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Resolutions adopted by the Governing Council at its forty-second session

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Governing Council — Forty-second Session
Rome, 14-15 February 2019

For: Information

Resolutions adopted by the Governing Council at its forty-second session

1. The Governing Council, at its forty-second session, adopted resolutions 205/XLII, 206/XLII, 207/XLII, 208/XLII, 209/XLII on 14 February 2019; and resolution 210/XLII on 15 February 2019
2. These resolutions are transmitted for the information of all Members of IFAD.

Resolution 205/XLII

Approval of the Republic of Poland as a non-original Member of the Fund

The Governing Council,

Taking into account articles 3.1(a), 3.2(b) and 13.1(c) of the Agreement Establishing IFAD and section 10 of the By-laws for the Conduct of the Business of IFAD;

Considering that non-original Members of the Fund shall be those States members of the United Nations or any of its specialized agencies that, after the approval of their membership by the Governing Council, become parties to the Agreement Establishing the International Fund for Agricultural Development by depositing an instrument of accession with the Secretary-General of the United Nations;

Considering that the Republic of Poland is among one of the 51 original members of the United Nations;

Considering therefore that the Republic of Poland is eligible for membership in the Fund;

Having considered the application for non-original membership by the Republic of Poland transmitted to the Council in document GC 42/L.2, and the recommendation of the Executive Board that the Republic of Poland should be admitted to membership in IFAD;

Approves the membership of the Republic of Poland;

Tasks the President to notify the Secretary-General of the United Nations of this decision.

Resolution 206/XLII

Administrative budget comprising the regular, capital and one-time budgets of IFAD for 2019 and the budget of the Independent Office of Evaluation of IFAD for 2019

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 125th session, the Executive Board reviewed and agreed upon a programme of work of IFAD for 2019 at a level of SDR 1,265 million (US\$1,759 million), which comprises a lending programme of SDR 1,223 million (US\$1,701 million) and a gross grant programme of US\$58 million;

Having considered the review of the 125th session of the Executive Board concerning the proposed regular and capital budgets of IFAD for 2019 and the budget of the Independent Office of Evaluation of IFAD for 2019;

Aware that, in 2004, Governing Council resolution 133/XXVII authorized the amendment of regulation VI, paragraph 2 of the Financial Regulations of IFAD, to allow unobligated appropriations at the close of the financial year to be carried forward into the following financial year up to an amount not exceeding 3 per cent of the said financial year;

Conscious that the aforementioned 3 per cent carry-forward currently applies to the administrative budget, and noting the need for a 6 per cent cap for carrying forward unspent balances arising from savings achieved in 2018 into financial year 2019 to support delivery of certain corporate priorities;

Noting that the Governing Council at its thirty-fourth session approved such increase for financial year 2011 in its resolution 161/XXXIV.

Approves the administrative budget, comprising: first, the regular budget of IFAD for 2019 in the amount of US\$158.21 million; second, the capital budget of IFAD for 2019 in the amount of US\$2.645 million; and third, the budget of the Independent Office of Evaluation of IFAD for 2019 in the amount of US\$6.18 million, as set forth in document GC 42/L.6, determined on the basis of a rate of exchange of EUR 0.841: US\$1.00; and

Determines that, in the event the average value of the United States dollar in 2019 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 2019 bears to the budget exchange rate.

Further approves that unobligated appropriations at the close of the financial year 2018 may be carried forward into the 2019 financial year up to an amount not exceeding 6 per cent of the corresponding appropriations.

Resolution 207/XLII

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 document GC 42/L.7;

Adopts the Policies and Criteria for IFAD Financing, as revised below, which shall take effect from the adoption of this resolution; and

Hereby decides:

1. Section I, paragraph 3 of the Policies is hereby amended to read as follows (added text is underlined):
 3. The Lending Policies and Criteria were amended by the Governing Council several times between 1994 and 1998, but the document was not updated or reviewed thereafter. In 2010, the Governing Council instructed the Executive Board to "submit to the thirty-fourth session of the Governing Council in 2011 revised Lending Policies and Criteria that shall take into account all developments since the last revision of the Lending Policies and Criteria in 1998 and express concisely and clearly the broad policies and criteria applicable to financing by the Fund." As a result, the Policies and Criteria for IFAD Financing were adopted by the Governing Council in February 2013. In 2018 and in 2019, the Policies and Criteria for IFAD Financing were amended to reflect changes required to give effect to the transition framework and to update the financing terms.

2. A new subparagraph – number 15(a)(ii)(1)(d) – is added and will read as follows:

(1) Those developing Member States that, at the end of the year preceding the start of a replenishment period:

...

(d) are normally eligible for highly concessional terms but may be subject to less concessional terms should a remedy under the Non-Concessional Borrowing Policy, adopted by the Executive Board, be applied.

3. Section IV, paragraphs 15(a)(iii)(1), (2) and (3) of the Policies are hereby amended to read as follows (added text is underlined and deleted text is shown in strikethrough):

(1) ~~Special Loans~~ Loans on highly concessional terms shall be free of interest but bear a service charge on the principal amount outstanding of three fourths of one per cent (0.75 per cent) per annum for loans expressed in SDR and as determined by the Executive Board for other currencies on a financial equivalence basis, and have a maturity period of forty (40) years (unless a shorter maturity is requested by the borrower), including a grace period of ten (10) years starting from the date of approval by the Executive Board;

(2) Loans granted on blend terms shall be subject to ~~interest a service charge~~ on the principal amount outstanding at a fixed rate of 1.25 per cent of three fourths of one per cent (0.75 per cent) per annum for loans expressed in SDR and as determined by the Executive Board for other currencies on a financial equivalence basis, shall bear interest on the principal amount outstanding at a fixed rate of 1.25 per cent for loans expressed in SDR and as determined by the Executive Board for other currencies on a financial equivalence basis, and shall have a maturity period of twenty-five (25) years (unless a shorter maturity is requested by the borrower) including a grace period of five (5) years, ~~and in addition a service charge of 0.75 per cent,~~ starting from the date of approval by the Executive Board;

(3) Loans on ordinary terms shall ~~have a rate of interest per annum equivalent to one hundred per cent (100 per cent) of the variable reference interest rate~~ bear interest on the principal amount outstanding at the IFAD reference interest rate, as determined annually by the Executive Board in accordance with subparagraph (iv), and have a final maturity period limit of fifteen (15) to eighteen (18) years, including a grace period of three (3) years (unless a shorter maturity is requested by the borrower) of up to thirty-five (35) years and a final average maturity limit of up to twenty (20) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.

4. A new subparagraph – number 15(a)(iv)(1) – is added and will read as follows:

(iv) The Executive Board shall:

(1) Determine the service charge and related interest applicable to loans on highly concessional terms and blend terms expressed in a unit of denomination other than SDR.

The following subparagraphs are renumbered accordingly (see below).

5. Renumbered subparagraphs (2) and (3) of paragraph 15(a)(iv) are hereby amended to read as follows (additional text is underlined and deleted text is struck through):

(iv) The Executive Board shall:

(2) Determine, on the basis of the variable ordinary interest rate of international financial institutions concerned with development, the method of calculation of the reference rate of interest (the IFAD reference interest rate) for application in IFAD, which shall provide the basis for the review and revision prescribed in subparagraph (2 3) below; and

(3) ~~Decide, annually, the rates of interest to be applied to loans on ordinary terms. For that purpose, it shall review annually the rates of interest applicable to loans on ordinary terms and revise such rates, if necessary, on the basis of the reference rate of interest in effect on 1 July of each year.~~ Every three months, review and revise the IFAD service charge and the reference interest rate for the following period on the basis of market rates.

6. Paragraph 15(c) of the PCIF is amended to read as follows (added text is underlined):

Debt sustainability mechanism

Financing under the debt sustainability mechanism is provided to eligible Member States in the form of grants or a combination of a grant and a loan on highly concessional terms, in accordance with arrangements for implementation of a debt sustainability framework at the Fund established by the Executive Board. Eligible Member States are also subject to the Non-Concessional Borrowing Policy and the associated remedies.

Resolution 208/XLII

Amendment to the Agreement Establishing IFAD

The Governing Council of IFAD,

Having considered the Executive Board's report EB 2018/125/R.13, Proposed Amendments to the Basic Legal Texts of IFAD to Facilitate the Fund's Engagement with the Private Sector;

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 and recommendation to the Governing Council submitted in accordance with article 12 of the Agreement Establishing IFAD;

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

Adopts the amendments to the Agreement Establishing IFAD, as below, which shall enter into force and effect on the date of the approval by the Executive Board of the revised IFAD Private Sector Strategy:

1. Article 7, section 1(b) is hereby amended to read as follows (added text is underlined and deleted text is shown in strikethrough):

Financing by the Fund shall be provided only ~~to~~ for the benefit of developing States that are Members of the Fund; ~~or. Such financing may be provided directly to developing Member States or through~~ intergovernmental organizations in which such Members participate or to, or through, private sector organizations and enterprises. In the case of a loan to an intergovernmental organization, the Fund may require suitable governmental or other guarantees.

2. Article 7, section 2(a) is hereby amended to read as follows (added text is underlined and deleted text is shown in strikethrough):

Financing by the Fund ~~shall~~ may take the form of loans, grants, ~~and~~ a debt sustainability mechanism, equity or other means, which shall be provided on such terms as the Fund deems appropriate, having regard for ~~to~~ the economic situation and prospects of the Member and ~~to~~ the nature and requirements of the activity concerned. The Fund may also provide additional financing for the design and implementation of projects and programmes, financed by the Fund through loans, grants, ~~and~~ debt sustainability mechanisms, equity or other means, as the Executive Board shall decide.

3. Article 7, section 2(f) is hereby amended to read as follows (added text is underlined):

The loan agreement, or other agreements, as may be relevant, shall be concluded in each case by the Fund and the recipient which shall be responsible for the execution of the project or programme concerned.

Resolution 209/XLII

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 document GC 42/L.8;

Adopts the Policies and Criteria for IFAD Financing, as revised below, which shall take effect from the adoption of the revised Private Sector Strategy by the Executive Board;

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;

Hereby decides:

1. Section 1, paragraph 3 of the Policies is hereby amended to read as follows (added text is underlined):
 3. The Lending Policies and Criteria were amended by the Governing Council several times between 1994 and 1998, but the document was not updated or reviewed thereafter. In 2010, the Governing Council instructed the Executive Board to “submit to the thirty-fourth session of the Governing Council in 2011 revised Lending Policies and Criteria that shall take into account all developments since the last revision of the Lending Policies and Criteria in 1998 and express concisely and clearly the broad policies and criteria applicable to financing by the Fund.” As a result, the Policies and Criteria for IFAD Financing were adopted by the Governing Council in February 2013. In 2018 and in 2019, the Policies and Criteria for IFAD Financing were amended to reflect changes required to give effect to the Transition Framework and the engagement with the private sector.
2. Section III, paragraph 11 of the Policies is hereby amended to read as follows (added text is underlined and deleted text is shown in strikethrough):
 11. Project and programme ~~Country~~ criteria. Projects and programmes submitted for financing by the Fund shall be based as much as possible on results-based country strategic opportunity programmes or on other strategies that provide a framework for making strategic choices about the Fund's operations in a Member State, identifying opportunities for Fund financing and facilitating management for results.
3. Section III, paragraph 13 of the Policies is hereby amended to read as follows (added text is underlined):
 13. Implementation of projects and programmes. The implementation of projects and programmes financed by the Fund must be consistent with the regulations on the procurement of goods and services to be financed from resources of the Fund adopted by the Executive Board, and in conformity with the policies on corruption, audit and supervision adopted from time to time by

the Executive Board. Financing agreements with Member States shall be subject to the General Conditions for Agricultural Development Financing established by the Executive Board. Financing agreements with private sector organizations and enterprises shall be subject to the Private Sector Strategy adopted by the Executive Board. Projects and programmes are supervised by the Fund in accordance with the Policy on Supervision and Implementation Support established by the Executive Board.

Financing terms, section IV

4. Paragraph 15 of the Policies is hereby amended to reflect the change introduced in article 7, section 2(a) of the Agreement Establishing IFAD (added text is underlined and deleted text is shown in strikethrough):

15. With due regard to the long-term viability of the Fund and the need for continuity in its operations, the Fund provides financing through loans, grants, ~~and a debt sustainability mechanism, equity or other means.~~ The Fund's financing of private sector organizations and enterprises shall be for the purpose of assisting the Fund in fulfilling its objectives under the Agreement and shall not, at any time, exceed the prudential limits at individual or portfolio levels as determined by the Fund's risk framework and policies.

5. Paragraph 15(a) on loans is split into: (a) loans to the public sector and (b) loans to the private sector. Paragraphs 15(b) on grants, and 15(c) on debt sustainability mechanism will become paragraphs 15(c) and 15(d) respectively. Paragraph 15 section IV of the Policies is therefore hereby amended to read as follows (added text is underlined):

A. Loans

(a) Loans to the public sector

(...)

(b) Loans to the private sector

The Fund shall provide loans to private sector entities in accordance with the Private Sector Strategy established by the Executive Board or pursuant to other approvals granted by the Executive Board.

6. A new paragraph 15(e) is added to reflect the change introduced in article 7, section 2(a) of the Agreement Establishing IFAD (added text is underlined):

(e) Equity or other means

The Fund shall provide financing through equity or other means in accordance with the Private Sector Strategy established by the Executive Board or pursuant to other approvals granted by the Executive Board.

Resolution 210/XLII

Proposal on the Venue for the Forty-third Session of the IFAD Governing Council and the First Session of the Consultation on the Twelfth Replenishment of IFAD's Resources

The Governing Council of IFAD,

Having considered the proposal made at the forty-second session of the Governing Council, by the Governor for India, on behalf of the Government of the Republic of India to host in New Delhi the forty-third session of the IFAD Governing Council and the first session of the Consultation on the Twelfth Replenishment of IFAD's Resources;

Recalling rule 4 of the Rules of Procedure of the Governing Council relating to the place of the Governing Council sessions which states that "The sessions of the Governing Council shall be held at the seat of the Fund. The Governing Council may decide to hold a session elsewhere, provided that this does not involve additional costs to the Fund";

Noting that the dates for the Governing Council forty-third session (11-12 February 2020) have already been agreed in accordance with rule 2 of the Rules of Procedure of the Governing Council;

Thanking the Government of the Republic of India for the proposal to have the forty-third session of the IFAD Governing Council and the first session of the Consultation on the Twelfth Replenishment of IFAD's Resources hosted in New Delhi by the Government of the Republic of India;

Hereby decides:

To delegate the Executive Board to consider and decide on the proposal, ensuring that such decision and its implementation are in compliance with rule 4 of the Rules and Procedures of the Governing Council and do not involve additional costs to IFAD.