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Enabling poor rural people
to overcome poverty

Report on the fourth session of the Consultation on the Eighth Replenishment of IFAD's Resources

Executive Board — Ninety-fifth Session
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For: **Information**

Note to Executive Board Directors

This document is submitted for the information of the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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Report on the fourth session of the Consultation on the Eighth Replenishment of IFAD's Resources

1. The following is a report on the fourth session of the Consultation on the Eighth Replenishment of IFAD's Resources. The session was held on 21-22 October 2008 in Rome.
2. The session began with a presentation by the Director of IFAD's Office of Evaluation on IFAD's performance as reported in the Annual Report on Results and Impact of IFAD Operations (ARRI) evaluated in 2007. The Director reported that for the first time since the inception of the ARRI in 2003, all IFAD-supported projects had manifested satisfactory results in all of the criteria used for their evaluation. While underscoring the need for further improvement, the ARRI also reported significant progress in terms of both sustainability and innovation.
3. An introductory presentation was given on the draft Report of the Consultation on the Eighth Replenishment of IFAD's Resources (REPL.VIII/4/R.2). Comments and revisions made by Delegates will be fully reflected in subsequent drafts. Consistent with past practice for finalizing the Consultation Report, IFAD posted a second draft of the report on 5 November, on which members were requested to submit comments by 14 November; IFAD aims to post a third draft by 28 November for consideration and finalization during the 18-19 December Consultation session. This will enable the Consultation to complete the process within the agreed time frame, thus ensuring that the report is ready for consideration by the Governing Council in 2009.
4. The Consultation reviewed the following documents: IFAD's approach to country ownership (REPL.VIII/4/R.3), IFAD's role in middle-income countries (REPL.VIII/4/R.4), IFAD's role in fragile states (REPL.VIII/4/R.5) and IFAD's response to the emerging role of the private sector (REPL.VIII/4/R.6).
5. All members emphasized the centrality of country ownership to achieving sustainable development results. In endorsing IFAD's commitment to strengthening and intensifying its efforts to promote country ownership, members requested that the Consultation report's implementation matrix reflect IFAD's commitment to country ownership.
6. There was broad support among Delegates for IFAD's continued engagement in middle-income countries (MICs). In particular, members recognized the important role that IFAD has to play in more actively promoting South-South cooperation, including by supporting MICs in their efforts to promote knowledge-sharing and innovation in low-income countries. Members supported the development by IFAD of objective and transparent criteria, following the best practice of other institutions, to trigger a dialogue between IFAD and the Member State about its continuing need to borrow.
7. Members endorsed IFAD's approach to fragile states for the Eighth Replenishment period. In so doing, Delegates stressed the importance of IFAD acting in partnership – particularly within the overall United Nations effort – and in consistency with its comparative advantage.
8. While recognizing that in the changing context the development of new approaches with regard to the private sector may be needed, members urged IFAD to adopt a cautious approach and stressed the need to assess the risks associated with creating new instruments or facilities. Members encouraged IFAD to continue working through its regular operations and within the framework of IFAD's Private-sector Development and Partnership Strategy to build the conditions for successful private-sector partnerships between smallholder farmers and other economic agents. In addition, members supported IFAD's exploring with potential partners the need for and value added of a new facility to promote private-sector investment

that can stimulate pro-poor economic growth in rural areas. If such a need is identified, a proposal for a pilot facility will be prepared and presented for approval to IFAD's Executive Board by December 2010.

9. The Consultation then discussed the document Improving the implementation of the performance-based allocation system (REPL.VIII/4/R.7). Recognizing that country opportunities and conditions change, members agreed that the Executive Board should consider enabling countries not initially included in the three-year allocation period to be brought into the third year. This would need to be done on the condition that a country or countries with similar country scores are removed from the list, in order to maintain the balance of allocations among the borrowing countries. Members highlighted that adjustments and improvements to the system are integral to its evolution. They requested that the Executive Board mandate the Performance-based Allocation System (PBAS) Working Group to continue its functions and, as well, review the practices of other international financial institutions and identify improvements to the system. The PBAS Working Group will review and assess all such proposals, which will subsequently be presented to the Executive Board/Governing Council for their consideration and approval.
10. A presentation was given on Gender equality and women's empowerment: IFAD VIII (REPL.VIII/4/R.8). While acknowledging that IFAD's normative operational framework for gender equality and women's empowerment is well established, Members noted that in practice the performance of IFAD-supported projects in addressing gender issues has not always been adequate. Members urged IFAD to maintain its leadership role and to act immediately to mainstream gender into overall institutional structures and processes. Subject to a decision by the Executive Board to this effect, the independent Office of Evaluation will conduct an evaluation of IFAD's performance with regard to gender equality and women's empowerment in 2009. IFAD will develop a corporate policy on gender to be submitted to the Executive Board by December 2010, drawing on the findings of the evaluation.
11. As partnership is fundamental to achieving IFAD's mandate, members welcomed IFAD's commitment to adopt a more systematic and strategic approach to partnerships, as presented in the document Collaboration and partnerships for increased impact and effectiveness (REPL.VIII/4/R.9). IFAD's performance with regard to partnerships will be measured and reported on in the Report on IFAD's Development Effectiveness.
12. In relation to document REPL.VIII/4/R.10, IFAD and climate change, there was broad recognition that the poorest countries and communities are likely to suffer most from the impact of climate change. Members underscored that the main priority in borrowing Member States should be adaptation to the adverse effects of climate change, supplemented by selective mitigation action, where consistent with the Fund's comparative advantage. The Consultation endorsed the development by IFAD of a corporate strategy on climate change with a strong operational focus, to be presented to the Executive Board for approval by April 2010. In addition, IFAD will present procedures for environmental management and sustainable development for the review of the Executive Board in April 2009. Delegates supported the proposal for IFAD to complement its core resources by being open to and actively seeking additional funding, including from new public- and private-sector sources that are becoming available – while at the same time remaining focused on its mandate and comparative advantage.
13. The Consultation then considered the draft report of the Consultation on the Eighth Replenishment of IFAD's Resources. Members offered many useful comments and suggestions, which will be reflected in the subsequent draft. In particular, members requested a more forward-looking document that better reflects their guidance on selectivity, focus and relative priorities for the Eighth Replenishment period.

14. The Consultation was also presented with a draft resolution on IFAD VIII. A separate paper was provided on the exchange rates applicable for the conversion of freely convertible currency contributions into United States dollars and special drawing rights. The revised draft resolution containing the agreements reached by the Consultation will be presented at the December session.
15. The fifth session of the Consultation will be held on 18-19 December in Rome, immediately after the ninety-fifth session of the Executive Board.