
Revisions to the Framework for IFAD non-Sovereign Private Sector Operations and Establishment of a Private Sector Trust Fund

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Useful references: Framework for IFAD non-Sovereign Private Sector Operations and Establishment of a Private Sector Trust Fund ([EB 2020/129/R.11/Rev.1](#)); IFAD13 monitorable action 16 ([IFAD13/4/R.2](#)); IFAD Private Sector Engagement Strategy 2019–2024 ([EB 2019/127/R.3](#)).

Action: The Executive Board is invited to approve the revisions to section VIII of the Framework for IFAD non-Sovereign Private Sector Operations and Establishment of a Private Sector Trust Fund (2020), as contained herein.

Technical questions:

James Marc de Sousa-Shields
Director a.i.
Private Sector Operations Division
e-mail: m.desousashields@ifad.org

Kenji Shundo
Senior Global Technical Specialist – Private Sector Investment
Private Sector Operations Division
e-mail: k.shundo@ifad.org

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I. Rationale for the revision

1. In April 2020, the Executive Board approved a Framework for IFAD non-Sovereign Private Sector Operations and Establishment of a Private Sector Trust Fund ([EB 2020/129/R.11/Rev.1](#)). Building on the IFAD Private Sector Engagement Strategy 2019–2024 ([EB 2019/127/R.3](#)), the NSO Framework has guided design and implementation of IFAD’s non-sovereign operations (NSOs) during the Eleventh Replenishment of IFAD’s Resources (IFAD11) and IFAD12 periods.
2. In the Report of the Consultation on the Thirteenth Replenishment of IFAD’s Resources ([GC 47/L.5](#)), it was decided that IFAD would strengthen its private sector operations and engagement, among others by establishing a new funding model for the Private Sector Financing Programme (PSFP).¹ This reform implies that, going forward, the PSFP will – in addition to supplementary funds – be funded from IFAD’s own resources (including core and borrowed resources). A stronger PSFP will be an important vehicle for increasing private sector investment during the IFAD13 period. The new funding model will make financing for the PSFP more predictable and scalable.
3. In the context of the new PSFP funding model, it has become necessary to update the current NSO Framework, specifically section VIII on governance and resource mobilization. This proposed update responds to monitorable action 16 in the IFAD13 Report to present a framework for implementing the new PSFP modalities to the Executive Board.
4. The suggested key changes are as follows:
 - From IFAD13 onwards, NSOs may be funded with IFAD’s own resources (including core and borrowed resources), with the corresponding assets kept on the balance sheet.
 - The Private Sector Trust Fund (PSTF) continues to be an important part of IFAD’s PSFP funding model, but is no longer the sole vehicle and channel for managing incoming and outgoing NSO resources. The PSTF will continue to be the vehicle to receive concessional resources and provide funding for NSO transactions.
 - In addition to the existing Executive Board approval of NSOs,² Management will, from IFAD13 onwards, also submit to the Board an annual NSO programming update for information. This proposal builds on the commitment contained in the IFAD13 Report to present updated PSFP governance measures to the Board arising from the new funding model.
 - IFAD’s NSO programme will now be referred to as the Private Sector Financing Programme (PSFP), as referenced in the IFAD12 and IFAD13 Reports.

¹ The decision to establish the PSFP was included in the Report of the Consultation on the Twelfth Replenishment of IFAD’s Resources ([GC 44/L.6/Rev.1](#)), approved by the Governing Council in February 2021. Further details on the PSFP are provided in annex VI of that report.

² As per the revision of approval procedures for IFAD-financed project/programme and non-sovereign private sector operation proposals (EB 2023/139/R.16/Rev.1 <https://webapps.ifad.org/members/eb/139/docs/EB-2023-139-R-16-Rev-1.pdf>), NSOs up to a ceiling of US\$25 million may be approved under the lapse-of-time procedure. NSOs exceeding that threshold are presented to the Executive Board for approval at a formal session.

5. The proposed revisions to section VIII on governance and resource mobilization will replace in full the existing section VIII of the Framework for IFAD non-Sovereign Private Sector Operations and Establishment of a Private Sector Trust Fund, approved by the Executive Board in April 2020.
6. The revised section VIII is set out in the annex. For ease of reference, insertions are underlined while deletions are shown in strikethrough.

Revisions to the Framework for IFAD non-Sovereign Private Sector Operations and Establishment of a Private Sector Trust Fund

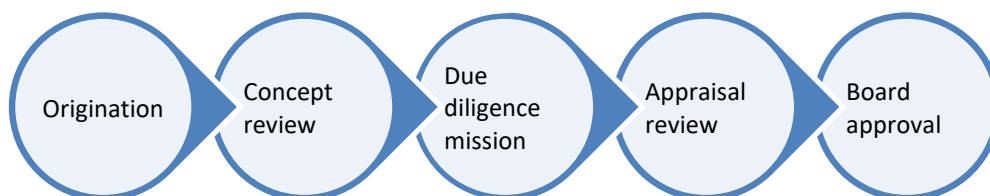
For ease of reference, insertions are shown underlined and deletions in strikethrough. Together with the amendments shown below, updates to reflect progress and the impact of recalibration will also be addressed. Upon the approval of the Executive Board, the revised document will be posted on the IFAD website as EB 2020/129/R.11/Rev.2.

Governance and resource mobilization

A. Review and approval process

85. In order to deliver NSOs, IFAD ~~has~~will ~~adopted~~adopt a rigorous and flexible review process (see figure 1), which will be further developed and updated by Management on a needs must basis. Indeed, ~~virtually every single partner consulted by IFAD has highlighted the need for speed and agility in dealing with the private sector. Nevertheless, IFAD must also ensure rigour to protect its reputation and its privileges and immunities, to manage risks arising from E&S issues, litigation and to preserve its financial position (see figure 1).~~ The Executive Board has the general oversight role of the Private Sector Financing Programme (PSFP) and will approve all NSOs included in it.³ Note that all proposed NSO projects will be submitted to the Executive Board for approval. Additionally, starting from IFAD13, Management will also submit to the Executive Board an annual NSO programming update for information.

Figure 1
Review process of NSOs



B. Resource mobilization and for the PSFP, including the Private Sector Trust Fund (PSTF)

86. In order to support the delivery of the PSFP, and NSOs, included in it, funding will be sourced and channelled from: (i) supplementary funds, with corresponding assets held off the IFAD balance sheet in the PSTF; (ii) core contributions, with corresponding assets held on the IFAD balance sheet; and (iii) borrowed resources, with assets also held on the IFAD balance sheet. ~~IFAD will seek to raise resources from traditional donors and global facilities such as the ones offering climate finance as well as from the private sector, including foundations and impact investors. There is in fact an opportunity to attract some private resources from investors who value development impact that can be achieved by IFAD.~~

³ According to annex VI of the Report of the Consultation on the Twelfth Replenishment of IFAD's Resources, a PSFP Advisory Committee has been created for contributing donors to the PSTF in order to provide strategic input and guidance. The Advisory Committee does not approve NSO projects.

87. The PSTF, established by the Executive Board as an outcome of the approved original NSO Framework proposal,⁴ will complement IFAD's NSO resources kept on IFAD's stand-alone financial statements, will be used to meet the demand for high-impact products and may follow specific contributor deployment priorities. The PSTF is expected to support NSOs in particular in countries with the greatest needs (for example in low-income countries and fragile contexts). PSTF resources may also be used on a demand basis for blending with IFAD's borrowed resources. To facilitate resource mobilization, a multi-donor trust fund for NSOs (the Private Sector Trust Fund) will be established to receive contributions for the implementation of the PSS, with IFAD acting as the trustee, following existing precedents. The proposal for the establishment of a multi-donor trust fund has been submitted to the Executive Board for approval and is included in annex I. The Executive Board has the authority to establish the proposed trust fund by virtue of Governing Council resolution 77/2, as amended by resolution 86/XVIII, which authorizes the Executive Board to exercise all most of the powers of the Governing Council, as determined by article 6, section 2(c) of the Agreement Establishing IFAD. Moreover, Governing Council resolution 134/XXVII delegates authority to the Board to decide on the establishment of such a trust fund.
88. The ~~PSTF~~ Private Sector Trust Fund will seek and accept contributions and funding from Member States, non-Member States and other non-state actors, including multilateral organizations, philanthropic individuals and foundations, and any other interested entities. In terms of type of resources, IFAD will seek to attract grants and low cost resources, while enhancing opportunities for co-financing with IFIs and private sector entities. Contributors will be given flexibility and the choice between allowing any earnings and fees to reflow to the trust fund PSTF, and so made available for additional NSO activities, and being paid out of their pro-rata share of earnings from the portfolio of projects on a regular basis. Through the trust fund PSTF, IFAD will manage the contributions and reflows according to contributors' preferences. Given that NSOs will be ring-fenced in this dedicated trust fund, the capital of IFAD will not be impacted by the operations sourced from this trust fund and will continue to support only sovereign transactions. Any losses arising from investments made using the resources of the trust fund PSTF would be borne by the contributors of such resources up on a pro-rata basis to the limit of their initial contributions.
89. With regard to accepting supplementary funds to support NSOs, the PSS 2019–2025⁵ expanded the scope of the President's delegated authority in order to allow IFAD to accept supplementary funds from public organizations, the private sector and foundations to finance activities related to IFAD's mandate up to and including US\$5 million. Any amount above US\$5 million would require the Executive Board's approval. The acceptance of such funds would be subject to IFAD's internal due diligence process for private sector partners, as discussed earlier in this Framework.

⁴ See annex I, proposed instrument for the establishment of a private sector trust fund for the implementation of IFAD's Private Sector Engagement Strategy (the "Private Sector Trust Fund"), in the 2020 Framework for IFAD non-Sovereign Private Sector Operations and Establishment of a Private Sector Trust Fund.

⁵ This delegation is also included in the proposed new Private Sector Operational Strategy 2025–2030.