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## Report on operational items discussed at the Executive Board consultation on 25 and 27 November 2024

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## I. Introduction

1. The Executive Board met in hybrid modality on 25 and 27 November 2024 for consultations on the batch of country strategic opportunities programmes (COSOPs) submitted for the Board's online review and projects/programmes submitted for approval at the upcoming Executive Board session in December. The consultation was held to enable Member States to engage in an in-depth discussion on the items, ahead of their presentation for the Board's approval through the batch procedure at the start of the Executive Board session, following the adoption of the agenda. The consultation complements the individual written comments shared by Membership with country teams, to which country teams provide written responses.
2. The items discussed included seven investment projects (in Argentina, Brazil, Egypt, Viet Nam and Zambia), four COSOPs (Argentina, China, Guinea-Bissau and Montenegro) and two grants to the private sector (in the United Republic of Tanzania and the Latin America and the Caribbean region).
3. In attendance at the session were representatives from 17 Member States on the Executive Board, along with four other Member State representatives. Some of the latter Member States took the floor when the COSOPs and projects for their respective countries were discussed.
4. The consultation was chaired by the Associate Vice-President, Department for Country Operations, and attended by the directors of the relevant divisions, country directors, project technical leads, the Secretary of IFAD and other IFAD staff. Day one comprised a morning and afternoon session, while on the second day, one session was held in the afternoon.
5. There was a rich discussion around the COSOPs and projects. Delegates raised queries and provided strategic and technical feedback to the teams. Overall, representatives were supportive of the projects and there was notable appreciation for the strong government ownership embedded in their designs. Several overarching themes emerged during the consultation. These are summarized below:

### Projects

- Risk assessment methodology. Clarifications were sought on IFAD's risk assessment taxonomy and the application of residual and inherent risks in the new designs. Management explained that as per the new methodology all projects were rated the same for both residual risk and inherent risk at design, and based on success of mitigation action at implementation, risk status is updated. Following comments made by members, Management has ensured that all project documents submitted for consideration at the 143<sup>rd</sup> session of the Board adhere to this methodology.
- Financing gaps. Members asked about the financing structure of projects with financing gaps. Management elaborated on the planned financing to fill such gaps and explained that designs with financing gaps would become increasingly frequent with the introduction of the multiphase adaptive programme approach as a way to increase design efficiency and also leave room to mobilize cofinancing from bilateral and multilateral partners.
- Subnational lending. The increasing prevalence of subnational lending in projects was acknowledged as a new operational reality under IFAD13, posing particular challenges and requiring adaptation by IFAD.

## COSOPs

- Indicators. There was a constructive discussion on the relevance, realism and reliability of indicators in COSOPs of countries that have surpassed the Graduation Discussion Income (GDI) threshold for three consecutive years. Management addressed the question of whether IFAD could impact the COSOP assessment framework indicators, emphasizing the distinction between measuring IFAD's impact and assessing a country's need for financial support. While IFAD's influence on the COSOP assessment framework indicators might be limited, the indicators remained useful for monitoring a country's development and continued need for support. Management acknowledged challenges in obtaining credible, internationally accepted data for some SDGs. The issue about national versus subnational data was also raised in cases where a COSOP was focused on a specific region due to the incidence of poverty. Management agreed that in addition to national indicators, regional indicators could be helpful. There was a need for reliable subnational data if these were to be used.
- Focus on impact. The discussions underscored the importance of focusing on a limited number of areas where IFAD's investments could make a tangible impact.
- Learning across COSOPs of countries that have surpassed the GDI threshold for three consecutive years. With the growing number of COSOPs being discussed for countries surpassing the GDI threshold, Member States noted the value of synthesizing learning across COSOPs, especially regarding indicator design and monitoring. IFAD reassured the members that their comments would be integrated into COSOP annual implementation reviews to reinforce accountability and responsiveness. IFAD was committed to active learning from other international financial institutions (IFIs).

## II. Summary of proposals and discussions

### A. Asia and the Pacific

- Viet Nam – Climate Resilient and Inclusive Water Infrastructure for Rural Smallholders in Thanh Hoa and Nghe An provinces (CRWIS) (GD2RP) (EB 2024/143/R.3) and Viet Nam – Reduced Emissions through Climate-Smart Agroforestry (RECAF) (EB 2024/143/R.4)
6. IFAD underscored that CRWIS supported high-value products such as vegetables, medicinal plants and aquaculture as well as rice. Funding included contributions from central and provincial governments and beneficiaries. IFAD had secured a commitment from the Adaptation Fund for a grant of US\$10 million to support advisory services on fertilizer and pesticide management, organic manure management and other climate-smart practices.
  7. In response to questions by Member States, IFAD explained that residual risk in RECAF was equal to the inherent risk at design due to the absence of mitigating measures. The public-private-producer partnership (4P) approach facilitated zero-deforestation value chains and mobilized resources. Cofinancing included a US\$35 million grant from the Green Climate Fund. Research institutions would contribute during implementation. RECAF's planned outreach for women was 40 per cent based on design analysis, while CRWIS targeted 50 per cent, and was validated as gender-transformative with leadership and empowerment initiatives. Although persons with disabilities are not a specific target, inclusion would be discussed during project start-up.

China – Country strategic opportunities programme (COSOP) (EB 2024/OR/20/Add.1)<sup>1</sup> and country strategy and programme evaluation (CSPE) (EB 2024/OR/20)

8. The Independent Office of Evaluation of IFAD (IOE) presented the key aspects of the CSPE for China. The representative for China confirmed the full alignment of the COSOP with national priorities, particularly the Government's rural revitalization strategy. He commended the focus on vulnerable populations, including smallholder farmers, youth and women.
9. Member States commended the focus on alleviating poverty pockets, addressing regional inequalities, fostering climate mitigation measures and supporting green and sustainable agricultural development in the central and western provinces. Member States called for a full alignment with IFAD's Graduation Policy, clear graduation pathways, achievable targets and robust policy engagement. Member States appreciated the emphasis on knowledge management and STTC.
10. Management clarified that should an upper-middle-income country (UMIC) move into the high-income category within the duration of an ongoing replenishment cycle, the UMIC would be eligible, as per IFAD's transition framework, for ordinary term loans through the Borrowed Resource Access Mechanism (BRAM) until the end of that cycle, per IFAD's standard operating procedures. In the case of a country in the high-income category before the beginning of the cycle, the IFAD standard lending practice was applicable, namely not to lend to a high-income country.

## B. East and Southern Africa

Zambia – Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP) (EB 2024/143/R.5)

11. IFAD explained that it would close the financing gap using Zambia's IFAD13 allocation and potential support from development finance institutions. Debt challenges were mitigated by IFAD's status as an IMF-preferred creditor. De-risking mechanisms included insurance and guarantees through the Government-funded Sustainable Agricultural Finance Facility. Cofinancing would include private sector contributions determined pre-implementation. Baseline indicators were set at zero due to the first-time introduction of innovative financing tools. Policy support included green financing, environment and social governance measures, automated complaints systems and technical assistance. Climate-smart agriculture extension would be delivered via Ministry of Agriculture units.

## C. Latin America and the Caribbean

Argentina – Country strategic opportunities programme (COSOP) (EB 2024/OR/21/Add.1)<sup>2</sup> and country strategy and programme evaluation (CSPE) (EB 2024/OR/18)

12. Following IOE's presentation of Argentina's recent CSPE, the Argentine representative highlighted the strong collaboration with IFAD and emphasized opportunities for cofinancing, including from the private sector.
13. Member States welcomed the COSOP and voiced appreciation for the insights provided by the CSPE. They commended the targeting approach and focus on strengthening local institutions but requested clarification on some indicators and the definition of family farming. Members also suggested expanding the use of climate finance for the COSOP.
14. IFAD noted that the COSOP drew on lessons from past interventions and was aligned with national priorities. Targets were set based on detailed analysis and scenario-based projections. Clarifications were provided on family farming terminology and indicator selection. The COSOP's ambitious framework prioritized

<sup>1</sup> Annex I contains a detailed account of the discussion.

<sup>2</sup> Annex I contains a detailed account of the discussion.

financial inclusion, subnational government support, gender equality and assistance to vulnerable populations.

Argentina – Promotion of Resilient and Sustainable Agrifood Systems for Family Farming Programme (PROSAF) (EB 2024/143/R.6)

15. Argentina endorsed additional financing for PROSAF, highlighting its alignment with national policies. France sought clarification on additional financing efforts and the integration of government reforms benefiting family farmers and smallholders.
16. IFAD underscored its robust cofinancing framework with the regional development bank FONPLATA, and the contributions of provincial governments and the private sector. The programme leveraged reforms through beekeeping cooperatives, focusing on poverty-stricken areas and targeting organizations whose members have very limited opportunities to earn an income, promoting inclusivity. Amid Argentina's current economic challenges, national public funding for rural development and family farming projects had declined. To address this, IFAD had adapted its portfolio by shifting project execution to provincial governments. PROSAF's additional financing would be allocated to the provincial government of Entre Ríos and managed by its provincial implementation unit, ensuring continued support for family farming organizations.

Brazil – Climate Resilience, Food Security and Nutrition in the Northeast Semiarid of Brazil Project (PDHC III) (EB 2024/143/R.7) and Brazil – Capacity Development for Overcoming Hunger and Mitigating the Effects of Rural Poverty and Extreme Poverty (PPF II) (EB 2024/143/R.8)

17. Brazil endorsed the PDHC III and PPF II projects, emphasizing their alignment with national policies and commitment to reducing rural poverty in the northeast. Member States sought clarification on potential overlaps in Ceará State and the coordination between federal and local levels for PDHC III.
18. IFAD explained that the projects operated in distinct municipalities within Ceará, avoiding overlap while fostering synergies. PDHC III employed a territorial approach with local committees, ensuring coordination with the Federal Government and active civil society participation. This approach addressed governance challenges from phase II and strengthened territorial representation in decision-making.

#### D. Near East, North Africa and Europe

Montenegro – Country strategic opportunities programme (COSOP) (EB 2024/OR/17)<sup>3</sup>

19. Member States commended the COSOP's focus on mountain regions. Members sought clarification about potential overlaps between IFAD support and the country's European Union (EU) accession options, and about broadening the investments for global public goods and institutional strengthening. It was clarified that the EU support did not reach IFAD's target groups and there was strong complementarity with IFAD. IFAD would monitor the accession progress and adjust its approach accordingly, noting that the process was slow. The COSOP aimed to promote innovative, climate-friendly technologies in agriculture, ecotourism and natural resource management, contributing to carbon sequestration and limiting greenhouse gas emissions. Capacity-building of local governments would strengthen rural institutions. The setting of COSOP completion targets was based on extensive data analysis, with Sustainable Development Goals (SDG) indicators selected for their relevance and the availability of statistics. Members suggested exploring potential partnerships with EU institutions, including the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

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<sup>3</sup> Annex I contains a detailed account of the discussion.

Egypt – Climate-Resilient On-farm Water Management in Nile Valley (CROWN) (EB 2024/143/R.9)

20. Egypt reaffirmed its commitment to CROWN, noting its alignment with the National Agricultural Development Strategy 2030 and the focus on irrigation challenges.
21. Member States raised concerns about the financing gap, risk assessment inconsistencies, interministerial coordination and the sustainability of water users associations (WUAs). IFAD committed to addressing the financing gap through the IFAD13 allocation or cofinancing from IFIs such as Agence Française de Développement, noting that CROWN was underpinned by the country's flagship country platform that primarily aimed to crowd-in public and private financing. Risk tables would be updated per guidelines. Drawing on lessons learned from previous IFAD interventions, WUAs would receive training for infrastructure management, with higher-level maintenance provided by the Ministry of Water Resources and Irrigation. A strong programme steering committee was foreseen to address potential coordination issues and this was specified as legally binding in the financing agreement. CROWN also advocated for the application of the 2021 Water Law to strengthen WUA capacities.

#### E. West and Central Africa

Guinea-Bissau – Country strategic opportunities programme (COSOP) (EB 2024/OR/15) and country strategy and programme evaluation (CSPE) (EB 2024/OR/16)

22. Member States welcomed the COSOP's alignment with CSPE recommendations, addressing poverty, gender inequality and institutional strengthening to mitigate fragility. Member States remarked on the importance of the mangrove ecosystem, and questioned the lack of focus on food systems transformation and the limited presence of development partners.
23. The COSOP ensured IFAD's presence despite political instability, and would address fragility through the Small Island States Resilience Initiative. Poverty and inequality would be tackled via social inclusion measures such as youth entrepreneurship incubators, financial inclusion and functional literacy. Rural institutions would be strengthened based on a diagnostic of producers' organizations carried out in 2023.

#### F. Grants to the private sector

Inclusive Financial Ecosystem for Food Systems Transformation (EB 2024/143/R.10)

24. France and the Kingdom of the Netherlands expressed strong interest in the grant. France enquired about alignment with ongoing projects involving public banks, integration with the new Private Sector Strategy, knowledge-sharing approaches and whether there would be regular progress updates. The Kingdom of the Netherlands requested clarification on the budget allocation for the two pilot countries.
25. IFAD explained that the programme built on key lessons from its work with national development banks and financial institutions and was informed by a recent review of global experiences by the Sustainable Production, Markets and Institutions Division. The grant was aligned with IFAD's 2025–2030 Private Sector Operational Engagement Strategy, particularly strategic objective 2, which was focused on catalysing private sector financing for inclusive and resilient food systems. It supported deploying financial instruments tailored to benefit target groups, including smallholders, women entrepreneurs and youth (action area 3).
26. To facilitate knowledge-sharing, the programme foresaw workshops, reports and peer-to-peer learning platforms by leveraging partnerships with the Latin American Association of Development Financing Institutions, the Asia-Pacific Rural and Agricultural Credit Association and IFAD's Agricultural Public Development Bank

Platform. These efforts aimed to disseminate best practices, innovative finance models and lessons learned from pilot initiatives.

United Republic of Tanzania: Data for Digital Agricultural Transformation Initiative (EB 2024/143/R.11)

27. Member States enquired about how the project would complement other ongoing projects to support the public and private banks and how knowledge emanating from this experience would be shared. IFAD clarified that the beneficiaries will be linked to ongoing sovereign operations, that bilateral cofinancing was being explored and that the steering committees would meet quarterly.
28. Member States also enquired about the value chain focus, the role of the Ministry of Agriculture and the budget allocation for capacity-building. IFAD confirmed that support would be provided for specific value chains, that ministry interoperability plans would be developed and that FAO would provide funding of US\$950,000 for the capacity-building budget.
29. The Kingdom of the Netherlands emphasized scaling agritechs and extending monitoring. IFAD responded by highlighting the blended finance efforts foreseen, the partnerships with banks and potential funding to extend the project timeline.

## Summary of deliberations on the COSOPs for Montenegro, Argentina and China

### Montenegro

Following presentation of the COSOP by the Director, Near East, North Africa and Europe Division, the floor was opened for questions and observations. The Board representative for Japan welcomed the COSOP and asked for clarification on how IFAD would support Montenegro in increasing expenditure on agriculture in alignment with EU standards, given that the country was in the process of accession to the European Union.

The representative of Germany raised several points regarding the framework of the discussed exercise and its overlap with the EU accession process, particularly in the agricultural sector, and sought clarification on how this overlap influenced the numbers and indicators used, noting its significant impact on the COSOP. He also questioned IFAD's specific support to housing and requested further details. The representative also enquired about the absence of the European Investment Bank (EIB) in the COSOP, while the European Bank for Reconstruction and Development (EBRD) had been included, and suggested that the EIB could be a valuable partner for IFAD. Germany recommended prioritizing the graduation objectives and ensuring that the strategy aligned with the regional focus and targeting goals already established. Lastly, he underscored the necessity of linking the graduation approach with the implications of EU accession to reflect its broader significance in the strategic planning process.

The representative for the United States echoed concerns raised by Japan and Germany, emphasizing the need to strengthen the COSOP's alignment with IFAD's Graduation Policy, particularly regarding its promotion of global public goods and the strengthening of rural institutions and governance. He highlighted the importance of clarifying these linkages given the strategic objectives outlined – especially strategic objective 1 which referenced global public goods (GPGs) and rural institutions – and suggested that the mechanisms for achieving these outcomes be made more explicit. Specifically, the represented requested better justification of GPG co-benefits from housing support, clearer approaches to municipal capacity-building for efficient project implementation, and improved rationale for the ambitious indicators. Concerns were raised about the lack of alignment of some indicators with the scope of IFAD's influence, such as gender representation in local government (SDG 5), regional poverty indices (SDG 1), and undernourishment rates, as these remain static. The representative questioned the relevance of broad indicators such as government agricultural expenditure, suggesting that IFAD should focus on priorities for which it can advocate. He also sought clarification on how IFAD plans to align itself with the EU's growth plan for the Western Balkans and Montenegro's future financing needs, urging for a sharper focus on these strategic links.

The representative for France echoed the queries raised by Japan, Germany and the United States and stressed the need for coherence between the COSOP and the European Union's medium-term dynamics, particularly in rural reinforcement and innovation. He highlighted the lack of emphasis on promoting global public goods in the COSOP and suggested boosting actions that supported biodiversity preservation and rural waste management, given their global significance for Montenegro's resources. France also underscored the importance of aligning indicators and actions to track progress in combating hunger and promoting decent work globally. The representative also asked about IFAD's strategy for ensuring greater territorial impact and for addressing disparities between the northern and southern regions of Montenegro within the framework of the COSOP.



The representative for Brazil welcomed the COSOP and remarked that the mountainous north of Montenegro presented challenges and opportunities for IFAD. Its expertise in this area would be crucial for fostering resilience, reducing poverty, empowering women and youth, and unlocking sustainable economic development.

Management responded by stating that the selection of indicators had been determined by Montenegro's EU accession readiness and the implications for the COSOP, with the indicators reflecting the country's pre-accession readiness. These indicators were carefully chosen to align with EU accession goals, factoring in macroeconomic projections, access to capital, the Rural Sector Performance Assessment (RSPA) and data availability to ensure measurability and relevance. The COSOP also took account of the potential of IFAD's financing and influence, particularly in regions where it had operational experience, such as the north of the country. The indicators emphasized areas where IFAD could have a direct impact, ensuring a focus on measurable changes in agriculture and rural development. SDG 2 sub-indicators, including the share of agriculture in government expenditure, were highlighted as strategic for EU alignment, despite IFAD's limited direct influence. Efforts would focus on advocating for increased agricultural investment in the northern region, addressing the disparities with central and coastal areas. Management also reflected on the questions about global public goods, housing, innovation and building rural institutions and committed to sharpening strategies in these areas. The uncertainty surrounding Montenegro's EU accession timeline, initially planned for 2018 and now projected for 2028, was acknowledged. This shifting timeline underscored the need for adaptability while maintaining alignment with EU standards. Partner consultations in Montenegro had highlighted potential shifts in expectations, prompting a balanced approach to planning and indicator selection. Management also highlighted Montenegro's efforts to promote public goods through forestry and pasture management. Key initiatives included improving forest management, reducing forest fires and sustainably managing pastures, all of which contributed significantly to public goods. These efforts were already detailed in the document, though their importance could be further emphasized. Management also addressed the use of subnational indicators for SDG 1, highlighting the need for consistency with other COSOPs. Finally, Management confirmed its intention to expand partnerships for financing in Montenegro.

## Argentina

Following the presentation of the COSOP by the Director, Latin America and the Caribbean Division, the Director, IOE, provided comments on the second country strategy and programme evaluation (CSPE) in Argentina (2011–2023). IOE remarked that during the evaluation period, Argentina had faced political, institutional and economic challenges, and had seen a quadrupling of poverty. In this context, IFAD's work had gained relevance, particularly in highlighting family farming amid a policy environment dominated by large-scale, export-oriented agriculture. The evaluation noted alignment between the country programme and government priorities, but results had been modest in terms of enhancing producers' capacities and institutional support for rural development. Additionally, gaps in adapting business plans to the diverse socio-organizational needs of target groups had limited the impact on producers' incomes, and sustainability of investments remained a key challenge.

The agreement at completion point, signed in October 2024, affirmed three key recommendations from the CSPE: enhancing IFAD's value added in Argentina, tailoring interventions to diverse target groups, and strengthening the monitoring and evaluation (M&E) system. IOE confirmed that the COSOP 2025–2030 reflected the CSPE findings but that there was room for improvement, including bolstering IFAD's operational and strategic capacities to manage the country's geographic and institutional complexities, improving M&E systems based on the COSOP's theory of change, and selecting tailored support mechanisms for different family farming subgroups.

The representative for the Government of Argentina emphasized the importance of IFAD's collaboration in supporting Argentina's recovery during ongoing macroeconomic reforms aimed at achieving stability. He commended the joint efforts of IFAD and Argentina's technical teams in drafting of the COSOP and noted Argentina's close collaboration with IFAD, highlighting that IFAD had been able to leverage cofinancing from the Government of Argentina for every dollar of investment. He noted that the COSOP correctly identified the key priorities for the next phase of collaboration, including addressing poverty, supporting family farming and fostering regional economic development, particularly in the northern provinces. He stressed the need to enhance cooperation at the subnational level, recognizing Argentina's vast geographical spread and the importance of tailored tools and partnerships responding to subregional needs. He highlighted efforts to attract private sector investment and improve the food basket and price stability, which would create better conditions for measuring project impacts, an area acknowledged as a weakness. He noted that the first project under the COSOP, in Entre Ríos Province, was aligned with national strategies but focused on subnational initiatives to meet fiscal reform goals. This approach underscored Argentina's commitment to achieving strategic milestones, fostering cooperation and strengthening result measurement capacities. The representative concluded by reaffirming Argentina's dedication to meeting its targets and thanking IFAD and its Member States for their continued support.

Brazil acknowledged that the COSOP, jointly prepared by IFAD and the Government, presented a comprehensive strategy to address rural poverty and promote sustainable development, with an emphasis on support for family farmers as essential to food production and the rural economy. The programme prioritized empowering rural families, enhancing market access, and targeting regions with a high prevalence of poverty and family farming. Recommendations in the CSPE focused on strengthening M&E systems, tailoring interventions for diverse populations, and improving institutional capacities to ensure effective implementation. Brazil acknowledged that the partnership between IFAD and Argentina was vital for tackling rural development challenges and fostering inclusive, sustainable growth. She noted that this collaboration highlighted IFAD's critical role in advancing Argentina's rural development goals.

The representative from the United States raised several points regarding the Argentina COSOP. He questioned the inclusion of a statement on achieving high-income status, seeking clarification on its relevance and alignment with the Graduation Policy, given that IFAD financing focused on the poorest and most vulnerable people, and expressed concern about aligning the lending trajectory with graduation objectives. The representative noted challenges such as family farmers' limited access to financial services due to a weak policy environment and asked about Management's strategy to address these issues. He noted that positive aspects such as the realistic RSPA indicator targets and the use of subnational indicators for SDGs 1 and 8, which highlighted regional disparities and IFAD's localized interventions. However, the representative urged IFAD to optimize limited resources, address gaps in support for family farming, and enhance alignment with the Graduation Policy. He appreciated the ambition of the COSOP and encouraged similar frameworks for other countries transitioning from IFAD financing.

The representative for Germany reiterated the query of the United States on the scenario of Argentina achieving high-income status and sought clarity on whether the term "regional public good," referred to internal country regions or neighbouring countries. The representative suggested that there was potential for a link to South-South cooperation. He also highlighted a terminology issue, asking for a clear definition of "small-scale family farmers," as it differed from "smallholders" and could encompass both wealthy and poor farmers. He expressed some concerns about the weaknesses identified in the CSPE (2011–2023), particularly regarding Argentina's readiness for graduation. He commented that expanding focus areas without resolving existing challenges might hinder progress and emphasized the need for partnerships to address

infrastructure gaps such as irrigation, roads and connectivity, as these required significant resources beyond IFAD's capacity. Lastly, the representative commented on Argentina's existing expertise in food systems and agriculture, calling for IFAD to clearly define its added value, particularly in knowledge-sharing, which could be further strengthened in the COSOP.

The representative from Japan welcomed the COSOP's focus on boosting the productivity and climate resilience of family farming in the low-income northern region and the high cofinancing ratio. Japan requested clarification on the rationale for using the overall employment rate as an indicator to monitor progress rather than a more agriculture-related indicator.

The representative from France welcomed the COSOP's focus on strengthening subnational institutions and sovereign funds at the national level, highlighting the importance of aligning local loans with national priorities. He pointed out the potential for dilution of priorities such as reducing inequalities, women's empowerment and strengthening farmers' organizations. He stressed the need for clarity on targeting the poorest and most vulnerable rural populations, including smallholders. Regarding climate change, France appreciated the emphasis on resilience and local-level action, enquiring about increased climate financing and whether additional resources would be mobilized. France also noted the high cofinancing ratio, with US\$40 million in national resources and US\$15 million from IFAD, and asked for clarification on climate financing sources and strategies to address priorities effectively.

The representative for the Kingdom of the Netherlands appreciated the opportunity to compare COSOPs for countries nearing graduation, noting the diverse challenges and targets that each faced. He emphasized the importance of identifying and addressing the challenges specific to each country, such as external borrowing in Argentina's case, where moving from a CCC to BB rating was a significant step up. The representative suggested that COSOPs should focus on these critical criteria rather than treating all criteria equally. He supported IFAD's focus on Argentina's northern regions; however, he questioned the extent to which wealthier countries should take responsibility for redistributing resources to poorer regions and how IFAD's non-lending activities could complement such efforts. The representative encouraged a balance between country responsibility and IFAD's supportive role through non-lending activities, providing a clearer framework for advancing regional development and reducing disparities within wealthier countries transitioning from IFAD financing.

The Nigerian representative commended IFAD's work, emphasizing the importance of supporting small-scale family farmers while distinguishing them from traditional smallholders. The representative highlighted the persistent poverty pockets in the Global South, stressing the need to focus on Argentina's northern regions and measure progress over time to ensure meaningful impact.

Management responded to the queries and concerns raised by the Membership. Management clarified that the strategy, while ambitious, served as a guiding framework and not a comprehensive implementation plan. Its focus would be selective, based on demand and IFAD's capacity, acknowledging the organization's limited resources and the absence of an office in Argentina. On the issue of high-income status, Management emphasized that this was a benchmark, not a COSOP completion target. Regarding global versus regional public goods, Management highlighted Argentina's historical leadership in farmers' organizations within Latin America and the Caribbean, suggesting that a regional focus was more realistic, with a potential contribution to global goods at a later stage. On non-lending and policy activities, these would be shaped by demand and context, especially given Argentina's recent macroeconomic adjustments. Drawing on experiences in the region, such as those of Brazil, IFAD aimed to support subnational policies and investments in rural development.

Acknowledging Argentina's size, Management stressed IFAD's commitment to working at the provincial level to enhance rural development and improve incomes for vulnerable

households. Furthermore, IFAD specifically targeted small-scale family farmers, ensuring alignment with its mission. Management referred to the strong financial partnership between IFAD and Argentina, projecting increased cofinancing through collaboration with institutions such as the World Bank, the Inter-American Development Bank, FONPLATA and Corporación Andina de Fomento. On provincial borrowing, Management stressed the importance of assessing provinces' fiscal capacity and commitment to prioritize rural development, supported by sovereign guarantees from the Ministry of Economy. Management concluded by reiterating IFAD's readiness to support Argentina's rural development priorities while maintaining a focused and pragmatic approach.

## China

Following the presentation of the China COSOP by the Regional Director, Asia and the Pacific Division, the Director, IOE, summarized the findings of the CSPE (2014–2022), covering two COSOPs, 14 loans and 20 grants. The evaluation noted IFAD's effective focus on marginal areas, and its support to smallholders, poorer households and youth. Key contributions included advancing inclusive cooperatives, enhancing village infrastructure, and reducing poverty through increased productivity and incomes. The evaluation's agreement at completion point contained five recommendations: strategic support for inclusive value chains; establish IFAD's comparative advantage in environmental sustainability and climate resilience; expand strategic partnerships, define IFAD's role in South-South and Triangular Cooperation (SSTC); and facilitate China's access to the Borrowed Resource Allocation Mechanism (BRAM) (partially agreed). IOE confirmed that the new COSOP was broadly aligned with these recommendations, with an emphasis on greening an inclusive agricultural sector and adapting to evolving national policies. However, IOE highlighted gaps in geographical targeting, value chain development and non-lending activity priorities, urging their inclusion in operational documents to enhance programme delivery and learning.

The Deputy Permanent Representative of China then took the floor to commend the collaborative efforts that had shaped the COSOP. He highlighted its alignment with China's national strategy, IFAD's corporate mandate and the Graduation Policy. He praised the focus on smallholders, gender and youth mainstreaming, climate resilience and institutional capacity-building. The COSOP, he emphasized, reflected shared priorities, particularly China's commitment to rural revitalization and sustainable development. He reiterated China's readiness to work with IFAD to enhance SSTC and share innovations globally to support the 2030 Agenda for Sustainable Development. China also welcomed Member States' feedback on the COSOP.

The representative for Nigeria praised the COSOP's integration of lessons from the CSPE and its alignment with the SDGs, particularly SDGs 1, 2, 5 and 10. Nigeria commended IFAD's focus on institutional development and environmental sustainability, which were critical to addressing poverty and inequality. The representative asked about funding mechanisms for SSTC, suggesting the potential for contributions from other countries in the region.

The representative for Brazil recognized China's significant achievements in poverty eradication, describing it as a global success story. The representative stressed the importance of SSTC as a platform for knowledge-sharing and collaboration in achieving global development goals. Brazil underscored IFAD's expertise in addressing inequality and supporting rural development and encouraged leveraging China's innovations and experiences for the benefit of other developing countries.

The representative for the United States asked about the COSOP's alignment with the Graduation Policy, noting that it lacked a clear trajectory towards graduation and tapering of financial support. The representative also queried whether the RSPA target of 5 was realistic, flagging that it had been stagnant at 4.2 since 2018. Concerns were expressed about maintaining high levels of investment without adequately outlining the transition to graduation. The document's emphasis on shareholder-focused activities,

without addressing the transition to programmatic activities, was also questioned. The representative highlighted that the financing envelope remained high over three replenishment cycles, which might contradict the Graduation Policy, and called for a tapering of financial support. The representative questioned the use of certain indicators, such as SDG 1 and SDG 2 benchmarks, and sought clarification on how IFAD planned to address the challenges in policy engagement highlighted in the CSPE. The representative also requested clarity on how the COSOP would be adapted if China achieved high-income status during the implementation period.

The representative for Canada acknowledged the COSOP's strengths, including its incorporation of CSPE recommendations, but noted areas for further improvement. Questions were raised about the feasibility of ambitious targets, such as the poverty headcount benchmark, and the rationale for using the Agricultural Orientation Index as a proxy for SDG 2. Canada sought further clarity on how the COSOP leveraged China's expertise and SSTC to support the graduation process and questioned why there were no targets associated with China's access to capital markets.

The representative for Japan queried the cofinancing ratio target of 1:1.5, which was more conservative than the current ratio of 1:2.5. The representative sought clarification on whether this target represented a cautious approach or an underestimation of potential contributions.

The representative from the Kingdom of the Netherlands highlighted the ambitious nature of the COSOP targets, which might delay automatic graduation. The representative stressed the importance of institutional development, governance improvements and private sector engagement as critical factors for ensuring graduation readiness. The representative also emphasized the need for projects under the COSOP to focus on addressing these areas.

The representative for France welcomed the COSOP's strong emphasis on climate and ecological sustainability but sought greater detail on how global challenges such as biodiversity and green development for smallholders would be addressed. Questions were also raised about strategic objective 1 and the specific actions to strengthen institutions and governance in rural areas. France also reiterated concerns about mobilizing concessional resources and the expected total of US\$340 million for the COSOP, and wondered about the impact of this on the BRAM balance and resource availability for other countries. Finally, France sought more details on strategic objective 3, which focused on SSTC, particularly regarding the actions and financing involved. France encouraged realistic target-setting and alignment of indicators with IFAD's capacity and impact.

The representative for Germany recognized China's remarkable socioeconomic transformation, noted the decline in agricultural employment and GDP, and emphasized the need for the COSOP to reflect China's unique context. He supported leveraging China's innovations in climate change and carbon sequestration, while highlighting a lack of clarity on South-South cooperation, which needed a clearer regional strategy. The representative questioned the relevance of IFAD's involvement in areas like agro-industrial parks and employment outside farming given China's progress without IFAD's intervention. Germany also voiced concerns about the value added of IFAD in value chains, institution-building and policy guidance, suggesting that its role might be more effective at the provincial level. On ICT for development, he questioned if this was a bottleneck in China or more relevant for South-South cooperation. He called for clearer definitions of food systems transformation and gender mainstreaming in the COSOP, urging IFAD to focus on areas where it could provide concrete value at this stage of China's development.

IFAD Management thanked Member States for their thoughtful feedback and acknowledged the value of their insights in refining the COSOP. The Regional Director emphasized that the COSOP was aligned with China's development priorities, including rural revitalization and greening agriculture, while maintaining a focus on smallholders

and addressing residual development challenges. She clarified that China borrowed on ordinary terms under BRAM, with no concessional resources involved, and reaffirmed IFAD's commitment to using its comparative advantage to support China's rural transformation.

Responding to Japan's query on the cofinancing ratio, Management clarified that the target of 1:1.5 was a baseline projection informed by historical trends. The current cofinancing ratio of 1:2.5 reflected strong momentum, and IFAD would continue to engage with partners to maintain or exceed this level during COSOP implementation. A conservative target had been set to ensure consistency with China's diverse and evolving funding landscape, while leaving room for further cofinancing opportunities to emerge.

To address the United States' concerns on SDGs and graduation, Management explained that the indicators reflected IFAD's broader strategy to facilitate scalable and impactful solutions, even if direct impacts on macro-level indicators might be limited. For SDG 2, the Agricultural Orientation Index was chosen as a proxy to gauge China's commitment to investing in agriculture relative to the sector's economic size, a crucial factor for leveraging IFAD's impact. The COSOP acknowledged China's progress but emphasized the need for ongoing collaboration to ensure sustainable outcomes, particularly for marginalized groups. Regarding the transition to graduation, Management reiterated that the COSOP served as a strategic framework for balancing lending and non-lending activities, with a focus on capacity-building and knowledge-sharing, key to sustaining long-term progress.

On the RSPA ratings, Management responded that the targets at the midline and end line assumed that the gaps identified in the RSPA for China would be achieved at COSOP completion. Management reiterated that there would be a new set of RSPAs available before the end of the year for the upcoming lending cycle, which would also be fed into the progress assessment of all COSOPs for countries above GDI threshold. Management further elaborated on the importance of SSTC in leveraging China's expertise and innovations for regional and global benefit. Management emphasized such areas as resource efficiency, agroecology and post-harvest practices, noting that IFAD's engagement aimed to create a public good through knowledge-sharing and demonstration models. Management highlighted the shift towards non-lending activities, such as policy engagement and knowledge-sharing, as key components of the COSOP. It was noted that IFAD's project-based investments were integrated into China's broader government programmes, ensuring alignment with national priorities and sustainable outcomes. Addressing graduation scenarios, Management reaffirmed IFAD's transition framework, which allowed countries reaching high-income status to remain eligible for ordinary loans through the current replenishment cycle. Management emphasized that the COSOP was designed to balance lending and non-lending activities while laying the groundwork for a future recalibration of IFAD's engagement as China progressed towards graduation. The transition process, they explained, was context-specific and required flexibility to adapt to China's evolving development landscape.

In conclusion, Management reiterated that COSOPs are living documents and will be updated on a regular basis through the annual reviews with government. As such, the insightful comments from Member States will be discussed with the government during the first annual review.