

**List A statement on: *Financing options for IFAD beyond 2015*
IFAD10 Replenishment Session, October 2014**

I am speaking on behalf of List A.

1. Our message at the outset of this replenishment consultation was focused on consolidation. The importance of consolidating reforms and building on the quality of results and impact was also underlined by the mid-term review of the current Ninth Replenishment. However, the latest proposals on financing options do not entirely reflect this need for consolidation.
2. We would like IFAD to at least maintain its US\$3 billion programme of loans and grants, but we recognise the challenge this represents, noting the gap that was identified in IFAD9. Of course, demand invariably outstrips resources available, requiring all agencies to make tough choices in prioritisation.
3. Grant-based core and complementary contributions should remain the cornerstone and main source of IFAD's funding. Other types of financing, such as sovereign debt funding, should be considered as supplementary and not as a substitute for core funding. Therefore, we support option 1 on mobilising core and complementary contributions to replenishments as IFAD's highest priority.
4. We take note of IFAD's ambition to increase its programme by 50% to US\$4.5 billion by mobilising additional resources. We would like to clarify whether IFAD intends to achieve this by borrowing the amount of up to US\$1.5 billion, which is more than the expected core contributions to IFAD10. This raises questions about IFAD's delivery and borrowing capacity, possible long-term financial consequences, and portfolio focus.
5. We can agree that IFAD could further analyse the implications of market borrowing. As the paper highlights, this 'will call for prudence' and a 'gradual, phased approach'. Market borrowing might be a longer-term option. However, it would imply a transformation of IFAD, requiring an overarching strategic vision and a thorough, independent assessment of all the potential implications, including the governance, administrative, legal, and financial changes required. We have only just agreed to a loan framework with KfW and, based on the experiences of implementation, IFAD may explore further options for sovereign borrowing linked to the general borrowing framework being considered in the Audit Committee. The borrowing framework, under which any future borrowing must fall, will not be submitted to the Governing Council for approval before 2016 and any decisions for the Tenth Replenishment should not pre-empt that. It is therefore essential in this context to make a clear distinction, in all documentation, between financing options for IFAD10 and areas for consideration and analysis for IFAD11 and beyond.
6. We agree with option 3 on IFAD exploring expanding grant resources, aligned with IFAD's priorities, including through complementary or

supplementary funding and non-official sources. On the creation of special purpose vehicles or trust funds, we note that this must be balanced with, and not run counter to, efforts to mainstream critical priorities, including gender, nutrition, and climate. The creation of such financing windows should only be considered if it adds value without jeopardising the strategic focus or the administrative efficiency of IFAD. We would welcome more information on IFAD plans, including on the number and themes of potential trust funds, and how to minimise transaction costs.

7. We support option 4 and IFAD's efforts to secure more co-financing, and would like to hear more on how IFAD will achieve this, reversing the current downward trend. We also encourage IFAD to ensure more systematic counterpart-financing.

Thank-you very much.