

Document: GC 45/Resolutions
Date: 16 February 2022
Distribution: Public
Original: English

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

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Governing Council — Forty-fifth Session
Rome, 16 February 2022

For: Information

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

1. The Governing Council, at its forty-fifth session, adopted resolutions 225/XLV, 226/XLV and 227/XLV on 16 February 2022.
2. These resolutions are transmitted for the information of all Members of IFAD.

Resolution 225/XLV

Administrative budget comprising the regular budget, capital budget and an Independent Office of Evaluation of IFAD budget for 2022

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 134th session, the Executive Board reviewed and agreed upon a programme of loans and grants of IFAD for 2022 at a level of up to SDR 846.28 million (US\$1,200 million), which comprises a lending programme of SDR 828.65 million (US\$1,175 million) and a gross grant programme of SDR 17.63 (US\$25 million);

Having considered the review of the 134th session of the Executive Board concerning the proposed regular budget, capital budget and the Independent Office of Evaluation of IFAD budget for 2022;

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 5 per cent cap for carrying forward unspent balances arising from savings achieved in 2021 into the 2022 financial year to support delivery of certain corporate priorities;

Approves the administrative budget, comprising: first, the regular budget of IFAD for 2022 in the amount of US\$166.93 million; second, the capital budget of IFAD for 2022 in the amount of US\$6.50 million; and third, the budget of the Independent Office of Evaluation of IFAD for 2022 in the amount of US\$5.85 million, determined on the basis of a rate of exchange of EUR 0.835:US\$1;

Determines that, in the event the average value of the United States dollar in 2022 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 2022 bears to the budget exchange rate; and

Further approves that unobligated appropriations at the close of the financial year 2021 may be carried forward into the 2022 financial year up to an amount not exceeding 5 per cent of the corresponding appropriations.

Resolution 226/XLV

Amendments to the Policies and Criteria for IFAD Financing

The Governing Council of IFAD,

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

Having considered Executive Board documents [EB 2021/132/R.9/Rev.1](#) and [EB 2021/132/R.10/Rev.1](#), Proposed Amendments to the Policies and Criteria for IFAD Financing, the Framework on IFAD Financing Conditions approved by the Executive Board and the recommendation to the Governing Council;

Acting under Article 7, Section 1(e) of the Agreement Establishing IFAD;

Hereby decides:

1. The following paragraphs of the Policies and Criteria for IFAD Financing are hereby amended to read as follows (added text is underlined, moved text is double-underlined and deleted text is shown in strikethrough):
 - "3. *The Lending Policies and Criteria were amended by the Governing Council several times between 1994 and 1998, (...). In 2022, the Policies and Criteria for IFAD Financing (PCIF) were amended to reflect changes required to give effect to the second mechanism to access IFAD borrowed resources, the Borrowed Resource Access Mechanism (BRAM) and Updates to Financing Conditions, and to reflect efforts to streamline the PCIF and ensure it remains a high-level, principles-based document.*
 - (...)
 9. **Allocation of Access to IFAD's resources.** *The resources of the Fund available for financing for developing Member States shall be ~~allocated~~ provided in accordance with a performance-based allocation system (PBAS) and the BRAM as established by the Executive Board. The Executive Board shall report annually to the Governing Council on ~~the implementation of the PBAS~~ access to IFAD's resources.*
 - (...)
 11. **Project and programme 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 the Fund's financing and facilitating management for results.*
 - (...)
 15. (...)
 - A. Loans**
 - (a) Loans to the public sector**
 - (...)
 - (ii) *The Fund shall provide loans to developing Member States on super highly or highly concessional, blend and ordinary terms for approved projects and programmes. A review of the lending terms of each country shall take place prior to the start of every replenishment period. If such review concludes that a country has become, by a process of transition,*

eligible for less concessional terms, such terms shall be applied gradually to new loans extended throughout the replenishment period. However, a review of the lending terms of each country shall also take place prior to the start of every year in any replenishment period. If such review concludes that a country has become, by a process of reversal, eligible for more concessional terms, such terms may be applied immediately to new loans extended during that year. ~~The criteria for determining the terms to apply to a specific country shall be as specified in this paragraph, in accordance with the following sequence:~~

~~(1) Those developing Member States that, at the end of the year preceding the start of a replenishment period: (a) have a gross national income (GNI) per capita lower than, or equal to, the operational cut-off as determined annually by the International Development Association (IDA), shall normally be eligible to receive loans from IFAD on highly concessional terms; (b) are classified by IDA as a "small state economy" shall normally be eligible for highly concessional terms; (c) have a GNI per capita higher than the operational cut-off referred to in subparagraph (a) above and are still eligible for IDA financing shall normally be eligible for highly concessional lending terms, unless they are classified as "gap countries" or "blend countries" by IDA; (d) are classified as "gap countries" or "blend countries" by IDA shall be eligible for blend lending terms; (e) are not eligible for highly concessional or blend lending terms in accordance with subparagraphs (a), (b), (c) or (d) shall normally be eligible to receive loans on ordinary terms; and (f) 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.~~

~~(2)~~

~~(iii) In conducting the review referred to in paragraph 15 A(a)(ii) above, the following considerations shall be made:~~

~~(1) In the case of an allocation under the PBAS:~~

~~a. In allocating resources among countries eligible for loans on the same terms, priority shall be given to those countries characterized by low food security and severe poverty in rural areas, and to fragile situations and "small state economies".~~

~~(3) In determining the lending terms to apply to a country, the Executive Board shall also take into account an assessment by the President of IFAD of that country's creditworthiness.~~

~~b. (4) The total amount of the financing provided each year through the PBAS mechanism on DSF grant, super highly concessional, highly concessional and blend terms shall amount, at least, to approximately two thirds of the total amount provided during every replenishment period by IFAD.~~

~~(iii) The conditions for super highly concessional, highly concessional, blend and ordinary lending terms shall be as follows:~~

~~(1) 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 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, 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, starting from the date of approval by the Executive Board;~~
- (3) ~~Loans on ordinary terms shall bear interest on the principal amount outstanding at the IFAD reference interest rate, as determined by the Executive Board in accordance with subparagraph (iv), and have a final maturity limit (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) ~~No commitment charge shall be levied on any loan.~~
- (2) (5) Access to borrowed resources under the BRAM³ will be based on: (i) demand; and (ii) alignment with strategic focus, absorptive capacity, country ownership, level of indebtedness, and risk-based country limits. This access would comply with the core principles of IFAD-financed operations, namely: alignment with IFAD's mandate, alignment with government priorities and development effectiveness.
- (3) In all circumstances:
- a. The Executive Board shall determine the financing conditions and elements of pricing of the different financial instruments while ensuring a significant level of concessionality for the resources provided through the PBAS.
- b. (5) For the purposes of implementing the Heavily-Indebted Poor Countries Debt Initiative, the Executive Board may amend the terms upon which an approved loan is provided to a country.
- c. In determining the grace period, the maturity date and the amount of each instalment for the repayment of loans, the Executive Board shall take into account an assessment of a country's debt sustainability produced under the Heavily-Indebted Poor Countries Debt Initiative.
- d. (6) The Executive Board may vary the grace period and the amount of each instalment for the repayments of loans received on super-highly concessional terms, highly concessional terms, blend terms and ordinary terms. In so doing, the Executive Board, on information provided by the

³ EB 2021/132/R.9/Rev 1 - Borrowed Resource Access Mechanism: Framework for Eligibility and Access to Resources

President of IFAD, shall decide on the modalities of the repayment in accordance with the accelerated repayment and voluntary prepayment framework established by the Executive Board.

- e. ~~(7)~~ For the purposes of resolving arrears that may arise from time to time in the payment of interest or service charges and the repayment of the proceeds of loans, the Executive Board may amend the terms upon which an approved loan is provided to a country, including the grace period, the maturity date and the amount of each instalment for the repayment of loans, while securing the original net present value.*

(iv) The composition of the Fund's lending operations on various terms of concessionality stated above, shall be related to the economic and financial capacity of the countries to which the Fund lends. The financial position of the poorest countries makes it imperative that the largest portion of the Fund's resources should be provided on DSF grant, super highly concessional or highly concessional terms and should be concentrated in the poorest food-deficit countries.

(v) The Executive Board may include in the loan the cost of technical assistance for feasibility studies that lead to a loan provided by the Fund. In addition, the Fund may provide, in cooperation with other agencies, grants for suitable activities of international, regional and national research institutions.

(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.

(c) Loans to subnationals and other entities

The Fund may provide loans to political subdivisions of Members States, to intergovernmental organizations in which Members States participate or to national development banks or to other entities as assessed from time to time by the Executive Board. In the case of a loan provided to an entity other than a Member State, the Fund shall normally require a suitable governmental or other guarantees, unless the Executive Board decides otherwise on the basis of a thorough assessment concerning related risks and safeguards. The Executive Board shall decide on the financing conditions related to each loan taking into account an assessment, by the President of IFAD, of the creditworthiness of each subnational lending operation based on a comprehensive due diligence and credit assessment. The Executive Board shall report annually to the Governing Council on the approval of this category of loans.

(iv) ~~The Executive Board shall:~~

- (1) Determine*

(d) The Executive Board shall determine:

- (i) (A) The service charge and related interest applicable to loans on super highly, highly concessional terms and blend terms expressed in a unit of denomination other than SDR; and (B) the applicable fees related to loans, considering the recommendation of Management, including an analysis of the cost of preparing and administering IFAD's loans.*

- (ii) ~~(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 quarterly spread for ordinary loans to be applied over the applicable market-based rate (that together form the IFAD reference interest rate), which shall provide the basis for the review and revision prescribed in sub-paragraph (3) below; and~~
- ~~(3) Every three months, review and revise the IFAD reference interest rate for the following period on the basis of market rates.~~
- (iii) ~~(v)~~ Notwithstanding anything to the contrary in Resolution 77/2 of the Governing Council on the delegation of power to the Executive Board, the Executive Board is hereby vested with the authority to carry out the responsibilities specified in sub-paragraph ~~(iv)~~ (i) above on the basis of the principles laid down in this document.

B. Grants.

- (a) Grants may be provided to: (i) developing Member States; (ii) intergovernmental organizations in which such Member States participate; and (iii) other entities which the Executive Board determines to be eligible pursuant to article 8 of the Agreement. Grants are provided in accordance with a policy for grant financing established by the Executive Board.
- ~~(vi) The composition of the Fund's lending operations on various terms of concessionality stated above, shall be related to the economic and financial capacity of the countries to which the Fund lends. The financial position of the poorest countries makes it imperative that the largest portion of the Fund's resources should be on highly concessional terms and should be concentrated on the poorest food deficit countries.~~
- ~~(vii) Loans to countries which are not eligible for loans on highly concessional terms will be on blend or ordinary terms. In respect of these countries, justification for the degree of concessionality proposed will be provided in every project submitted to the Executive Board. The dominating criterion shall be the country's economic and financial situation. However, the Board might, in appropriate cases, consider the nature of the project to be financed in determining the degree of concessionality.~~
- (b) ~~(viii)~~ The Fund's grant assistance, apart from technical assistance, shall be used as per the Regular Grants Policy⁴ to finance: (i) improving the policy and investment environment; (ii) leveraging strategic and operational partners' expertise and resources to deepen the impact of IFAD's programme of work; and (iii) improving the availability and uptake of knowledge and innovation for enhanced impact and sustainability. exclusively for the financing of projects in the absolute poorest food deficit countries with the most severe development problems. Taking account of the very limited resources available for this type of assistance, ~~t~~ The Executive Board will approve grant financing taking into account the sustainable allocation of resources to the programme.⁵ ~~only for high-priority projects in countries with very severe budgetary constraints; these considerations will apply in particular to those cases where the revenue-generating effects of projects are considered unimportant but where the project still constitutes an essential element of the Fund's programmes in the country.~~
- (c) ~~(ix)~~ Technical assistance,⁶ particularly for activities to strengthen the technical and institutional capacity essential for agricultural development, will normally

⁴ EB 2021/132/R.3.

⁵ Paragraph 18 of the Regular Grants Policy: EB 2021/132/R.3.

⁶ Not including reimbursable technical assistance.

~~be provided on a grant basis.⁷ However, when technical assistance for feasibility studies leads to a loan provided by the Fund, the Executive Board may include the cost of such technical assistance in the loan. In addition, the Fund may provide, in cooperation with other agencies, grants for suitable activities of international, regional and national research institutions.~~

- ~~B. Grants may be provided to: (i) developing Member States; (ii) intergovernmental organizations in which such Member States participate; and (iii) other entities which the Executive Board determines to be eligible pursuant to article 8 of the Agreement.~~
- C. 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 its consecutive updates to be decided by the Executive Board, and the associated remedies.~~

(...)

(e) Loans to subnationals and other entities

~~The Fund may provide loans to political subdivisions of Members, to intergovernmental organizations in which Members participate or to national development banks or to other entities as assessed from time to time by the Executive Board. In the case of a loan provided to an entity other than a Member State, the Fund shall normally require a suitable governmental or other guarantees, unless the Executive Board decides otherwise on the basis of a thorough assessment concerning related risks and safeguards. The Executive Board shall decide on the financing conditions related to each loan taking into account an assessment, by the President of IFAD, of the creditworthiness of each subnational lending operation based on a comprehensive due diligence and credit assessment. The Executive Board shall report annually to the Governing Council on the approval of this category of loans.~~

- ~~16. **Transition Framework.** In accordance with the delegation of authority established in paragraph 15(iv) above and paragraph 18 below, the Executive Board shall adopt prior to the end of 2018, and review prior to the end of 2019, a transition framework that shall establish the principles and procedures for the processes of transition and reversal referred to in paragraph 15(a)(ii) and their implementation in any replenishment period. In establishing the transition framework, the Executive Board shall be guided by the objectives of avoiding shocks and distortions for borrowers and for the Fund, and providing transparency through the furnishing to the Executive Board, on an annual basis, of information on developing Member States in relation to their income categories, relevant lending terms, and transition or reversal status under the transition framework.~~

- D. **Post-graduation.** The Fund will provide support to graduated Member States in keeping with the provisions of the Graduation Policy⁸ (as amended from time to time). IFAD support to graduated Member States excludes access to IFAD's own financing (core and borrowed resources), however such graduated Member States (or institutions located in graduated Member States) may have access to other forms of support such as non-IFAD financing and other forms of cooperation subject to cost-recovery such as reimbursable technical

⁷ Subject to the provisions of the Regular Grants Policy: EB 2021/132/R.3

⁸ EB 2021/133/R.5

assistance. Graduated Member States may also participate in regional programmes (without accessing IFAD's own financing directly)."

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

Resolution 227/XLV

Report and recommendations in relation to a special session of the Governing Council

The Governing Council of IFAD,

Considering the communication by the President of IFAD, Mr Gilbert Fossoun Hougbo, dated 31 August 2021 addressed to the Executive Board, informing representatives that he had been nominated by the Government of Togo for the position of Director-General of the International Labour Organization (ILO);

Recalling Section 6.2 of the By-laws for the Conduct of the Business of IFAD, which stipulates that "whenever, for other reasons, the office of President becomes vacant or a vacancy is due to occur, the Executive Board shall request that the Governing Council be convened in special session for the purpose of appointing the President";

Desirous of ensuring business continuity and timely preparation for an appointment process should Mr Hougbo be elected as ILO Director-General;

Having reviewed the report and recommendations in relation to a special session of the Governing Council contained in document GC 45/L.6, prepared by the Secretariat and shared with the Governing Council Bureau for comments, and the recommendations of the Executive Board thereon;

Decides that:

In the event that a vacancy should arise in the Office of the President of IFAD as a consequence of the election of Mr Gilbert F. Hougbo as Director-General of ILO in March 2022:

1. As requested by the Executive Board, a special session of the Governing Council shall be convened on Thursday, 7 July 2022, to consider the appointment of the President of IFAD. This special session will be held in-presence, COVID-19 restrictions permitting, or by virtual means.
2. Resolution 216/XLIV on the emoluments of the President of IFAD, adopted on 17 February 2021, shall apply to the President elected at said special session.
3. The Chairperson of the Bureau, after consultation with the other members of the Bureau and the President, shall make a final decision on the format of the special session (fully in-presence or virtual) by the end of March 2022, taking into due consideration the evolution of the COVID-19 pandemic and its potential effects on holding an in-presence session of the Governing Council. In terms of the voting modality to be adopted by the Governing Council for the purpose of the appointment of the President, the Governing Council shall use paper ballots in the event of an in-presence special session. Should COVID-19 restrictions render a fully physical in-presence session impossible or inadvisable, the Secretariat is tasked to explore in-person voting modalities and procedures, with the Governing Council Bureau, to ensure fair and equitable parameters for the appointment process that safeguard the secrecy and integrity of the secret ballot.
4. The term of office of the President elected at the special session of the Governing Council shall be extended for a period of six months, in accordance with article 6, section 8(a) and (b) of the Agreement Establishing IFAD, and will run from 1 October 2022 until 31 March 2027.