

Consultation on the 11th Replenishment
of IFAD's Resources
Second Session

Opening Statement by
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First of all, let me echo the words spoken by the Chairman and welcome you to the second session of the Consultation on the Eleventh Replenishment of IFAD's Resources. In this session, we will come to grips with central issues regarding IFAD's work not only during the IFAD11 period and but also beyond. These topics have been comprehensively addressed in the papers that have been shared with you.

Of course, I will pay close attention to your comments, questions and suggestions as we work through these issues towards a consensus.

Meanwhile, as this is the first time that I am addressing you as President of IFAD, please allow me to take a step back.

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In accepting this mandate, I stated clearly that the time had come for IFAD to expand and to scale up. My opinion on that has not changed.

In fact, I am more convinced of it than ever.

We are all well aware that the current pace of development efforts will not be enough to achieve the Sustainable Development Goals (SDGs) of the 2030 Agenda. The global community has committed to achieving zero hunger and zero poverty by the year 2030 that means within 13 years - yet today, nearly 800 million people continue to live in extreme poverty, and almost as many still go hungry. Three quarters of these people live in rural areas.

Must we be reminded that an additional US\$265 billion will be needed each year if SDGs 1 and 2 are to be achieved?

Must we be reminded that the food import bill amounts to US\$35 billion annually for Africa alone?

Must we be reminded that today, more and more, the least developed countries are borrowing directly from the financial markets, at exorbitant rates to fund their rural development programmes?

So let me say this once again: IFAD must scale up. It must do so to address unmet demands from its Member States for IFAD financing its development goals and it must do so to deliver on its commitment to rural people and their needs.

It must do so to attain greater impact on food security, on nutrition, livelihoods and on lives, on the resilience and the well-being of rural people.

This is the demand, this is the need. IFAD is not proposing to scale up simply because it wants to be bigger. The growth of the organization is not an end in itself; but contributing to enabling a greater number of people to move out of abject poverty is. I must confess that often my conscience asks me: do we have the right to settle for a minimum level of support when we know that we can do a lot more? Do we not have the duty – I would even dare say the moral obligation – to maximize the use of the resources entrusted to us by your constituencies, to obtain a multiplier effect on poverty reduction? Particularly when we know that IFAD is in a position to do so.

IFAD has a unique role in that task, because of its comparative advantage working in rural areas and because it has clearly demonstrated its accomplishments and the partners it has attracted. So the time has come for IFAD, with its 40 years of experience investing in the rural world, to step up its impact.

To that end, we are proposing to increase the size of IFAD's programme of loans and grants from 25 to 40 per cent. We do not expect that this considerable scaling up will be funded solely by our Members – though Member State contributions continue to be the bedrock of our basic resources. Even for the highest scenario we have presented, Member State contributions would rise by no more than 20 per cent.

Of course, we have to be pragmatic in our ambitions; of course official development assistance (ODA) alone cannot meet all of our funding needs. For this reason, we insist on the principle of non-substitution, and in insisting on this principle, we are also focusing on the Sovereign Borrowing Framework. Our proposed financial strategy for IFAD 11 would involve leveraging the core contributions from the replenishment in addition to accessing concessional partner loans, while also moving in a measured way to prepare the Fund to take advantage of bond market borrowing, at some point in the future and, of course, with the authorization of the Executive Board.

These changes might appear to be radical at first, but I would rather say that they are logical. First of all, IFAD is not a bank. IFAD is and will continue to be a Fund. Investment is not the goal; rather it is the means. The goal is rural transformation. It is to see to it that IFAD's financing and expertise reach the remotest areas and the most isolated populations, not forgetting the marginalized groups who often are nowhere on our radar screens.

Thus, borrowing will not take us away from our core business: on the contrary, it will help us deliver on our core business while meeting the expectations of our Member States, borrowers and donors alike.

I cannot stress enough that we are talking about diversifying our options and not transforming who we are. In a constantly evolving global environment, it makes sense to increase the range of tools that we have. But the ultimate course that we decide to take will depend on the needs and the will of our Member States.

With the unwavering support from our Members, we propose that 90 per cent of ODA resources – and I am speaking about ODA and not global resources – will be invested in low-income countries or lower-middle-income countries. Half of our portfolio will be invested in Africa and about one third in countries characterized by fragile situations including island states and including countries that are going through natural disasters or social crises. We also propose that 10 per cent of our core resources go to the upper-middle-income countries, but our engagement with these countries will also increase thanks to the growth in borrowed funds under the borrowing strategy. So on the whole, each group will see an increase in IFAD's work and activities. It will, therefore, be a win-win strategy.

IFAD will continue to do what it does best: in other words to go where institutions do not go, into rural areas that sometimes have not even seen a development project before and to deliver results; also it will continue to act as a catalyst in order to attract further investments into rural areas.

The failure of rural economies to meet the needs of rural youth is an overarching theme because it has such major implications for our collective future.

Some 55 per cent of youth in developing countries live in rural areas. Now, we all know that young people are two to three times more likely than adults to be unemployed, and in rural areas are often excluded from decision-making and political processes. They must also suffer inadequate access to land ownership, water, markets, finance and business opportunities.

Empowering rural youth economically and financially is an absolute need. These areas are mutually reinforcing: private-sector engagement and South-South and Triangular Cooperation (SSTC) are critical to unlocking the power of rural youth to drive rural transformation.

IFAD plans, therefore, to mainstream youth-sensitive programming and to develop a targeted financing mechanism for youth by extending the Smallholder and SME Investment Finance Fund, the so-called SIF, and this in order to help young people set up farms and other kinds of income-generating rural enterprises to promote their financial inclusion. The SIF will facilitate medium- to long-term financing of SMEs, especially agrifood SMEs, but also producers' organizations, particularly for young entrepreneurs, and this through debt and equity investments.

Several positive steps have already been taken to enhance our business model and in order to deliver impact at scale. But we have also taken a critical, hard look at those aspects that need improvement. Therefore, we recently launched an initiative called the Operational Excellence for Results initiative, OpEx and following a comprehensive stocktaking, this initiative will consist in developing a plan for organizational transformation in order to improve internal business processes so as to better meet the needs of our clients and partners.

IFAD has, indeed, a strong track record in evolving to meet new challenges. I will cite the example of direct supervision, decentralization, strengthening of non-lending activities and private-sector partnership.

But we have to do more: we are aware of that. IFAD, therefore, has the intention to speed up the decentralization plan. The 50 ICOs and hubs that the Board approved some time ago should be effective sooner in order to support the institution in its ambition to grow.

In order to streamline operations, the number of staff in the field will not just be increased. We should also take a closer look at the required profiles with a greater delegation of authority so as to ensure faster implementation of tasks, and to deliver continuous supervision and implementation support.

IFAD will also ensure comprehensive implementation of the Development Effectiveness Framework and consolidate its efforts to systematically measure the impact of its activities. We will reinforce the principle of evidence-based decision-making throughout the project cycle, in order to maximize the impact on poverty and ensure that we make optimum use of our resources.

The urgent need for an integrated approach to gender and women's empowerment, nutrition-sensitive agriculture, climate resilience and environmental issues, and youth employment across the portfolio cannot be overemphasized. All these will be discussed in greater detail in October.

But now to go back to my first point, the package of proposals that we have developed aim to prioritize the poorest countries and the poorest individuals. Therein lies the complexity but also the honour and the nobility of our mission.

Thank you.

IFAD will remain true to its mandate and committed to both increasing and improving its results. These are the demands of our Member States and the needs of the rural people. We seek your support in realizing that vision.