

Document: IFAD11/4/INF.2  
Date: 8 December 2017  
Distribution: Restricted  
Original: English

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Investing in rural people

## Matrix of Comments and Responses on the pre-Fourth Session Draft IFAD11 Consultation Report and Resolutions

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Consultation on the Eleventh Replenishment of IFAD's Resources –  
Fourth Session

Rome, 14-15 December 2017

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For: Information

## Comments and Responses on the pre-Fourth Session Draft IFAD11 Consultation Report and Resolutions

Table 1. Comments received on the draft IFAD11 Consultation Report<sup>1</sup>

IFAD11 Draft Consultation Report		
Country	Comment	Response/Action Taken
1. Italy	<p>We note that the agenda of the replenishment meeting does not include a discussion on the Transition Framework. It is quite anomalous that donors did not have a chance over the whole replenishment to discuss financial conditions under which pledged money will be used, which will have also a bearing on the financial sustainability of the CPLs and the internal resources feeding future replenishments.</p> <p>We thank management for drafting a comprehensive report and we would like to make the following comments:</p> <p>Paragraph 58 No precise timeframe is established for the effectiveness of the new Policies and Criteria for IFAD Financing. While the present draft of the resolution amending Policies and Criteria for IFAD Financing provides for a review of the lending terms to take place prior to the start of every replenishment period, it also delegates the Executive Board (“on the basis of the delegation of authority established in paragraph 15(iv) and paragraph 18 EB shall adopt, and periodically review, a transition framework”) to settle the transition period, without setting any default option, time limits and conditions under which the delegation should be exercised. In this respect the precedent of the PBAS working group, working almost a decade before delivering minor changes to the PBAS formula, does not augur well for the process. The commitment to “present a transition for allocation of</p>	<ul style="list-style-type: none"> <li>➤ Paragraph 58: The proposed changes to paragraph 58 have been fully accepted and incorporated into the revised report.</li> <li>➤ Paragraph 90: The figure of 7% of PoLG allocated to grants in the central scenario was a result of rounding of 6.5%. The figures have been clarified in the updated report.</li> <li>➤ Commitment matrix: The commitment to implement the revised PBAS was retained but was merged with the previous commitment in the matrix as follows: “Select approximately 80 countries to receive performance-based allocation system (PBAS) allocations during IFAD11 on the basis of agreed country selection criteria <u>and the revised PBAS formula.</u>”</li> <li>➤ RMF: Targets for most indicators have been defined and are included in the latest version of the report. Some budget-related indicators are still to be determined pending the outcomes of the OpEx exercise.</li> </ul>

<sup>1</sup> IFAD11/4/R.2.

IFAD11 Draft Consultation Report

Country	Comment	Response/Action Taken
	<p>IFAD 11 resources” does not amount to committing to implement the Resolution in IFAD11 and therefore needs to be better qualified. In addition, the present draft of the Resolution amending Policies and Criteria for IFAD Financing makes already reference to IDA classification of countries for the purpose of eligibility to highly concessional terms. Such a classification fully accounts for considerations of debt sustainability (e. g. gap countries, blend countries). Including on top of that a reference to judgmental concepts, such as creditworthiness (while debt sustainability is exogenously assessed by the IMF- WB DSF), would add an undue discretionary leeway to management in proposing exceptions. Please find below our proposed language for para.58 (add-ons in bold) "A country's financing terms are determined on the basis of per capita income, and when relevant, debt sustainability, as assessed by the IMF-WB Debt Sustainability Framework. Through a participatory mechanism with Member States, IFAD will develop such a transition framework based on the criteria of predictability of resources, transparency of applied criteria, differentiated treatment of countries on the basis of their per capita income and debt sustainability, and financial sustainability. The transition framework, will establish the full package of IFAD's support to a country, in full accordance with the provisions of the Resolution for adoption by the Governing Council in February 2018 amending Policies and Criteria for IFAD Financing, including lending and non-lending support, and will propose the introduction of innovative support mechanisms tailored to the specific country conditions. Pending adoption of the transition framework by the Executive Board, the Resolution will become fully effective and be implemented starting from 2019 in IFAD 11." Finally, the paragraph includes no reference to graduation. While graduation should remain a voluntary process, it needs to be structured though appropriate polices, including indicative thresholds, dialogue and engagement points with</p>	

IFAD11 Draft Consultation Report		
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	<p>the above-the- threshold countries (e. g. in the COSOP).</p> <p>Paragraph 90: Figures on grants (5 per cent of the overall PoLG will continue to be allocated to global and regional grants and 1.5 per cent to country grants) slightly diverge from the 7% of PoLG presented under the central scenario (\$227 ml.). We would prefer the share of grants over the PoLG not to increase from IFAD10.</p> <p>Commitment Matrix: It is not clear why in the IFAD11 matrix of commitments, “Apply the revised PBAS formula for allocation of IFAD11 resources” has been deleted; and how does it reconcile with the statement in para.56 (Once countries are selected by Management, resources will be allocated through the revised PBAS)?. After the abovementioned long work on revising the PBAS formula, time is mature for its full application.</p> <p>RMF: We note that in the RMF several indicators are still “to be determined”. In particular we would like to know when indicators on budget are expected to be determined. The practice to refer to future documents and process, which are not endorsed by donors, to set targets seems quite anomalous, all the more so as the IFAD10 target of 8,2 for 2017 (Loan and grant commitments in US\$ per US\$1 of administrative expenditure) - or 12,2% with the proposed new formula -, will be largely missed in 2018, when the IFAD’s 2018 results-based programme of work and budget projects a 17% level for the indicator (or 5,9 with the old formula)</p>	
2. China of behalf of List C	<p><u>Executive Summary (pages v - ix)</u></p> <p>Based on interventions in the Third Consultation, the Executive Summary has been revamped. List C is pleased with the improved Executive Summary and in particular welcomes the ten key messages (paragraphs 5 to 24). For additional refinements, List C wishes to submit the</p>	<ul style="list-style-type: none"> <li>➤ Paragraph 7: Agreed.</li> <li>➤ Paragraph 8: Agreed.</li> <li>➤ Paragraph 10: Agreed.</li> <li>➤ Paragraph 12: A feature of the PBAS formula is</li> </ul>

IFAD11 Draft Consultation Report

Country	Comment	Response/Action Taken
	<p>following points.</p> <p><u>Paragraph 7:</u> In the second sentence, the following phrase could be added “and to reduce income inequality within and among member nations”. For List C this is very important. The last sentence of the paragraph may be modified by inserting a sentence which would read “IFAD’s delivery in fragile situation will receive special attention”.</p> <p><u>Paragraph 8:</u> No U.N agency has a central role in leaving no one behind. Therefore, an appropriate title of key message 2 could be “IFAD has an important role to play in leaving no one behind” .</p> <p><u>Paragraph 10:</u> It may be advisable to insert a footnote giving the title and date of the “recent survey” mentioned in the paragraph.</p> <p><u>Paragraph 12:</u> In the last sentence, an indication can be given to say that there will be a differential rate of increase in allocations for separate country groups.</p> <p><u>Paragraph 13:</u> Considering IFAD11 PoLG target of US\$ 3.5 billion, the word ambitious could be questioned. In fact, in the Third Consultation Management admitted that IFAD has the capacity to deliver PoLG of US\$ 3.8 billion in IFAD11. Therefore, the word bold can replace ambitious. The same change can be made in paragraph 95 of section IV. Paragraph 13 mentions core contribution while paragraph 16 refers to core resources. Is there any difference between the two? If yes, then difference has to be explained. If not, then it is better to use one term consistently throughout the report.</p> <p><u>Paragraph 16:</u> The reader gets lost with a number of percentages mentioned in the same paragraph (90%, 10%, 25-30%, 50%, 45%). For ease of reading, it is advisable to show the percentage shares in a tabular form in the</p>	<p>the stability of allocations across country groups so there should not be a differential rate of increase in the allocations to each country group.</p> <ul style="list-style-type: none"> <li>➤ Paragraph 13: While Management believes that IFAD has the capacity to deliver a PoLG of US\$3.8 billion or higher, the IFAD11 PoLG target of US\$3.5 billion is still considered ambitious in terms of resource mobilization given the current ODA climate and the exchange rate changes since IFAD10. Core contributions are defined in the draft IFAD11 Resolution, while core resources are defined in footnote 50 of the IFAD11 consultation report.</li> <li>➤ Paragraph 16: Agreed.</li> <li>➤ Paragraph 17: Agreed.</li> <li>➤ Paragraph 18: Agreed. The term outward-facing capacity refers to the resources IFAD dedicates to front-line or client-facing work, rather than internal processes and procedures.</li> <li>➤ Paragraph 19: It is correct that the sentence does not exactly reflect that wording of the AAAA. It has been revised as follows: "the AAAA recognized that investment in <del>smallholder</del> agriculture, rural development and food security will lead to rich payoffs across the sustainable development goals".</li> <li>➤ Regarding the remaining two points on the executive summary: <ul style="list-style-type: none"> <li>○ The key messages do not relate fully to specific paragraphs in the main report so it would be difficult to try to make a direct linkage.</li> <li>○ Rather than create three additional key messages, the issues referenced have been</li> </ul> </li> </ul>

IFAD11 Draft Consultation Report		
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	<p>Executive Summary and also in section III.</p> <p><u>Paragraph 17:</u> In line with other UN agencies, it is advisable to mention that IFAD will be an active player in implementing the Secretary-General's reform agenda (Repositioning the U.N. development system to deliver on the 2030Agenda-Ensuring a Better Future for All).</p> <p><u>Paragraph 18:</u> The term "outward-facing capacity" should be explained in a footnote.</p> <p><u>Paragraph 19:</u> The first sentence of the paragraph does not exactly reflect what was said in the AAAA. Paragraph 13 of AAAA stated quote "with the majority of the poor living in rural areas, rich payoffs across the sustainable development goals we emphasize the need to revitalize the agricultural sector, promote rural development, and ensure food security, notably in developing countries, in a sustainable manner, which will lead to" unquote. This comment also applies to paragraph 2 of the Introduction and paragraph 22 of section II.</p> <p>List C also suggests the inclusion of the following two points in the Executive Summary:</p> <ul style="list-style-type: none"> <li>• For consistency and smooth reading, it is advisable that for each key message the appropriate paragraph/paragraphs of the main text of the report be mentioned in brackets.</li> <li>• Each of the following three issues could be listed as separate key messages in the Executive Summary and subsequently inserted in the main body of the draft report. The three issues are (a) Increased Role of Recipient Country in IFAD11 (b) Strengthening Decentralization and (c) Robust Partnership.</li> </ul>	<p>more strongly reflected in the existing messages.</p>

IFAD11 Draft Consultation Report		
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3. China on behalf of List C	<p><u>Introduction (pages 1-2)</u>  <u>Paragraph 3:</u> The term development finance is a broader concept and well beyond IFAD's expectation. It is better to use the term rural development finance. The same comment also applies to paragraphs 38 and 40 of section III and IFAD11 matrix (Annex 1, table 1).</p>	<ul style="list-style-type: none"> <li>➤ Paragraph 3: The term "development finance" is used in the sense of the OECD-DAC definition of the word (<a href="http://www.oecd.org/dac/dac-glossary.htm">http://www.oecd.org/dac/dac-glossary.htm</a>) which is general and refers to type and origin of resource flows, rather than the purpose for which they are allocated.</li> </ul>
4. China on behalf of List C	<p><u>Transforming rural areas-Ending extreme rural poverty and food insecurity ( pages 2-8)</u></p> <p><u>Paragraph 6:</u> Figure 1 is not so easy to grasp. In any case, people are well aware that the great majority of the poor and the undernourished people live in LICs, LMICs and pockets of UMICs. The deletion of Figure 1 will not be damaging to the draft report.</p> <p><u>Paragraphs 8-12:</u> There is room for trimming the text, especially paragraph 12.</p> <p><u>Paragraph 13:</u> it is important to make reference to the concept of the "Funding Compact" as defined in section VI of the Secretary-General's report to ECOSOC on "Repositioning the UN development system to deliver on the 2030 Agenda- Ensuring a Better Future for All".</p> <p><u>Paragraph 19:</u> For purpose of emphasis, it is desirable to add a sentence to read "Leaving no one behind could not be achieved unless fragility is addressed firmly and in a comprehensive manner".</p>	<ul style="list-style-type: none"> <li>➤ Paragraph 6: We prefer to retain the figure unless there is a strong feeling that it should be removed.</li> <li>➤ Paragraph 8-12: Paragraph 12 has been edited.</li> <li>➤ Paragraph 13: As the proposal for the Funding Compact is still under development it may be premature to reference it here.</li> <li>➤ Paragraph 19: Agreed. The proposed sentence has been added.</li> </ul>
5. China on behalf of List C	<p><u>Leaving no one behind- IFAD's role in the 2030 Agenda pages 8-12</u></p> <p><u>Paragraph 25:</u> One factor that needs to be mentioned in favour of comparative advantage is that IFAD is both the source of knowledge as well as of investment for</p>	<ul style="list-style-type: none"> <li>➤ Paragraph 25: Agreed. Wording has been added to this effect.</li> <li>➤ Paragraph 28: With ambitions to scale up IFAD's financing and results, and achieve operational excellence, Management believes IFAD can play a critical role in ending extreme poverty and hunger.</li> </ul>

IFAD11 Draft Consultation Report

Country	Comment	Response/Action Taken
	<p>smallholder agriculture and for the development of communities in remote areas and of indigenous peoples.</p> <p><u>Paragraph 28:</u> This paragraph is controversial and one cannot say that IFAD plays a “critical role” as mentioned in line 3, though it plays an “active role”. Do the six bullet points in Box 1 (page 10) match the contents of the paper jointly prepared by FAO-IFAD-WFP (Progress report on Rome-based Agencies collaboration) for submission to their governing bodies? On RBAs collaboration, it is advisable to underscore that IFAD’s three strategic objectives (increase rural people’s productive capacities, increase their benefits from market participation, and strengthening the resilience of rural people), FAO’s Strategic Objective 3 (Reduce rural poverty) and WFP’s Strategic Result 3 (Smallholders have improved food security and nutrition through improved productivity and incomes) are complementary.</p> <p><u>Paragraph 31:</u> The first two bold lines is a bit of exaggeration. It is estimated that financing the 2030 Agenda will require trillions of dollars annually and a big chunk of this will be required for SDG2 and SDG1. What is proposed for IFAD11 (US\$ 3.5 billion in PoLG or US\$ 8.4 billion if co-financing is included)) is a fraction of the resources required. Hence, the bold lines could be changed to read “IFAD aims to make a noteworthy contribution to SDG1 and SDG2 and the broader 2030 Agenda in rural areas”.</p>	<p>As mentioned in the text, IFAD is already among the world’s largest multilateral financiers of food security and nutrition, and the operations of the Fund reach over 10% of the entire global population of poor and hungry rural people (97 million out of around 800-840 million people). With regard to RBA collaboration the content of the report is in line with the paper jointly submitted by the RBAs to their governing bodies, and is even more ambitious in some areas.</p> <ul style="list-style-type: none"> <li>➤ Paragraph 31: If IFAD achieves the impact targets defined for IFAD11 it will have made a significant contribution to the achievement of the SDGs.</li> </ul>
<p>6. China on behalf of List C</p>	<p><u>Enhancing IFAD’s business model to achieve operational excellence (pages 12-39)</u></p> <p>List C considers Part III as the centerpiece of the replenishment report. The points covered are important in support of IFAD11. That said, the section is not smooth reading and there are opportunities for reducing the size of the text by concentrating on policy issues of direct relevance to the Governing Council regarding IFAD11 and</p>	<ul style="list-style-type: none"> <li>➤ Paragraph 37: As the proposal for the Funding Compact is still under development it may be premature to reference it here.</li> <li>➤ Paragraph 45-50: IFAD11 will place significant emphasis on private sector partnerships, so there is some justification to retain the detail in this section.</li> </ul>



IFAD11 Draft Consultation Report

Country	Comment	Response/Action Taken
	<p>leaving out issues that Executive Board of IFAD will be addressing in the implementation phase of IFAD11. In addition, List C wishes to reflect on the following points.</p> <p><u>Paragraph 37</u>: As stated earlier, List C proposes that reference should be made to the Funding Compact mentioned in Secretary-General's report to ECOSOC (Repositioning the UN development system to deliver on the 2030 Agenda- Ensuring a Better Future for All).</p> <p><u>Paragraphs 45-50</u>: There is room for trimming these paragraphs.</p>	
<p>7. China on behalf of List C</p>	<p><u>IFAD's financial framework and strategy for IFAD11 and beyond (Pages 39-42)</u></p> <p>List C is generally satisfied with section IV and only has the following two comments.</p> <p><u>Paragraph 95</u>: Should not the references to section IV and VI be section III and V?</p> <p><u>Table 3</u>: There is no mention or discussion of table 3 in section IV. Why is it included and is it that important?</p>	<ul style="list-style-type: none"> <li>➤ Paragraph 95. Yes, this has been corrected.</li> <li>➤ Table 3. A reference to the table has been added in the text.</li> </ul>
<p>8. China on behalf of List C</p>	<p><u>Result Management Framework for IFAD 11 (Pages 42-44)</u></p> <p>Section V is fairly well done, though it is a bit descriptive. In <u>paragraph 110</u>, List C suggests that the full title of SDGs be used. For example, SDG 8 will read (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all). Try not to further simplify the SDG titles.</p>	<ul style="list-style-type: none"> <li>➤ Paragraph 110. The report uses the commonly accepted shorthand versions of each goal, see for example: <a href="http://www.un.org/sustainabledevelopment/sustainable-development-goals/">http://www.un.org/sustainabledevelopment/sustainable-development-goals/</a></li> </ul>
<p>9. Netherlands</p>	<p>Tier II - Impact level: Concerning the impact indicators, we understood that 'improvements/increases' will be quantified</p>	<p>The following changes have been made to respond to these comments:</p>

IFAD11 Draft Consultation Report

Country	Comment	Response/Action Taken
	<p>(in %), which is important for coherence with SDG 2.3 ('doubling productivity/income'). We also understand that an indicator for nutrition will be added. Looking at SDG 2 (2.1 and 2.2), an impact indicator on nutrition that (also) tells something about the number of people/children 'taken out of undernourishment' would be ideal. Another aspect is the ecological sustainability underlying the improvement production/income. This seems to be missing. Maybe this can be part of the indicator measuring resilience, e.g. including the number of hectares under sustainable management (SDG 2.4)? Lastly, also for impact indicators disaggregation by gender and age is needed (the note to the table only refers to disaggregation for output indicators); if I recall well this is already IFAD's intention.</p>	<ul style="list-style-type: none"> <li>➤ Impact reporting will now include "a global estimate of the percentage change in all the impact indicators, quantifying the improvements measured" (para. 111).</li> <li>➤ The indicator "Number of people with improved nutrition", to be measured by dietary diversity scores, has been added in Tier II impacts – with a target of 12 million people (see RMF indicator 2.1.5).</li> <li>➤ An indicator relevant to ecological sustainability of improvements in production/income has been added: (Number) Percentage of persons/households reporting adoption of environmentally sustainable and climate-resilient technologies and practices (see RMF indicator 2.2.13).</li> </ul> <p>IFAD is not currently disaggregating impact indicators by gender and age. This will be explored during IFAD11 (see para. 112).</p>
10. Netherlands	<p>Tier II - Outcome level: We extensively discussed the gap between the impact indicators and project-level outputs, and the need (for us) to have something in between: effect and/or outcome indicators, on a yearly basis. Not in the form of project performance ratings, as in the table, but referring to changes in the situation of the target group reached. Fully aware of the methodological consequences of measuring effects/outcomes as compared to outputs (i.e. the need for evidence (by study, survey, sample....) and the issue of attribution), still for us it is essential to have data on this level. I refer to our 'reach' (= your output level) as well as our 'effect-indicators' (= your outcome level), which are the ones that are reported yearly to parliament and public. In that reporting the data on reach are less important than the data on effects (f.i.: we say: we reached 30 million children, or 8 million farmers; parliament says: 'So what?'; we say: and of that number reached 15 million children had a better food intake, or 2 million of these farmers increased their productivity (and we contributed</p>	<p>The following changes have been made to respond to these comments:</p> <ul style="list-style-type: none"> <li>➤ For clarity, the outcome level has been renamed: "Project-level <u>development results</u>" and the former output level is now: "Project-level <u>outcomes and outputs</u>": (see RMF).</li> <li>➤ As part of the new core indicators recently approved by the Executive Board, we are including outcome variables. A commitment has been added to the commitment matrix: (#36) "Continue fine-tuning the Results Management Framework, in cooperation with Member States, to enable optimal reporting of the outcomes/impact of their contributions to IFAD, and submit any proposed updates to the Executive Board."</li> </ul>

IFAD11 Draft Consultation Report

Country	Comment	Response/Action Taken
	<p>meaningfully to that effect)). Given the size of our contribution to IFAD, it would be unfortunate to have yearly IFAD results only on the level of reach, and not on the level of effects.</p>	
<p>Netherlands</p>	<p>Tier III: Concerning tier III indicator 3.1.3 on co-financing ratio (we didn't discuss this during our call), this indicator disaggregates for international and domestic co-financing. A question is whether it is possible to also disaggregate by public and private co-financing. The latter would give a good indication of private sector involvement.</p>	<p>During IFAD11, we have committed to exploring the measurement of private sector investment by learning from what others are doing, and coming up with a proposed measure. This is noted in the commitment matrix (#5).</p>
<p>11. Sweden</p>	<p>We thank IFAD management for presenting the draft report and would like to present a few comments on the climate mainstreaming theme. In general, we feel that the climate section should signal a higher ambition and would benefit from clarifying the strategic ambitions and actions to be taken in IFAD11. We believe that it must have a stronger and more concrete narrative with clear actions to be taken and followed up on during the replenishment period.</p> <p>In particular, we would appreciate more information on how and in what areas IFAD will scale up climate adaptation and mitigation efforts and how you will support the implementation of countries' NDCs.</p> <p>We would also appreciate a recognition of the importance of energy access for rural poverty reduction.</p> <p>Moreover, we would like to see a commitment to use GHG accounting in IFAD's projects, in order to allow for ex-ante assessments of the impact of projects on GHG emissions and cost-benefit analyses.</p> <p>Regarding the RMF, we think that the proposed indicators do not capture IFAD's positive climate impact on a more aggregate level. Therefore we would welcome the inclusion of the RIMS indicators "# of tons GHG emissions avoided</p>	<p>The following changes have been made to respond to these comments:</p> <ul style="list-style-type: none"> <li>➤ Confirmation (para. 71) that all COSOPs and CSNs during IFAD11 will include analysis of recipient countries' agriculture-related adaptation and mitigation commitments to achieve their nationally determined contributions (NDCs) under the Paris Agreement, in order to better inform IFAD's interventions, and to facilitate the tracking of IFAD's support to the implementation of these commitments.</li> <li>➤ Additional reference to the importance of energy access for rural poverty reduction (para. 61).</li> <li>➤ Confirmation that during IFAD11, IFAD will work towards systematic adoption of the EX-Ante Carbon-balance Tool (EX-ACT) to assess the net greenhouse gas emissions of its projects (para. 61).</li> <li>➤ The two suggested indicators have been added to the RMF: (i) 2.2.13 (Number) Percentage of persons/households reporting adoption of environmentally sustainable and climate-resilient technologies and practices; and (ii) 2.2.15 Number</li> </ul>

IFAD11 Draft Consultation Report

Country	Comment	Response/Action Taken
	<p>and/or sequestered” and “percentage of households reporting adoption of sustainable and climate-resilient technologies and practices”.</p> <p>We would also welcome a commitment of a share of the portfolio to climate-focused activities, in line with other IFI's that have committed a share of their portfolio (from 25 % to 40 %) to projects with climate change co-benefits.</p>	<p>of tons of greenhouse gas emissions (CO2) avoided and/or sequestered.</p> <ul style="list-style-type: none"> <li>➤ Confirmation that at least 25% of the IFAD11 PoLG will be "climate focused", according to the MDG methodology, and that this will be reported upfront in project design reports. At the same time, we will continue tracking climate investments in line with other methodologies, such as those of OECD.</li> <li>➤ To underpin that environmental sustainability will also be addressed, the following text has been added in paragraph 76: The commitment relating to the climate and environment strategy has been extended as follows: Present a new climate and environment strategy and action plan to the Executive Board <u>that will strengthen IFAD's approach to mainstreaming climate and environmental sustainability including expanding efforts on mitigation.</u></li> </ul>
12. United Kingdom	Provide a more specific commitment with regard to efforts to undertake and monitor, disability-inclusive programming.	<p>The following commitment has been added to the commitment matrix:</p> <ul style="list-style-type: none"> <li>➤ (#10) Provide a report that analyses the link between people with disabilities and IFAD interventions, with a proposal for collecting data on people with disabilities in IFAD projects which is piloted in at least five projects – drawing on the work of the United Nations Washington Group on Disability Statistics.</li> </ul>

Table 2. Comments received on the draft IFAD11 Resolution and draft Resolution on Market Borrowing<sup>2</sup>

Draft IFAD11 Resolution and Resolution on Market Borrowing		
Country	Comment	Response/Action Taken
1. Germany	<p>Comment on new paragraph 16 "contingent contributions": We share the ambition for an effective and efficient IFAD that can fulfil its important role in implementing its mandate as well as contribute to the implementation of the 2030 Agenda. However, GER has no intent to introduce performance based funding linked to a list of indicators aimed at conditioning the core funding for IFAD. Performance based core funding is likely to undermine governing bodies' role in fulfilling its core mandate. Given the lack of predictability regarding the provision of these funds, the acceptance of contingent contributions might jeopardize transparency and the effectiveness of IFADs activities. Contingent contributions not deemed as receivables cannot be included in the planning processes and undermine long-term planning processes on all sides. Germany suggests that contingent contributions should not entitle the contributing member to contribution votes. Furthermore, contingent contributions should not be linked to a selection of measures and actions, as this would imply a prioritization not based on any decision making process of members.</p>	<p>As currently drafted in the IFAD11 Resolution, Member States may make available a part of their core contributions or UCCs, subject to the occurrence of a contingent event, which event shall constitute the completion of specific measures and actions referred to in annex I of the draft IFAD11 Report, within a specific deadline.</p> <ul style="list-style-type: none"> <li>• Under paragraph 16, contingent contributions do not constitute a new/separate category of additional contributions but rather refer to a particular feature that instruments of contribution may include, irrespective of whether they are core contributions or UCCs. It is understood that contribution votes are only provided in relation to core contributions.</li> <li>• Contingent contributions from Member States are not unprecedented in IFAD's replenishment practice (they were authorized in IFAD7, IFAD8 and IFAD9). Whether the context in which contingent contributions were authorized in those replenishments is similar to the circumstances of this replenishment and justifies a replication in IFAD11 is for the Consultation to consider.</li> <li>• The current text of paragraph 16 is in part modelled on the contingent contribution paragraph in the IFAD7 Resolution. Under that resolution, contingent contributions entitled the contributing Member to replenishment votes (i.e. they were authorized in the form of core contributions). Similarly, contingent contributions as core contributions were authorized under IFAD8. Under IFAD9, although the resolution did not make specific mention of the form in which contingent contributions could be accepted, the only</li> </ul>

<sup>2</sup> IFAD11/4/R.3.

Draft IFAD11 Resolution and Resolution on Market Borrowing		
Country	Comment	Response/Action Taken
		<p>contingent contribution received by the Fund was made in the form of complementary contributions to support the ASAP. Those contributions yielded no replenishment votes.</p> <p>IFAD is aware of ongoing discussions between the United Kingdom and certain Member States as to the question of whether the acceptance of contingent contributions should be authorized under IFAD11, and if so, the appropriate form in which to make such contributions.</p> <p>IFAD is awaiting the outcome of the ongoing Member States discussions in relation to the contingent contributions instrument and will revise the draft IFAD11 Resolution on the basis of any agreements reached by the Consultation in this regard.</p>
2. Finland	Comment on paragraph 16 about contingent contributions: if there is conditional payments, this should be reflected accordingly in voting rights and in terms of funding based on results, measurement should be made based on IFAD indicators.	Please see response to comment 1 above.
3. Netherlands	<p>Comment on new paragraph 16 about contingent contributions: in line with comments provided by Germany and Finland, the Netherlands shares the concerns about the inclusion of contingent contributions regarding their impact on:</p> <ul style="list-style-type: none"> <li>- voting rights</li> <li>- prioritisation of certain indicators/results over others</li> </ul> <p>We are also concerned with setting a precedent with this type of contribution. We would therefore prefer to approach contingent contributions as a bilateral donor-IFAD issue and propose they are kept out of the resolution.</p>	<p>Please see response to comment 1 above.</p> <p>In addition, please note that a bilateral mechanism for the acceptance by IFAD of contingent contributions would be at odds with IFAD's replenishment practice which calls for Member contributions to be accepted in the multilateral framework established for this purpose.</p>
4. France	France wishes to largely echo the comment posted by Germany on the new paragraph 16. France understands that the philosophy behind the "contingent contributions" is to incentivize IFAD to achieve more results, to deliver better value for money and to undertake the necessary reforms for this	Please see response to comment 1 above.

Draft IFAD11 Resolution and Resolution on Market Borrowing		
Country	Comment	Response/Action Taken
	<p>purpose. France fully supports the objective of encouraging IFAD to deliver more and better and to increase its efficiency. But France is also aware of the possible risks linked to contingent contributions: a reduced predictability of resources could probably affect IFAD's capacity to build its 3-year Programme of Loans and Grants (PoLG) and therefore its capacity to deliver more effectively; the contingency linked to the completion of one or more specific measures and actions could lead IFAD to pay more attention to these specific measures and actions than to the other elements of the commitments matrix, resulting in a de-facto prioritization not agreed upon during the consultation on the replenishment. Should the consultation eventually decide to go along with this "contingent contributions" instrument, France is of the view that the suggestions made by Germany in order to mitigate the risks should be reflected. The introduction of a ceiling (in the form of a percentage of the whole contribution for the replenishment period) might also be considered with a view to limit the negative impact on IFAD's planning capacity.</p>	
5. United States	<p>Comments on the draft Resolution on the Eleventh Replenishment of IFAD's Resources:</p> <ul style="list-style-type: none"> <li>• Para.30(a): ... the Governing Council welcomes and supports the Fund's intention to leverage a more diversified set of resources including sovereign borrowing, <b>which includes and</b> concessional partner loans from Member States, during the replenishment period and <b>potentially</b>, at a later stage, market borrowing.</li> <li>• Para.30(d): ... the Governing Council supports the Fund as it undertakes the preparatory work required <b>for to assess the feasibility and consequences of</b> the potential implementation of a market borrowing programme, including...</li> <li>• Para.36: The Governing Council notes that in order to</li> </ul>	<p>Paragraph 30(a) will now read as follows: the Governing Council welcomes and supports the Fund's intention to leverage a more diversified set of resources including <u>loans from Member States and related State-Supported Institutions under the Sovereign Borrowing Framework and the Concessional Partner Loan Framework</u> during the replenishment period and potentially, at a later stage, market borrowing.</p> <p>Paragraphs 30(d) and 36 of the fifth draft IFAD11 Resolution will be amended accordingly.</p>

Draft IFAD11 Resolution and Resolution on Market Borrowing		
Country	Comment	Response/Action Taken
	<p>give effect to the <b>determination that the Fund may accept contributions in the form of the grant element of concessional partner loans, an amendment...</b></p>	
6. United States	<p>Comments on the draft Resolution on Market Borrowing:</p> <ul style="list-style-type: none"> <li>• Para.2: Agree that the Consultation ... consider progress made by IFAD in preparing for the possibility of market borrowing and decide upon the Fund's readiness to proceed <b>with, and the appropriateness of undertaking, market borrowing</b>, with its conclusions being included in the final replenishment report...</li> <li>• Para.3: Agree that, in the event that the Consultation ... deems the Fund to be ready to proceed with market borrowing, the Consultation also <b>consider, and if appropriate</b>, endorse a proposal to amend the Agreement Establishing IFAD in order to confirm and otherwise render effective, for the benefit of potential lenders and bond investors, the Fund's power to engage in market activities, <b>and address any necessary changes in governance to conform to similar international financial institutions.</b></li> </ul>	<p>The draft IFAD11 Resolution has been amended accordingly.</p>