

Core Additional Climate Contributions (ACCs)

Inter-sessional meeting of the
Consultation on the Thirteenth
Replenishment

21 November 2023

IFAD13
REPLENISHMENT

 IFAD | FIDA



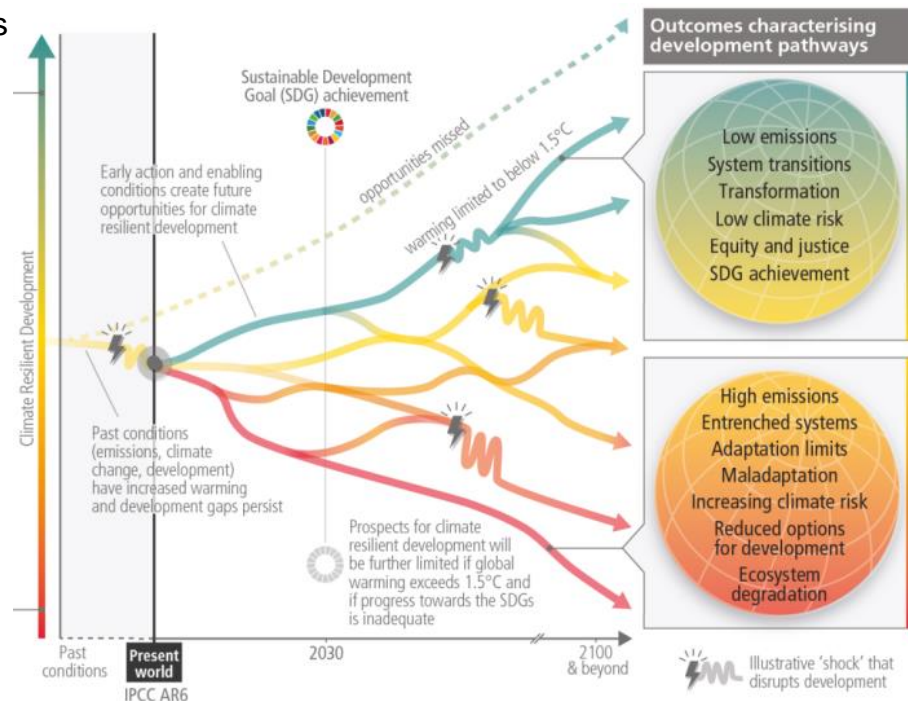
How does additional climate focus boost IFAD's support to small-holder farmers?

1 Addressing the **impacts of climate change on agriculture** is central to **IFAD's mandate** as **small-scale farmer and food producers** are on the **front lines of climate change**

2 **IFAD is a leader on climate finance for smallholder adaptation** (increasing climate share in PoLG, partnerships with global climate funds, ASAP)

3 **Additional climate funding for IFAD** addresses the shortfall of **climate finance to smallholder farmers (less than 2%)** and the **adaptation finance gap** with focus on

- Boosting climate-resilient practices and sustainable land management
- Empowering farmers to adapt to a changing climate, contribute to global climate targets and advance sustainable agriculture



What is the added value of core ACCs?

- ✓ Provide additional financial resources to all recipient countries
- ✓ Expand IFAD's existing climate finance toolkit
- ✓ Enable IFAD to accept dedicated climate funds as core contributions, boosting equity, creating greater leverage, and enhancing overall PoLG
- ✓ Increase predictability of climate finance, with upfront allocation and programming as part of regular IFAD financing
- ✓ Fully integrate additional climate finance in IFAD's normal design, supervision and reporting processes for **lower transaction costs for IFAD and for borrowers**



Core ACCs increase PBAS and BRAM financing

Core ACCs
(example: US\$100 million)

Key features:

- **Fully voluntary** core contribution
- **Boosts core resources and IFAD equity**
- Increases both **PBAS and BRAM** (\$100m in ACCs increases BRAM by approx. \$30m)

Increased PBAS
(US\$100 million – LICs/LMICs)

Increased BRAM
(approx. US\$30 million – expected >50% UMICs)

Legal basis for core ACCs

- ✓ All Replenishment contributions are legally known as “**additional contributions**” and are **core**
- ✓ Individual Member States cannot unilaterally earmark their Replenishment contributions
- ✓ However, the **Governing Council has the authority to create other categories of additional contributions**, define their conditions, and invite Members to fund them
- ✓ IFAD has long-standing precedents confirming this: in each replenishment since IFAD2 in 1986, the GC has created additional contributions and invited Members to fund them (as would be the case for core ACCs)

Types of Replenishment Contributions	Created / used in:
<u>Initial Contributions:</u>	Establishing of IFAD
<u>Additional Contributions:</u>	
• Core contribution	IFAD1 – ongoing
• Complementary Contribution (Belgian Survival Fund, ASAP1)	IFAD2 - IFAD9
• Debt Sustainability Framework Compensation Contribution	IFAD10 - IFAD11
• Unrestricted Complementary Contributions	IFAD10 - IFAD11
• Grant element of Concessional Partner Loan	IFAD11 – ongoing
• Early encashment credit/discount	IFAD12 – ongoing
• Additional climate contribution	IFAD13 (proposed)

How would voting rights work for core ACCs?

General Core Contributions

- 100 votes for every US\$158 million in contributions:
 - 43.065 Membership votes equally allocated across all members
 - 33.333 to List C
 - 6.813 to List A
 - 2.920 to List B
 - 56.935 to the contributors, upon payment

Core ACCs

- 50 votes for every US\$158 million in contributions:
 - 21.533 Membership votes equally allocated across all members
 - 16.667 to List C
 - 3.406 to List A
 - 1.460 to List B
 - 28.467 to the contributors, upon payment

Expected level of core ACCs in IFAD13 will have extremely limited impact on share of votes by List

- Current distribution of votes across IFAD Lists:
 - List A 49.79%
 - List B 10.96%
 - List C 39.25%
- In practice, any country, in any List, can provide core ACCs (or any other kind of replenishment contribution).
- If IFAD were to receive US\$158 million in core ACCs and if they were to be for example provided by just one list (e.g. List A), this **would change the share of votes held by each list by 0.11% or less.**
- Thus, core ACCs will not alter the current governance structure.



Proposed measures to ensure core ACCs cannot distort the balance of Lists' voting rights

1) Core ACCs only receive 50% of the voting rights of core contributions;

AND

2) Total amount of votes created for core ACCs can be capped at 50% of the total votes created for regular core contributions in IFAD13 ;

AND

3) IFAD13 Commitment to undertake a review of core ACC lessons learned as part of the IFAD13 midterm review.

Key highlights on core ACCs

- 1 Core ACCs are financially identical to core contributions, benefitting all recipient countries, with only half of the impact on voting rights
- 2 In IFAD13 the impact of core ACCs on voting rights is extremely limited
- 3 Core ACCs complement IFAD's existing climate finance toolkit providing additional funds otherwise not available to IFAD and leveraging them
- 4 All countries, across all Lists, can increase their contributions without any restrictions, using any kind of contribution approved by the Governing Council

The logo for LIFAD | FIDA, featuring a stylized white icon of a plant or tree to the left of the text "LIFAD | FIDA" in a white, sans-serif font.

LIFAD | FIDA

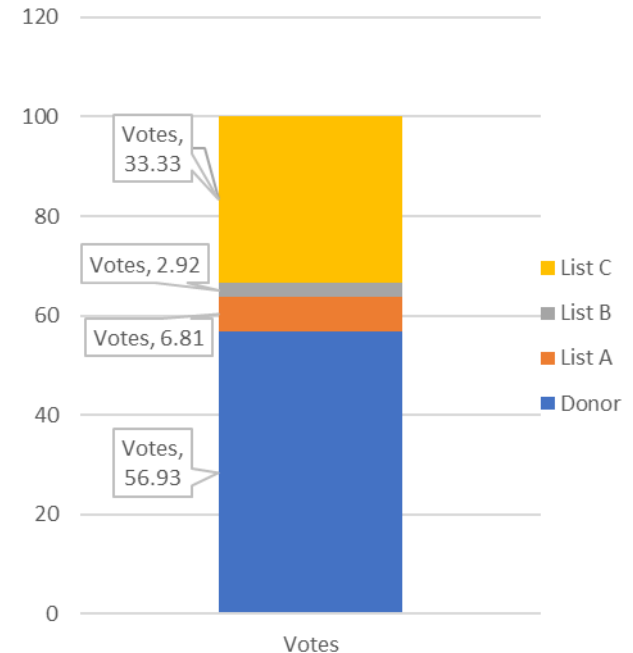


Thank you

Example of voting rights creation in IFAD

- 100 votes created for every US\$158 million in regular core contributions pledged
 - 56.93 Contribution votes allocated upon payments
 - 43.07 Membership votes equally allocated across all members upon creation of voting-rights (0.243 per member)
- Distribution of Membership votes across lists:
 - List C receives 33.33 votes (across 137 members)
 - List B receives 6.81 votes (across 28 members)
 - List A receives 2.92 votes (across 12 members)

Allocation of every 100 new voting rights



Timeline for IFAD13 voting rights

