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Investing in rural people

## Report on the First Session of the Consultation on the Twelfth Replenishment of IFAD's Resources

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For: **Information**

## **Report on the First Session of the Consultation on the Twelfth Replenishment of IFAD's Resources**

In accordance with resolution 211/XLIII on the Establishment of the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12), 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 IFAD12 Consultation is herewith provided in the annex to this document.

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## **Summary of the Chairperson: First Session of the Consultation on the Twelfth Replenishment of IFAD's Resources**

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1. Members of the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12), IFAD Management and staff, observers and guests met in Rome on 13 and 14 February 2020 to review IFAD's progress at the midterm of IFAD11, discuss strategic directions for IFAD12, and agree on the workplan for the remaining replenishment sessions. Guests included Her Excellency Josefa Sacko, African Union Commissioner for the Rural Economy and Agriculture and Dr Ibrahim Hassane Mayaki, Chief Executive Officer of the African Union Development Agency – New Partnership for Africa's Development. Two youth representatives – Ms Mirna Ortiz from the Dominican Republic and Mr Elly Matende from Kenya – spoke about the challenge of engaging Africa's growing youth population and about their own successful experiences with IFAD-supported projects. Mr Samer Hachem, representative of the Secretariat of the Multilateral Organisation Performance Assessment Network (MOPAN), also participated. Representatives from the World Bank attended as observers.
2. Following introductory remarks by the External Chair, Mr Kyle Peters, the President of IFAD made an opening statement reiterating IFAD's ambition to double its impact by 2030 and reminding all Members that this replenishment is critical as it will determine what IFAD will be able to contribute to the Sustainable Development Goals (SDGs). This was followed by statements from guest speakers. First, Her Excellency Josefa Sacko, speaking on behalf of the President of the African Union Commission and of the African Union Specialized Technical Committee – Committee of African Ministers for Agriculture, noted that IFAD's replenishment will be important in supporting the achievement of SDG 1 and SDG 2. The youth representatives then delivered their statements, calling for action to ensure that IFAD can continue supporting rural youth.
3. During the session, the representatives for Burkina Faso and Mali announced that they would both be doubling their contributions to IFAD12, compared to IFAD11 in recognition of the importance of the IFAD12 replenishment, and to support IFAD's ambition to double its impact by 2030. They urged others to do the same. Several other borrowing countries had already announced IFAD12 pledges during the Governing Council. The Chair noted that the strong support of borrowing countries, including low-income countries (LICs), for IFAD's replenishment is a powerful signal of the value they place on IFAD, and that increased support from Member States across all Lists would be required for IFAD to deliver on its mandate and increase its impact on SDG 1 and SDG 2.
4. The agenda was adopted without amendment.

### **A. IFAD at the midterm of IFAD11**

5. Following presentations of the 2019 Annual Report on Results and Impact of IFAD Operations (ARRI) by the Independent Office of Evaluation of IFAD, and the 2017-2018 IFAD MOPAN assessment by the United States delegate (as institutional lead for the assessment) and the MOPAN representative, Management presented its response to both reports, together with the IFAD11 Midterm Review (MTR). Members appreciated the comprehensiveness and rigour of the documents and the opportunity to discuss the ARRI, MOPAN assessment and the MTR together, recognizing the value added of the different perspectives, and of the MTR's use of real-time data to monitor IFAD's achievements. Delegates highlighted the essential role of evaluations as accountability tools and in guiding IFAD's transformation. They also noted the challenges both of conducting the MTR so early in the replenishment cycle and of the relevance of the ARRI given its reliance on data from older closed projects, particularly at a time of rapid change for IFAD.

6. The delegates broadly agreed that IFAD is on track to achieve its IFAD11 commitments and to improve project performance over time. It is achieving significant impact through its operations and is targeting better its resources at countries where they are most needed, while recognizing that additional efforts are required to tailor its approach in specific country contexts. Delegates also noted the progress made on the mainstreaming themes of environment and climate, gender, nutrition and youth in IFAD's operations and the increased level of South-South and Triangular Cooperation (SSTC). Several delegates also noted that these efforts could be strengthened, in particular by increasing IFAD's capacity, especially in the regional offices. Finally, they noted ongoing efforts to strengthen monitoring and evaluation, and to build capacity of project staff and partners in this regard.
7. Members welcomed the strengthening of IFAD's financial architecture, including the recent Debt Sustainability Framework (DSF) reform and establishment of a Capital Adequacy Framework, which is helping to raise IFAD's institutional profile as an international financial institution. They also agreed that these reforms are aligned with its ambition to step up support for poor indebted countries in a financially sustainable manner. Regarding the gap between the target and actual IFAD11 contributions, Management clarified its plans to make up for any shortfall in contributions, including through a slight increase in borrowing, and that the target programme of loans and grants (PoLG) of US\$3.5 billion will be maintained.
8. Delegates appreciated the significant progress made across a number of portfolio performance indicators, including cofinancing and disbursement, as well as the improvements already made with regard to some of the findings of the 2019 ARRI, and were pleased with the priorities for action during 2020 and 2021. Delegates noted the remaining challenges on which Management agreed continued efforts are needed:
  - (i) **Decentralization** was recognized as a long process that can help strengthen key areas of IFAD's work, including policy engagement and the improvement of project quality through continuous supervision and implementation support. However, to do this, Management needs to ensure that there is clarity in roles and responsibilities, including a proper delegation of authority, and that IFAD Country Offices are adequately staffed and that human resource capacity and skills – particularly in the field – continue to be strengthened and strong fiduciary and safeguard mechanisms are put in place. More generally, IFAD's institutional capacity in terms of workforce and skills available was highlighted as an important aspect where continued efforts are needed (noting that plans to strengthen capacity will be discussed at the April session of the Executive Board).
  - (ii) **Sustainability and efficiency** need to be a strong focus if IFAD is to achieve and sustain transformative impact and enhance value for money. Delegates noted that these aspects of project performance were critical to IFAD achieving a lasting impact from its work. They suggested that Management put in place an action plan to ensure a focus on these priorities. The importance of scaling-up was also noted.
  - (iii) IFAD must continue to be ambitious about the **mainstreaming themes**, SSTC, and topics such as environmental sustainability and indigenous peoples, and to ensure that good performance on targets for quality at entry translates into good performance during implementation. Delegates noted that they would have appreciated a more in-depth analysis of the mainstreaming of these activities, IFAD's capacity in the field relative to these themes and greater ambition going forward in this regard. It was noted that the Social, Environmental and Climate Assessment Procedures are being revised to include greater attention to gender-based violence, labour standards, and sexual exploitation and abuse.

- (iv) Delegates generally welcomed the ongoing focus on fewer and larger tailored operations, while reiterating the importance of IFAD's focus on reaching "the last mile" and supporting poor and vulnerable people in remote rural areas. Delegates noted the need to ensure that the increasing size of IFAD's projects did not affect efforts to improve IFAD's **targeting** and to maintain its focus on the poorest and most vulnerable.
- (v) While recognizing the impressive improvements in cofinancing levels, delegates encouraged Management to continue strengthening **partnerships** at the country and global level, including with other multilateral development banks, the Rome-based agencies and other United Nations agencies, to improve system-level coordination.

## **B. IFAD12: Strategic Directions**

9. Management presented the main elements of IFAD12: Strategic Directions and introduced the Case for Investment, noting that the latter was based on the strategic directions paper and would be used as a communications tool that would evolve as the Consultation progressed.
10. Delegates appreciated the paper and the presentation, confirmed their strong support for IFAD and for its mandate, and indicated their support for a replenishment that would ensure a solid resource base for the Fund. Delegates recognized that IFAD12 comes at a critical moment, with just 10 years to deliver on the ambitions of the SDGs, and recognized IFAD's potential to double its impact by 2030. They also recognized the importance of a strong replenishment to ensure IFAD's financial sustainability; to ensure that the Fund can provide significant levels of support to developing countries, particularly the poorest countries; and to set IFAD upon the path of increasing its impact. To achieve a successful replenishment, delegates urged Management to stay focused on what IFAD does well, and to draw out and communicate IFAD's unique comparative advantage and business case effectively to decision makers in capitals, providing clear messaging on why IFAD12 is a special replenishment, at a special moment, requiring additional effort (particularly given the impact of recent DSF reforms on the level of replenishment required to maintain or increase IFAD's support to the poorest countries), and making clear what results IFAD would aim to achieve under the different IFAD12 scenarios, linking them to specific SDGs, including SDG1 and SDG2. Delegates recognized that IFAD has a good story to tell and that its work remains urgent and relevant.
11. Delegates supported the overall approach of consolidation, strengthening and innovation in IFAD12. They confirmed that the four mainstreaming themes of environment and climate, gender, youth and nutrition, as well as efforts in fragile and conflict-affected situations, building resilience against recurrent shocks, and promoting SSTC, remained key areas where Members want to see IFAD focus its efforts and continue to raise its level of ambition and capacity. The 2020 United Nations Climate Change Conference (COP26) and other international initiatives such as the Nutrition for Growth summit further underscore the importance of these topics. Delegates encouraged greater support for indigenous peoples, and the inclusion of persons with disabilities in IFAD's work. There was recognition of the importance of placing greater emphasis on IFAD's role in: (i) addressing biodiversity challenges, with several delegates highlighting agroecological approaches; (ii) supporting innovation in agriculture, including increasing uptake of innovations by small-scale producers; and (iii) ensuring sustainable and inclusive food systems, given the need to increase productivity to ensure the ability to feed a growing population. The importance of IFAD12 within the context of preparations for the Food Systems Summit in 2021 was noted, as was the potential importance of IFAD12 in the implementation of the outcomes of the Summit.

12. There was wide recognition of core resources and the PoLG as the foundation for IFAD's impact. There were indications of support for the Adaptation for Smallholder Agriculture Programme + (ASAP+) and the Private Sector Financing Programme (PSFP). Delegates, however, noted the need for a clear strategy for increasing core resources and avoiding substitution risk, as well as ensuring ASAP+ and PSFP are well integrated into IFAD's country programmes. Some important issues were raised on the PSFP, including IFAD's capacity to work with the private sector and manage risks, and on the need for IFAD to consider carefully the experience with the concessional facilities of other international financial institutions in this area, including the International Development Association's Private Sector Window and the African Development Fund's Private Sector Credit Enhancement Facility. Members stressed that ASAP+ should not be introduced at the expense of climate targeting and mainstreaming in the PoLG. It was noted that informal seminars on the ASAP+ and PSFP would be held on 21 February 2020. These will be open to all IFAD12 Consultation Members and will provide an opportunity for further discussions on these programmes.
13. Delegates recognized that it was too early to comment in detail on the IFAD12 financial scenarios, and that Management will continue to work on them in preparation for the June session. There was support for the DSF solution and agreement that the level of DSF grants to be provided from IFAD12 should be decided as part of the IFAD12 Consultation on the basis of core resources pledged. Delegates noted that a decrease in the level of DSF grants to LICs and lower-middle-income countries (LMICs) would undermine IFAD's focus on the poorest countries. Delegates noted that the regular grants policy would be reviewed and requested more information on the trade-offs between regular and DSF grants, and the value added of the regular grants programme. Management agreed to provide more information on these issues, but noted the importance of these grants in supporting regional activities, responding to regional challenges and providing flexibility in the way that IFAD engages in different country contexts.
14. Delegates discussed the approach to resource allocation in IFAD12, including with regard to the performance-based allocation system (PBAS) and the potential need for a second mechanism for borrowed resources. A number of delegates highlighted IFAD's mandate to support agricultural development in all developing countries, while others highlighted the importance of keeping the focus on LICs and LMICs. Most delegates emphasized the need to ensure adequate resources for fragile situations and for Small Island Developing States that face particular vulnerabilities, as well as the importance of grant financing for the poorest countries. There was discussion about the universality of IFAD, IFAD's engagement in upper-middle-income countries (UMICs), the role of UMICs in the sustainability of the Fund and how IFAD should manage the trade-offs between its primary focus on the poorest and most vulnerable countries and its support to UMICs, which also have pockets of poverty and food insecurity in rural areas. The work of the Working Group on the Transition Framework was noted, and it was recognized that the Transition Framework itself, which had been approved in 2018, already provided some elements that would be built upon.
15. In this regard, Management indicated that a number of options for resource allocation in IFAD12 would be presented at the next session, including a 100:0 split of core resources, and a second allocation mechanism for borrowed resources that takes credit risk into account, differentiates between LICs/LMICs and UMICs, and offsets the reallocation of core resources by allocating borrowed resources to UMICs, ensuring an overall split of 80:20. Management indicated that in preparing these options, it would attempt to balance the need to focus on the poorest countries while strengthening and simplifying IFAD's financial and resource allocation architecture, and increasing non-core funding for targeted investments in UMICs compared to IFAD11. Delegates expressed different views on this topic, with

some Member States opposing the proposed changes to the shares of allocation of core resources. It was noted that the current PBAS formula only applies to IFAD11; however, any decision on the need to make adjustments to the PBAS, if required, could be taken at the June session. Management noted that the current formula was the result of extensive discussion and that there was no evidence that it needed significant adjustment so far.

16. With regard to organizational aspects, delegates indicated that IFAD should continue working to ensure that the institution is fit-for-purpose, strengthening its hubs and Country Offices, and strengthening the three streams of people, processes and technology. Members reiterated their support for IFAD's Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse (SH/SEA) and welcomed the concrete actions IFAD has taken to prevent and respond to SH/SEA within the workplace and in its operations and funded activities, and to align itself with the United Nations Secretary-General's strategy in the Special Measures for Protection from Sexual Exploitation and Abuse: A New Approach (A/71/818) report. Several delegates presented a statement on SH/SEA reaffirming their support for strong actions in this area. Management affirmed full commitment to work with all partners to promote IFAD's zero-tolerance policy at all levels and noted that this topic would be further discussed at the 129<sup>th</sup> session of the Executive Board in April.

### C. Sessions and workplan for the IFAD12 Consultation

17. **Sessions.** There was a general agreement to hold the IFAD12 Consultation over the course of four sessions. The second and fourth sessions will take place on 16-17 June and 10-11 December, respectively, in IFAD headquarters, Rome. The delegate from Kuwait announced that the Government of Kuwait would be willing to host the third session in Kuwait in October. This proposal was agreed on by Consultation Members. Management will work with the Government of Kuwait to identify a suitable date, ensuring coordination with other events in October, such as the World Bank Annual Meetings and associated events. Details will be communicated to the Consultation in due course.
18. Management noted that a number of List C countries, including potential contributors to the replenishment, had informally requested to participate as silent observers in future sessions. The Chair suggested that this be agreed on in order to maximize the number of Member States contributing to IFAD12. Delegates also noted existing reciprocal arrangements between IFAD, the World Bank-International Development Association, the African Development Fund and the Asian Development Fund to observe one another's replenishment processes. It was suggested that consideration be given to inviting other organizations, such as the Green Climate Fund, to future replenishment sessions.
19. **Papers.** It was agreed that Management would work on the following papers for the June session:
- (i) **Paper on mainstreaming themes.** This paper will include IFAD's proposed approach to the four mainstreaming themes of environment and climate (including links to biodiversity), gender, youth and nutrition, as well as support for indigenous peoples and persons with disabilities, outlining enhancements to capacity, approaches on mainstreaming (including in situations of fragility), the use of SSTC, and IFAD's level of ambition, targets and commitments.
  - (ii) **Business model and financing framework.** This paper will provide details on IFAD's operational priorities for IFAD12 and the financing framework, building on the IFAD12 Strategic Directions paper and feedback received in this session. Of particular focus will be IFAD's unique comparative advantage, its role in the international architecture, and its offer and the demand for its services across different country contexts. Particular emphasis would be



placed on IFAD's approach to engaging in fragile and conflict-affected situations, and building resilience. It will include proposals for the country programme approach in IFAD12, including delivering the PoLG, utilizing different tools and instruments, and employing linkages across the PoLG, ASAP+ and PSFP, and between lending and non-lending engagement. A revised financing framework, scenarios for IFAD12, and proposed resource allocation approach and mechanisms will also be presented. This paper will discuss steps to continue making IFAD fit-for-purpose, including further decentralization, strengthening IFAD's capacity to deliver and its policy on SH/SEA. It will also provide indications of expected results and impact, including on specific SDG indicators and how they would be measured, and of the trade-offs across the different financial scenarios.

- (iii) **Paper on graduation/transition.** There was considerable discussion and a variety of opinions about the request, in the List A statement, for Management to present a graduation policy. All delegates recognized that this is a complex and sensitive topic, with some delegates opposed to discussing this issue during the replenishment process. The President reiterated that this is an issue that had been raised in previous replenishment consultations and one that could have a profound impact on IFAD and its future replenishments. Based on this, he supported the presentation of a discussion paper. In the end, as a compromise among the different views, the Chair concluded that: (i) Management would prepare a discussion paper outlining options for a way forward on an approach to graduation/transition, including the possibility of putting in place a specific graduation/transition policy; and (ii) there would be a preliminary discussion of this paper at an informal meeting open to all Consultation Members, to allow a preliminary exchange of views in advance of the June session, aimed at working towards a consensus on this issue. The discussion paper, together with a note summarizing the key points arising at the informal meeting, will then be submitted at the June session.
20. In addition to the above, an update would be provided on ASAP+ and PSFP (including on timelines, financing, governance and minimizing substitution risk), together with an initial draft of the IFAD12 Resolution.

#### **D. Concluding statements**

21. The Chair summarized the key highlights from the discussion and outlined next steps, thanking all Member States, the interpreters and IFAD staff for their contributions in making this first session a success. The President shared his closing remarks, thanking those countries that have already announced pledges to IFAD12, and calling on all Members to take stock of the situation and step up their contributions.