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Investing in rural people

Financing options for IFAD beyond 2015

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Consultation on the Tenth Replenishment of IFAD's Resources –
Third Session

Rome, 7-8 October 2014

For: **Review**

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Abbreviations and acronyms

AfDB	African Development Bank
AfDF	African Development Fund
ADB	Asian Development Bank
ADF	Asian Development Fund
DSF	Debt Sustainability Framework
IBRD	International Bank of Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFAD8	Eighth Replenishment of IFAD's Resources
IFAD9	Ninth Replenishment of IFAD's Resources
IFAD10	Tenth Replenishment of IFAD's Resources
IFC	International Finance Corporation
IFI	international financial institution
KfW	KfW Development Bank
LIC	low-income country
MIC	middle-income country
NTF	Nigeria Trust Fund
ODA	official development assistance
PBAS	performance-based allocation system
PoLG	programme of loans and grants
PoW	programme of work

Executive summary

1. To feed a world population expected to exceed 9.3 billion by 2050, agricultural production will have to increase by 50-70 per cent, and by almost 100 per cent in developing countries. It is estimated that additional investments of US\$83 billion annually are needed in agriculture if food needs are to be met in 2050. While there is potentially a much higher demand from Member States, the estimated demand for IFAD's resources would currently be in the order of US\$5.5 billion, significantly exceeding current and projected resource availability.
2. While core replenishment resources are and will remain the foundation of IFAD's financing, reliance on these resources as the only source of external funding is no longer adequate. At the same time, to continue operating at the scale of the Eighth Replenishment of IFAD's Resources (IFAD8) and IFAD9, a strong foundation of core contributions is fundamental for a solid IFAD10 replenishment able to finance a programme of loans and grants (PoLG) of US\$3 billion. The organization can then build on this foundation to meet additional demand. IFAD would target raising up to US\$1.5 billion of additional resources to match its delivery capacity and to consolidate further its unique and necessary role in channelling concessional financing and delivering development results efficiently. It is now time for the institution to develop a proactive strategy to mobilize resources to more closely meet the critical needs of smallholder farmers, and to further increase its impact on reducing rural poverty and stimulating economic development.
3. This document explores financing options to expand the PoLG and the programme of work (PoW). The first option, sustained mobilization of core contributions and complementary contributions through replenishment cycles, expands the PoLG and is critical in responding to the demand from Member States, while establishing a floor for future PoLGs and contributing to IFAD's long-term financial sustainability. This option is thus IFAD's highest priority.
4. The second option, borrowing, is one of the most straightforward options for increasing IFAD's PoLG. Building on its experiences with debt funding and the General Framework for Borrowing under development, the institution can leverage part of its balance sheet first through sovereign borrowing, and later, when justified, through market borrowing (i.e. bond issuance). However, moving from sovereign borrowing to market borrowing will call for prudence. IFAD thus proposes a gradual, phased approach that ensures that all necessary risk management safeguards are in place.
5. To expand the PoW, IFAD suggests two more options. Increased supplementary funding can support thematic projects or special technical initiatives aligned with IFAD's strategic vision. Building on its successes, IFAD also envisages working towards expanding cofinancing through a better understanding of the needs of recipient governments and more strategic partnerships with Member States, likeminded institutions and new development actors.
6. In conclusion, the document proposes a series of next steps.
 - (a) Expanding the programme of loans and grants through core contributions is the highest priority. Member States and Management should work together to achieve a successful IFAD10 outcome, which will also provide the foundation for additional resource mobilization.
 - (b) In addition, the institution should strive to mobilize resources to reach a PoLG level that meets its institutional delivery capacity.
 - (c) Building on its ongoing debt funding experiences and subsequent implementation of the Borrowing Framework, IFAD will propose a road map for market borrowing, under the guidance of the Executive Board

- (d) To expand the PoW, IFAD will increase its readiness to receive supplementary funding in support of thematic priorities consistent with IFAD's strategic vision, and will develop a more targeted approach to cofinancing.

Financing options for IFAD beyond 2015

I. Introduction

1. Addressing a request by Member States, made during the first session of the Tenth Replenishment of IFAD's Resources (IFAD10), in this document Management presents prioritized future financing options for IFAD's exploration.
2. The document presents: a discussion on the need for increased investment in agriculture for global poverty reduction, and thus the growing demand for IFAD's financing resources; IFAD's current financial framework for resource mobilization and the need to expand these resources; lessons learned from other international finance institutions (IFIs); a set of guiding principles for use in analysing, selecting and prioritizing financing options for IFAD; an overview of specific financing options; and finally, conclusions and recommendations for next steps.

II. The need to expand investment in global agriculture for rural transformation

3. After decades of neglect, the essential role of agriculture in achieving rural transformation, reduction of extreme poverty, food security and environmental conservation is increasingly recognized. The Action Plan on Food Price Volatility and Agriculture, adopted by the Group of Twenty (G20) ministers of agriculture in 2011, underlined that in order to feed a world population expected to exceed 9.3 billion by 2050, agricultural production will have to increase by 50-70 per cent, and by almost 100 per cent in developing countries. The agriculture sector in low-income countries (LICs) has suffered from serious underinvestment for decades, with considerable consequences for long-term food security. Vast amounts of sectoral investment from all sources are required in order to achieve food security and effective development. It is estimated that additional investments of US\$83 billion annually are needed in agriculture and downstream activities if developing countries are to meet their food needs in 2050. However, developing countries themselves have a limited ability to fill that gap, even if official development assistance (ODA) is included.¹ Up to 80 per cent of the food consumed in developing countries is produced by smallholder family farms. Thus investment in smallholder agricultural development provides a powerful vehicle for poverty reduction and improved food security. Recent studies suggest that investment in the agriculture sector is from 2.5 to 3 times more effective in increasing incomes of the rural poor than non-agricultural investment. The planned IFAD10 programme of work (PoW) estimates that a move from the low to the high scenario for the aggregate PoW would lead to a US\$10 reduction in the average cost of lifting a rural poor person out of poverty.²
4. As noted in the financial framework and PoW, presented at the second session of IFAD10, the estimated demand for IFAD's resources significantly exceeds its current and projected resource availability on the basis of core contributions³ and internal resources. Preliminary assessments by IFAD staff based on existing lending terms and loan products would tentatively indicate an overall demand for IFAD

¹ High-Level Expert Forum, Synthesis report of the "High-Level Expert Forum: How to Feed the World in 2050" (FAO: Rome, October 2009).

² IFAD, "IFAD10 Programme of Work", Consultation on the Tenth Replenishment of IFAD's Resources – Second Session, Rome, 9-10 June 2014, IFAD10-2-R-4-IFAD10 PoW.

³ Additional contributions are provided for under article 4.3 of the Agreement Establishing IFAD, and are called for by the Governing Council through regular replenishments by IFAD Member States. Two subcategories of additional contributions, although not mentioned in the Agreement, have been developed by the Governing Council in its various replenishment resolutions, namely "core" and "complementary" contributions. Source: IFAD, "Categories and Governance of Resources available to IFAD", EB/2012/105/INF.3, March 2012.

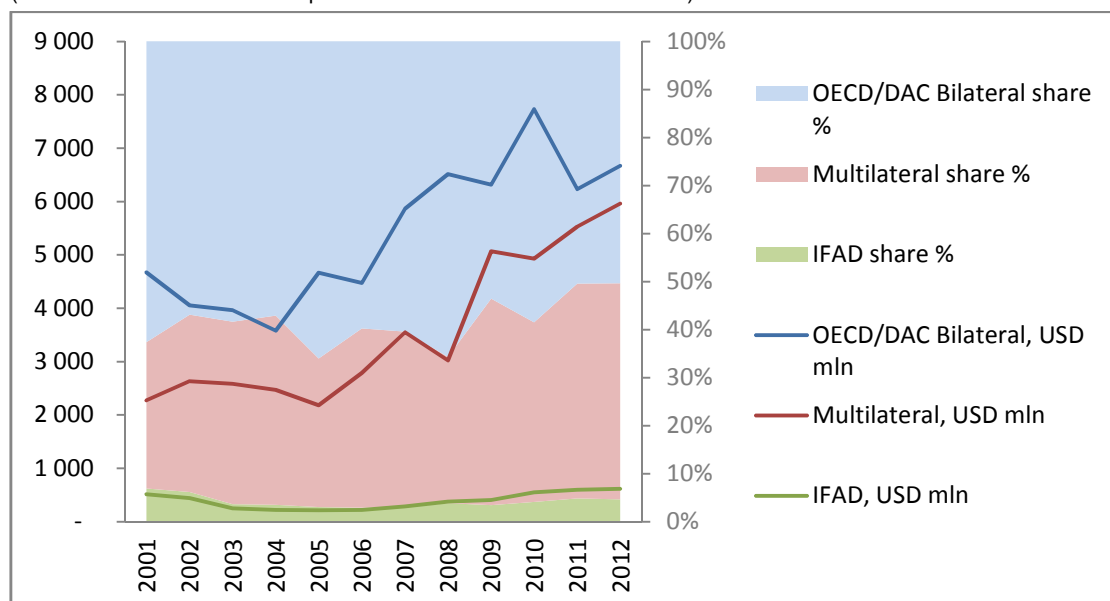
resources on the order of US\$5.5 billion.⁴ Clearly, there would potentially be a much higher real demand from Member States for additional financing to support the needed level of smallholder agricultural investments. And IFAD could respond to this demand if it were able to mobilize greater amounts of additional resources. This is particularly the case for middle-income countries (MICs), whose demand cannot be fully addressed. Thus the main constraint on stepping up IFAD's development capacity lies more on the supply than on the demand side.

5. Trends in development finance indicate an increasing amount of ODA going towards agriculture in the past 10 years, after a decade of neglect. Figure 1 shows that while IFAD's agricultural funding decreased from 2001 to 2006,⁵ the global food crisis that followed sparked a renewed interest from the membership in seeing the institution play a more prominent role, thereby increasing its funding capacity.⁶ As a result, Member States increased their level of replenishment contributions and stretched the advance commitment authority capacity, which permitted IFAD to use its stable and predictable loan reflows to raise the level of the programme of loans and grants (PoLG) from US\$1.86 billion during IFAD7⁷ to US\$3 billion during IFAD8.⁸ Subsequently, IFAD9 maintained a US\$3 billion PoLG to consolidate its unique and necessary role in channelling concessional financing to its Member States and delivering development results efficiently. It is now time for the institution to develop a proactive strategy to mobilize resources to meet the critical needs of smallholder farmers, rural poverty reduction and economic development.

Figure 1

Aid to agriculture, forestry, fisheries and rural development

(Commitment at 2012 constant prices – millions of United States dollars)



Source: "Statistics on aid to agriculture and rural development by donor, commitments, 2005-12", www.oecd.org/dac/stats/agriculture.htm.

⁴ As stated in the IFAD10 PoW, demand for IFAD loans and grants, excluding funds needed for climate adaptation, is estimated at US\$4.85 billion for the IFAD10 period; if costs to achieve climate adaptation are included, demand is on the order of US\$5.5 billion.

⁵ IFAD's share of global agricultural funding decreased from 7 per cent in 2001 to 3 per cent in 2006.

⁶ At the same time, IFAD initiated a series of institutional reforms to become a more effective, efficient and focused organization.

⁷ The IFAD7 PoLG of US\$1.86 billion was supported by replenishment contributions of US\$616 million.

⁸ The IFAD8 PoLG of US\$2.93 billion was supported by replenishment contributions of US\$1 billion.

III. IFAD's financial framework and the need to expand resources

6. Since its establishment, and in line with the Agreement Establishing IFAD, the Fund has provided concessional financing on highly concessional, intermediate/ blend and ordinary lending terms under a single window of resources that is exclusively replenished with grant contributions from its donor countries. This means that countries with higher income levels are accessing the same resources provided by IFAD Member States as are LICs or fragile states, although they are repaying them at ordinary lending terms (which are based on International Bank of Reconstruction and Development [IBRD] terms and hence close to market rates). Given this variation in lending products for borrowing members, the current financing model presents considerable limitations in mobilizing and providing adequate levels of development financing to meet the varying financing needs.
7. Core replenishment resources represent the foundation of IFAD's financing. Yet to expand IFAD's operations and development to more closely meet the demand from borrowing countries, and to more closely match IFAD's delivery capacity, reliance on core replenishment resources as the only source of external funding is no longer adequate. As a result, IFAD needs to explore new ways to mobilize resources to respond to the mandate it has been given by its members and to expand the "pie" of available resources to respond to the unique and country-specific needs of its borrowing Member States.
8. A strong foundation of core contributions is fundamental for a solid IFAD10 replenishment able to finance a PoLG at least equal to IFAD8 and IFAD9, at US\$3 billion. This requires a core replenishment contribution of US\$1.44 billion.⁹ With this foundation, the organization can then build further on the US\$3 billion PoLG target to meet additional demand for IFAD's resources. While the anticipated demand during IFAD10 is estimated at US\$5.5 billion, as stated in paragraph 4, an internal assessment indicates that IFAD could deliver a US\$4.5 billion PoLG during the IFAD10 period within its current institutional capacity. Thus it would target raising up to US\$1.5 billion of additional resources for the IFAD10 PoLG through the options set out under subsection A of section VI below. The other options, under subsection B of section VI, could help IFAD realize an expanded PoW.¹⁰
9. To realize this potential, Member States and Management need to work together to build an enhanced financial model that will ensure the Fund's long-term financial sustainability and ability to serve the rural poor in all its borrowing Member States.

IV. Experiences and lessons from other IFIs

10. IFIs typically have two distinctive sources of financing: (i) traditional ODA grant resources (i.e. member state contributions), which constitute a highly concessional development window in support of LICs, certain MICs, fragile states and small island developing states; and (ii) funds raised through international capital markets (i.e. bond issuance), which constitute a less-concessional development window in support of eligible MICs.¹¹
11. However, the traditional financial models of IFIs have recently come under pressure and are now undergoing significant change. To respond to demand for resources from its borrowing members, the recently concluded replenishment of the International Development Association (IDA17) introduced a series of measures

⁹ See footnote 2.

¹⁰ Future financing options are categorized to support the PoLG and PoW. In this regard, the PoLG refers to resources made available to IFAD by Member States that are untied in their financial use, meaning they are allocated through IFAD's regular financing practices. The PoW refers to direct financing to IFAD for specific projects and to cofinancing of IFAD-supported projects, administered by IFAD or by the cofinancing partner.

¹¹ In addition, some IFIs have a window to support private-sector investments on commercial terms.

and new tools, including concessional partner loans. In the last replenishment (ADF13) of the African Development Fund (AfDF), member states agreed to: slightly harden lending terms; mobilize special funds (e.g. "Africa50" and "Funds¹²"); and further fine-tune some of its existing financing mechanisms – including partial credit guarantees and the private-sector credit enhancement facility – in order to increase its resource-leveraging capacity. The Asian Development Bank (ADB) has initiated a move to combine the funds held under the Asian Development Fund (ADF) with its ordinary capital resources, which would enable the ADB to borrow more and still preserve its AAA credit rating. These experiences demonstrate that all IFIs have realized a need to explore new financing models to meet a growing and changing demand. Annex 1 gives a more detailed account of the practices of other IFIs.

V. Guiding principles for financing options at IFAD

12. The following principles have guided Management's analysis, selection and prioritization of proposed future financing options. These principles are meant to ensure that all financing options considered will contribute towards the desired financial and developmental objectives of IFAD's Member States. While building on the experiences of other IFIs, these principles respect the unique mandate and character of IFAD:
- (a) **Strategic value added.** Ensure implementation and achievement of IFAD's strategic vision.
 - (b) **Responsiveness to demands.** Enable IFAD to respond fully to the priorities of its borrowing Member States, including demands for IFAD investment and grant operations and knowledge products and services.
 - (c) **Additionality.** Sustain IFAD's financial strength over time by accessing financial resources over and above core contributions, without substituting for them.
 - (d) **Cost-effectiveness and capacity.** Protect the financial integrity of IFAD by mobilizing additional resources cost-effectively, and seek compatibility with prevailing and planned administrative and financial risk management capabilities.
 - (e) **Predictability.** Taking a long-term view, towards sustainability and to maintain strong partnerships with its borrowing Member States, the Fund needs to access predictable levels of funds, rather than relying on an opportunistic approach.
 - (f) **Long-term financial sustainability.** Ensure that additional resources are mobilized in a way that contributes to IFAD's long-term financial sustainability, and that associated risks are effectively managed.
 - (g) **Enhanced partnerships.** Create incentives for IFAD's engagement with official, public- and private-sector development partners and contributors, improve coordination in the delivery of assistance to IFAD's borrowing Member States, and strengthen South-South cooperation.

VI. Financing options

13. In order to meet the continuing priority needs of its borrowing Member States – at scale, with predictability, and on the basis of improved knowledge, innovation, partnership and development effectiveness – IFAD is carefully considering financing options that represent an opportunity to: (i) strengthen and expand the PoLG; and

¹² In 2012, African Heads of State in their Declaration on the Program for Infrastructure Development in Africa (PIDA) called for innovative solutions to facilitate and accelerate infrastructure delivery in Africa. In response, and after broad consultations with African stakeholders, the AfDB has proposed the establishment of a new delivery vehicle called Africa50.

(ii) leverage IFAD's resources to expand the PoW. The options to be considered are not necessarily mutually exclusive:

- (a) Sustained mobilization of core contributions and complementary contributions;
- (b) Borrowing from sovereign and market sources;
- (c) Increasing supplementary contributions;
- (d) Expanding cofinancing.

A. Expanding the programme of loans and grants

14. **Option 1: Sustained mobilization of core contributions and complementary contributions¹³ through replenishment cycles.** IFAD's highest priority is to retain and strengthen replenishments as the primary foundation for any future concessional resource mobilization by IFAD, with the goal of establishing a floor for future PoLGs and contributing to IFAD's long-term financial sustainability through mobilizing core and complementary contributions. Consequently, the administration and programming of complementary contributions, if not dedicated to a specific thematic priority, will be indistinguishable from core contributions in their financial use by IFAD. They will be allocated through the performance-based allocation system (PBAS) and generate reflows in equal measure with the lending of core contributions. While all complementary contributions are unrestricted in their financial use, they could be earmarked for specific thematic areas in which IFAD has a comparative advantage in impact on rural poverty and food security, in line with its strategic vision.
15. The key advantage of core and complementary contributions in terms of IFAD's financial model is first and foremost their contribution to the long-term financial sustainability of the Fund. Moreover, core and complementary contributions allow IFAD the flexibility needed to react most readily to borrowing Member States' needs and thematic priorities. The challenge, however, with such contributions is that they fluctuate with the global financial and economic climate. As experienced in the past, these contributions may surge when food security becomes a top development priority – as with the food price shock in 2008 – but may taper off thereafter. This challenge can hinder predictability of resource flows, undermining IFAD's ability to do sound financial planning and constraining its ability to respond to borrowers' needs.
16. **Option 2: Borrowing to leverage IFAD's resources.** One of the most straightforward options for increasing IFAD's access to funds and expanding the PoLG would be leveraging part of its balance sheet, as is done by the less-concessional arms of other IFIs such as the ADB, African Development Bank (AfDB), IBRD and Inter-American Development Bank (IDB). Through leveraging, IFIs can use part of their resources as the basis for mobilizing a significantly larger amount of funds. For IFAD, this would result in funding some of its loan portfolio partially through borrowed funds rather than entirely through grant contributions from Member States. This means having a liability on IFAD's balance sheet that would eventually have to be repaid. Another benefit of borrowing is that it could free up core IFAD resources currently lent on ordinary terms to countries with a higher income level and reallocate them for lending on blend and highly concessional terms to LICs and eligible fragile states.
17. A careful analysis of the Agreement Establishing IFAD and the principles of international law indicates that IFAD's existing legal framework allows the institution to borrow, as a means of furthering its mandate "to mobilize additional

¹³ Complementary contributions, received on a voluntary basis, do not entitle a contributing member to receive commensurate contribution votes. In practice, contributing members may, or may not, propose specific use of such resources for the Executive Board's consideration. Source: Categories and Governance of Resources available to IFAD, March 2012, EB 2012/105/INF.3.

resources to be made available on concessional terms for agricultural development in developing Member States" (article 2 of the Agreement Establishing the International Fund for Agricultural Development).

18. To date, IFAD has accessed sovereign debt by administering the Spanish Trust Fund and has gained experience negotiating a concessional loan with the KfW Development Bank (KfW).¹⁴ When negotiating a loan, the financial implications for the long-term sustainability of the Fund must be carefully assessed, as assumptions and conditions vary. Management is taking a cautious, gradual approach towards borrowing to ensure that all necessary risk management safeguards are in place and to secure a harmonized financial and operational approach. The General Borrowing Framework¹⁵ being developed will guide IFAD and define the parameters for future borrowing.
19. The Borrowing Framework in preparation currently envisages a phased approach. The first part would seek borrowing from sovereign states and state-supported development institutions. The second part would be directed to exploring market borrowing. The key advantages of this phased and gradual approach are: (i) it allows IFAD to continue accessing funds from sovereign lenders beyond the Spanish Trust Fund and the potential loan from KfW; (ii) sovereign borrowing does not require IFAD to obtain a credit rating and initially requires few changes to its internal financial, risk management and governance structures, and thus could be done immediately; and (iii) it allows the institution to learn and to strengthen its financial management capacity.
20. To date, IFAD's funding structure is currently extremely conservative, as its assets are primarily funded by paid-in equity (i.e. core contributions) from Member States. By introducing a prudent level of borrowing, IFAD could enhance its resources, while respecting the paramount principle of not jeopardizing its long-term financial sustainability. Two important aspects of ensuring a prudent financial framework are:
 - (a) IFAD would implement capital safeguards, including the introduction of a "gearing ratio" in the form of a maximum debt/equity ratio; and
 - (b) It would implement additional safeguards in the form of liquidity coverage ratios that could potentially be embedded in IFAD's liquidity policy to ensure its debt-servicing capacity.
21. These two aspects are strictly interlinked, as the liquidity position of the organization is ultimately the highest safeguard against short-term shocks, and a prudent capital adequacy ratio structure aims to ensure that the organization is able to absorb liquidity fluctuations without endangering its operations.
22. Based on the Borrowing Framework to be approved by the Executive Board, the following way forward is proposed:
23. **Part I: Sovereign borrowing.** On finalization of the Borrowing Framework, IFAD will build on its experience to explore new opportunities to borrow from sovereign states and state-supported development institutions. Unlike borrowing from commercial banks and other market players, sovereign and state-supported development institutions may, to a significant extent, take into account non-commercial factors¹⁶ when setting terms and conditions for loans to IFAD. This may

¹⁴ At the time of writing, the proposal for a framework agreement with KfW for the granting of individual loans to IFAD had yet to be presented to the Executive Board.

¹⁵ At its 110th session in December 2013, the Executive Board requested IFAD to establish a general framework for borrowing by IFAD, which is currently being developed under the guidance of the Audit Committee.

¹⁶ For example: (a) the development-related purposes of the lent funds; (b) an understanding and appreciation of IFAD as a provider of concessional finance with maturities much longer than private-sector loans; (c) the development contexts of IFAD's borrowers; (d) the strong multilateral support

allow IFAD to more closely match the loans with the terms and conditions of its loans to borrowing Member States. An important caveat to this approach is that sovereign debt is unpredictable and the terms of borrowing may vary from lender to lender and over time. In order to address the substitution risk (i.e. risk that a Member State could consider substituting part of its core contribution with a loan), a mitigating mechanism should be explored and agreed on. Annex 2 lists potential risks and mitigation measures associated with sovereign borrowing.

24. **Part II: Borrowing from the market through bond issuance.** This option is not for the immediate future, and there are several preconditions that would need to be fulfilled before IFAD would move from the first to the second phase: (i) core resources and part one of the Borrowing Framework do not sufficiently enhance the institution's ability to respond to changing and increasing demand for IFAD resources, from borrowing members, for investment in smallholder agriculture; (ii) conditions offered by sovereign lenders under part one of the Borrowing Framework are too restrictive and do not allow IFAD to match the loans to its lending procedures; (iii) market conditions are such that market borrowing would provide an opportunity to access more cost-effective resources than sovereign borrowing, while considering the required financial and risk management capabilities; and (iv) IFAD's membership shows an interest in further diversifying IFAD's resource mobilization. The findings of a comprehensive review of IFAD's experiences with sovereign debt funding and implementation of the associated Borrowing Framework – plus the prevailing outlook for operational requirements – will be used to carefully plan the feasibility of borrowing in capital markets to finance future operations. In any event, borrowing in capital markets (including the adoption of part two of the Borrowing Framework) would require the approval of the Executive Board.
25. The practices and experiences of the major IFIs show that a formal, sustained borrowing programme in international capital markets is generally associated with a capital structure and set of financial risks that are distinct from the Fund's current structure. If IFAD were to decide to issue bonds, it would need to develop proper capital adequacy safeguards, and to obtain a credit rating from one of the major rating agencies. In the long run, the key advantage of market borrowing is that it provides a stable source of funding with more predictable funding costs. Market borrowing will thus be explored in the second part of IFAD's Borrowing Framework, and the implications for IFAD's capital structure and the required internal and external changes will be prudently assessed. In this regard, IFAD may consider developing a long-term advisory relationship with the World Bank Treasury, or the treasury department of another major IFI, to guide and advise it on this initiative, and, in line with standard practice, IFAD could potentially outsource part of the bond issuance programme.

B. Expanding the programme of work

26. **Option 3: Increasing supplementary funding.**¹⁷ Donors can provide earmarked supplementary contributions for certain projects or special technical initiatives that effectively expand IFAD's PoW. Unlike complementary contributions, supplementary funds can be restricted as to their financial use.
27. IFAD's programme and technical teams regularly mobilize financial resources through partnerships with donor Member States, other public-sector entities, global funds (e.g. the Global Environment Facility and the Green Climate Fund), and

provided by Member States to IFAD; and (e) an interest in having a long-term development financing partnership with IFAD.

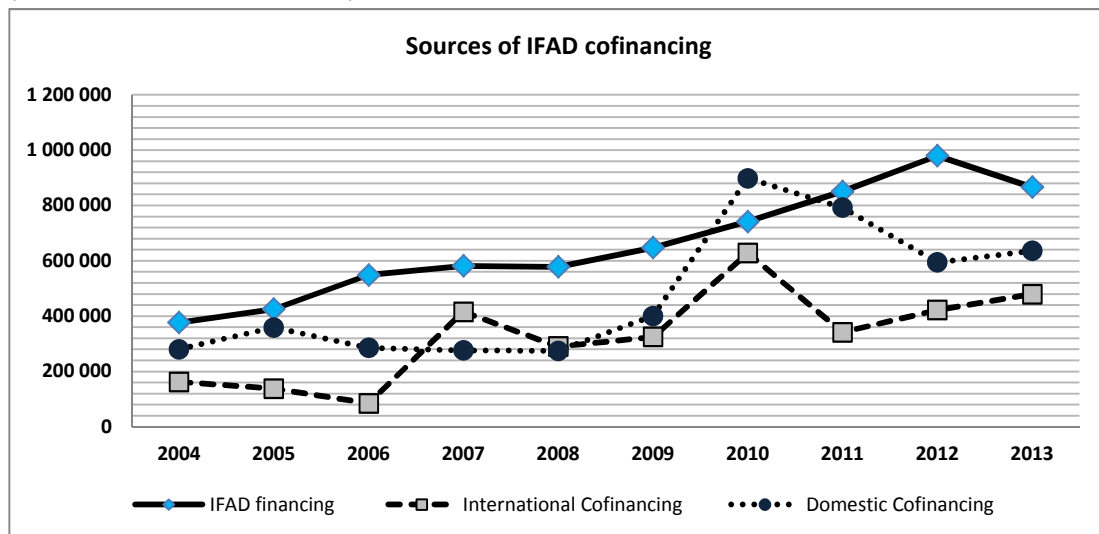
¹⁷ Supplementary funds are provided by donors to IFAD under agreed terms and conditions for their use, including, inter alia: the purpose of the funds (i.e. the specific activities and/or beneficiaries for which the funds may be used); procedural requirements (such as reporting and monitoring); and the management fee to be charged by IFAD to cover the cost of administering these resources. Source: Categories and Governance of Resources available to IFAD, March 2012, EB 2012/105/INF.3.

increasingly from new development partners such as foundations and the private sector.

28. To increase supplementary contributions, while limiting the higher administrative costs generally associated with managing such funds, IFAD may consider defining a few select thematic issues around which to create special-purpose vehicles or thematic trust funds – to allow donors to channel supplementary contributions to priority issues, particularly as defined in IFAD’s strategic vision. These funds would be managed outside the PBAS, and would thus expand the PoW while complementing the PoLG. Creation of any dedicated thematic trust fund will not detract from IFAD’s ability to plan and implement its PoLG, nor will it require IFAD to put in place extraordinary or otherwise highly differentiated business practices and administrative systems.
29. As with complementary contributions, creation of new thematic funds to mobilize supplementary funding outside the replenishment context would allow IFAD to capitalize on the financing windows of Member States other than those making core replenishment contributions. Moreover, trust funds would also provide vehicles to attract new financing partners, including philanthropic foundations, impact investors, corporate partners and ethical investors, which are increasingly becoming an important and growing part of the global development architecture. While sharing a motivation for results and social impact, such donor partners do have distinct incentives and parameters for collaborating with development institutions, and the design of thematic funds would need to account for such considerations. Annex 3 addresses opportunities for work with new private partners.
30. Supplementary funding, especially when provided in the form of grants, does not contribute to the long-term financial sustainability of IFAD given that: (a) grant funding does not generate reflows; and (b) these resources belong to the donors until they are fully used for their intended purposes. Thus IFAD would make efforts to ensure that, over time, there would be a plan in place for any thematic trust fund to mainstream its resources into IFAD’s PoLG, making them part of IFAD’s revolving internal resources to the greatest extent possible.
31. **Option 4: Expanding cofinancing at IFAD.** IFAD considers cofinancing a key instrument for: increasing or extending the catalytic effect of its financing and knowledge; achieving greater results and impact through an expanded PoW at the country level; and responding to the great demand for resources that agricultural and rural development requires. As a result, in IFAD8 the Fund introduced a specific target and relevant monitoring indicators for cofinancing and carried them forward into IFAD9. IFAD defines “cofinancing” as funds provided by bilateral donors or independent aid organizations for project activities included in IFAD programmes/projects submitted to and approved by IFAD’s Executive Board. This includes funds from beneficiaries, governments and/or domestic partners considered as contributions towards project-managed activities.
32. Analysis undertaken by IFAD indicates that IFAD’s cofinancing ratio, i.e. its own financing (or PoLG) relative to cofinancing secured as part of the overall PoW, has been 1:1.23 on average over the last 10 years.¹⁸ Since the start of 2004, IFAD has implemented 302 projects with total project costs of US\$14.7 billion. Of this total, about 45 per cent was invested by IFAD, while borrowing member governments, domestic institutions and beneficiaries contributed about 33 per cent and international cofinanciers about 22 per cent. Annex 4 provides a preliminary analysis IFAD’s cofinancing trends.

¹⁸ Annex 4 provides highlights of recent trends in IFAD cofinancing. The amount of IFAD-managed cofinancing is small, about 16 per cent; most cofinancing arrangements operate directly through the project office and national systems. Cofinancing performance and the differentiation of cofinancing trends vary considerably with projects and cofinanciers, and reliance on a relatively small number of projects makes cofinancing performance subject to pronounced variation.

Figure 2
Trends in IFAD investment and cofinancing over last 10 years
 (Thousands of United States dollars)



33. IFAD recognizes the need to develop a more strategic and targeted approach to cofinancing that would include: (a) identification of geographical priorities of all major donors for agriculture and rural development, along with the type of project they finance and how the budget support approach of some donors may impact IFAD's cofinancing; (b) a better understanding of the extent to which recipient governments can both provide domestic cofinancing and encourage cofinancing among IFIs/bilateral donors, including IFAD, and of how to facilitate cofinancing partnerships and improve efficiency; and (c) development and introduction of new instruments to mobilize cofinancing by new actors, including from the private sector.

VII. Conclusions and next steps

34. **To strengthen and expand the PoLG.** The first and foremost priority for Member States and Management is to work together to mobilize core resources through a successful IFAD10 outcome – in order to support a PoLG of at least US\$3 billion (equal to the IFAD9 level). Member States may wish to provide complementary contributions in addition to their core replenishment contributions to support the institution's capacity to respond to its mandate.
35. The institution should strive to mobilize resources to reach a PoLG level that meets its institutional delivery capacity, estimated at US\$4.5 billion. IFAD will thus seek to mobilize additional resources to reach its desired level of PoLG through borrowing, up to US\$1.5 billion for the IFAD10 period. This will be pursued on completion and approval of part one of the Borrowing Framework, which deals with sovereign borrowing.
36. Based on the experiences, lessons learned and review of the implementation of part one of the Borrowing Framework, IFAD will estimate appropriate levels for mobilizing additional resources beyond IFAD10, and will propose a road map for the implementation of part two of the framework, which concerns market borrowing, for approval by the Executive Board.
37. **To expand the PoW.** IFAD will continue to receive supplementary funds in support of thematic priorities with IFAD's strategic vision. The institution will also develop a more strategic and targeted approach towards cofinancing, as detailed in paragraph 33 above.

Practices of other international financial institutions

1. The following major IFIs are typically comparable to IFAD in terms of their lending operations and client spectrum: the World Bank Group, African Development Bank Group and Asian Development Bank (ADB). These IFIs have recently concluded their latest replenishment consultations, during which IFAD observed their financial structures, lending operations and replenishment outcomes, as well as reforms taken to enhance their long-term financial sustainability.
2. **World Bank Group.** This group consists of five distinct constituent institutions:
 - (a) International Bank for Reconstruction and Development (IBRD), which provides loans to governments of middle-income and creditworthy low-income countries;
 - (b) International Development Association (IDA), which provides interest-free loans (concessional) and grants to governments of the poorest countries;
 - (c) International Finance Corporation (IFC), which provides loans to the private sector;
 - (d) Multilateral Investment Guarantee Agency (MIGA), which provides political risk insurance (guarantees) to investors and lenders; and
 - (e) International Centre for Settlement of Investment Disputes (ICSID), which provides international facilities for conciliation and arbitration of investment disputes.
3. **World Bank financial structure.** IBRD and IFC each have an authorized capital that is subscribed to by its member countries, against which funds are raised from international capital markets for their lending operations. IDA is the group's concessional window and provides highly concessional credits and grants to eligible LICs and fragile states. Its resources are replenished periodically by its member countries, as well as by transfers of surplus from IBRD and IFC.
4. **IDA17 replenishment.** IDA recently concluded its consultation for the 17th replenishment, and in March 2014 its board of directors approved that contributions of SDR 17.3 billion (US\$26.1 billion) be provided to achieve a total replenishment of SDR 34.6 billion (US\$52.1 billion) during the IDA17 period. Given the special circumstances, the consultation also endorsed the introduction of limited debt funding in IDA17's financing framework, in the form of concessional partner loans¹⁹.
5. **African Development Bank Group.** This group was founded in 1964 and consists of three constituent institutions: (a) African Development Bank (AfDB); (b) African Development Fund (AfDF); and (c) Nigeria Trust Fund (NTF).
6. **African Development Bank financial structure.** AfDB's authorized capital is subscribed to by 78 member countries made up of 53 African countries and 25 non-African countries. Its resources come from: ordinary resources such as subscribed shares of authorized capital, including callable capital to guarantee AfDB borrowing obligations; funds received in repayment of AfDB loans; funds raised through AfDB borrowing on international capital markets; and income derived from AfDB loans and other investments. AfDB is the group's less-concessional window and provides ordinary loans to eligible MICs and creditworthy LICs, and commercial credits to the private sector.
7. AfDF is the concessional window of the group, established in 1972. It comprises 27 contributing countries and benefits 40 AfDF-eligible countries. Its resources consist of contributions from internal AfDB resources and periodic replenishments by donor

¹⁹ Additions to IDA Resources: Seventeenth Replenishment – IDA17: Maximizing Development Impact, Report No. 86434 (Washington, DC, 2014).

- countries. As the group's concessional window, AfDF provides highly concessional development financing to eligible LICs and fragile states.
8. NTF was created in 1976 by agreement between the bank group and the Government of Nigeria. It is a self-sustaining, revolving fund and provides cofinancing to projects supported by AfDB and AfDF, as well as funding stand-alone operations in both the public and private sectors.
 9. **AfDF13 replenishment.** AfDF's 13th replenishment, which was concluded in January 2014, reached a level of 5.3 billion Units of Account (UA) (US\$8.1 billion equivalent), of which UA 3.8 billion (US\$5.8 billion) is newly contributed by its member countries. In order to further strengthen its resource capacity, AfDF has: (i) slightly hardened its lending terms; (ii) engaged in mobilizing special funds (e.g. Africa50); and (iii) further fine-tuned innovative financing mechanisms to leverage more resources for its borrowers, such as partial credit guarantees and the private-sector credit enhancement facility.²⁰
 10. **Asian Development Bank.** ADB was founded in 1966 and its authorized capital is subscribed to by 67 member countries made up of 48 regional countries and 19 non-regional countries. Its resources come from: ordinary resources such as subscribed shares of authorized capital (including callable capital) to guarantee ADB's borrowing obligations; funds raised through ADB borrowing on international capital markets; reflows from ADB loans; and income derived from ADB loans and other investments. It provides less-concessional development financing to eligible MICs, and commercial credits to the private sector.
 11. **Asian Development Bank financial structure.** Under one institution, ADB also operates the Asian Development Fund (ADF), which is ADB's major instrument of concessional financing. ADF resources come mainly from contributions by ADB member countries, which are mobilized through periodic replenishment cycles, and reflows from ADF loan repayments. ADF accounts are kept separate from those of ADB.
 12. **ADB reform.** ADB has initiated a move to combine the funds held under ADF with its ordinary capital resources, which would enable ADB to borrow more and still preserve its AAA credit rating. Under the new structure, if implemented by 2017 when the next replenishment is due, the amount of new contributions that donors would need to provide is expected to be significantly reduced, thanks to increased leverage in the international capital markets.

²⁰ ADF-13 Report: Supporting Africa's Transformation, [www.afdb.org/fileadmin/uploads/afdb/Documents/Boards-Documents/ADF-13 - Report on the Thirteenth General Replenishment of the Resources of the ADF.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Boards-Documents/ADF-13_-_Report_on_the_Thirteenth_General_Replenishment_of_the_Resources_of_the_ADF.pdf).

Risk management of sovereign debt funding

1. As part of the Additional Resource Mobilization Initiative (ARM), in December 2013 at an informal Board seminar, Management presented a paper containing a Risk Analysis of Sovereign Debt Funding. This annex is based on that paper and presents the key risks associated with sovereign debt funding. It should be noted, however, that final assessment and mitigating measures will be included in the General Framework for Borrowing to be approved by the Executive Board.

Key risks and mitigating measures

2. **Financial risks.** The introduction of public debt funding brings with it increased exposure to financial risks, including term/liquidity, interest rate, currency and default risks. A description of each of these, as well as a general strategy for risk management, is provided below:
3. **Term/liquidity risk** pertains to the risk of being unable to meet financial commitments because the timing and/or final maturity of cash flows (i.e. principal and interest) between assets and their funding liabilities do not align.
4. **Mitigation:**
 - (a) To mitigate term/liquidity risk on new sources of debt funding, IFAD would seek to negotiate loan agreements with prospective lenders that would align repayment terms with IFAD's projected borrower repayment profiles.
 - (b) Other mitigation approaches include structuring the loan agreement in tranches so that disbursements to IFAD align with IFAD's resource needs, and thus with IFAD's repayments.
 - (c) Negotiating a longer grace period for loan repayment could permit accumulation of a liquidity buffer stemming from loan reflows and interest repayments, to be used in the case of future outflows not being matched by inflows.
5. **Interest rate risk** is introduced when differences between the interest rate payable by IFAD and the interest rate payable to IFAD on its loans to borrowing members result in a reduced cash flow.
6. **Mitigation:**
 - (a) Strategies for mitigating interest rate risk aim to close the gap between the impacts of differing interest rates between the obligation and the return. Similar to term/liquidity risk, a basic mitigation approach is to seek to align lending terms (maturity, grace period and interest rates) as closely as possible with those offered by IFAD to its borrowing members.
 - (b) Barring an alignment of terms, IFAD funding would need to be supplied from another source in an amount equal to the cost created by the term differences (including the interest rate difference), thus removing the impact altogether.
7. **Currency risk** is the risk that the value of an institution's assets could change relative to the value of its liabilities due to a difference between the currency composition of assets and that of liabilities. For instance, if an institution's assets were denominated solely in euros and its liabilities solely in United States dollars, a change in the exchange rate of the euro versus the dollar would have an effect on the relative value of the institution's assets and liabilities. If the institution were forced to liquidate its assets to pay off its liabilities, it would face the risk that the value of its assets, after application of the exchange rate, would not be sufficient to pay off the liabilities.
8. **Mitigation:** The primary mitigation strategy for currency risk is to denominate loans to IFAD borrowers in the same currency as the loan to IFAD by the lender.

Another mitigating strategy is to hedge part of IFAD's assets in the currency of the liability, so as to ensure the Fund's ability to repay.

9. **Default risk** occurs when an IFAD borrower is unable to make payments of principal or interest on its loan. Debt funding would increase the Fund's risk profile in this respect. However, the default risk of IFAD borrowers has historically been very low (below 1 per cent).
10. **Mitigation:** In assessing the financial sustainability of a proposal to borrow, IFAD would assume a higher default risk than its historical rate. As an additional mitigating measure, IFAD could build a liquidity buffer into its liquidity policy.
11. **Non-financial risks.** In addition to the financial risks outlined above, debt funding generates other risks related to resource mobilization governance, operations and administration that also require mitigation or consideration, including the following.
12. **Replenishment substitution risk.** New mechanisms may create perverse incentives for Member States to reduce their traditional replenishment contributions. Resources mobilized through debt funding must thus remain firmly in the domain of additionality.
13. **Mitigation:** This risk could be mitigated by stipulating that a sovereign must maintain its contribution to the Fund's core resources in order to make a loan. In that case, a baseline would have to be established.
14. **Implications for governance.** Since borrowed resources would not be counted as replenishment contributions, governance structures (vote distribution and decision-making mechanisms) should be unaffected by debt funding. However, if members provide a subsidy in addition to a loan, thereby introducing a grant element, this could have implications for voting rights.
15. **Implications for administrative and operational capacity.** Administering and operationalizing additional resources may create a capacity risk in both human and financial terms. To mitigate this, instruments must be designed to ensure full cost recovery, and new resources could be disbursed in alignment with existing capacity, in tranches for example. At the request of the Executive Board, a cost analysis of debt funding has been carried out to ensure that IFAD's operational and administrative capacities keep pace with the rate of mobilization of additional resources through debt funding, and that full cost recovery is ensured. Taking into account human, administrative and financial capacity, the analysis shows that when considering a lending arrangement, it is prudent to assume costs at 3.0 per cent of the total facility amount.

Opportunities with new partners

Foundations, impact investors and inclusive business models

1. **Foundations.** Although concrete data on global foundation giving are still somewhat inconclusive, figures provided indicate a range from US\$32 billion to US\$60 billion annually.²¹ The World Bank, which has increasingly taken a strategic approach to foundation engagement over the past several years, has created new dynamic learning and advocacy partnerships, and has received over US\$1 billion in foundation contributions to its trust funds from 2008 to 2013.²² IFAD has burgeoning relationships with larger US-based foundations. However, there is a growing group of philanthropists supporting smallholder agriculture and rural poverty reduction that seeks new partnership and project funding opportunities. If IFAD is to pursue a more strategic and targeted engagement with foundations, it will need to increase its capacity at both the global level, to attract and manage new foundation partners, and in country teams, to support grant writing and reporting. IFAD would need to be clear about the financial and/or technical resources it is willing to invest in harnessing foundation partnerships. To maximize results, collaborations should enable mutual learning, provide IFAD operational flexibility in the planning and allocation of resources, and establish parameters that minimize organizational and administrative costs. IFAD might encourage foundations to contribute to established or planned IFAD trust funds to leverage resources most efficiently.
2. **Impact investors.** *Perspectives on Progress: The Impact Investor Survey*, conducted periodically by J.P. Morgan, reveals that 99 major impact investors committed US\$8 billion in 2012 and were projected to invest US\$9 billion in 2013, with “food and agriculture” as the top sector investment focus.^{23,24} However, impact investors face challenges in scaling results, measuring impact and leveraging results to influence the mainstream of broader economic activity. To work effectively with impact investors, IFAD would need to promote its specific “value proposition” (a promise of value to be delivered and acknowledged) – as a knowledge broker, resource partner and technical expert – in order to attract more impact investments to the rural communities and smallholder projects it funds. A comprehensive mapping exercise of the leading agricultural and smallholder impact investment funds would help IFAD broker direct connections better.
3. **Inclusive business models.** Building on the successful beginnings of two major partnerships, Unilever and Intel, IFAD stands to gain significant traction by fostering more inclusive business models that result in smallholder connections to local and wider value chains, industry and markets. IFAD’s role as a broker can help reduce risk and catalyse more – and less-costly – private-sector investment in rural development.
4. Building on the above, an expansion of IFAD’s direct engagement with foundations, impact investors and inclusive business models will be triggered by the following: (i) IFAD’s operational planning for the PoLG and PoW identifies significant medium to longer-term opportunities for private-sector resource mobilization, including the potential for domestic and/or South-South private-sector engagement; (ii) there is increased, expressed demand from developing Member States for such operations;

²¹ Figures provided by the Organisation for Economic Co-operation and Development (OECD) and the Hudson Institute, respectively, for 2011. The Center for Global Prosperity, *Index of Global Philanthropy and Remittances 2011* (Hudson Institute: Washington, D.C., 2011).

²² The World Bank Group and Foundations, *Stories of Partnership* (Washington, D.C., 2013).

²³ The relevance of impact investment was acknowledged by Group of Eight (G8) leaders at their 2013 summit, resulting in the creation of a G8 Social Impact Investment Taskforce.

²⁴ J.P. Morgan and the Global Impact Investing Network (GIIN), *Perspectives on Progress: The Impact Investor Survey* (J.P. Morgan Global Social Finance group: New York, 2013). The survey defines impact investments as “investments made into companies, organizations and funds with the intention to generate measurable social and environmental impact alongside a financial return ... and target a range of returns from below market to market rate, depending upon the circumstances.”

(iii) there is expressed interest on the part of the international private sector to cooperate with IFAD on inclusive business and impact investing in agriculture and rural development; and (iv) IFAD builds the necessary capabilities to support expanded IFAD/public-sector collaboration. In any such collaboration, IFAD must be clear about the financial and/or technical resources it is willing to commit. All private-sector funding mobilized directly into IFAD would be subject to IFAD's policies and practices, and the associated operations subject to independent evaluation at IFAD.

5. IFAD's experience with the private sector reveals that, as some partnerships evolve and intensify, it may face risks deriving from ethical behaviours and social responsibilities of partner corporations. It will be crucial that IFAD fully implement its due diligence process to mitigate these risks.

Islamic finance

6. Islamic finance refers to financial services conducted in accordance with Islamic legal principles. This is a growing industry: according to the United Kingdom Islamic Finance Secretariat, global Islamic banking assets were worth US\$1.3 trillion in 2011. The annual growth rate is estimated at 15-20 per cent. In late 2013, IFAD commissioned a study and report on Islamic finance. It concluded that IFAD could establish ethical Islamic finance-compliant programmes as a way of mobilizing additional resources and strengthening the impact of IFAD operations.
7. IFAD may trigger greater mobilization of Islamic finance when: (i) there is definitive and substantial demand from borrowing Member States for IFAD operations assisted by Islamic finance; and/or (ii) IFAD staff either perceive the lack of Islamic finance as a significant constraint on addressing a particular development challenge in a number of borrowing members, or deem Islamic finance very necessary to reaching specific, sizeable groups of beneficiaries; and (iii) IFAD has or soon will have access to the necessary competencies and systems to manage and deploy Islamic finance appropriately and cost-effectively, including the professional capacity to design Islamic-finance-compliant project financing structures.²⁵ Operations supported by Islamic finance would, with necessary exceptions for sharia-compliance, be subject to IFAD's regular policies and practices and to independent evaluation at IFAD.

²⁵ The mobilizing of Islamic finance would be most appropriate as supplementary financing administered by IFAD and allocated as grants. Management of the resources mobilized would require the introduction of systems to ensure that funds are channelled to Shariah-compliant uses, and that liquidity is managed in a Shariah-compliant fashion. IFAD would need to establish treasury relationships with banks (Islamic or non-Islamic) that can manage liquidity in line with the ethical requirements of Islamic funders. And it would need to identify and access (internally or externally) the expertise required to produce legal agreements and other documentation in line with the ethical requirements of Islamic funders.

Cofinancing trends in IFAD: A preliminary analysis

Basic attributes of cofinancing

1. Since the start of 2004, IFAD has implemented 302 projects with a total project cost of US\$14.7 billion. Of this, only US\$6.6 billion or about 45 per cent was invested by IFAD. Of the remainder, US\$4.8 billion was contributed by borrowing member governments, domestic institutions and beneficiaries (about 33 per cent) and US\$3.3 billion by international cofinanciers (about 22 per cent). So, against IFAD's US\$1.00, cofinanciers contributed US\$1.23. Of this, US\$0.73 came from domestic resources and US\$0.50 from internationally mobilized resources. All IFAD-supported projects receive domestic cofinancing. Over the last 10 years, the total annual cofinancing ratio has ranged from 1.12 to 1.33 relative to IFAD's investment; nevertheless, overall annual variability is generally high. Trend analyses and future projections of cofinancing rates are thus somewhat difficult to forecast.

Table 1

Amount of IFAD investment and cofinancing over last 10 years

(Thousands of United States dollars)

Year	Number of projects	IFAD	International cofinancing	Domestic cofinancing	Total project cost
2004	22	376 958	161 934	279 954	818 846
2005	25	425 321	137 985	359 006	922 312
2006	28	548 494	84 858	285 230	918 582
2007	34	581 589	415 335	276 015	1 272 939
2008	30	578 248	289 978	274 202	1 142 428
2009	34	647 444	324 687	400 725	1 372 856
2010	33	741 873	628 003	898 009	2 267 885
2011	33	850 714	341 766	791 973	1 984 453
2012	35	979 785	421 649	594 485	1 995 919
2013	28	866 202	479 158	636 075	1 981 435
Total for 10 years	302	6 596 628	3 285 353	4 795 674	14 677 655

Source: Project Portfolio Management System (PPMS)

2. In terms of the five IFAD regions, while the largest amount of IFAD financing was dedicated to Asia and the Pacific,²⁶ the largest amount of cofinancing was generated in East and Southern Africa. Relative to the financing level of its project portfolio, Latin America generates a significant amount of cofinancing resources (mainly domestic, with only limited international).
3. About half the 302 investment projects funded over the last 10 years were loans on highly concessional terms. Less than a third were funded by loans approved on ordinary terms; those projects generate the highest ratio of domestic cofinancing to IFAD investment (1.16 as opposed to 0.75 and 0.37 for highly concessional and Debt Sustainability Framework (DSF)-financed projects respectively). Countries with full DSF grants generate the highest international cofinancing.²⁷ Projects that borrow on highly concessional terms show a slightly higher cofinancing ratio than the average.

²⁶ However, total cofinancing in sub-Saharan Africa, consisting of East and Southern Africa and West and Central Africa was much higher than that in Asia and the Pacific.

²⁷ The sample for hardened and blend borrowers is not significant for the analysis.

Table 2

Project approvals over 2004-2014 by lending terms

<i>Lending terms</i>	<i>Number of projects</i>	<i>IFAD</i>	<i>International cofinancing</i>	<i>Domestic cofinancing</i>	<i>Total project cost</i>	<i>International cofinancing: IFAD financing</i>	<i>Domestic cofinancing: IFAD financing</i>	<i>Total cofinancing ratio</i>
Highly concessional	152	3 585 506	1 820 795	2 683 158	8 089 459	0.51	0.75	1.26
Ordinary	96	882 689	328 271	1 023 640	2 234 600	0.37	1.16	1.53
DSF grant (100%)	47	811 050	565 207	302 595	1 678 852	0.70	0.37	1.07
Highly concessional with DSF (50%)	31	766 685	248 643	412 492	1 427 820	0.32	0.54	0.86
Intermediate	19	467 884	203 595	321 091	992 570	0.44	0.69	1.12
Hardened	4	60 548	101 052	46 577	208 177	1.67	0.77	2.44
Blend	1	14 293	14 500	5 341	34 134	1.01	0.37	1.39
Grant	2	7 973	3 290	780	12 043	0.41	0.10	0.51
Total	302	6 596 628	3 285 353	4 795 674	14 677 655	0.50	0.73	1.23

4. Among international cofinanciers, the World Bank's IDA has cofinanced the most in terms of amount (about 24 per cent of the total), followed by the Spanish Government (Trust Fund, 12 per cent), OPEC Fund for International Development (OFID) (9.6 per cent) of the Organization of the Petroleum Exporting Countries, AfDB (7.7 per cent) and ADB (7.5 per cent). OFID has cofinanced the largest number of projects (36), followed by the Spanish Trust Fund (25) and IDA (19). A significant part of cofinancing is through multi-donor basket funds (4.7 per cent), the European Union (4.6 per cent), and Islamic Development Bank (3.7 per cent). Other notable donors are the Global Environment Facility (2.2 per cent), Global Agriculture and Food Security Program (2.1 per cent), West African Development Bank (1.8 per cent) and World Food Programme (1.3 per cent).