

Replenishment consultations IFAD 11; 29 and 30 June 2017.

List A statement

IFAD Business Model and Financial Strategy

IFAD should **strengthen its role as a champion of smallholder agriculture** and continue to focus on **poor rural populations in the poorest countries in all affected regions especially in Sub-Saharan Africa.**

Scaling up should be pursued where IFAD interventions have proved to bring tangible benefits to rural producers, including, notably, by way of strategic partnerships with IFIs, the RBAs and other UN agencies, and knowledge sharing between regions. It will be important to set out IFAD's comparative advantage, how it fits in the context of the international architecture and contributes to the SDGs.

The big question for this replenishment is the size of IFAD. We would be grateful for more detailed information, based on internal assessments, regarding the expected demand and supply for IFAD funds under the IFAD 11 and IFAD 12 period. Such assessments should recognize needs in those program areas where IFAD is best positioned to be impactful. This would help to inform decision-making on an ambitious but also realistic scenario for IFAD11 funding. This is particularly important at a time when the Organization is exploring the possibility of market borrowing. So that any potential move to market borrowing is not seen as transitioning away from donor contributions, IFAD will need to demonstrate robust member state support, without revised targets. Further we would appreciate additional information on how IFAD is planning to ensure sufficient organizational capacity to maintain and where necessary to further improve quality of operations if the PoLG is to be significantly expanded.

Within this, we are **ready to discuss some options for financing diversification** as they provide an opportunity to respond to an increasing demand for IFAD services in the current challenging context of SDG implementation. However, a diversified financial strategy should not lead to a change in IFAD's core focus or priorities and, as the papers set out, **core resources should remain the basis** of IFAD's resource mobilization.

It will be crucial to proactively analyze these options through broad and rigorous consultation in particular with the objective to ensure the preservation of strong core financing from Member States and a more rigorous matching between the adopted income classification and the corresponding lending terms in line with other IFIs' practices, and to envisage the necessary adjustment in the **lending terms** in order to cope with the cost of these new resources.

This reform agenda will only be successful if **fully supported by IFAD's members.** This requires a high degree of **transparency**, which also includes an open discussion about the

expected costs and benefits. We encourage Management to continue to engage in an open dialogue with members in this spirit and to do its best to strengthen IFAD's capacity to correctly assess the impact of its operations. This will be crucial to enhance shareholders' support and to show actual and potential stakeholders how relevant IFAD's mission and operations are.

We thank Management for the documents on the financial strategy and IFAD's business model. They provide useful insights into scenarios for leveraging, including the challenges IFAD may face, notably in the context of a possible rating process.

We note however different references to financing in the documents, including with regard to the **timeline for the introduction of a possible market borrowing model**. We would be grateful if Management could clarify the envisaged timeline for an introduction of possible financial innovations including the option of concessional loans as a possible first step and market borrowing.

We encourage Management to develop a clear roadmap for the financial strategy, especially with regard to market borrowing, which contains a framework of principles relevant to the reform process (i.e. maintaining IFAD's core mandate and financial sustainability, avoiding cross-subsidization and substitutions, linking with IFAD's transition framework etc.), decisions to be taken in the process, the envisaged timeline towards decision-making (possibly in the context of IFAD12 Consultations in 2020), requirements, milestones, criteria and to inform members, in particular the **Audit Committee and the Executive Board**, regularly about the process on the basis of this framework. Key issues as financial, operational and reputational risk profiles of the Fund must be adequately understood and effectively managed. The Board should be at the center of the new financial framework decision making.