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## Resolutions adopted by the Governing Council at its forty-first session

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Governing Council — Forty-first Session  
Rome, 13-14 February 2018

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For: Information

## Resolutions adopted by the Governing Council at its forty-first session

1. The Governing Council, at its forty-first session, adopted resolutions 198/XLI, 199/XLI, 200/XLI, 201/XLI, 202/XLI on 13 February 2018 and resolutions 203/XLI and 204/XLI on 14 February 2018.
2. These resolutions are transmitted for the information of all Members of IFAD.

## Resolution 198/XLI

### Revision of the Policies and Criteria for IFAD Financing

The Governing Council of IFAD,

Recalling resolution 178/XXXVI, in which it decided upon the proposal of the Executive Board to approve the Policies and Criteria for IFAD Financing;

Having reviewed the proposed revisions to the Policies and Criteria for IFAD Financing submitted by the Executive Board as contained in Annex I of the document GC 41/L.7;

Adopts the Policies and Criteria for IFAD Financing, as revised, which shall take effect on 1 January 2019; except for the revisions to paragraph 16, which shall apply from the adoption of this resolution; and

Tasks the President with maintaining a consolidated text of the policies and guidelines adopted by the Executive Board pursuant to the Policies and Criteria for IFAD Financing hereby adopted.

## Resolution 199/XLI

### Revisions to the Financial Regulations of IFAD

The Governing Council of IFAD,

Acting under article 6, section 2(f) of the Agreement Establishing IFAD;

Recalling resolution 16/IV and resolution 111/XXII whereby a General Reserve was established;

Decides that:

Regulation XIII of the Financial Regulations of IFAD shall be amended to read as follows:

#### Regulation XIII

A General Reserve shall be established to cover the Fund's potential ~~overcommitment~~ risk as a result of exchange rate fluctuations and borrowing activities, possible delinquencies in receipt of loan service payments, ~~or~~ as well as in the recovery of amounts due to the Fund from the investment of its liquid assets.

The following dispositions shall be implemented with respect to the General Reserve:

- (a) Annual transfers from the accumulated surplus to the General Reserve shall be determined by the Executive Board after taking into account the Fund's financial position in the context of the review/approval of yearly audited financial statements of the Fund;
- ~~(b) The adequacy of the General Reserve shall be periodically reviewed by the Executive Board;~~
- ~~(b)(e)~~ ~~Subject to the above,~~ The ceiling of the General Reserve may be amended from time to time by the Executive Board;
- (c) Withdrawals from the General Reserve shall be subject to the prior approval of the Executive Board;
- (d) This resolution and the revisions to the Financial Regulations of IFAD shall enter into force upon the adoption of this resolution and shall have effect from financial year 2018.

## Resolution 200/XLI

### Administrative budget comprising the regular, capital and one-time budgets of IFAD for 2018 and the budget of the Independent Office of Evaluation of IFAD for 2018

The Governing Council of IFAD,

Bearing in mind article 6.10 of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD;

Noting that, at its 122<sup>nd</sup> session, the Executive Board reviewed and agreed upon a programme of work of IFAD for 2018 at a level of SDR 629 million (US\$875 million), which comprises a lending programme of SDR 588 million (US\$818 million) and a gross grant programme of US\$57 million;

Having considered the review of the 122<sup>nd</sup> session of the Executive Board concerning the proposed regular and capital budgets of IFAD for 2018 and the budget of the Independent Office of Evaluation of IFAD for 2018;

Approves the administrative budget, comprising: first, the regular budget of IFAD for 2018 in the amount of US\$155.54 million; second, the combined capital and one-time budget of IFAD for 2018 in the amount of US\$11.6 million; and third, the budget of the Independent Office of Evaluation of IFAD for 2018 in the amount of US\$5.91 million, as set forth in document GC 41/L.5, determined on the basis of a rate of exchange of EUR 0.897:US\$1.00; and

Determines that, in the event the average value of the United States dollar in 2018 should change against the euro rate of exchange used to calculate the budget, the total United States dollar equivalent of the euro expenditures in the budget shall be adjusted in the proportion that the actual exchange rate in 2018 bears to the budget exchange rate.

## Resolution 201/XLI

### Amendment to the Agreement Establishing IFAD

The Governing Council of IFAD,

Having considered the Report on the Eleventh Replenishment of IFAD's Resources, which sets forth the recommendations of the Consultation on the Eleventh Replenishment of IFAD's Resources, including as regards concessional partner loans and borrowing and market activities of the Fund;

Having further considered the Concessional Partner Loan Framework, as approved by the Executive Board during its tenth special session held in October 2017;

Having noted the proposal, made pursuant to article 12 of the Agreement Establishing IFAD, for amendment of the Agreement Establishing IFAD;

Noting the Executive Board's report (EB 2017/122/R.35) and recommendation to the Governing Council submitted in accordance with article 12 of the Agreement Establishing IFAD; and

Acting in accordance with article 12 of the Agreement Establishing IFAD;

Hereby decides:

1. Article 4, section 5 of the Agreement Establishing IFAD is hereby amended to read as follows (the text to be added is underlined):

#### Section 5 – Conditions Governing Contributions

- (a) Contributions shall be made without restriction as to use and shall be refunded to contributing Members only in accordance with section 4 of article 9.
- (b) Contributions shall be made in freely convertible currencies.
- (c) Contributions to the Fund shall be made in cash or, to the extent that any part of such contributions is not needed immediately by the Fund in its operations, such part may be paid in the form of non-negotiable, irrevocable, non-interest-bearing promissory notes or obligations payable on demand. In order to finance its operations, the Fund shall draw down all contributions (regardless of the form in which they are made) as follows:
  - (i) contributions shall be drawn down on a pro rata basis over reasonable periods of time as determined by the Executive Board;
  - (ii) where a contribution is paid partly in cash, the part so paid shall be drawn down, in accordance with paragraph (i), before the rest of the contribution. Except to the extent that the part paid in cash is thus drawn down, it may be deposited or invested by the Fund to produce income to help defray its administrative and other expenditures;
  - (iii) all initial contributions, as well as any increases in them, shall be drawn down before any additional contributions are drawn down. The same rule shall apply to further additional contributions.
- (d) Notwithstanding subsection (c) above, contributions to the Fund may also be made in the form of the grant element of a concessional partner loan; for this purpose, a "concessional partner loan" shall mean a loan provided by a Member or one of its state-supported institutions, which includes a grant

element for the benefit of the Fund and is otherwise consistent with the Concessional Partner Loan Framework approved by the Executive Board; and "state-supported institution" shall mean any state-owned or state-controlled enterprise and development finance institution of a Member, with the exception of multilateral institutions.

This resolution and the amendment contained therein shall enter into force and effect on the date of its adoption by the Governing Council.

## Resolution 202/XLI

### Approval of the recommendations of the Governing Council Bureau

The Governing Council of IFAD,

Taking into account article 6.8(a) of the Agreement Establishing IFAD, section 6.2 of the By-Laws for the Conduct of the Business of IFAD and rule 41 of the Rules of Procedure of the Governing Council;

Recalling resolution 176/XXXVI and the endorsement by the Governing Council of the established good practice for the process leading to the appointment of the President of IFAD and the proposal that this practice be reviewed from time to time by the Governing Council Bureau as appropriate;

Taking into consideration the recommendation made by the Executive Board at its 117<sup>th</sup> session thereon and the proposal regarding the "Revision of the established good practice for the process leading to future appointments of the President of IFAD" contained in document GC 40/L.10;

Further recalling resolution 197/XL by which the Governing Council tasked the Governing Council Bureau "to review the established practice for the process leading to the appointment of the President of IFAD and make proposals in order to enhance such practice for future appointments. The Bureau shall submit a report on the result of its review and any recommendations thereon to the Executive Board in December 2017, for submission to the Governing Council for endorsement at its forty-first session in February 2018."

Having considered the Report of the Governing Council Bureau contained in document GC 41/L.9 and the recommendation of the Executive Board [EB 2017/122/R.38];

Decides:

1. That the current established practice for the process leading to the appointment of the President of IFAD be continued subject to the improvements recommended by the Bureau, which Management is hereby tasked with implementing; and
2. That section 2.1 of the By-Laws for the Conduct of the Business of IFAD be amended to read as follows (the text to be added is underlined):

#### Channel of Communication, Depositories

1. Each Member shall designate an appropriate official entity for communication between itself and the Fund in connection with any matter arising under the Agreement. Where a Member has not designated an appropriate official entity for communication between itself and the Fund, the Permanent Representation of the Member State in Rome or, in the absence thereof, the Permanent Representation of the Member State to IFAD, shall be deemed to be its channel of communication. A communication between the Fund and such entity shall constitute a communication between the Fund and the Member.



## Resolution 203/XLI

### Eleventh Replenishment of IFAD's Resources

The Governing Council of IFAD,

Recalling the relevant provisions of the Agreement Establishing the International Fund for Agricultural Development (the Agreement), in particular articles 2 (Objective and Functions), 4.1 (Resources of the Fund), 4.3 (Additional Contributions), 4.4 (Increases in Contributions), 4.5 (Conditions Governing Contributions), 4.6 (Special Contributions) and 7 (Operations), as well as Governing Council Resolution 77/2 (1977), as amended by Resolution 86/XVIII (1995) (Delegation of Powers to the Executive Board);

Further recalling Governing Council Resolution 195/XL (2017) on the establishment of the Consultation on the Eleventh Replenishment of IFAD's Resources, whereby the fortieth session of the Governing Council, in accordance with article 4.3 of the Agreement, set the Consultation the task of reviewing the adequacy of the Fund's resources and reporting to the Governing Council, and, recalling in particular, the requirement for the Consultation to submit a report on the results of its deliberations and any recommendations thereon to the forty-first session and, if required, subsequent sessions of the Governing Council, with a view to adopting such Resolutions as may be appropriate;

Having considered that for the purpose of reviewing the adequacy of the Fund's resources, account has been taken of the urgent need to increase the flow of external resources to implement IFAD's mandate of addressing rural poverty eradication, food security, and sustainable agriculture, particularly on concessional terms, as well as the Fund's special mandate and operational capacity to effectively channel additional resources to eligible Members;

Having further considered the announcements of Members' intentions to make additional contributions to the resources of the Fund, including increased contributions to compensate the Fund for its debt forgiveness commitments under the Debt Sustainability Framework (DSF);

Having noted the request of the Governing Council "to continue to explore the scope for increasing financing from non-donor resources, including market-based mechanisms, and to submit any proposals that may result from such exploration to the Executive Board for approval" (Governing Council Resolution 122/XXIV);

Having taken into account and agreed on the conclusions and recommendations of the Report of the Consultation on the Eleventh Replenishment of IFAD's Resources (GC 41/L.3) (the Eleventh Replenishment Report) regarding the need and desirability of additional resources for the operations of the Fund; and

Acting in accordance with article 4.3 of the Agreement;

Hereby decides:

#### I. The level of replenishment and call for additional contributions

1. Available resources. The Fund's available resources at the end of the Tenth Replenishment period, together with the funds to be derived from operations or otherwise accruing to the Fund, other than borrowed funds, during the three-year

period commencing 1 January 2019 (the replenishment period), are estimated at US\$2.43 billion.

2. Call for additional contributions. Taking into account the conclusions and recommendations of the Eleventh Replenishment Report regarding the need and desirability of additional resources for the operations of the Fund, Members are hereby invited to make additional contributions to the resources of the Fund as defined in article 4.3 of the Agreement (additional contributions) in accordance with the terms set forth below. Additional contributions shall consist of:
  - (a) Core contributions,
  - (b) DSF compensation contributions,
  - (c) Unrestricted complementary contributions, and
  - (d) The grant element of any concessional partner loan,

each of which is further defined in paragraph 5 of this Resolution.

As used in this Resolution, the term "concessional partner loan" shall mean a loan provided by a Member State or one of its state-supported institutions, which includes a grant element for the benefit of the Fund and is otherwise consistent with the Concessional Partner Loan Framework approved by the Executive Board; and the term "state-supported institution" shall include any state-owned or state-controlled enterprise and development finance institution of a Member State, with the exception of multilateral institutions.

3. Target for additional contributions. The target for additional contributions, including core contributions, unrestricted complementary contributions and the grant element of any concessional partner loan, during the Eleventh Replenishment (the Replenishment) is set at the amount of US\$1.2 billion in order to support a target programme of loans and grants of US\$3.5 billion (in all cases, the allocation being determined through the performance-based allocation system).
4. Pledges. The Fund acknowledges the announcements of the Members' intentions to make additional contributions as set out in annex XI to the Eleventh Replenishment Report. Members who have not yet formally announced their contributions are invited to do so, preferably no later than the last day of the six-month period following the adoption of this Resolution. The President shall communicate a revised annex XI to the Eleventh Replenishment Report to all Members of the Fund no later than 15 days after the above-mentioned date.

## II. Contributions

5. Additional contributions. During the replenishment period, the Fund shall accept additional contributions from any Member State as follows:
  - (a) Such Member State's core contribution to the resources of the Fund;
  - (b) Such Member State's DSF compensation contribution made in accordance with the recommendations set forth in paragraph 6 of this Resolution and the details provided in annex VI entitled "DSF compensation methodology and amounts by List and country for IFAD10, IFAD11 and IFAD12" of the "Report of the Consultation on the Eleventh Replenishment of IFAD's Resources";
  - (c) Any unrestricted complementary contribution from such Member State; and
  - (d) The grant element of any concessional partner loan.
6. DSF compensation contributions. In relation to paragraph 5(b) of this Resolution, the Member States' commitment to compensate the Fund for principal foregone as a result of DSF implementation is reaffirmed. Such compensation shall be made in the amount of US\$39.5 million in respect of this replenishment period

and shall be paid in accordance with the list of DSF compensation shares for Member States set forth in the annex referred to in paragraph 5(b) above. In addition, it is affirmed that the Fund be further compensated for net losses in interest and service charges incurred as a result of the provision of DSF financing. In particular:

- (a) Consistent with practice at other international financial institutions (IFIs), the pay-as-you-go principle approved by the Executive Board in April 2007 shall be applied in respect of DSF compensation contributions;
- (b) DSF beneficiary countries are excluded from the requirement to make a DSF compensation contribution in addition to other forms of additional contributions made on a pay-as-you-go basis;
- (c) A minimum threshold is established below which a DSF compensation contribution from a Member State is not required if the amounts payable by such Member State are deemed too low. A minimum threshold of US\$10,000 is to be applied to List C Member States;
- (d) Adjustments made as a result of subparagraphs (b) and (c) shall be redistributed to other Member States making a DSF compensation contribution in order to finance the gap;
- (e) New Member States, having no requirement to make a DSF compensation contribution in respect of replenishment periods during which such Member States made no pledges of additional contribution, are encouraged to make a DSF compensation contribution despite the absence of such a requirement; notwithstanding the foregoing, such contributions shall not be taken into account in determining Member State DSF compensation shares;
- (f) With the exception of additional contributions received by the Fund in the form of the grant element of a concessional partner loan or an unrestricted complementary contribution, any additional contribution made by a Member State shall, in the first instance, be applied by the Fund in full or partial satisfaction of such Member State's DSF compensation share. Following satisfaction in full of such Member State's DSF compensation share, any remaining amounts of the additional contribution received shall be allocated by the Fund as such Member State's core contribution. The Fund shall apply the foregoing principal notwithstanding any allocations to the contrary that such Member State may have made in connection with the payment of its additional contribution; and
- (g) Income foregone (in the form of interest and service charges) as a result of the Fund's extension of DSF grants shall be offset by an upfront volume reduction on DSF grants. Such volume reduction shall be implemented by means of a modified volume approach mechanism established at a 5 per cent discount rate and re-distributed as determined by IFAD Management, taking into consideration the practices of other IFIs and the long-term financial viability of the Fund.

#### 7. Conditions governing additional contributions

- (a) Each Member State shall receive commensurate contribution votes with respect to its core contribution, DSF compensation contribution and the grant element of any concessional partner loan, in accordance with article 6.3 of the Agreement, but shall not receive any votes with respect to its unrestricted complementary contribution;
- (b) Core contributions, DSF compensation contributions and the grant element of any concessional partner loan shall be made without restriction as to their use;

- (c) During the replenishment period, the Fund shall accept unrestricted complementary contributions, which shall be made with no restrictions as to the form of financing (loans and grants) but may be made in order to support thematic operations, including mainstreaming climate and nutrition. The Executive Board shall have the authority to approve the use of unrestricted complementary contributions for thematic operations not identified in the Resolution, when the Governing Council is not in session; and
  - (d) In conformity with article 4.5(a) of the Agreement, additional contributions shall be refunded to contributing Members only in accordance with article 9.4 of the Agreement.
8. Special contributions
- (a) During the replenishment period, the Executive Board may accept, on behalf of the Fund, unrestricted contributions to the resources of the Fund from non-Member States or other sources (special contributions).
  - (b) The Executive Board may consider adopting measures to enable the participation of the contributors of special contributions in its meetings on an ad hoc basis, provided that these measures have no consequences for the governance of the Fund.
9. Denomination of contributions. Members shall denominate their contributions in:
- (a) Special drawing rights (SDR);
  - (b) A currency used for the valuation of the SDR; or
  - (c) The currency of the contributing Member if such currency is freely convertible and the Member did not experience, in the period from 1 January 2015 to 31 December 2016, a rate of inflation in excess of 10 per cent per annum on average, as determined by the Fund.
10. Exchange rates. For the purposes of paragraph 4 of this Resolution, commitments and pledges made under this Resolution shall be valued on the basis of the average month-end exchange rate of the International Monetary Fund over the six-month period preceding the adoption of this Resolution between the currencies to be converted into United States dollars (1 April-30 September 2017), rounded to the fourth decimal point.
11. Unpaid contributions. Those Members who have not yet completed payment of their previous contributions to the resources of the Fund and who have not yet deposited an instrument of contribution or paid their contribution for the Tenth Replenishment are urged to make the necessary arrangements. Upon proposals by the President, the Executive Board shall adopt measures aimed at achieving the settlement of unpaid contributions.
12. Increase of contribution. A Member may increase the amount of any of its contributions at any time.

### III. Instruments of contribution

13. General clause. A Member making contributions under this Resolution (other than in respect of the grant element of a concessional partner loan) shall deposit with the Fund, preferably no later than the last day of the six-month period following the adoption of this Resolution, an instrument of contribution, formally committing to make additional contributions to the Fund in accordance with the terms of this Resolution and specifying the amount of its contribution in the applicable currency of denomination. Any Member State or one of its state-supported institutions providing a concessional partner loan under this Resolution shall enter into a concessional partner loan agreement with the Fund, preferably no later than the

last day of the six-month period following the adoption of this Resolution, but in any event not until the relevant Member State has deposited an instrument of contribution or made payment for the amount of its core contribution required under the terms of the framework for concessional partner loans approved by the Executive Board.

14. Unqualified contributions. Except as specified in paragraph 15 of this Resolution, any instrument of contribution deposited in accordance with paragraph 13 shall constitute an unqualified commitment by the concerned Member to pay its contribution in the manner and on the terms set forth in this Resolution, or as otherwise approved by the Executive Board. For the purpose of this Resolution, such contribution shall be referred to as an "unqualified contribution".
15. Qualified contributions. As an exceptional case, where an unqualified commitment cannot be given by a Member due to its legislative practice, the Fund may accept from that Member an instrument of contribution that expressly contains the qualification that payment of all instalments of its payable contribution, except for the first one, is subject to subsequent budgetary appropriation. Such an instrument of contribution shall, however, include an undertaking by the Member to exercise its best efforts to: (i) arrange such appropriation for the full amount specified by the payment dates indicated in paragraph 20(b) of this Resolution, and (ii) notify the Fund as soon as the appropriation relative to each instalment is obtained. For the purpose of this Resolution, a contribution in this form shall be referred to as a "qualified contribution", but shall be deemed to be unqualified to the extent that appropriation has been obtained and notified to the Fund.

#### IV. Effectiveness

16. Effectiveness of the Replenishment. The Replenishment shall come into effect on the date upon which instruments of contribution or payments made without an instrument of contribution relating to the additional contributions from Members referred to in section II (Contributions) of this Resolution have been deposited with or received by the Fund in an aggregate amount equivalent to at least 50 per cent of the pledges as communicated by the President to Members pursuant to paragraph 4 of this Resolution.
17. Effectiveness of individual contributions. Instruments of contribution deposited and acknowledged by IFAD as a validly executed instrument, on or before the effective date of the Replenishment shall take effect on that date. Instruments of contribution deposited and/or acknowledged by IFAD as a validly executed instrument subsequent to the effective date of the Replenishment shall become effective as of the date of such acknowledgement.
18. Availability for commitment. As of the effective date of the Replenishment, all additional contributions paid to the resources of the Fund shall be considered available for operational commitment under article 7.2(b) of the Agreement and other relevant policies of the Fund.

#### V. Advance contribution

19. Notwithstanding the provisions of section IV (Effectiveness) of this Resolution, all contributions or parts thereof paid prior to the effective date of the Replenishment may be used by the Fund for its operations, in accordance with the requirements of the Agreement and relevant policies of the Fund, unless a Member specifies otherwise in writing. Any loan and grant commitments made by the Fund on the basis of such advance contributions shall for all purposes be treated as part of the Fund's operational programme before the effective date of the Replenishment.

## VI. Payment of contributions

### 20. Unqualified contributions

- (a) Payment of instalments. Each contributing Member shall, at its option, pay its unqualified contribution in a single sum or in two or a maximum of three instalments within the replenishment period. Instalment payments in respect of each unqualified contribution may, at the option of the Member, be made either in equal amounts or in progressively graduated amounts, with the first instalment amounting to at least 30 per cent of the contribution, the second instalment amounting to at least 35 per cent and the third instalment, if any, covering the remaining balance.
- (b) Payment dates
  - (i) Single-sum payment. Payment in a single sum shall be due on the sixtieth day after the Member's instrument of contribution enters into effect.
  - (ii) Instalment payments. Payments in instalments shall be made according to the following schedule: the first instalment shall be due on the first anniversary of the adoption of this Resolution; the second instalment shall be due on the second anniversary of the adoption of this Resolution and any further instalment shall be due no later than the third anniversary of the adoption of this Resolution. However, if the date of effectiveness has not occurred by the first anniversary of the adoption of this Resolution, the first payment shall be due on the sixtieth day after the Member's instrument of contribution enters into effect; the second instalment shall be due on the first anniversary of the effective date of the Replenishment and any further instalment shall be due on the earlier of the third anniversary of the effective date of the Replenishment or the last day of the replenishment period..
- (c) Early payment. Any Member may pay its contribution on dates earlier than those specified in paragraph 20(b) above.
- (d) Alternative arrangements. The President may, upon the request of a Member, agree to a variation in the prescribed payment dates, percentages, or number of instalments of the contribution, provided that such a variation shall not adversely affect the operational needs of the Fund.

21. Qualified contributions. Qualified contributions shall be paid within 90 days after the Member's instrument of contribution enters into effect, as and to the extent that the relative contribution becomes unqualified and, where possible, in accordance with the payment dates specified in paragraph 20(b) of this Resolution. A Member who has deposited an instrument of contribution for a qualified contribution shall inform the Fund of the status of the qualified instalment of its contribution no later than 30 days after the annual payment dates specified in paragraph 20(b) of this Resolution.

### 22. Currency of payment

- (a) Contributions shall be made in freely convertible currencies, subject to paragraph 9 of this Resolution.
- (b) In accordance with article 5.2(b) of the Agreement, the value of the currency of payment in terms of SDR shall be determined on the basis of the rate of exchange used by the Fund for translation purposes in its books of account at the time of payment.

23. Mode of payment. In conformity with article 4.5(c) of the Agreement, payments in respect of contributions shall be made in cash or in the form of the grant element of a concessional partner loan or, at the option of the Member, by the

deposit of non-negotiable, irrevocable and non-interest bearing promissory notes or similar obligations of the Member, payable on demand by the Fund at their par value in accordance with the terms of paragraph 24 of this Resolution. To the extent possible, Members may favourably consider payment of their core contributions, DSF compensation contributions and unrestricted complementary contributions in cash.

24. Encashment of promissory notes or similar obligations. In conformity with the provisions of article 4.5(c)(i) of the Agreement and regulation V of the Financial Regulations of IFAD, promissory notes or similar obligations of Members shall be encashed in accordance with the drawdown policy to be approved by the Executive Board or as agreed between the President and a contributing Member.
25. Payment modalities. At the time of depositing its instrument of contribution, each Member shall indicate to the Fund its proposed schedule and mode of payment on the basis of the arrangements set forth in paragraphs 20 to 23 of this Resolution.

## VII. Allocation of Replenishment Votes

26. Creation of Replenishment Votes. New Replenishment Votes shall be created in respect of core contributions, DSF compensation contributions and the grant element of any concessional partner loan provided under the Eleventh Replenishment (Eleventh Replenishment Votes). The total amount of Eleventh Replenishment Votes shall be calculated by dividing by US\$1,580,000 the total amount of pledges of core contributions, DSF compensation contributions and the grant element of any concessional partner loan, in each case received as of six months after the date of adoption of this Resolution.
27. Distribution of Replenishment Votes. The Eleventh Replenishment Votes thus created shall be distributed in accordance with article 6.3(a)(ii) and (iii) of the Agreement as follows:
  - (a) Membership votes. Membership votes shall be distributed equally among all Members in conformity with article 6.3(a)(ii)(A) of the Agreement.
  - (b) Contribution votes. In conformity with article 6.3(a)(ii)(B) of the Agreement, contribution votes shall be distributed among all Members in the proportion that each Member's paid up core contribution, DSF compensation contribution and the grant element of any concessional partner loans made by such Member or its state-supported institution bear to the aggregate of the paid core contributions, DSF compensation contributions and the grant element of all concessional partner loans, as specified in section II (Contributions) of this Resolution.
  - (c) The allocation and distribution of the original, Fourth Replenishment, Fifth Replenishment, Sixth Replenishment, Seventh Replenishment, Eighth Replenishment, Ninth Replenishment and Tenth Replenishment Votes shall continue irrespective of the entry into force of this Resolution.
28. Effectiveness of Replenishment Votes. The distribution of the Eleventh Replenishment Votes, as specified above, shall enter into effect six months after the adoption of this Resolution. The President shall communicate the fact of the distribution of the Eleventh Replenishment membership and contribution votes to all Members of the Fund no later than 15 days after such date, and shall report such information to the Governing Council at its forty-second session.

## VIII. Additional resource mobilization

29. Borrowing by the Fund
  - (a) Purpose of borrowing. While recognizing that replenishment contributions are, and should remain, the basic source of the Fund's financing, the

Governing Council welcomes and supports the Fund's intention to leverage a more diversified set of resources including loans from Member States and related State-Supported Institutions under the Sovereign Borrowing Framework and the Concessional Partner Loan Framework during the replenishment period and potentially, at a later stage, market borrowing.

- (b) Borrowing framework. The Executive Board has established a Sovereign Borrowing Framework for Borrowing from Sovereign States and State-Supported Institutions (EB 2015/114/R.17/Rev.1) and shall revise it as appropriate to ensure consistency with this Resolution. In line with such framework, Management shall continue to inform the Executive Board of all formal negotiations undertaken with potential lenders, including the relevant due diligence undertaken and financial information obtained, in order to fulfil the target of the programme of loans and grants set forth in paragraph 3 of this Resolution.
- (c) Concessional partner loans. Concessional partner loans shall be provided in accordance with the terms of the Concessional Partner Loan Framework approved by the Executive Board.
- (d) Market borrowing. With respect to borrowing from capital markets, the Governing Council supports the Fund as it undertakes the preparatory work required to assess the feasibility, financial sustainability and consequences of the potential implementation of a market borrowing programme, including as regards the credit ratings process. Such support is expressed in a separate draft resolution (the Resolution on Market Borrowing) transmitted, upon recommendation of the Consultation, to the Governing Council for adoption at its forty-first session.
- (e) Limitation of liability. In relation to subparagraphs (a) to (d), it is recalled, for the avoidance of doubt, that article 3.3 of the Agreement provides that: "No Member shall be liable, by reason of its membership, for acts or obligations of the Fund."

### 30. Cofinancing and miscellaneous operations

During the replenishment period, the Executive Board and the President are encouraged to take necessary measures to strengthen the Fund's catalytic role in raising the proportion of national and international funding directed at improving the well-being and self-reliance of rural poor people, and to supplement the resources of the Fund by using the Fund's power to perform financial and technical services, including the administration of resources and acting as trustee, that are consistent with the objective and functions of the Fund. Operations involved in the performance of such financial services shall not be funded by resources of the Fund.

## IX. Reporting to the Governing Council

- 31. The President shall submit to the forty-second session of the Governing Council and to subsequent sessions, reports on the status of commitments, payments, and other relevant matters concerning the Replenishment. The reports shall be submitted to the Governing Council together with the Executive Board's comments, if any, and its recommendations thereon.

## X. Review by the Executive Board

- 32. The Executive Board shall periodically review the status of contributions under the Replenishment and shall take such actions, as may be appropriate, for the implementation of the provisions of this Resolution.
- 33. If, during the replenishment period, delays in the making of any contributions cause, or threaten to cause, a suspension in the Fund's lending operations or



otherwise prevent the substantial attainment of the goals of the Replenishment, upon the request of the Executive Board the Chairperson of the Governing Council may convene a meeting of the Consultation established by Resolution 195/XL (2017) to review the situation and consider ways of fulfilling the conditions necessary for the continuation of the Fund's lending operations or for the substantial attainment of those goals.

## XI. Midterm review

34. A midterm review of the implementation of the measures and actions referred to in the Eleventh Replenishment Report will be undertaken and its findings presented at a meeting of the Consultation on the Twelfth Replenishment of IFAD's Resources.

## XII. Amendment to the Agreement Establishing IFAD

35. The Governing Council notes that in order to give effect to the determination that the Fund may accept contributions in the form of the grant element of concessional partner loans, an amendment to article 4, section 5 of the Agreement Establishing IFAD (the Agreement) is required. Such amendment has been incorporated in a separate draft resolution (the Resolution on the Amendment to the Agreement Establishing IFAD) approved by the Executive Board at its 122<sup>nd</sup> session, and transmitted to the Governing Council for adoption at its forty-first session, in accordance with article 12 of the Agreement Establishing IFAD. The effectiveness of the Resolution on the Eleventh Replenishment of IFAD's Resources shall be conditional on the adoption of the Resolution on the Amendment to the Agreement Establishing IFAD.

## Resolution 204/XLI

### Market Borrowing

The Governing Council of IFAD,

Reaffirming the support for the Fund that the Member States have manifested on the occasion of the Eleventh Replenishment of IFAD's Resources by undertaking to provide the Fund with the core resources that it requires in the pursuit of its mandate;

Recalling the request of the Governing Council "to continue to explore the scope for increasing financing from non-donor resources, including market-based mechanisms, and to submit any proposals that may result from such exploration to the Executive Board for approval" (Governing Council Resolution 122/XXIV);

Confirming the Fund's intention and ability, as an international financial institution, to leverage a more diversified set of resources by borrowing from Member States and other sources;

Acknowledging that, in the process leading to a decision of whether to proceed with market borrowing by the Fund, a review of some of the Fund's basic documents, including the Agreement Establishing IFAD, and fundamental policies, and the taking of other steps, including an assessment of the Fund's creditworthiness by international rating agencies, will be required;

Endorsing the Fund's plan to carry out such review and other steps during the IFAD11 replenishment period;

Acting upon the conclusions and recommendations of the Report of the Consultation on the Eleventh Replenishment of IFAD's Resources (GC 41/L.3) and having adopted the resolution on the Eleventh Replenishment of IFAD's Resources annexed to such Report (Governing Council Resolution 203/XLI);

Hereby decides to:

1. Request that the President take all steps necessary to initiate the process leading to a decision on whether to proceed with market borrowing, with the Executive Board being consulted at every stage of the process during the IFAD11 replenishment period. Following a review of the results of a feasibility study to be conducted by the Fund, the Executive Board shall successively consider the results of an internal rating assessment which will include an independent external review, as well as the initiation and the outcome of the formal rating process by rating agencies. The Executive Board shall also consider new or revised policies as may be needed to adapt or strengthen IFAD's financial framework, with appropriate transmittals to the Governing Council where required.
2. Agree that the Consultation on the Twelfth Replenishment of IFAD's Resources in 2020 consider progress made by IFAD in preparing for the possibility of market borrowing and decide upon the Fund's readiness to proceed with, and the appropriateness of undertaking, market borrowing, with its conclusions being included in the final replenishment report that will be submitted to the Governing Council in February 2021 for endorsement.
3. Agree that, in the event that the Consultation on the Twelfth Replenishment of IFAD's Resources deems the Fund to be ready to proceed with market borrowing, the Consultation also consider, and if appropriate, endorse a proposal to amend the Agreement Establishing IFAD in order to confirm and otherwise render effective, for the information of potential lenders and bond investors, the Fund's power to engage in market activities, and address any necessary changes in governance to conform to similar international financial institutions. Such proposal shall be considered by the Executive Board at its session in December 2020 and

transmitted, with the Executive Board's recommendation, to the Governing Council for adoption at the February 2021 session.