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Draft Resolution on the Eleventh Replenishment of IFAD's Resources and Draft Resolution on Market Borrowing

Note to Consultation members

Focal points:

Technical questions:

Emmanuel Maurice
General Counsel, a.i.
Office of the General Counsel
Tel.: +39 06 5459 2457
e-mail: e.maurice@ifad.org

Sylvie Arnoux
Senior Legal Officer
Tel.: +39 06 5459 2460
e-mail: s.arnoux@ifad.org

Dispatch of documentation:

William Skinner
Chief
Governing Bodies
Tel.: +39 06 5459 2974
e-mail: gb@ifad.org

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

Rome, 14-15 December 2017

For: Review

Note to Members

1. Attached for the consideration of the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11) are: the fifth draft of the Governing Council resolution on the Eleventh Replenishment of IFAD's Resources (IFAD11 Resolution) and the second draft of the Resolution on Market Borrowing. The attached drafts take into account Member comments received as of 27 November 2017 on the fourth draft of the IFAD11 Resolution and the first draft of the Resolution on Market Borrowing, respectively. To reflect such comments, the revisions noted in paragraphs 2 and 3 below have been made.
2. IFAD11 Resolution
 - Nutrition has been proposed as a new thematic area for unrestricted complementary contributions (UCCs) in paragraph 7(c). Other thematic operations for UCCs can still be identified before the end of the Consultation. Other activities not listed in the Resolution may be considered during the replenishment period subject to the approval of the Governing Council or the Executive Board;
 - Paragraph 16 "Contingent contributions" has been deleted;
 - Paragraph 29(a) "Purpose of Borrowing", has been slightly modified to improve clarity;
 - Paragraph 29(d) "Market borrowing", has been revised to clarify the sequence of the processes to be carried out in connection with the potential implementation of a market borrowing programme; and
 - A revision has been made to paragraph 35 in the interests of greater accuracy.
3. Resolution on Market Borrowing
 - Paragraphs 2 and 3 of the resolution have been revised in order to clarify the sequence of the processes to be carried out in connection with the potential implementation of a market borrowing programme.

General information

4. For ease of reference, revisions to the fifth draft of the IFAD11 Resolution and the second draft of the Resolution on Market Borrowing are shown as follows: added text has been underlined and deleted text is indicated in strikethrough mode.
5. For comparative purposes, a table is also attached, showing the differences between the IFAD10 Resolution and the draft of the IFAD11 Resolution: the differences are marked in underlined or strikethrough text. Differences in numbering are not marked.
6. The attached drafts will be discussed during the fourth and last session of the Consultation in December 2017. Upon completion of the discussions at that session, final drafts of the IFAD11 Resolution and the Resolution on Market Borrowing, reflecting the conclusions reached during the session, will be prepared and incorporated into the final Report of the Consultation on the Eleventh Replenishment of IFAD's Resources as annexes.

Resolution ___/XLI Eleventh Replenishment of IFAD's Resources

The Governing Council of IFAD,

Recalling the relevant provisions of the Agreement Establishing the International Fund for Agricultural Development (the Agreement), in particular articles 2 (Objective and Functions), 4.1 (Resources of the Fund), 4.3 (Additional Contributions), 4.4 (Increases in Contributions), 4.5 (Conditions Governing Contributions), 4.6 (Special Contributions) and 7 (Operations), as well as Governing Council Resolution 77/2 (1977), as amended by Resolution 86/XVIII (1995) (Delegation of Powers to the Executive Board);

Further recalling Governing Council Resolution 195/XL (2017) on the establishment of the Consultation on the Eleventh Replenishment of IFAD's Resources, whereby the fortieth session of the Governing Council, in accordance with article 4.3 of the Agreement, set the Consultation the task of reviewing the adequacy of the Fund's resources and reporting to the Governing Council, and, recalling in particular, the requirement for the Consultation to submit a report on the results of its deliberations and any recommendations thereon to the forty-first session and, if required, subsequent sessions of the Governing Council, with a view to adopting such Resolutions as may be appropriate;

Having considered that for the purpose of reviewing the adequacy of the Fund's resources, account has been taken of the urgent need to increase the flow of external resources to implement IFAD's mandate of addressing rural poverty eradication, food security, and sustainable agriculture, particularly on concessional terms, as well as the Fund's special mandate and operational capacity to effectively channel additional resources to eligible Members;

Having further considered the announcements of Members' intentions to make additional contributions to the resources of the Fund, including increased contributions to compensate the Fund for its debt forgiveness commitments under the Debt Sustainability Framework (DSF);

Having noted the request of the Governing Council "to continue to explore the scope for increasing financing from non-donor resources, including market-based mechanisms, and to submit any proposals that may result from such exploration to the Executive Board for approval" (Governing Council Resolution 122/XXIV);

Having taken into account and agreed on the conclusions and recommendations of the Report of the Consultation on the Eleventh Replenishment of IFAD's Resources (GC 41/___) (the Eleventh Replenishment Report) regarding the need and desirability of additional resources for the operations of the Fund; and

Acting in accordance with article 4.3 of the Agreement;

Hereby decides:

I. The level of replenishment and call for additional contributions

1. Available resources. The Fund's available resources at the end of the Tenth Replenishment period, together with the funds to be derived from operations or otherwise accruing to the Fund, other than borrowed funds, during the three-year

period commencing 1 January 2019 (the replenishment period), are estimated at US\$ ____ billion.

2. Call for additional contributions. Taking into account the conclusions and recommendations of the Eleventh Replenishment Report regarding the need and desirability of additional resources for the operations of the Fund, Members are hereby invited to make additional contributions to the resources of the Fund as defined in article 4.3 of the Agreement (additional contributions) in accordance with the terms set forth below. Additional contributions shall consist of:
 - (a) Core contributions,
 - (b) DSF compensation contributions,
 - (c) Unrestricted complementary contributions, and
 - (d) The grant element of any concessional partner loan,

each of which is further defined in paragraph 5 of this Resolution.

As used in this Resolution, the term "concessional partner loan" shall mean a loan provided by a Member State or one of its state-supported institutions, which includes a grant element for the benefit of the Fund and is otherwise consistent with the Concessional Partner Loan Framework approved by the Executive Board; and the term "state-supported institution" shall include any state-owned or state-controlled enterprise and development finance institution of a Member State, with the exception of multilateral institutions.

3. Target for additional contributions. The target for additional contributions, including core contributions, unrestricted complementary contributions and the grant element of any concessional partner loan, during the Eleventh Replenishment (the Replenishment) is set at the amount of US\$ [1.2] billion in order to support a target programme of loans and grants of US\$3.5 billion- [\(in all cases, the allocation being determined through the performance-based allocation system\)](#).
4. Pledges. The Fund acknowledges the announcements of the Members' intentions to make additional contributions as set out in annex XI to the Eleventh Replenishment Report. Members who have not yet formally announced their contributions are invited to do so, preferably no later than the last day of the six-month period following the adoption of this Resolution. The President shall communicate a revised annex XI to the Eleventh Replenishment Report to all Members of the Fund no later than 15 days after the above-mentioned date.

II. Contributions

5. Additional contributions. During the replenishment period, the Fund shall accept additional contributions from any Member State as follows:
 - (a) Such Member State's core contribution to the resources of the Fund;
 - (b) Such Member State's DSF compensation contribution made in accordance with the recommendations set forth in paragraph 6 of this Resolution and the details provided in annex VI entitled "DSF compensation methodology and amounts by List and country for IFAD10, IFAD11 and IFAD12" of the "Report of the Consultation on the Eleventh Replenishment of IFAD's Resources";
 - (c) Any unrestricted complementary contribution from such Member State; and
 - (d) The grant element of any concessional partner loan.
6. DSF compensation contributions. In relation to paragraph 5(b) of this Resolution, the Member States' commitment to compensate the Fund for principal foregone as a result of DSF implementation is reaffirmed. Such compensation shall be made in the amount of US\$[39.5] million in respect of this replenishment period

and shall be paid in accordance with the list of DSF compensation shares for Member States set forth in the annex referred to in paragraph 5(b) above. In addition, it is affirmed that the Fund be further compensated for net losses in interest and service charges incurred as a result of the provision of DSF financing. In particular:

- (a) Consistent with practice at other international financial institutions (IFIs), the pay-as-you-go principle approved by the Executive Board in April 2007 shall be applied in respect of DSF compensation contributions;
- (b) DSF beneficiary countries are excluded from the requirement to make a DSF compensation contribution in addition to other forms of additional contributions made on a pay-as-you-go basis;
- (c) A minimum threshold is established below which a DSF compensation contribution from a Member State is not required if the amounts payable by such Member State are deemed too low. A minimum threshold of US\$10,000 is to be applied to List C Member States;
- (d) Adjustments made as a result of subparagraphs (b) and (c) shall be redistributed to other Member States making a DSF compensation contribution in order to finance the gap;
- (e) New Member States, having no requirement to make a DSF compensation contribution in respect of replenishment periods during which such Member States made no pledges of additional contribution, are encouraged to make a DSF compensation contribution despite the absence of such a requirement; notwithstanding the foregoing, such contributions shall not be taken into account in determining Member State DSF compensation shares;
- (f) With the exception of additional contributions received by the Fund in the form of the grant element of a concessional partner loan or an unrestricted complementary contribution, any additional contribution made by a Member State shall, in the first instance, be applied by the Fund in full or partial satisfaction of such Member State's DSF compensation share. Following satisfaction in full of such Member State's DSF compensation share, any remaining amounts of the additional contribution received shall be allocated by the Fund as such Member State's core contribution. The Fund shall apply the foregoing principal notwithstanding any allocations to the contrary that such Member State may have made in connection with the payment of its additional contribution; and
- (g) Income foregone (in the form of interest and service charges) as a result of the Fund's extension of DSF grants shall be offset by an upfront volume reduction on DSF grants. Such volume reduction shall be implemented by means of a modified volume approach mechanism established at a 5 per cent discount rate and re-distributed as determined by IFAD Management, taking into consideration the practices of other IFIs and the long-term financial viability of the Fund.

7. Conditions governing additional contributions

- (a) Each Member State shall receive commensurate contribution votes with respect to its core contribution, DSF compensation contribution and the grant element of any concessional partner loan, in accordance with article 6.3 of the Agreement, but shall not receive any votes with respect to its unrestricted complementary contribution;
- (b) Core contributions, DSF compensation contributions and the grant element of any concessional partner loan shall be made without restriction as to their use;

- (c) During the replenishment period, the Fund shall accept unrestricted complementary contributions, which shall be made with no restrictions as to the form of financing (loans and grants) but may be made in order to support thematic operations, including mainstreaming climate [and nutrition](#). The Executive Board shall have the authority to approve the use of unrestricted complementary contributions for thematic operations not identified in the Resolution, when the Governing Council is not in session; and
 - (d) In conformity with article 4.5(a) of the Agreement, additional contributions shall be refunded to contributing Members only in accordance with article 9.4 of the Agreement.
8. Special contributions
- (a) During the replenishment period, the Executive Board may accept, on behalf of the Fund, unrestricted contributions to the resources of the Fund from non-Member States or other sources (special contributions).
 - (b) The Executive Board may consider adopting measures to enable the participation of the contributors of special contributions in its meetings on an ad hoc basis, provided that these measures have no consequences for the governance of the Fund.
9. Denomination of contributions. Members shall denominate their contributions in:
- (a) Special drawing rights (SDR);
 - (b) A currency used for the valuation of the SDR; or
 - (c) The currency of the contributing Member if such currency is freely convertible and the Member did not experience, in the period from 1 January 2015 to 31 December 2016, a rate of inflation in excess of 10 per cent per annum on average, as determined by the Fund.
10. Exchange rates. For the purposes of paragraph 4 of this Resolution, commitments and pledges made under this Resolution shall be valued on the basis of the average month-end exchange rate of the International Monetary Fund over the six-month period preceding the adoption of this Resolution between the currencies to be converted into United States dollars (1 April-30 September 2017), rounded to the fourth decimal point.
11. Unpaid contributions. Those Members who have not yet completed payment of their previous contributions to the resources of the Fund and who have not yet deposited an instrument of contribution or paid their contribution for the Tenth Replenishment are urged to make the necessary arrangements. Upon proposals by the President, the Executive Board shall adopt measures aimed at achieving the settlement of unpaid contributions.
12. Increase of contribution. A Member may increase the amount of any of its contributions at any time.

III. Instruments of contribution

13. General clause. A Member making contributions under this Resolution (other than in respect of the grant element of a concessional partner loan) shall deposit with the Fund, preferably no later than the last day of the [six]-month period following the adoption of this Resolution, an instrument of contribution, formally committing to make additional contributions to the Fund in accordance with the terms of this Resolution and specifying the amount of its contribution in the applicable currency of denomination. Any Member State or one of its state-supported institutions providing a concessional partner loan under this Resolution shall enter into a concessional partner loan agreement with the Fund, preferably no later than the

last day of the [six]-month period following the adoption of this Resolution, but in any event not until the relevant Member State has deposited an instrument of contribution or made payment for the amount of its core contribution required under the terms of the framework for concessional partner loans approved by the Executive Board.

14. Unqualified contributions. Except as specified in paragraph 15 of this Resolution, any instrument of contribution deposited in accordance with paragraph 13 shall constitute an unqualified commitment by the concerned Member to pay its contribution in the manner and on the terms set forth in this Resolution, or as otherwise approved by the Executive Board. For the purpose of this Resolution, such contribution shall be referred to as an "unqualified contribution".
15. Qualified contributions. As an exceptional case, where an unqualified commitment cannot be given by a Member due to its legislative practice, the Fund may accept from that Member an instrument of contribution that expressly contains the qualification that payment of all instalments of its payable contribution, except for the first one, is subject to subsequent budgetary appropriation. Such an instrument of contribution shall, however, include an undertaking by the Member to exercise its best efforts to: (i) arrange such appropriation for the full amount specified by the payment dates indicated in paragraph ~~21~~20(b) of this Resolution, and (ii) notify the Fund as soon as the appropriation relative to each instalment is obtained. For the purpose of this Resolution, a contribution in this form shall be referred to as a "qualified contribution", but shall be deemed to be unqualified to the extent that appropriation has been obtained and notified to the Fund.
- ~~16. [Contingent contributions. The Fund may accept core contributions or unrestricted complementary contributions from Member States that may in part be contingent upon the completion of one or more specific measures and actions referred to in annex I of the IFAD11 Consultation Report "Matrix of commitments and monitorable actions", provided said measures and actions are planned to occur prior to 1 January 2020. Such contingent contributions shall not be deemed as receivables until such time as the contingent action shall have occurred.]~~

IV. Effectiveness

- ~~17~~16. Effectiveness of the Replenishment. The Replenishment shall come into effect on the date upon which instruments of contribution or payments made without an instrument of contribution relating to the additional contributions from Members referred to in section II (Contributions) of this Resolution have been deposited with or received by the Fund in an aggregate amount equivalent to at least 50 per cent of the pledges as communicated by the President to Members pursuant to paragraph 4 of this Resolution.
- ~~18~~17. Effectiveness of individual contributions. Instruments of contribution deposited and acknowledged by IFAD as a validly executed instrument, on or before the effective date of the Replenishment shall take effect on that date. Instruments of contribution deposited and/or acknowledged by IFAD as a validly executed instrument subsequent to the effective date of the Replenishment shall become effective as of the date of such acknowledgement.
- ~~19~~18. Availability for commitment. As of the effective date of the Replenishment, all additional contributions paid to the resources of the Fund shall be considered available for operational commitment under article 7.2(b) of the Agreement and other relevant policies of the Fund.

V. Advance contribution

~~20~~19. Notwithstanding the provisions of section IV (Effectiveness) of this Resolution, all contributions or parts thereof paid prior to the effective date of the Replenishment may be used by the Fund for its operations, in accordance with the requirements of the Agreement and relevant policies of the Fund, unless a Member specifies otherwise in writing. Any loan and grant commitments made by the Fund on the basis of such advance contributions shall for all purposes be treated as part of the Fund's operational programme before the effective date of the Replenishment.

VI. Payment of contributions

~~21~~20. Unqualified contributions

- (a) Payment of instalments. Each contributing Member shall, at its option, pay its unqualified contribution in a single sum or in two or a maximum of three instalments within the replenishment period. Instalment payments in respect of each unqualified contribution may, at the option of the Member, be made either in equal amounts or in progressively graduated amounts, with the first instalment amounting to at least 30 per cent of the contribution, the second instalment amounting to at least 35 per cent and the third instalment, if any, covering the remaining balance.
- (b) Payment dates
 - (i) Single-sum payment. Payment in a single sum shall be due on the sixtieth day after the Member's instrument of contribution enters into effect.
 - (ii) Instalment payments. Payments in instalments shall be made according to the following schedule: the first instalment shall be due on the first anniversary of the adoption of this Resolution; the second instalment shall be due on the second anniversary of the adoption of this Resolution and any further instalment shall be due no later than the third anniversary of the adoption of this Resolution. -However, if the date of effectiveness has not occurred by the first anniversary of the adoption of this Resolution, the first payment shall be due on the sixtieth day after the Member's instrument of contribution enters into effect; the second instalment shall be due on the first anniversary of the effective date of the Replenishment and any further instalment shall be due on the earlier of the third anniversary of the effective date of the Replenishment or the last day of the replenishment period..
- (c) Early payment. Any Member may pay its contribution on dates earlier than those specified in paragraph ~~21~~20(b) above.
- (d) Alternative arrangements. The President may, upon the request of a Member, agree to a variation in the prescribed payment dates, percentages, or number of instalments of the contribution, provided that such a variation shall not adversely affect the operational needs of the Fund.

~~22~~21. Qualified contributions. Qualified contributions shall be paid within 90 days after the Member's instrument of contribution enters into effect, as and to the extent that the relative contribution becomes unqualified and, where possible, in accordance with the payment dates specified in paragraph ~~21~~20(b) of this Resolution. A Member who has deposited an instrument of contribution for a qualified contribution shall inform the Fund of the status of the qualified instalment of its contribution no later than 30 days after the annual payment dates specified in paragraph ~~21~~20(b) of this Resolution.

- ~~23~~22. Currency of payment
- (a) Contributions shall be made in freely convertible currencies, subject to paragraph 9 of this Resolution.
 - (b) In accordance with article 5.2(b) of the Agreement, the value of the currency of payment in terms of SDR shall be determined on the basis of the rate of exchange used by the Fund for translation purposes in its books of account at the time of payment.
- ~~24~~23. Mode of payment. In conformity with article 4.5(c) of the Agreement, payments in respect of contributions shall be made in cash or in the form of the grant element of a concessional partner loan or, at the option of the Member, by the deposit of non-negotiable, irrevocable and non-interest bearing promissory notes or similar obligations of the Member, payable on demand by the Fund at their par value in accordance with the terms of paragraph ~~25~~24 of this Resolution. To the extent possible, Members may favourably consider payment of their core contributions, DSF compensation contributions and unrestricted complementary contributions in cash.
- ~~25~~24. Encashment of promissory notes or similar obligations. In conformity with the provisions of article 4.5(c)(i) of the Agreement and regulation V of the Financial Regulations of IFAD, promissory notes or similar obligations of Members shall be encashed in accordance with the drawdown policy to be approved by the Executive Board or as agreed between the President and a contributing Member.
- ~~26~~25. Payment modalities. At the time of depositing its instrument of contribution, each Member shall indicate to the Fund its proposed schedule and mode of payment on the basis of the arrangements set forth in paragraphs ~~21~~20 to ~~24~~23 of this Resolution.

VII. Allocation of Replenishment Votes

- ~~27~~26. Creation of Replenishment Votes. New Replenishment Votes shall be created in respect of core contributions, DSF compensation contributions and the grant element of any concessional partner loan provided under the Eleventh Replenishment (Eleventh Replenishment Votes). The total amount of Eleventh Replenishment Votes shall be calculated by dividing by US\$1,580,000 the total amount of pledges of core contributions, DSF compensation contributions and the grant element of any concessional partner loan, in each case received as of six months after the date of adoption of this Resolution.
- ~~28~~27. Distribution of Replenishment Votes. The Eleventh Replenishment Votes thus created shall be distributed in accordance with article 6.3(a)(ii) and (iii) of the Agreement as follows:
- (a) Membership votes. Membership votes shall be distributed equally among all Members in conformity with article 6.3(a)(ii)(A) of the Agreement.
 - (b) Contribution votes. In conformity with article 6.3(a)(ii)(B) of the Agreement, contribution votes shall be distributed among all Members in the proportion that each Member's paid up core contribution, DSF compensation contribution and the grant element of any concessional partner loans made by such Member or its state-supported institution bear to the aggregate of the paid core contributions, DSF compensation contributions and the grant element of all concessional partner loans, as specified in section II (Contributions) of this Resolution.
 - (c) The allocation and distribution of the original, Fourth Replenishment, Fifth Replenishment, Sixth Replenishment, Seventh Replenishment, Eighth Replenishment, Ninth Replenishment and Tenth Replenishment Votes shall continue irrespective of the entry into force of this Resolution.

- ~~29~~28. Effectiveness of Replenishment Votes. The distribution of the Eleventh Replenishment Votes, as specified above, shall enter into effect six months after the adoption of this Resolution. The President shall communicate the fact of the distribution of the Eleventh Replenishment membership and contribution votes to all Members of the Fund no later than 15 days after such date, and shall report such information to the Governing Council at its forty-second session.

VIII. Additional resource mobilization

~~30~~29. Borrowing by the Fund

- (a) Purpose of borrowing. While recognizing that replenishment contributions are, and should remain, the basic source of the Fund's financing, the Governing Council welcomes and supports the Fund's intention to leverage a more diversified set of resources including [loans from Member States and related State-Supported Institutions under the sSovereign bBorrowing Framework](#) and [the eConcessional pPartner tLoans Framework from Member States during the replenishment period](#) during the replenishment period and, at a later stage, market borrowing.
- (b) Borrowing framework. The Executive Board has established a Sovereign Borrowing Framework for Borrowing from Sovereign States and State-Supported Institutions (EB 2015/114/R.17/Rev.1) and shall revise it as appropriate to ensure consistency with this Resolution. In line with such framework, Management shall continue to inform the Executive Board of all formal negotiations undertaken with potential lenders, including the relevant due diligence undertaken and financial information obtained, in order to fulfil the target of the programme of loans and grants set forth in paragraph 3 of this Resolution.
- (c) Concessional partner loans. Concessional partner loans shall be provided in accordance with the terms of the Concessional Partner Loan Framework approved by the Executive Board.
- (d) Market borrowing. With respect to borrowing from capital markets, the Governing Council supports the Fund as it undertakes the preparatory work required ~~for to assess the feasibility and consequences of~~ the potential implementation of a market borrowing programme, including as regards the credit ratings process. Such support is expressed in a separate draft resolution (the Resolution on Market Borrowing) transmitted, upon recommendation of the Consultation, to the Governing Council for adoption at its forty-first session.
- (e) Limitation of liability. In relation to subparagraphs (a) to (d), it is recalled, for the avoidance of doubt, that article 3.3 of the Agreement provides that: "No Member shall be liable, by reason of its membership, for acts or obligations of the Fund."

~~31~~30. Cofinancing and miscellaneous operations

During the replenishment period, the Executive Board and the President are encouraged to take necessary measures to strengthen the Fund's catalytic role in raising the proportion of national and international funding directed at improving the well-being and self-reliance of rural poor people, and to supplement the resources of the Fund by using the Fund's power to perform financial and technical services, including the administration of resources and acting as trustee, that are consistent with the objective and functions of the Fund. Operations involved in the performance of such financial services shall not be funded by resources of the Fund.

IX. Reporting to the Governing Council

~~32~~31. The President shall submit to the forty-second session of the Governing Council and to subsequent sessions, reports on the status of commitments, payments, and other relevant matters concerning the Replenishment. The reports shall be submitted to the Governing Council together with the Executive Board's comments, if any, and its recommendations thereon.

X. Review by the Executive Board

~~33~~32. The Executive Board shall periodically review the status of contributions under the Replenishment and shall take such actions, as may be appropriate, for the implementation of the provisions of this Resolution.

~~34~~33. If, during the replenishment period, delays in the making of any contributions cause, or threaten to cause, a suspension in the Fund's lending operations or otherwise prevent the substantial attainment of the goals of the Replenishment, upon the request of the Executive Board the Chairperson of the Governing Council may convene a meeting of the Consultation established by Resolution 195/XL (2017) to review the situation and consider ways of fulfilling the conditions necessary for the continuation of the Fund's lending operations or for the substantial attainment of those goals.

XI. Midterm review

~~35~~34. A midterm review of the implementation of the measures and actions referred to in the Eleventh Replenishment Report will be undertaken and its findings presented at a meeting of the Consultation on the Twelfth Replenishment of IFAD's Resources.

XII. Amendments to the Agreement Establishing IFAD

~~36~~35. The Governing Council notes that in order to give effect to the [determination that the Fund may accept contributions in the form of the grant element of concessional partner loans](#), an amendment to article 4, section 5 of the Agreement Establishing IFAD (the Agreement) is required. Such amendment has been incorporated in a separate draft resolution (the Resolution on the Amendment to the Agreement Establishing IFAD) approved by the Executive Board at its 122nd session, and transmitted to the Governing Council for adoption at its forty-first session, in accordance with article 12 of the Agreement Establishing IFAD. The effectiveness of the Resolution on the Eleventh Replenishment of IFAD's Resources shall be conditional on the adoption of the Resolution on the Amendment to the Agreement Establishing IFAD.

Table of comparison between IFAD10 and IFAD11 resolutions

IFAD10 Resolution	IFAD11 Resolution	Comments
<p>The Governing Council of IFAD,</p> <p>Recalling the relevant provisions of the Agreement Establishing the International Fund for Agricultural Development (the Agreement), in particular articles 2 (Objective and Functions), 4.1 (Resources of the Fund), 4.3 (Additional Contributions), 4.4 (Increases in Contributions), 4.5 (Conditions Governing Contributions), 4.6 (Special Contributions), and 7 (Operations), as well as Governing Council Resolution 77/2 (1977), as amended by Resolution 86/XVIII (1995) (Delegation of Powers to the Executive Board);</p> <p>Further recalling Governing Council Resolution 180/XXXVII (2014) on the establishment of the Consultation on the Tenth Replenishment of IFAD's Resources, whereby the thirty-seventh session of the Governing Council, in accordance with article 4.3 of the Agreement, set the Consultation the task of reviewing the adequacy of the Fund's resources and reporting to the Governing Council, and, recalling in particular, the requirement for the Consultation to submit a report on the results of its deliberations and any recommendations thereon to the thirty-eighth session and, if required, subsequent sessions of the Governing Council, with a view to adopting such Resolutions as may be appropriate;</p> <p>Having considered that for the purpose of reviewing the adequacy of the Fund's resources, account has been taken of the urgent need to increase the flow of external resources to implement IFAD's mandate of addressing rural poverty eradication, food security, and sustainable agriculture, particularly on concessional terms, as well as the Fund's special mandate and operational capacity to effectively channel additional resources to eligible Members;</p> <p>Having further considered the announcements of Members' intentions to make additional contributions to the resources of the Fund, including contributions to compensate the Fund for its debt forgiveness commitments under the Debt Sustainability Framework (DSF);</p>	<p>The Governing Council of IFAD,</p> <p>Recalling the relevant provisions of the Agreement Establishing the International Fund for Agricultural Development (the Agreement), in particular articles 2 (Objective and Functions), 4.1 (Resources of the Fund), 4.3 (Additional Contributions), 4.4 (Increases in Contributions), 4.5 (Conditions Governing Contributions), 4.6 (Special Contributions), and 7 (Operations), as well as Governing Council Resolution 77/2 (1977), as amended by Resolution 86/XVIII (1995) (Delegation of Powers to the Executive Board);</p> <p>Further recalling Governing Council Resolution <u>195/XL (2017)</u> on the establishment of the Consultation on the <u>Eleventh</u> Replenishment of IFAD's Resources, whereby the <u>fortieth</u> session of the Governing Council, in accordance with article 4.3 of the Agreement, set the Consultation the task of reviewing the adequacy of the Fund's resources and reporting to the Governing Council, and, recalling in particular, the requirement for the Consultation to submit a report on the results of its deliberations and any recommendations thereon to the <u>forty-first</u> session and, if required, subsequent sessions of the Governing Council, with a view to adopting such Resolutions as may be appropriate;</p> <p>Having considered that for the purpose of reviewing the adequacy of the Fund's resources, account has been taken of the urgent need to increase the flow of external resources to implement IFAD's mandate of addressing rural poverty eradication, food security, and sustainable agriculture, particularly on concessional terms, as well as the Fund's special mandate and operational capacity to effectively channel additional resources to eligible Members;</p> <p>Having further considered the announcements of Members' intentions to make additional contributions to the resources of the Fund, including <u>increased</u> contributions to compensate the Fund for its debt forgiveness commitments under the Debt Sustainability Framework (DSF);</p>	

<p>Having noted the request of the Governing Council “to continue to explore the scope for increasing financing from non-donor resources, including market-based mechanisms, and to submit any proposals that may result from such exploration to the Executive Board for approval” (Governing Council Resolution 122/XXIV);</p> <p>Having taken into account and agreed on the conclusions and recommendations of the Report of the Consultation on the Tenth Replenishment of IFAD’s Resources (GC 38/L.4) (the Tenth Replenishment Report) regarding the need and desirability of additional resources for the operations of the Fund; and</p>	<p>Having noted the request of the Governing Council “to continue to explore the scope for increasing financing from non-donor resources, including market-based mechanisms, and to submit any proposals that may result from such exploration to the Executive Board for approval” (Governing Council Resolution 122/XXIV);</p> <p>Having taken into account and agreed on the conclusions and recommendations of the Report of the Consultation on the <u>Eleventh</u> Replenishment of IFAD’s Resources (GC 41/) (the <u>Eleventh</u> Replenishment Report) regarding the need and desirability of additional resources for the operations of the Fund; and</p>	
<p>Acting in accordance with Article 4.3 of the Agreement;</p>	<p>Acting in accordance with article 4.3 of the Agreement;</p>	
<p>I. The level of replenishment and call for additional contributions</p>		
<p>(a) Available resources. The Fund’s available resources at the end of the Ninth Replenishment period, together with the funds to be derived from operations or otherwise accruing to the Fund during the three-year period commencing 1 January 2016 (the Replenishment Period), are estimated at US\$2.16 billion.</p>	<p>1. Available resources. The Fund’s available resources at the end of the <u>Tenth</u> Replenishment period, together with the funds to be derived from operations or otherwise accruing to the Fund, <u>other than borrowed funds</u>, during the three-year period commencing 1 January 2019 (the replenishment period), are estimated at US\$ ___ billion.</p>	<p><i>The added wording is necessary to exclude borrowed funds from the resources accruing to the Fund (as per article 4, section 1 of the Agreement) from the definition of Available resources as no estimation has been made with respect to such borrowing at this stage.</i></p>
<p>(b) Call for additional contributions. Taking into account the conclusions and recommendations of the Tenth Replenishment Report regarding the need and desirability of additional resources for the operations of the Fund, Members are hereby invited to make additional contributions to the resources of the Fund as defined in article 4.3 of the Agreement (Additional Contributions) in accordance with the terms set forth below. Additional contributions shall consist of core contributions (as defined in subsection II(a)(i) of this Resolution), DSF compensation contributions (as defined in subsection II(a)(ii) of this Resolution, and complementary contributions (as defined in subsection II(a)(iii) of this Resolution).</p>	<p>2. Call for additional contributions. Taking into account the conclusions and recommendations of the <u>Eleventh</u> Replenishment Report regarding the need and desirability of additional resources for the operations of the Fund, Members are hereby invited to make additional contributions to the resources of the Fund as defined in article 4.3 of the Agreement (Additional Contributions) in accordance with the terms set forth below. Additional contributions shall consist of:</p> <p>(a) <u>Core contributions.</u> (b) <u>DSF compensation contributions.</u> (c) <u>Unrestricted complementary contributions, and</u> (d) <u>The grant element of any concessional partner loan,</u></p> <p><u>each of which is further defined in paragraph 5 of this Resolution.</u></p> <p><u>As used in this Resolution, the term "concessional partner loan" shall mean a loan provided by a Member State or one of its state-supported institutions, which includes a grant element for the benefit of the Fund and is otherwise consistent with the Concessional Partner Loan Framework</u></p>	<p><i>The added wording is designed to recognize the grant element of concessional partner loans (CPLs) as additional contributions and to specify that complementary contributions shall be unrestricted. Under IFAD11, all complementary contributions shall be provided with no restrictions as to the form of financing (loans and grants) and the Recipients but may be made in order to support thematic operations. The concept of complementary contributions as it was created under the Second Replenishment is removed.</i></p> <p><i>As is the case of the International Development Association (IDA) and African Development Fund, some Member States may wish to provide CPLs through agencies they own and control, i.e. State-Supported Institutions. Members providing CPLs through such agencies should be allocated the voting rights in respect of the grant element embedded</i></p>

	<u>approved by the Executive Board; and the term "state-supported institution" shall include any state-owned or state-controlled enterprise and development finance institution of a Member State, with the exception of multilateral institutions.</u>	<i>in the CPL. The added wording is designed to include the grant element of CPLs as part of the target. The target includes only such additional contributions as are received from Member States and in respect of which no restrictions as to use are imposed by such Member States.</i>
(c) Target for additional contributions. The target for additional contributions including core contributions, unrestricted complementary contributions, during the Tenth Replenishment (the Replenishment) is set at the amount of US\$1.44 billion in order to support a target programme of loans and grants of at least US\$3 billion and, provided it is on an administrative budget-neutral basis, up to US\$3.5 billion (in all cases, the allocation being determined through the performance-based allocation system).	3. Target for additional contributions. The target for additional contributions including core contributions, unrestricted complementary contributions <u>and the grant element of any concessional partner loan,</u> during the <u>Eleventh</u> Replenishment (the Replenishment) is set at the amount of US\$ _ billion in order to support a target programme of loans and grants of at least US\$3.5 billion and, provided it is on an administrative budget-neutral basis, <u>US\$ _ billion.</u> (in all cases, the allocation being determined through the performance-based allocation system).	
(d) Pledges. The Fund acknowledges the announcements of the Members' intentions to make additional contributions as set out in annex VIII to the Tenth Replenishment Report. Members who have not yet formally announced their contributions are invited to do so, preferably no later than the last day of the six-month period following the adoption of this Resolution. The President shall communicate a revised annex VIII to the Tenth Replenishment Report to all Members of the Fund no later than 15 days after the above-mentioned date.	4. Pledges. The Fund acknowledges the announcements of the Members' intentions to make additional contributions as set out in annex ___ to the <u>Eleventh</u> Replenishment Report. Members who have not yet formally announced their contributions are invited to do so, preferably no later than the last day of the six-month period following the adoption of this Resolution. The President shall communicate a revised annex ___ to the <u>Eleventh</u> Replenishment Report to all Members of the Fund no later than 15 days after the above-mentioned date.	
(e) Structural gap. While maintaining the target level for additional contributions as specified in subsection (c) above, the structural gap may not exceed 15 per cent of such target level. In the event that the structural gap exceeds 15 per cent at the end of the six-month period for the creation of new votes specified in subsection VIII(a) of this Resolution, the target level for additional contributions specified in subsection (c) above shall be adjusted so that the total amount of the pledges received at that date represents at least 85 per cent of the target level. If such an adjustment becomes necessary, the President will immediately communicate the new target level to the Governors, after which subsection (c) above shall be deemed to have been amended accordingly. The Fund's programme of loans and grants will be adjusted to reflect the shortfall from the Replenishment target unless other sources of funds are identified during the Replenishment Period.		<i>The text on the structural gap has been deleted pending determination as to whether the concept of the IFAD structural gap, in the form in which it currently exists, should be maintained. The meaning and objectives of the structural gap as used in connection with IFAD replenishments appear to have evolved over the course of IFAD's replenishment practice. Previously (under IFAD6), the term "structural gap" appeared to have been used as a reference to the shortfall resulting from the difference in the amount of the target level of resources determined to be required by the Fund under that replenishment and the pledged or actual contributions received from Member States, as monitored and reported at any point in time. Currently, the structural gap is pre-established as a percentage of the target level of resources projected for any given replenishment, representing the authorized level of funding deficit that may not be exceeded during such replenishment. In the event that pledged or actual contributions received as of the six-month period following the adoption of the relevant replenishment resolution (the cut-off date) represent an amount inferior to the</i>

		<p>replenishment target level, the President is authorized by the Governing Council to make an adjustment of such target, thereby ensuring that the structural gap is maintained at the pre-established percentage. Consistent with IDA practice, it is recommended that under IFAD11 and subsequent replenishments, IFAD adopt the approach whereby the actual amount of the funding shortfall experienced in respect of the IFAD11 replenishment target level is monitored as of the cut-off date as well as other reference dates. Furthermore, a report on the status of the structural gap as of such reference dates may be included in IFAD Management's Report on the Status of Contributions to the Eleventh Replenishment of IFAD's Resources, to be submitted to the Board at each relevant session during the IFAD11 replenishment cycle.</p>
<p>II. Contributions</p>		
<p>(a) Additional contributions. During the Replenishment period, the Fund shall accept additional contributions from Members as follows:</p> <p>(i) Core contributions to the resources of the Fund (core contributions);</p> <p>(ii) DSF compensation contributions, in addition to core contributions, to compensate the Fund for forgone principal reflows under the DSF in the amount of US\$3.4 million (DSF compensation contributions); and</p> <p>(iii) Complementary contributions in addition to their core contributions and DSF compensation contributions (complementary contributions).</p>	<p>5. Additional contributions. During the Replenishment period, the Fund shall accept additional contributions from <u>any Member State</u> as follows:</p> <p>(a) <u>Such Member State's core contributions</u> to the resources of the Fund;</p> <p>(b) <u>Such Member State's DSF compensation contribution made in accordance with the recommendations set forth in paragraph 6 of this Resolution and the details provided in annex VI entitled "DSF compensation methodology and amounts by List and country for IFAD10, IFAD11, and IFAD12" of the "Report of the Consultation on the Eleventh Replenishment of IFAD's Resources"</u>;</p> <p>(c) <u>Any unrestricted complementary contribution from such Member State</u>; and</p> <p>(d) <u>The grant element of any concessional partner loan.</u></p>	<p><i>Annex VI "DSF compensation methodology and amounts by List and country for IFAD10, IFAD11, and IFAD12" of the Report of the Consultation on the Eleventh Replenishment of IFAD's Resource provides details of the DSF compensation contributions required of Member States.</i></p> <p><i>The added wording is designed to recognize the grant element of CPLs as additional contributions.</i></p>
	<p>6. DSF compensation contributions</p> <p><u>In relation to paragraph 5(b) of this resolution, the Member States' commitment to compensate the Fund for principal forgone as a result of DSF implementation is reaffirmed. Such compensation shall be made in the amount of US\$[39.5] million in respect of this replenishment period and shall be paid in accordance with the list of DSF compensation shares for Member States set forth in the annex referred to in paragraph 5(b) above. In addition, it is affirmed that the Fund be further compensated for net losses in interest and service charges incurred as a result of the provision of DSF financing. In particular:</u></p>	<p><i>The added wording is designed to introduce the new paragraph 6, which reaffirms the Member States' commitment of 2006 to provide DSF compensation.</i></p>

	<p>(a) <u>Consistent with practice at other international financial institutions (IFIs), the pay-as-you-go principle approved by the Executive Board in April 2007 shall be applied in respect of DSF compensation contributions;</u></p> <p>(b) <u>DSF beneficiary countries are excluded from the requirement to make a DSF compensation contribution in addition to other forms of additional contributions made on a pay-as-you-go basis;</u></p> <p>(c) <u>A minimum threshold is established below which a DSF compensation contribution from a Member State is not required if the amounts payable by such Member State are deemed too low. A minimum threshold of US\$10,000 is to be applied to List C Member States;</u></p> <p>(d) <u>Adjustments made as a result of subparagraphs (b) and (c) shall be redistributed to other Member States making a DSF compensation contribution in order to finance the gap;</u></p> <p>(e) <u>New Member States, having no requirement to make a DSF compensation contribution in respect of replenishment periods during which such Member States made no pledges of additional contribution, are encouraged to make a DSF compensation contribution despite the absence of such a requirement; notwithstanding the foregoing, such contributions shall not be taken into account in determining Member State DSF compensation shares;</u></p> <p>(f) <u>With the exception of additional contributions received by the Fund in the form of the grant element of a concessional partner loan or an unrestricted complementary contribution, any additional contribution made by a Member State shall, in the first instance, be applied by the Fund in full or partial satisfaction of such Member State's DSF compensation share. Following satisfaction in full of such Member State's DSF compensation share, any remaining amounts of the additional contribution received shall be allocated by the Fund as such Member State's core contribution. The Fund shall apply the foregoing principal notwithstanding any allocations to the contrary that such Member State may have made in connection with the payment of its additional contribution; and</u></p> <p>(g) <u>Income foregone (in the form of interest and service charges) as a result of the Fund's extension of DSF grants shall be offset by an upfront volume reduction on DSF grants. Such volume reduction shall be implemented by means of a modified volume approach mechanism established at a 5 per cent discount rate and re-distributed as determined by IFAD Management, taking into consideration the practices of other IFIs and the long-term financial viability of the Fund.</u></p>	
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<p>(b) Conditions governing additional contributions</p> <p>(i) Members shall receive commensurate contribution votes with respect to core contributions and DSF compensation contributions in accordance with article 6.3 of the Agreement, but shall not receive such votes with respect to their complementary contributions;</p> <p>(ii) Core contributions and DSF compensation contributions shall be made without restriction as to their use;</p> <p>(iii) The Executive Board shall have the authority to approve the use of complementary contributions when the Governing Council is not in session;</p> <p>(iv) During the Replenishment period, the Fund shall accept unrestricted complementary contributions in order to support thematic operations including mainstreaming climate change, nutrition-sensitive agriculture, South-South and Triangular Cooperation and public-private-producer partnership; and</p> <p>(v) In conformity with article 4.5(a) of the Agreement, additional contributions shall be refunded to contributing Members only in accordance with article 9.4 of the Agreement.</p>	<p>7. Conditions governing additional contributions</p> <p>(a) <u>Each Member State</u> shall receive commensurate contribution votes with respect to its core contribution, DSF compensation contributions <u>and the grant element of any concessional partner loan</u> in accordance with article 6.3 of the Agreement, but shall not receive any votes with respect to its <u>unrestricted</u> complementary contributions;</p> <p>(b) Core contributions, DSF compensation contributions <u>and the grant element of any concessional partner loan</u> shall be made without restriction as to their use;</p> <p>(c) During the Replenishment period, the Fund shall accept unrestricted complementary contributions, <u>which shall be made with no restrictions as to the form of financing (loans and grants) but may be made</u> in order to support thematic operations, including mainstreaming climate <u>and nutrition</u>. The Executive Board shall have the authority to approve the use of <u>unrestricted</u> complementary contributions <u>for thematic operations not identified in the Resolution</u>, when the Governing Council is not in session; and</p> <p>(d) In conformity with article 4.5(a) of the Agreement, additional contributions shall be refunded to contributing Members only in accordance with article 9.4 of the Agreement.</p>	<p><i>The added wording is designed to recognize that Members that subscribe to CPLs will be compensated with voting rights commensurate with the grant elements in their concessional loans as estimated by IFAD. During replenishment exercises, contributions in the form of grants and the grant element of contributions through CPLs shall have equal weight when estimating voting rights.</i></p> <p><i>To reflect the possibility for Member States to provide unrestricted complementary contributions for thematic operations to be identified during the Consultation and for any other activities subject to the Governing Council or the Executive Board approval. So far only mainstreaming climate and nutrition has been identified as a thematic activity by the Consultation.</i></p>
<p>(c) Special contributions</p> <p>(i) During the Replenishment period, the Executive Board may accept on behalf of the Fund unrestricted contributions to the resources of the Fund from non-Member States or other sources (special contributions).</p> <p>(ii) The Executive Board may consider adopting measures to enable the participation of the contributors of special contributions in its meetings on an ad hoc basis, provided that these measures have no consequences for the governance of the Fund.</p>	<p>8. Special contributions</p> <p>(a) During the Replenishment period, the Executive Board may accept on behalf of the Fund unrestricted contributions to the resources of the Fund from non-Member States or other sources (special contributions).</p> <p>(b) The Executive Board may consider adopting measures to enable the participation of the contributors of special contributions in its meetings on an ad hoc basis, provided that these measures have no consequences for the governance of the Fund.</p>	
<p>(d) Denomination of contributions. Members shall denominate their contributions in:</p> <p>(i) special drawing rights (SDR); (ii) a currency used for the valuation of the SDR; or (iii) the currency of the contributing Member if such currency is freely convertible and the Member did not experience, in the period from 1 January 2012 to 31 December 2013, a rate of inflation in excess of 10 per cent per annum on average, as determined by the Fund.</p>	<p>9. Denomination of contributions. Members shall denominate their contributions in:</p> <p>(a) special drawing rights (SDR);</p> <p>(b) a currency used for the valuation of the SDR; or</p> <p>(c) the currency of the contributing Member if such currency is freely convertible and the Member did not experience, in the period from 1 January <u>2015</u> to 31 December <u>2016</u>, a rate of inflation in excess of 10 per cent per annum on average,</p>	

	as determined by the Fund.	
(e) Exchange rates. For the purposes of subsection I(d) of this Resolution, commitments and pledges made under this Resolution shall be valued on the basis of the average month-end exchange rate of the International Monetary Fund over the six-month period preceding the adoption of this Resolution between the currencies to be converted into United States dollars (1 April – 30 September 2014), rounded to the fourth decimal point.	10. Exchange rates. For the purposes of <u>paragraph 4</u> of this Resolution, commitments and pledges made under this Resolution shall be valued on the basis of the average month-end exchange rate of the International Monetary Fund over the six-month period preceding the adoption of this Resolution between the currencies to be converted into United States dollars (1 April-30 September <u>2017</u>), rounded to the fourth decimal point.	<i>As agreed during the third session of the Consultation.</i>
(f) Unpaid contributions. Those Members who have not yet completed payment of their previous contributions to the resources of the Fund and who have not yet deposited an instrument of contribution or paid their contribution for the Ninth Replenishment are urged to make the necessary arrangements. Upon proposals by the President, the Executive Board shall adopt measures aimed at realizing the settlement of unpaid contributions.	11. Unpaid contributions. Those Members who have not yet completed payment of their previous contributions to the resources of the Fund and who have not yet deposited an instrument of contribution or paid their contribution for the <u>Tenth</u> Replenishment are urged to make the necessary arrangements. Upon proposals by the President, the Executive Board shall adopt measures aimed at <u>achieving</u> the settlement of unpaid contributions.	
(g) Increase of contribution. A Member may increase the amount of any of its contributions at any time.	12. Increase of contribution. A Member may increase the amount of any of its contributions at any time.	
III. Instruments of contribution		
(a) General clause. Members making contributions under this Resolution shall deposit with the Fund, preferably no later than the last day of the six-month period following the adoption of this Resolution, an instrument of contribution formally committing to make additional contributions to the Fund in accordance with the terms of this Resolution and specifying the amount of their contribution in the applicable currency of denomination.	13. General clause. <u>A Member making contributions under this Resolution (other than in respect of the grant element of a concessional partner loan) shall deposit with the Fund, preferably no later than the last day of the [six]-month period following the adoption of this Resolution, an instrument of contribution, formally committing to make additional contributions to the Fund in accordance with the terms of this Resolution and specifying the amount of its contribution in the applicable currency of denomination. Any Member State or one of its state-supported institutions providing a concessional partner loan under this Resolution shall enter into a concessional partner loan agreement with the Fund, preferably no later than the last day of the [six]-month period following the adoption of this Resolution, but in any event not until the relevant Member State has deposited instrument of contribution or made payment for the amount of its core contribution required under the terms of the framework for concessional partner loans approved by the Executive Board.</u>	<i>The added wording is designed to provide that the grant element of CPLs will be based on a formula contained in the CPL framework to be approved by the Executive Board, which will apply to all CPLs. The CPL framework establishes, among other terms, the conditions to be met in order for a Member State or its state-supported institution to make a CPL, including as regards the minimum amount of core contribution such CPL provider is required to make to the Fund.</i>
(b) Unqualified contributions. Except as specified in subsection (c) below, such instrument of contribution shall constitute an unqualified commitment by the concerned Member to pay its contribution in the manner and on the	14. Unqualified contributions. Except as specified in <u>paragraph 15 of this Resolution</u> , <u>any instrument of contribution deposited in accordance with paragraph 13</u> shall constitute an unqualified commitment by the concerned	

<p>terms set forth in this Resolution, or as otherwise approved by the Executive Board. For the purpose of this Resolution, such contribution shall be called an “unqualified contribution”.</p>	<p>Member to pay its contribution in the manner and on the terms set forth in this Resolution, or as otherwise approved by the Executive Board. For the purpose of this Resolution, such contribution shall be <u>referred to as</u> an “unqualified contribution”.</p>	
<p>(c) Qualified contributions. As an exceptional case, where an unqualified commitment cannot be given by a Member due to its legislative practice, the Fund may accept from that Member an instrument of contribution that expressly contains the qualification that payment of all instalments of its payable contribution, except for the first one, is subject to subsequent budgetary appropriation. Such an instrument of contribution shall, however, include an undertaking by the Member to exercise its best efforts to: (i) arrange such appropriation for the full amount specified by the payment dates indicated in section VI of this Resolution, and (ii) notify the Fund as soon as the appropriation relative to each instalment is obtained. For the purpose of this Resolution, a contribution in this form shall be called a “qualified contribution”, but shall be deemed to be unqualified to the extent that appropriation has been obtained and notified to the Fund.</p>	<p>15. Qualified contributions. As an exceptional case, where an unqualified commitment cannot be given by a Member due to its legislative practice, the Fund may accept from that Member an instrument of contribution that expressly contains the qualification that payment of all instalments of its payable contribution, except for the first one, is subject to subsequent budgetary appropriation. Such an instrument of contribution shall, however, include an undertaking by the Member to exercise its best efforts to: (i) arrange such appropriation for the full amount specified by the payment dates indicated in <u>paragraph 20(b)</u> of this Resolution, and (ii) notify the Fund as soon as the appropriation relative to each instalment is obtained. For the purpose of this Resolution, a contribution in this form shall be <u>referred to as</u> a “qualified contribution”, but shall be deemed to be unqualified to the extent that appropriation has been obtained and notified to the Fund.</p>	
<p>IV. Effectiveness</p>		
<p>(a) Effectiveness of the Replenishment. The Replenishment shall come into effect on the date upon which instruments of contribution or payments made without an instrument of contribution relating to the additional contributions from Members referred to in section II of this Resolution have been deposited with or received by the Fund in an aggregate amount equivalent to at least 50 per cent of the pledges as communicated by the President to Members pursuant to subsection I(d) of this Resolution.</p>	<p>16. Effectiveness of the Replenishment. The Replenishment shall come into effect on the date upon which instruments of contribution or payments made without an instrument of contribution relating to the additional contributions from Members referred to in section II (<u>Contributions</u>) of this Resolution have been deposited with or received by the Fund in an aggregate amount equivalent to at least 50 per cent of the pledges as communicated by the President to Members pursuant to <u>paragraph 4</u> of this Resolution.</p>	
<p>(b) Effectiveness of individual contributions. Instruments of contribution deposited on or before the effective date of the Replenishment shall take effect on that date, and instruments of contribution deposited after such date shall take effect on their respective dates of deposit.</p>	<p>17. Effectiveness of individual contributions. Instruments of contribution deposited <u>and acknowledged by IFAD as a validly executed instrument</u>, on or before the effective date of the Replenishment shall take effect on that date. <u>Instruments of contribution deposited and/or acknowledged by IFAD as a validly executed instrument subsequent to the effective date of the Replenishment shall become effective as of the date of such acknowledgement.</u></p>	<p><i>The new wording has been introduced to reflect the need for deposited instruments of contribution to be acknowledged by the Fund as having been validly executed.</i></p>
<p>(c) Availability for commitment. As of the effective date of the Replenishment, all additional contributions paid to the resources of the Fund shall be considered available for operational commitment under article 7.2(b) of the Agreement and other relevant policies of the Fund.</p>	<p>18. Availability for commitment. As of the effective date of the Replenishment, all additional contributions paid to the resources of the Fund shall be considered available for operational commitment under article 7.2(b) of the Agreement and other relevant policies of the Fund.</p>	

V. Advance contribution		
Notwithstanding the provisions of section IV of this Resolution, all contributions or parts thereof paid prior to the effective date of the Replenishment may be used by the Fund for its operations, in accordance with the requirements of the Agreement and relevant policies of the Fund, unless a Member specifies otherwise in writing. Any loan and grant commitments made by the Fund on the basis of such advance contributions shall for all purposes be treated as part of the Fund's operational programme before the effective date of the Replenishment.	19. Notwithstanding the provisions of section IV (<u>Effectiveness</u>) of this Resolution, all contributions or parts thereof paid prior to the effective date of the Replenishment may be used by the Fund for its operations, in accordance with the requirements of the Agreement and relevant policies of the Fund, unless a Member specifies otherwise in writing. Any loan and grant commitments made by the Fund on the basis of such advance contributions shall for all purposes be treated as part of the Fund's operational programme before the effective date of the Replenishment.	
VI. Payment of contributions		
<p>(a) Unqualified contributions</p> <p>(i) Payment of instalments. Each contributing Member shall, at its option, pay its unqualified contribution in a single sum or in two or a maximum of three instalments. Instalment payments in respect of each unqualified contribution shall be, at the option of the Member, either in equal amounts or in progressively graduated amounts, with the first instalment amounting to at least 30 per cent of the contribution, the second instalment amounting to at least 35 per cent and the third instalment, if any, covering the remaining balance.</p> <p>(ii) Payment dates</p> <p>Single-sum payment Payment in a single sum shall be due on the sixtieth day after the Member's instrument of contribution enters into effect.</p> <p>Instalment payments Payments in instalments shall be made according to the following schedule: The first instalment shall be due on the sixtieth day after the Member's instrument of contribution enters into effect. The second instalment shall be due on the first anniversary of the effective date of the Replenishment. Any further instalment shall be paid no later than the last day of the three-year period following the adoption of this Resolution.</p> <p>(iii) Early payment. Any Member may pay its contribution on dates earlier than those specified in subsection (a)(ii) above.</p> <p>(iv) Alternative arrangements. The President may, upon</p>	<p>20. Unqualified contributions</p> <p>(a) Payment of instalments. Each contributing Member shall, at its option, pay its unqualified contribution in a single sum or in two or a maximum of three instalments <u>within the replenishment period</u>. Instalment payments in respect of each unqualified contribution <u>may</u>, at the option of the Member, <u>be made</u> either in equal amounts or in progressively graduated amounts, with the first instalment amounting to at least 30 per cent of the contribution, the second instalment amounting to at least 35 per cent and the third instalment, if any, covering the remaining balance.</p> <p>(b) Payment dates</p> <p>(i) Single-sum payment Payment in a single sum shall be due on the sixtieth day after the Member's instrument of contribution enters into effect.</p> <p>(ii) Instalment payments Payments in instalments shall be made according to the following schedule: <u>the first instalment shall be due on the first anniversary of the adoption of this Resolution; the second instalment shall be due on the second anniversary of the adoption of this Resolution and any further instalment shall be due no later than the third anniversary of the adoption of this Resolution. However, if the date of effectiveness has not occurred by the first anniversary of the adoption of this Resolution, the first payment shall be due on the sixtieth day after the Member's instrument of contribution enters into effect; the second instalment shall be due on the first anniversary of the effective date of the Replenishment and any further instalment shall be due on the earlier of the</u></p>	

<p>the request of a Member, agree to a variation in the prescribed payment dates, percentages, or number of instalments of the contribution, provided that such a variation shall not adversely affect the operational needs of the Fund.</p>	<p><u>third anniversary of the effective date of the Replenishment or the last day of the replenishment period.</u></p> <p>(c) Early payment. Any Member may pay its contribution on dates earlier than those specified in <u>paragraph 20(b)</u> above.</p> <p>(d) Alternative arrangements. The President may, upon the request of a Member, agree to a variation in the prescribed payment dates, percentages, or number of instalments of the contribution, provided that such a variation shall not adversely affect the operational needs of the Fund.</p>	
<p>(b) Qualified contributions</p> <p>Qualified contributions shall be paid within 90 days after the Member's instrument of contribution enters into effect, as and to the extent that the relative contribution becomes unqualified and, where possible, in accordance with the payment dates specified in subsection (a)(ii) above. A Member who has deposited an instrument of contribution for a qualified contribution shall inform the Fund of the status of the qualified instalment of its contribution no later than 30 days after the annual payment date specified in subsection (a)(ii) above.</p>	<p>21. Qualified contributions</p> <p>Qualified contributions shall be paid within 90 days after the Member's instrument of contribution enters into effect, as and to the extent that the relative contribution becomes unqualified and, where possible, in accordance with the payment dates specified in <u>paragraph 20(b) of this Resolution</u>. A Member who has deposited an instrument of contribution for a qualified contribution shall inform the Fund of the status of the qualified instalment of its contribution no later than 30 days after the annual payment date specified in <u>paragraph 20(b) of this Resolution</u>.</p>	
<p>(b) Currency of payment</p> <p>(i) Contributions shall be made in freely convertible currencies, subject to subsection II(d)(iii) of this Resolution.</p> <p>(ii) In accordance with article 5.2(b) of the Agreement, the value of the currency of payment in terms of SDR shall be determined on the basis of the rate of exchange used by the Fund for translation purposes in its books of account at the time of payment.</p>	<p>22. Currency of payment</p> <p>(a) Contributions shall be made in freely convertible currencies, subject to <u>paragraph 9</u> of this Resolution.</p> <p>(b) In accordance with article 5.2(b) of the Agreement, the value of the currency of payment in terms of SDR shall be determined on the basis of the rate of exchange used by the Fund for translation purposes in its books of account at the time of payment.</p>	
<p>(d) Mode of payment. In conformity with article 4.5(c) of the Agreement, payments in respect of contributions shall be made in cash or, at the option of the Member, by the deposit of non-negotiable, irrevocable and non-interest bearing promissory notes or similar obligations of the Member, payable on demand by the Fund at their par value in accordance with the terms of subsection (e) below. To the extent possible, Members may favourably consider payment of their contributions in cash.</p>	<p>23. Mode of payment. In conformity with article 4.5(c) of the Agreement, payments in respect of contributions shall be made in cash <u>or in the form of the grant element of a concessional partner loan</u> or, at the option of the Member, by the deposit of non-negotiable, irrevocable and non-interest bearing promissory notes or similar obligations of the Member, payable on demand by the Fund at their par value in accordance with the terms of <u>paragraph 24 of this Resolution</u>. To the extent possible, Members may favourably consider payment of their <u>core contributions, DSF compensation contributions and unrestricted complementary contributions</u> in cash.</p>	<p><i>The added wording is designed to recognize that additional contributions can be made under the form of the grant element of a CPLs.</i></p>
<p>(e) Encashment of promissory notes or similar obligations. In conformity with the provisions of article 4.5(c)(i) of the Agreement and regulation V of the Financial</p>	<p>24. Encashment of promissory notes or similar obligations. In conformity with the provisions of article 4.5(c)(i) of the Agreement and regulation V of the Financial</p>	

Regulations of IFAD, promissory notes or similar obligations of Members shall be encashed in accordance with the drawdown policy approved by the Executive Board at its seventy-first session or as agreed between the President and a contributing Member.	Regulations of IFAD, promissory notes or similar obligations of Members shall be encashed in accordance with the drawdown policy <u>to be</u> approved by the Executive Board at its _____ session or as agreed between the President and a contributing Member.	
(f) Payment modalities. At the time of depositing its instrument of contribution, each Member shall indicate to the Fund its proposed schedule and mode of payment on the basis of the arrangements set forth in subsections (a), (b), (c) and (d) above.	25. Payment modalities. At the time of depositing its instrument of contribution, each Member shall indicate to the Fund its proposed schedule and mode of payment on the basis of the arrangements set forth in <u>paragraphs 20 to 23 of this Resolution.</u>	
VII. Allocation of Replenishment Votes		
(a) Creation of Replenishment Votes. New Replenishment Votes shall be created in respect of core contributions, DSF compensation contributions provided under the Tenth Replenishment (Tenth Replenishment Votes). The total amount of Tenth Replenishment Votes shall be calculated by dividing by US\$1,580,000 the total amount of pledges of core contributions and DSF compensation contributions received as of six months after the date of adoption of this Resolution.	26. Creation of Replenishment Votes. New Replenishment Votes shall be created in respect of core contributions, DSF compensation contributions, <u>and the grant element of any concessional partner loan</u> provided under the <u>Eleventh Replenishment</u> (Eleventh Replenishment Votes). The total amount of <u>Eleventh Replenishment</u> Votes shall be calculated by dividing by US\$1,580,000 the total amount of pledges of core contributions, DSF compensation contributions <u>and the grant element of any concessional partner loan, in each case</u> received as of six months after the date of adoption of this Resolution.	<i>The added wording is designed to recognize that the grant element of CPLs gives rise to voting rights.</i>
(b) Distribution of Replenishment Votes. The Tenth Replenishment Votes thus created shall be distributed in accordance with article 6.3(a)(ii) and (iii) of the Agreement as follows: (i) Membership votes. Membership votes shall be distributed equally among all Members in conformity with article 6.3(a)(ii)(A) of the Agreement. (ii) Contribution votes. In conformity with article 6.3(a)(ii)(B) of the Agreement, contribution votes shall be distributed among all Members in the proportion that each Member's paid-up core contribution and DSF compensation contribution bears to the aggregate of the paid core contributions and DSF compensation contributions specified in section II of this Resolution.	27. Distribution of Replenishment Votes. The <u>Eleventh Replenishment</u> Votes thus created shall be distributed in accordance with article 6.3(a)(ii) and (iii) of the Agreement as follows: (a) Membership votes. Membership votes shall be distributed equally among all Members in conformity with article 6.3(a)(ii)(A) of the Agreement. (b) Contribution votes. In conformity with article 6.3(a)(ii)(B) of the Agreement, contribution votes shall be distributed among all Members in the proportion that each Member's paid-up core contribution, DSF compensation contribution <u>and the grant element of any concessional partner loans made by such Member or its state-supported institution</u> bears to the aggregate of the paid core contributions, DSF compensation contributions <u>and the grant element of all concessional partner loans</u> , as specified in section II (<u>Contributions</u>) of this Resolution.	<i>The added wording is designed to recognize that the grant element of CPLs gives rise to voting rights.</i>
(iii) The allocation and distribution of the original, Fourth Replenishment, Fifth Replenishment, Sixth Replenishment, Seventh Replenishment, Eighth Replenishment and Ninth Replenishment Votes shall continue irrespective of the entry into force of this Resolution.	(c) The allocation and distribution of the original, Fourth Replenishment, Fifth Replenishment, Sixth Replenishment, Seventh Replenishment, Eighth Replenishment, Ninth Replenishment <u>and Tenth Replenishment</u> Votes shall continue irrespective of the entry into force of this	

	Resolution.	
(c) Effectiveness of Replenishment Votes. The distribution of the Tenth Replenishment Votes, as specified above, shall enter into effect six months after the adoption of this Resolution. The President shall communicate the fact of the distribution of the Tenth Replenishment membership and contribution votes to all Members of the Fund no later than 15 days after such date, and shall report such information to the Governing Council at its thirty-ninth session.	28. Effectiveness of Replenishment Votes. The distribution of the <u>Eleventh</u> Replenishment Votes, as specified above, shall enter into effect six months after the adoption of this Resolution. The President shall communicate the fact of the distribution of the <u>Eleventh</u> Replenishment membership and contribution votes to all Members of the Fund no later than 15 days after such date, and shall report such information to the Governing Council at its <u>forty-second</u> session.	
VIII. Additional Resource Mobilization		
(a) Borrowing by the Fund (i) Purpose of borrowing. Whereas replenishment contributions are, and should remain, the basic source of the Fund's financing, it is recognized that sovereign borrowing by the Fund during the Replenishment period could provide an important way to further its objective "to mobilize additional resources to be made available on concessional terms for agricultural development in developing Member States", as specified in article 2 of the Agreement. (ii) Borrowing framework. The Executive Board shall establish a general framework for sovereign borrowing, which shall govern the arrangements for borrowing by the Fund during the Replenishment Period. Within the scope of such framework, the President shall have the authority to enter into negotiations with eligible lenders in order to fulfil the target of the Programme of Loans and Grants set forth in subsection I(c) of this Resolution and shall bring any resulting borrowing proposals to the Executive Board for approval.	29. Borrowing by the Fund (a) Purpose of borrowing. <u>While recognizing that replenishment contributions are, and should remain, the basic source of the Fund's financing, the Governing Council welcomes and supports the Fund's intention to leverage a more diversified set of resources including loans from Member States and related State-Supported Institutions under the Sovereign Borrowing Framework and the Concessional Partner Loan Framework during the replenishment period and, at a later stage, market borrowing.</u> (b) Borrowing framework. The Executive Board <u>has established a Sovereign Borrowing Framework for Borrowing from Sovereign States and State-Supported Institutions (EB 2015/114/R.17/Rev.1) and shall revise it as appropriate to ensure consistency with this Resolution. In line with such framework, Management shall continue to inform the Executive Board of all formal negotiations undertaken with potential lenders, including the relevant due diligence undertaken and financial information obtained, in order to fulfil the target of the Programme of Loans and Grants set forth in paragraph 3 of this Resolution.</u> (c) Concessional partner loans. <u>Concessional partner loans shall be provided in accordance with the terms of the Concessional Partner Loan Framework approved by the Executive Board.</u> (d) Market borrowing. <u>With respect to borrowing from capital markets, the Governing Council supports the Fund as it undertakes the preparatory work required to assess the feasibility and consequences of the potential implementation of a market borrowing programme, including as regards the</u>	<i>The added wording is designed to emphasize the Fund's reliance on the strong commitment expressed by Member States in support of IFAD's evolution into an international financial institution with the ability to avail of new financial strategies additional to the Fund's traditional resource mobilization mechanisms.</i> <i>The changed wording is designed to refer to the Sovereign Borrowing Framework as has been approved and may be revised by the Executive Board.</i> <i>The added wording is designed to recognize the possibility for the Fund to accept concessional partner loans meeting the conditions established by the Executive Board in a framework for CPLs.</i> <i>The added wording is designed to specify that Members' commitment to support the Fund in the market borrowing preparatory process has been incorporated into a separate resolution which will be submitted to the Governing Council in January 2018 for adoption. That resolution also clarifies the market borrowing road map and delineates the</i>

	<p><u>credit ratings process. Such support is expressed in a separate draft resolution (the Resolution on Market Borrowing) transmitted, upon recommendation of the Consultation, to the Governing Council for adoption at its forty-first session.</u></p> <p><u>(e) Limitation of liability. In relation to subparagraphs (a) to (d), it is recalled, for the avoidance of doubt, that article 3.3 of the Agreement provides that: "No Member shall be liable, by reason of its membership, for acts or obligations of the Fund."</u></p>	<p><i>respective roles of the Governing Council and Executive Board in the determination of IFAD's readiness to proceed to market borrowing.</i></p> <p><i>This text has been included at the request of Member States, to serve as a reminder of the limitation of liability of Member States under the circumstances described.</i></p>
<p>(b) Cofinancing and miscellaneous operations</p> <p>During the Replenishment Period, the Executive Board and the President are encouraged to take necessary measures to strengthen the Fund's catalytic role in raising the proportion of national and international funding directed at improving the well-being and self-reliance of rural poor people, and to supplement the resources of the Fund by using the Fund's power to perform financial and technical services, including the administration of resources and acting as trustee, that are consistent with the objective and functions of the Fund. Operations involved in the performance of such financial services shall not be on the account of the Fund.</p>	<p>30. Cofinancing and miscellaneous operations</p> <p>During the replenishment period, the Executive Board and the President are encouraged to take necessary measures to strengthen the Fund's catalytic role in raising the proportion of national and international funding directed at improving the well-being and self-reliance of rural poor people, and to supplement the resources of the Fund by using the Fund's power to perform financial and technical services, including the administration of resources and acting as trustee, that are consistent with the objective and functions of the Fund. Operations involved in the performance of such financial services shall not be <u>funded by resources</u> of the Fund.</p>	
IX. Reporting to the Governing Council		
<p>The President shall submit to the thirty-ninth session of the Governing Council and to subsequent sessions, reports on the status of commitments, payments, and other relevant matters concerning the Replenishment. The reports shall be submitted to the Governing Council together with the Executive Board's comments, if any, and its recommendations thereon.</p>	<p>31. The President shall submit to the <u>forty-second</u> session of the Governing Council and to subsequent sessions, reports on the status of commitments, payments, and other relevant matters concerning the Replenishment. The reports shall be submitted to the Governing Council together with the Executive Board's comments, if any, and its recommendations thereon.</p>	
X. Review by the Executive Board		
<p>(a) The Executive Board shall periodically review the status of contributions under the Replenishment and shall take such actions, as may be appropriate, for the implementation of the provisions of this Resolution.</p>	<p>32. The Executive Board shall periodically review the status of contributions under the Replenishment and shall take such actions, as may be appropriate, for the implementation of the provisions of this Resolution.</p>	
<p>(b) If, during the Replenishment Period, delays in the making of any contributions cause, or threaten to cause, a suspension in the Fund's lending operations or otherwise prevent the substantial attainment of the goals of the Replenishment, upon the request of the Executive Board the Chairperson of the Governing Council may convene a</p>	<p>33. If, during the replenishment period, delays in the making of any contributions cause, or threaten to cause, a suspension in the Fund's lending operations or otherwise prevent the substantial attainment of the goals of the Replenishment, upon the request of the Executive Board the Chairperson of the Governing Council may convene a</p>	

meeting of the Consultation established by Resolution 180/XXXVII (2014) to review the situation and consider ways of fulfilling the conditions necessary for the continuation of the Fund's lending operations or for the substantial attainment of those goals.	meeting of the Consultation established by Resolution 195/XL (2017) to review the situation and consider ways of fulfilling the conditions necessary for the continuation of the Fund's lending operations or for the substantial attainment of those goals.	
XI. Midterm review		
A mid-term review of the implementation of the measures and actions referred to in the Tenth Replenishment Report will be undertaken and its findings presented at an early meeting of the Consultation on the Eleventh Replenishment of IFAD's Resources.	34. A midterm review of the implementation of the measures and actions referred to in the Eleventh Replenishment Report will be undertaken and its findings presented at an early meeting of the Consultation on the <u>Twelfth</u> Replenishment of IFAD's Resources.	
Section XII. Amendment of the Agreement Establishing IFAD		
	35. <u>The Governing Council recognizes that in order to give effect to the determination that the Fund may accept contributions in the form of the grant element of concessional partner loans, an amendment to article 4, section 5 of the Agreement Establishing IFAD (the Agreement) is required. Such amendment has been incorporated in a separate draft resolution (the Resolution on the Amendment to the Agreement Establishing IFAD) approved by the Executive Board at its 122nd session, and transmitted to the Governing Council for adoption at its forty-first session, in accordance with article 12 of the Agreement Establishing IFAD. The effectiveness of the Resolution on the Eleventh Replenishment of IFAD's Resources shall be conditional on the adoption of the Resolution on the Amendment to the Agreement Establishing IFAD.</u>	<i>This paragraph introduces the fact that the required amendment to the Agreement Establishing IFAD relating to concessional partner loans has now been incorporated into a separate draft resolution entitled "the Resolution on the Amendment to the Agreement Establishing IFAD". As that resolution is required to be adopted before a CPL programme can be implemented at IFAD, a note to that effect has been included here as a condition for the adoption of the IFAD11 Resolution.</i>

Resolution ___/XLI Market Borrowing

The Governing Council of IFAD,

Reaffirming the support for the Fund that the Member States have manifested on the occasion of the Eleventh Replenishment of IFAD's Resources by undertaking to provide the Fund with the core resources that it requires in the pursuit of its mandate;

Recalling the request of the Governing Council "to continue to explore the scope for increasing financing from non-donor resources, including market-based mechanisms, and to submit any proposals that may result from such exploration to the Executive Board for approval" (Governing Council Resolution 122/XXIV);

Confirming the Fund's intention and ability, as an international financial institution, to leverage a more diversified set of resources by borrowing from Member States and other sources;

Acknowledging that, in the process leading to a decision of whether to proceed with market borrowing by the Fund, a review of some of the Fund's basic documents, including the Agreement Establishing IFAD, and fundamental policies, and the taking of other steps, including an assessment of the Fund's creditworthiness by international rating agencies, will be required;

Endorsing the Fund's plan to carry out such review and other steps during the IFAD11 replenishment period;

Acting upon the conclusions and recommendations of the Report of the Consultation on the Eleventh Replenishment of IFAD's Resources (GC 41/___) and having adopted the resolution on the Eleventh Replenishment of IFAD's Resources annexed to such Report (Governing Council Resolution ___/XLI);

Hereby decides to:

1. Request that the President take all steps necessary to initiate the process leading to a decision on whether to proceed with market borrowing, with the Executive Board being consulted at every stage of the process during the IFAD11 replenishment period. Following a review of the results of a feasibility study to be conducted by the Fund, the Executive Board shall successively consider the results of an internal rating assessment which will include an independent external review, as well as the initiation and the outcome of the formal rating process by rating agencies. The Executive Board shall also consider new or revised policies as may be needed to adapt or strengthen IFAD's financial framework, with appropriate transmittals to the Governing Council where required.
2. Agree that the Consultation on the Twelfth Replenishment of IFAD's Resources in 2020 consider progress made by IFAD in preparing for the possibility of market borrowing and decide upon the Fund's readiness to proceed with, and the appropriateness of undertaking, market borrowing, with its conclusions being included in the final replenishment report that will be submitted to the Governing Council in February 2021 for endorsement.
3. Agree that, in the event that the Consultation on the Twelfth Replenishment of IFAD's Resources deems the Fund to be ready to proceed with market borrowing, the Consultation also consider, and if appropriate, endorse a proposal to amend the Agreement Establishing IFAD in order to confirm and otherwise render effective, for the ~~benefit~~ information of potential lenders and bond investors, the Fund's power to engage in market activities, and address any necessary changes in governance to conform to similar international financial institutions. Such proposal shall be considered by the Executive Board at its session in December 2020 and

transmitted, with the Executive Board's recommendation, to the Governing Council for adoption at the February 2021 session.