

Discussion

39. Working groups discussed: (i) the appropriate level of ambition for the PSFP; (ii) whether non-state actors should be allowed to provide funds; and (iii) use of the ASAP governance model.
40. While the groups concurred that the PSFP could diversify and catalyse contributions targeting youth and women's employment, some members raised questions regarding IFAD's capacity to deliver and manage the programme, and the

- incentives for private sector investment in IFAD. The working groups recommended clarifying the business case for the PSFP, including the types of interventions and demand.
41. In the short term, it was recommended that the PSFP should start small and scale up subsequently, building on its experience. Members highlighted the need to avoid mandate drift; ensure a focus on youth and gender in the countries with the greatest need; build on lessons from other IFIs, such as the African Development Bank; and create synergies with peer institutions.
 42. With regard to governance, members stressed the need to: (i) ensure due diligence; (ii) avoid conflicts of interest; (iii) provide clear guidance on how funding would be allocated; and (iv) develop agile and rapid processes that integrate lessons learned from ASAP. Members queried non-state actors' roles in the proposed advisory committee and expressed concerns regarding the ratio of administrative costs to development impact. They requested more information on the relationship between the advisory committee and Board, the Board's role in PSFP project approval and how smallholders would be linked to the private sector.
 43. Members also enquired as to the level of investment needed from IFAD and whether these funds would come from existing grant funding. There was a need to align the PSFP with replenishments to avoid substitution of donor resources and to ensure a high level of engagement from Member States. IFAD would need a strategic approach and targeted capacity-building to articulate its value added and avoid competition with other IFIs and DFIs.
 44. Management clarified that the PSFP could provide grants and loans that generate sustainable impact; in the short term, its piloting would be supported by existing grant funding.
 45. The governance model would be similar to that of the International Development Association's private sector facility. An advisory committee would provide general oversight, while the ultimate responsibility for screening, approval and monitoring would rest with Management and the Board.
 46. The President addressed concerns about substitution risk with regard to the PSFP and Accelerator. Management would seek the optimum balance between flexibility and a guaranteed percentage of core contribution before Member States could contribute to these windows.

B. Human resources study

Presentation by McKinsey & Company on the human resources study.

Presentation

47. The human resources study was conducted in light of the evolution of IFAD's scope of work, strategy and operational context. The study aimed to provide an understanding of emerging human capital requirements, the potential of existing staff and the need for enablers to deal with emerging requirements. Focus areas included an employee value proposition focused on: compensation to keep IFAD attractive as an employer; performance management; and technology required to facilitate IFAD's evolution.
48. With regard to capacity, the study revealed gaps in communication, strategic mindset, analytical skills, policy dialogue and leadership capabilities. Future capacity needs include digital fluency, systemic thinking and stakeholder management skills. While IFAD is performing better than most United Nations agencies, there is room for improvement in administration and corporate finance capacity compared to benchmarked IFIs, United Nations organizations and comparable private and public sector organizations.

49. Changes in programmatic functions have driven positive impacts on efficiency. The scenarios in the study are built around a larger PoLG and increased automation of work. A net increase in efficiency is foreseen up to 2024 with an increase in programmatic functions and a decrease in administration functions. By 2030, such increase in efficiency will mainly be driven by automation.
50. Regarding compensation, IFAD was found to be less attractive to prospective candidates than benchmark IFIs as a result of lower professional staff salaries. The study found that better use could be made of bonuses to attract and retain staff. To fill this gap, IFAD could: (i) retain the International Civil Service Commission (ICSC) compensation package; (ii) stay with ICSC but introduce greater flexibility in recruitment and performance bonuses; or (iii) leave the ICSC, becoming an independent IFI and potentially changing the pension fund.
51. The Board's guidance was sought on the most viable compensation option, the costs of different bonus packages and the most cost-effective human resources technologies in the context of IFAD's broader transformation.

C. Management response to the human resources study and proposed way forward

Presentation by Guoqi Wu, Associate Vice-President, Corporate Services Department.

52. The purpose of the presentation was to: (i) facilitate the Board's understanding of the human resources study and related budget implications of IFAD 2.0; and (ii) seek guidance on the way forward for strategic workforce planning and human resource change management.

Presentation

53. Management's proposed ways forward include: (i) implementing the global results from the study; (ii) continuing to fine-tune the analysis; (iii) developing a two-year global implementation plan for presentation to the Board; (iv) remaining within the ICSC system while introducing a system of bonuses; (v) seeking guidance on how best to address underperformance and consequence management; (vi) combining human resources enhancement and IT opportunities with the ongoing business process review exercise at IFAD to achieve efficiencies; and (vii) convening a change management committee comprising Board members and Senior Management to implement the two-year plan.

D. Human resources study: Budgetary implications

Presentation by Saheed Adegbite, Director, Office of Strategic Budgeting.

Presentation

54. The presentation highlighted the implications of the two-year implementation plan for IFAD's budget. An up-front investment is needed to be ready for IFAD12. McKinsey & Company estimated budget needs at US\$17 million over two years. Management sought the Board's agreement on the time frame and distribution of this investment.

Discussion

55. Working groups discussed the cost implications. They agreed that it would be difficult to decide on future investment needs prior to decisions regarding IFAD 2.0. While members found the report useful in building a business case for investments in human resources, Management was ultimately responsible for implementation. Members also wished to know whether greater efficiencies could be gained through co-location or shared administrative services with other institutions.
56. While the groups agreed in principle on the two-year plan, some suggested separate roadmaps for urgent issues (e.g. management changes) and longer-term needs (capital investments).

57. Members concurred that it was not opportune to withdraw from the ICSC system. Stressing the need to ensure fair and transparent recruitment, members recommended further analysis of capacity needs and full engagement in succession planning.
58. To make the case for a resource increase, the Board asked for a clearer picture of specific recruitment challenges, including data on employment offers refused and staff turnover. In parallel, IFAD could increase its capacity for internal training to ensure that existing staff could adapt to future skills needs. Members encouraged technology-based investments in human resources, while requesting more information on the financial implications. Some requested further information on the gender balance among staff, including in management positions. Others noted that the study did not provide critical information on diversity and inclusion.
59. Regarding gender and diversity of staff, the Associate Vice-President, Corporate Services Department, explained that 56 per cent of staff are women but that this number dropped to 32 per cent at the P-5 level and above (against a target of 35 per cent). Geographically, IFAD is very diverse, with staff of 100 nationalities.
60. Within the context of United Nations reform, the target was for 50 per cent of country offices to be co-located. IFAD was in line with this target, but would continue to work on sharing of staff with other United Nations organizations. While Management would ensure implementation of these changes, there were several policy implications that required the Board's engagement.
61. Regarding cost estimates, the two-year plan would be aligned with outcomes of the business process review and other exercises. This plan would include financing for risk management and other support.
62. The President thanked the Board for the valuable feedback, and noted that the human resources study had been shared with them both for transparency and because of its budget implications. Data from the McKinsey & Company analysis would be utilized to drive actionable decisions, and Management would develop options for the two-year plan.

E. Way forward

Discussion

63. There was general agreement that resolving the DSF challenges would be critical for reforming IFAD's business model. While IFAD 2.0 represented a significant step forward, there were questions regarding financing and the capacity of Member States to increase replenishment contributions. The Board stressed the need for a clear plan for cooperation with governments – including MICs – while maintaining a focus on LICs.
64. Members requested clarification on voting rights and other governance issues related to the new financing instruments.
65. Further clarification was also sought on the principle of solidarity: UMICs contributed to IFAD's sustainability through reflows, and some members perceived a contradiction between providing more concessional loans and ensuring future financial sustainability. More information was required on how other IFIs adhered to this principle. There was also a need to analyse how IFAD could best meet these countries' needs – including through advisory services and other partnerships.
66. While Member States should continue providing core contributions, the Board recognized that it was necessary to deal with immediate issues like climate change in an agile manner. The Accelerator and PSFP represented steps in the right direction. A refocus of IFAD's business model on youth and start-ups was encouraged, but members urged a step-wise approach that recognized urgent issues and risks. Members also encouraged a greater focus on South-South and Triangular Cooperation as well as women's empowerment and gender equality.

67. The Board commended IFAD staff for their hard work and noted that the challenge was to keep the staff motivated. A phased approach to human resources investments was recommended to prioritize urgent issues and to ensure a fit-for-purpose approach, accompanied by Management efforts to realize efficiency gains. Members noted that the proposed involvement of the Audit Committee or Executive Board in the change management committee could add an additional burden to their already heavy agendas.
68. In order to present a more compelling business case for all Member States, Management was asked to: (i) strengthen the rationale for IFAD 2.0; (ii) further define IFAD's comparative advantages; (iii) provide more details on how the two new funding windows would create synergies with the PoLG; and (iv) emphasize how IFAD would increase its contribution to the SDGs. A focused communication strategy ahead of IFAD12 – including clear and concise documentation on, inter alia, IFAD's involvement in climate and other cross-cutting themes – would facilitate decision-making by capitals.
69. Some members urged IFAD to maintain its focus on the poorest of the poor in remote rural areas, and at the same time engage with MICs by retaining the 90:10 ratio. They requested a range of outcome scenarios that included replenishment rates, lending ratios and other risk-related data. They further requested that Management provide Member State representatives with ample time to discuss IFAD documents with capitals in advance of Board sessions.

F. Next steps

70. Management's next steps, as per the discussions, were the following:
 - Developing a clearer investment case and a communication strategy for IFAD 2.0;
 - Linking the DSF to a sustainable replenishment level;
 - Providing Member States with a range of different scenarios;
 - Refining IFAD's value proposition to MICs (and UMICs) and sharpening IFAD's responsiveness to all Member States' needs;
 - Strengthening the focus of the Accelerator on climate (and possibly other issues such as nutrition, gender and youth) and its attractiveness to climate financing and enhancing the focus of the PSFP on youth employment (along with rural small and medium-sized enterprises and gender); and
 - Fine-tuning the governance structure, management and risk management of the new financing instruments.
71. The next step with regard to human resources was to discuss the budget; it was critical to set aside resources now, and to develop a plan of action in early 2020.
72. Management would reflect on the feedback received and provide more information to the Board. The President thanked Member States for participating in this dynamic follow-up session.

Follow-up session to the fifth Executive Board retreat: A conversation on the road to IFAD 2.0

24–25 October 2019

Purpose: To bring together the Executive Board and Senior Management to discuss the strategic direction of the Fund following the Board retreat in May. The session will:

- Provide an opportunity to reflect on the vision and road map for IFAD: IFAD 2.0: The Way Forward (updated draft)
- Create a space for informal dialogue and exchange
- Continue to build trust across the Lists and cultivate a productive working relationship among Board representatives, Senior Management, and the Independent Office of Evaluation of IFAD

Provisional programme

Day 1

Thursday, 24 October 2019

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|-------------|--|
| 09.30-10.00 | Welcome coffee |
| 10.00-10.15 | <p>The Future of IFAD – Setting the stage</p> <p>Introduction by the President</p> |
| 10.15-12.00 | <p>IFAD 2.0: Updated Global Strategy</p> <ul style="list-style-type: none"> • Presentation by the Associate Vice-President, Strategy and Knowledge Department <p>Session objectives</p> <ul style="list-style-type: none"> • Facilitate understanding and solicit feedback on IFAD 2.0 • Agree the main principles and elements of the overall IFAD 2.0 programmatic approach (expanded programme of loans and grants, Private Sector Financing Programme and Food Security Accelerator Programme) • Strengthen understanding of the underlying financial architecture of IFAD 2.0 <p>Guiding questions</p> <ul style="list-style-type: none"> • What is members' feedback on the proposed IFAD 2.0 level of ambition to leverage increased impact and address IFAD's financial underpinnings? • What are members' reflections on the principle of replenishment pledges based on three windows: core, Private Sector Financing Programme and Food Security Accelerator Programme? • Are there additional actions/measures that may augment impact, improve performance and avoid mission drift? |
| 12.00-13.00 | <p>IFAD 2.0: Financial Strategy</p> <ul style="list-style-type: none"> • Presentation by the Associate Vice-President, Financial Operations Department <p>Session objectives</p> <ul style="list-style-type: none"> • Agree on main principles and elements of the financial architecture • Facilitate understanding of the linkages and implications of the financial architecture and IFAD 2.0 |

- Seek feedback on principles of the allocation of resources, including core and borrowed resources

Guiding questions

- Do members agree in principle with the concept of a minimum replenishment level to link the availability of funding and a level of Debt Sustainability Framework and general grants?
- What target level of debt/equity would members suggest in order to optimize the use of core resources with debt: 35 per cent, 50 per cent or 75 per cent?
- Do members support a solidarity principle for borrowed resources whereby low-income countries (LICs) and lower-middle-income countries (LMICs) countries have a lower pricing cost than upper-middle-income countries (UMICs)?
- Do members agree in principle with establishing a new allocation mechanism for borrowed resources based on demand principles and credit risk-based measures that would also allocate additional borrowing in a 60:40 split between LICs/LMICs and UMICs, while the core resources are split at 90:10?

13.00-14.00

Luncheon

14.00-15.00

IFAD 2.0: Financial Strategy (continued)

15.00-16.00

IFAD 2.0: Food Security Accelerator Programme

- Presentation by the Associate Vice-President, Programme Management Department

Session objectives

- Agree in principle on the Food Security Accelerator Programme
- Elicit inputs on the targeting and eligibility of the Food Security Accelerator Programme
- Showcase the strategic importance of climate change adaptation as the anchor of the Food Security Accelerator Programme

Guiding questions

- Do members agree with the need for a specific fund and implementation modalities to achieve rapid impact on chronic food insecurity?
- Do members agree on the need to focus on climate change, particularly extreme weather conditions, adaptation for rural communities and building resilience as the backbone of the Food Security Accelerator Programme?
- What should be the level of ambition?
- How focused should the menu of potential interventions and implementation modalities be for the Food Security Accelerator Programme?
- For IFAD to make a sizeable impact, how many countries should potentially benefit from the FSAP and on what basis would they be eligible?
- Governance: do members agree to use the Adaptation for Smallholder Agriculture Programme (ASAP) model?

16.00-16.30

Coffee break

16.30-17.30

IFAD 2.0: Food Security Accelerator Programme (continued)

Day 2

Friday, 25 October 2019

09.00-09.30	Welcome coffee
09.30-11.00	<p>IFAD 2.0: Private Sector Financing Programme</p> <ul style="list-style-type: none"> • Presentation by the Director, Sustainable Production, Markets and Institutions Division <p>Session objectives</p> <ul style="list-style-type: none"> • Seek agreement in principle on the creation of a Private Sector Financing Programme • Facilitate understanding of how the Private Sector Financing Programme functions, complements and leverages the programme of loans and grants, and enhances IFAD's impact • Seek guidance as to the potential future application of the Private Sector Financing Programme <p>Guiding questions</p> <ul style="list-style-type: none"> • Do members agree in principle with the proposed Private Sector Financing Programme? • What should be the level of ambition? • Do members agree that the Private Sector Financing Programme should have a specific focus on employment of rural youth and women? • Should voting rights be granted for resources provided by Member States to the programme? • Should non-state actors be allowed to provide funds? • In terms of governance, do members agree to use the ASAP model?
11.00-11.30	Coffee break
11.30-13.00	<p>HR Study</p> <p>Presentation by the Associate Vice-President, Corporate Services Department</p> <p>Session objectives</p> <ul style="list-style-type: none"> • Facilitate understanding of the primary human resources (HR) and related budgetary implications of IFAD 2.0 • Seek guidance and agree on the way forward for strategic workforce planning and HR change management within the context of IFAD 2.0 <p>Guiding questions</p> <ul style="list-style-type: none"> • Do members agree on the way forward proposed by Management? • Specifically, do members agree with: <ul style="list-style-type: none"> - The principle of a three-year action plan? - The principle of IFAD remaining within the International Civil Service Commission while allowing itself flexibility in terms of recruitment / retention / performance? • Do members agree with the principle of reducing the gap with international financial institutions for all categories of staff where such a gap exists? • Do members agree with the principle of linking HR capacity and capability to IT innovation and continued business process review?
13.00-14.00	Luncheon
14.00-15.30	HR study (continued)
15.30-16.00	Coffee break
16.00-17.30	<p>The Way Forward</p> <p>General debate</p>

Moderator: Ron Hartman, Director, Global Engagement, Partnership and Resource Mobilization Division

Business casual attire suggested