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## **Revision of approval procedures for IFAD-financed project/programme and non-sovereign private sector operation proposals**

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**FOR: APPROVAL**

**Useful references:** Proposals for Streamlining the Approval of IFAD-funded Projects and Programmes ([EB 2019/126/R.48/Rev.2](#))

**Action:** The Executive Board is invited to approve the recommendations proposed in paragraph 11.

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### **Technical questions:**

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# Revision of approval procedures for IFAD-financed project/programme and non-sovereign private sector operation proposals

## I. Background

1. Proposals for IFAD-financed projects are posted for Executive Board representatives' review in accordance with the Rules of Procedure of the Executive Board. Rule 24 sets out the lapse-of-time (LOT) procedure for the approval of IFAD-funded projects and programmes. The LOT procedure was approved by the Executive Board in December 2009 ([EB 2009/98/R.15/Rev.1](#)) and further revised in September 2010 ([EB 2010/100/R.41/Rev.1](#)), September 2012 ([EB 2012/106/R.9](#)), and May 2019 ([EB 2019/126/R.48/Rev.2](#)).
2. Resource coverage is ensured for these proposals through the Resources Available for Commitment document approved by the Executive Board.

### A. IFAD-financed project/programme proposals

3. At the 134<sup>th</sup> session of the Executive Board in December 2021, Management presented a Review of the Implementation of the Streamlined Approval of IFAD-funded Projects and Programmes ([EB 2021/134/INF.3](#)). The review provided information on the benefits of having an increased LOT ceiling (from US\$25 million to US\$40 million).
4. During an informal seminar in March 2023, Management sought representatives' views and appetite regarding a further increase in the LOT ceiling, from US\$40 million to US\$50 million. This proposal was received positively by representatives present, as this ceiling was determined by Management to provide the optimal context to achieve increased efficiency. At the 138<sup>th</sup> session in May 2023, Management proposed, and the Board approved, a number of measures aimed at enhancing the effectiveness and efficiency of the organization's governance processes. Management also indicated its intention to submit a proposal for revising the approval procedures for project/programme and non-sovereign private sector operation (NSO) proposals, in response to representatives' requests to consider adopting a rolling approach to approvals ([EB 2023/138/R.10](#)).
5. Based on the current Twelfth Replenishment of IFAD's Resources (IFAD12) approvals and pipeline to date, and taking into consideration purely financing amounts, it is expected that the number of proposals being presented for approval to formal sessions of the Executive Board would be reduced by 43 per cent, increasing the potential for a more balanced annual schedule of approvals.
6. However, Management will reserve the option of presenting proposals requiring close attention (track 1 proposals) to a formal session of the Executive Board in line with the modalities contained in document [EB 2023/138/R.10](#). Likewise, members will retain their right to request that any LOT proposal be discussed at a formal session of the Executive Board.

### B. Non-sovereign private sector operations

7. Also at the informal seminar in March, representatives were invited to share their views on the approval of NSOs under the LOT procedure.
8. To date, seven NSOs have been approved by the Executive Board: in Nigeria, Madagascar, Mozambique, Uganda, Plurinational State of Bolivia and Cambodia, and an equity investment in the Agribusiness Capital (ABC) Fund. The country NSOs were approved by the Executive Board at formal sessions (table 1), apart from the project in Uganda, which was approved through vote by correspondence to meet the needs of the recipient, Stanbic Bank.

9. The experience so far has shown that while the Board’s oversight and approval are important, a certain degree of flexibility is needed to respond quickly and with agility when dealing with the private sector. This has been emphasized by various private sector partners with whom IFAD has engaged. Private sector recipients work within sensitive timelines dictated by environmental and market conditions (such as short crop cycles, seeding and fertilizer application periods, and natural seasonality of supply and demand within value chains), as well as specific windows of opportunity for prices and business transactions.
10. Submission of NSOs for approval under the LOT procedure would address this need for flexibility, while ensuring full oversight and review by the Board. This is also consistent with the best practices of other international financial institutions. Members will, of course, retain their prerogative to request discussion of any LOT proposal at a formal session of the Executive Board.

Table 1  
**List of NSOs approved to date**  
(United States dollars)

<i>Country</i>	<i>Name of the institution</i>	<i>Ticket size</i>	<i>Executive Board approval</i>	<i>Executive Board session</i>
Nigeria	Babban Gona	5 000 000	Dec 2020	Formal consultation – EB 131
Madagascar	Soafiary	3 810 000	Dec 2021	Formal consultation – EB 134
Mozambique	Futuro	2 000 000	Dec 2021	Formal consultation – EB 134
Uganda	Stanbic	5 000 000	Jun 2021	Vote by correspondence
Bolivia (Plurinational State of)	CRECER	5 000 000	April 2022	Formal consultation – EB 135
Cambodia	AMK	5 000 000	Sep 2022	Formal consultation – EB 136
<b>Total</b>		<b>25 810 000</b>		

Table 2  
**2023 and 2024 tentative pipeline**

<i>Country</i>	<i>Recipient</i>	<i>Month</i>	<i>Executive Board expected approval from</i>
Malawi	Bank	Sep 2023	Formal consultation
Uzbekistan	Bank	Dec 2023	Formal consultation
4 countries in East Africa (Uganda, Kenya, United Republic of Tanzania, Rwanda)	Large-scale platform for climate adaptation	Nov 2023	TBD
Togo	Microfinance institution	Feb 2024	TBD
Benin	Microfinance institution	Feb 2024	TBD

## C. Recommendations

11. The Executive Board is invited to approve the following recommendations with immediate effect:
- Increase the lapse-of-time ceiling from US\$40 million to US\$50 million; and
  - Authorize submission of non-sovereign private sector operations up to a ceiling of US\$25 million for approval under the lapse-of-time procedure.