

Document: EB 2020/131(R)/R.37
Date: 4 December 2020
Distribution: Public
Original: English

E



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

Note to Executive Board representatives

Focal points:

Technical questions:

Ronald Hartman
Director
Global Engagement, Partnerships and Resource
Mobilization Division
Tel.: +39 06 5459 2610
Mob.: +39 331 684 7665
e-mail: r.hartman@ifad.org

Leon Williams
Senior Partnership Officer, Replenishment
Tel.: +39 06 5459 2809
Mob.: +39 366 783 5759
e-mail: l.williams@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra
Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

Executive Board – 131st Session
Rome, 7-9 December 2020

For: Information

Report on the Third 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 third session of the IFAD12 Consultation is herewith provided in the annex to this document.

Document:	<u>IFAD12/3/INF.1/Rev.1</u>
Date:	<u>24 November 2020</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

E

Summary of the Chairperson: Third Session of the Consultation on the Twelfth Replenishment of IFAD's Resources

Note to Consultation members

Focal points:

Technical questions:

Kyle Peters

External Chairperson
Tel: +1 202 247 5617
e-mail: r.peters@ifad.org

Ronald Hartman

Director
Global Engagement, Partnerships and Resource
Mobilization Division
Tel.: +39 06 5459 2610
Mob.: +39 331 684 7665
e-mail: r.hartman@ifad.org

Leon Williams

Senior Partnership Officer, Replenishment
Tel.: +39 06 5459 2809
Mob.: +39 366 783 5759
e-mail: l.williams@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra

Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

Consultation on the Twelfth Replenishment of IFAD's Resources —
Third Session
Virtual meeting, 19-21 October 2020

For: **Information**

Summary of the Chairperson: Third Session of the Consultation on the Twelfth Replenishment of IFAD's Resources

1. Members of the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12), IFAD Management and staff, convened from 19 to 21 October 2020 for the third Consultation session. The topics for discussion were graduation, the draft IFAD12 Report and Resolution, and the next steps for completing the IFAD12 Consultation and pledging processes. Representatives from the World Bank, African Development Bank, Asian Development Bank and Green Climate Fund attended as observers.
2. Several distinguished guests participated in the session. The United Nations Deputy Secretary-General, Ms Amina Mohammed, delivered an opening statement advocating for a strong United Nations system and strong support for IFAD to contribute to long-term recovery efforts and the resilience of food systems. This was followed by a statement from the Alternate Governor of the State of Kuwait, Mr Marwan Al-Ghanem, who expressed support for an ambitious programme of work for IFAD12. On the second day, representatives from three civil society organizations – Ms Hasna Zammouri (youth representative), Ms Estrella Penunia (Asian Farmers Association) and Ms Myrna Cunningham (Indigenous Peoples' representative) – gave concrete examples of why IFAD's work matters. They spoke about the role of regular grants in empowering rural people and expressed support for IFAD's plans to expand engagement with community-based organizations through the enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) and Private Sector Financing Programme (PSFP), enhance its focus on youth employment and address biodiversity concerns while strengthening the inclusion of indigenous peoples. On the final day, Dr Jaron Porciello presented the findings of the [Ceres2030](#) initiative, which highlighted the need for donors to double their current spending on food security to end hunger by 2030 and to channel investments into the kinds of activities that IFAD focuses on, i.e. smallholder production, market access and empowerment.
3. In his opening statement, and throughout the session, the President of IFAD emphasized the need to reach consensus on the remaining substantive issues and focus on securing a level of financing for IFAD12 that would allow IFAD to increase its overall support to small-scale producers and especially its support to the poorest and most debt-distressed countries.
4. The agenda was adopted without amendment.

I. Graduation

5. The IFAD12 External Chair, Mr Kyle Peters, provided an update on the status of discussions on IFAD's graduation approach, highlighting the progress made and the main outstanding issues.
6. Members recognized the progress made towards reaching consensus on this topic, and supported inclusion of the related document as an annex to the IFAD12 Report. The Chair outlined the main issues still to be resolved: the process for the Executive Board's approval of a graduation policy, and the time line and role of the Board in decisions on completion and/or renewal of country strategic opportunities programmes (COSOPs) for countries above graduation discussion income.

II. Draft IFAD12 Report

7. Management briefly introduced the IFAD12 Report, reinforcing the 10 key messages of IFAD12. The discussion was divided into three segments: (i) Results

Management Framework (RMF) and commitments matrix; (ii) operational and institutional aspects; and (iii) financial framework and scenarios.

A. Results Management Framework and commitments matrix

8. Members were broadly supportive of the proposed RMF and commitments matrix, noting that together these reflected well the priority areas for IFAD12.
9. Feedback was positive on the way that the RMF had been adapted for IFAD12, in terms of length and structure and the indicators proposed. Several Members appreciated the information on the trade-offs between financial scenarios and the ongoing work to strengthen alignment of indicators with those of the Sustainable Development Goals. There were requests for greater ambition in several areas and Management agreed to increasing the ambition, with a robust IFAD12, in the following areas: (i) international cofinancing to raise the overall cofinancing target from 1:1.4 to 1:1.5; (ii) the share of resources allocated to sub-Saharan Africa from 45 to 50 per cent, and to Africa overall from 50 to 55 per cent; (iii) the climate finance target to 40 per cent; and (iv) the percentage of women in P-5 posts and above from 35 to 40 per cent. Management also agreed to introducing a more specific commitment on biodiversity and proposed wording; however, it was noted that measurement in this area was proving challenging across the multilateral development banks. Management noted that IFAD could only deliver on these higher ambitions if it had the resources required to finance a larger programme of loans and grants (PoLG) in IFAD12 compared to IFAD11. Additionally, Management clarified how the baselines and ambitions were set for the different tiers of indicators, including for the set of enhanced and new indicators included in the RMF.
10. There were questions about specific items in the IFAD12 commitments matrix including on IFAD's engagement in fragile situations and measuring the impact of IFAD's policy engagement. There were also comments about the need to ensure consistency in the language used across all commitments and the alignment of RMF items with the commitments matrix. Several Members welcomed the commitment to present a graduation policy for approval to the Executive Board before the start of IFAD12, but there was also a request to ensure that the commitment does not impose a time line for approval upon the Executive Board. The Chairperson asked Management to follow up bilaterally on the detailed comments and consider appropriate revisions in the next version.

B. Operational and institutional aspects

11. Management presented the operational and institutional elements of the draft IFAD12 Report, focusing on the role of integrated country-level approaches, combining the PoLG with new programmes such as the PSFP and ASAP+, and highlighting the ongoing institutional changes that would support the Fund's ambition for IFAD12 and beyond.
12. Overall, Members appreciated the quality and comprehensiveness of the report and welcomed the additional information provided on IFAD's comparative advantage, the PSFP and ASAP+. The need to ensure complementarity between IFAD's PoLG, private sector engagement through PSFP, ASAP+ and policy dialogue, was highlighted as particularly important. Several Members asked that this complementarity be better highlighted in COSOPs. Entry points for synergies and coordination with other partners should also be identified in COSOPs, in line with countries' priorities and needs. The proposed focus on rural resilience building was welcomed, with some Members asking for more explicit links to the United Nations Build Back Better agenda and the Recovery, Rebuilding and Resilience theme of IFAD12. Members called for emphasis on IFAD's efforts to strengthen its sustainability and scale up its impact, in addition to the efforts outlined in the report to strengthen policy engagement. On policy engagement, some Members noted that IFAD needed to align its ambitions with the availability of resources,

particularly at the country level. Members also noted that while average project size had increased over recent cycles, it was important to ensure project sizes are adapted to context and needs, including allowing for smaller projects where appropriate.

13. Several Members emphasized the importance of IFAD having adequate capacity to perform well in its areas of priority, including its work on mainstreaming themes, fragility, private sector engagement and digital agriculture. In this regard, Members welcomed the ongoing People, Processes and Technology Plan, decentralization efforts and strengthening of IFAD's risk management framework, and referred to IFAD12 as a moment for consolidation of recent reforms. In particular, Members supported IFAD's decentralization efforts, emphasizing the need to ensure that expertise in the mainstreaming areas and in situations of fragility was adequately present in the field. There were discussions about administrative efficiency, with Management indicating that the focus would be on managing the trade-off between expanding IFAD's work and containing its administrative budget, and suggesting that this topic be further discussed at the next Executive Board retreat. Several Members expressed appreciation for IFAD's strong policy on preventing, mitigating and addressing sexual harassment and sexual exploitation and abuse, and for continuing this in IFAD12.

C. Financial framework and scenarios

14. Management provided an overview of the financial scenarios and potential trade-offs, highlighting that only the highest two scenarios would allow IFAD to have a higher programme of work and impact compared to IFAD11, and to maintain or potentially increase its allocation to the debt-distressed countries through the Debt Sustainability Framework (DSF).
15. With regard to the financial scenarios, there was support from a range of Members for the highest two – scenarios D and E. Other Members highlighted the need to balance ambition with realism, suggesting that scenario B be reinstated unless others were willing to increase sufficiently to deliver on the higher scenarios. Management concluded that based on the feedback received during the session, it would be realistic to focus on scenario D in the next version of the IFAD12 Report. This would deliver a positive message on the part of the Consultation of commitment to investing in an inclusive and resilient recovery, and working towards the Sustainable Development Goals. Management also indicated that there would be an opportunity to review the amount of pledges received and the target PoLG level at the Executive Board session in September 2021.
16. Regarding resource allocation, there were questions about how regular grants resources would be allocated in IFAD12. Members called for more Executive Board oversight and clearer prioritization, and noted the trade-off between the regular grants programme and the availability of DSF grants, especially in light of the potential entry of more countries into DSF red and debt distress status over the coming years. Members also noted that lowering the level of regular grants would be in line with their preference to allocate a larger share of resources to the poorest countries. While the importance of the regular grants programme was highlighted, it was agreed that Management would explore options to reduce the amount allocated to regular grants to provide more space for DSF grants. Some Members also asked about the rationale for introducing the Borrowed Resources Access Mechanism. Management indicated that this was key to managing increased borrowing appropriately – an aspect also recognized by the Independent Office of Evaluation of IFAD – as it would allow for balancing country needs with creditworthiness considerations.
17. There was positive feedback on the way in which Management had strengthened its financial architecture over the last few years, putting in place the key elements needed for an enhanced programme of borrowing. Members noted that the

Integrated Borrowing Framework (IBF) still needed to be finalized and agreed on and that this was critical to the overall level of PoLG in IFAD12. Members congratulated IFAD for the excellent credit rating received, indicating this as an important milestone in IFAD's path to doubling impact by 2030 and represented a strong signal of the improvement in IFAD's financial architecture. While a positive credit rating provided opportunities for expanding borrowing at affordable rates, several Members called for IFAD to maintain a prudent approach in this regard.

III. Revised draft IFAD12 Resolution

18. During the discussion on the draft IFAD12 Resolution, the issue of voting rights for contributions to ASAP+ and PSFP was raised, with several Members expressing concerns about the proposal to provide voting rights for such contributions. Management proposed to review the voting rights matter with Member States' guidance, to explore mechanisms to manage substitution risk, and to continue the discussion on the governance of these two programmes. Members also discussed the references to the IBF, agreeing that the language would be placed in brackets pending approval by the Executive Board, and revised in line with the Executive Board outcome. Some Members requested to remove references to market borrowing. Others noted that the Fund should continue exploring the possibility of market borrowing. Management agreed to remove the related language in the Resolution (noting however that a commitment was made in IFAD11 to report back on progress made in preparing for the possibility of market borrowing).
19. Management also presented the proposed mechanism on early encashment. This mechanism would allow Member States making an accelerated payment of their replenishment contributions in one lump sum to receive a discount that could be applied to any arrears generated from previous replenishments. Comments included following the model of peer institutions, including the possibility of receiving voting rights on a Member State's full replenishment pledge, whether paid fully in cash or in the case a discount was applied on the actual payment. It was noted that to provide voting rights for non-cash contributions (such as in recognition of the proposed early encashment discount), an amendment to the Agreement Establishing IFAD would be required. One Member State proactively expressed support for such an amendment, and it was agreed that the next draft of the IFAD12 Resolution would include this early encashment proposal.

IV. Update on IFAD12 workplan

20. As the last item on the agenda, Management presented the next steps for finalizing the IFAD12 Report and Resolution and options for the timing of the main pledging session. It was agreed that the fourth session would be held over two sittings, one in December and one in February before the Governing Council, with the aim of finalizing the report and resolution in December and beginning pledging, with a further opportunity for pledging in February.

V. Concluding statement

21. In his closing statement, the President thanked Member States for the constructive dialogue, reiterating the need to focus on scenarios D and E, and the importance of reaching consensus in the coming weeks on graduation, the IBF and other aspects, which would require flexibility and pragmatism from all sides. The President also thanked Germany and Sweden for announcing additional contributions towards IFAD's work, including the Rural Poor Stimulus Facility. The Chair then summarized the highlights of the discussion, outlined next steps and thanked Member States, the interpreters, and IFAD Management and staff for their contributions to the success of the third session.