First Session of the Consultation on the Twelfth Replenishment

14 February 2020
Food insecurity is on the rise, poverty is concentrated in rural areas...

- 79 percent of the extremely poor live in rural areas (WB 2018)

Estimated number and prevalence of undernourished people by country category 2005 – 2018

...with pockets of poverty in middle income countries

Subnational Poverty Hotspots, 2030

Agriculture remains key to the prosperity of rural people but it faces many challenges...

- Climate change will push more than 100 million people into extreme poverty by 2030.
- Stability of food supply is projected to decrease as the magnitude and frequency of extreme weather events disrupt food chains. Vulnerable people will be most affected suggesting need to build resilience.
- Biodiversity loss and land degradation are altering every part of nature.
- 52 per cent of agricultural land is affected by soil degradation.
- 778 million youth live in rural, semi-rural and peri-urban where agriculture is a key employer and growth driver.
- Youth are three times more likely than adults to be unemployed with limited opportunities and rural youth are likely to migrate.
- Global obesity is on the rise, particularly in rural areas of LICs, LMICs and UMICs, alongside other prevalent forms of malnutrition.
- 1.6 billion people depend on forests for their livelihood, including 70 million indigenous people.
- While women make up 43 percent (and +50 in SSA) of the agricultural labour force, the plots they manage are 20 to 30 percent less productive than plots managed by men.
- If female farmers had the same access to productive resources as men, they could increase yields by 20-30 percent, and total agricultural output by 2.5 to 4 percent and lift 100 to 150 million people out of hunger.
… not least climatic events and conflicts

Overlaps between precipitation variability and loss of life due to violence

(CCAFS, CGIAR, IFAD, WFP. 2019)

• **Fragile and conflict** situations are a primary driver in the recent rise in **food insecurity** and increasing **migration**.

• Many countries that face extreme poverty and food insecurity are also in **debt distress**, and the number of countries under debt distress have increased in the last years.
  - IFAD11: 16 DSF countries
  - IFAD12: 20 DSF countries (projected)

---

Legend

- **Moderate**
- **High**
- **Extreme**

**Precipitation Variability (CV)**
- < 10%
- 10% - 15%
- 15% - 25%
- 25% - 35%
- > 35%
Critical steps are needed

- Take a **country-specific approach** to continue to address rural poverty and food insecurity.
- Use more effectively and mobilize additional resources for countries where rural poverty & hunger is stalling or getting worse.
- Empower rural women, youth and marginalized groups to ensure no one is left behind.
- Make climate change central to development efforts and work in **fragile situations**.
- Expand kinds of resources and increase their flow.
IFAD12 Offer: Business model

Consolidation & strengthening

Innovation

Transforming resources into results

- Deepened SSTC and innovation
- Enhanced portfolio quality, performance and outcomes
- Focus on impact sustainability
- Enhanced results measurement including impact assessment
- Strengthened transparency and citizen engagement

Resource allocation

- Country selectivity
- Fewer and larger investments
- Focus on lower income countries (90:10)
- More resources to fragile and conflict-affected situations
- Targeting guidelines
- Supporting transition

Resource mobilization

- Financial architecture reform
- Higher domestic and international cofinancing
- Crowd in private investment in rural space

Resource utilization

- Strengthen decentralization
- Targeted country policy engagement and partnerships
- Diversified instruments (RBL, FIPs, regional, RTAs)
- Aligning with national priorities
- Contribution to UNSDCF
- Expanded and integration of mainstreaming themes

Consolidation & strengthening IFAD12

IFAD12 Offer: Business model
IFAD12 Offer: Business model

Resource mobilization
- New financial model
- Emphasis on **climate finance**
- Funding from **foundations**
- Private sector finance

Resource utilization
- Establishment of **ASAP+**
- Establishment of **PSFP**
- **Country-level** programmatic approach with multiple, complementary instruments
- Update and deepen targeting and social inclusion policy (e.g. PwD)
- More infrastructure, ICT4D and nature based solutions

Resource allocation
- Integrating mainstreaming themes across **instruments**
- Regular grants reformed and focused to be more **strategic**
- Potential to allocate borrowed resources based on demand

Transforming resources into results
- New **Development Effectiveness Framework** for new instruments and enhanced measurement, including climate finance
- Enhanced technology for **M&E**
IFAD12: Country-level programme

**Policy Engagement**
COSOP; coordination and alignment with national priorities & UNSDCF

**Partnerships**
Government, IFIs, UN, RBAs, bilateral, private sector, civil society.

**Knowledge**
SSTC, innovation and technology

**Regular Grants**

**Programme of Work**
- Cofinancing
- PoLG
- ASAP+
- PFSP

**INVESTMENTS**

**IMPACT SDG 2.3 & 2.4**
IFAD12 Offer: Finance

Capital adequacy and liquidity management
- Capital Adequacy Policy
- New Liquidity Policy
- New Asset Liability Framework

Sustainable development finance
- Debt Sustainability Framework Reform
- Sustainable replenishment baseline
- Strong concessionality
- Super-highly concessional terms

Financial architecture reform

Integrated funding strategy
- Prudent leverage of balance sheet
- Integrated Borrowing Framework
- Credit rating exercise

Internal control framework
- IFAD Controllership function
- Anti Money Laundering and Counter Terrorism Financing Policy
Sustainable replenishment baseline and trade-offs

Resources

- Internal resources
- New Debt
- Sustainable Replenishment Baseline

Use of resources

- New IFAD12 Loans
- Regular grants
- New DSF
- Compensation approved DSF
- Operating costs

Debt/Equity ratio below 35%

Balance between Replenishment and Debt

Total PoLG
## Financial scenarios for IFAD12

<table>
<thead>
<tr>
<th>IFAD11</th>
<th>1- Very Low</th>
<th>2- Low</th>
<th>3- Mid Low</th>
<th>4- Mid High</th>
<th>5- High</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFAD12 Replenishment*</td>
<td>1,100</td>
<td>900</td>
<td>1,100</td>
<td>1,300</td>
<td>1,500</td>
</tr>
<tr>
<td>Maximum Sustainable DSF</td>
<td>595</td>
<td>145</td>
<td>340</td>
<td>450</td>
<td>600</td>
</tr>
<tr>
<td>Regular Grants</td>
<td>175</td>
<td>50</td>
<td>50</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>New Debt</td>
<td>-</td>
<td>1,300-1,400</td>
<td>1,350-1,500</td>
<td>1,250-1,300</td>
<td>1,200-1,250</td>
</tr>
<tr>
<td>Total PoLG</td>
<td>3,500</td>
<td>3,000 - 3,300</td>
<td>3,150 - 3,500</td>
<td>3,500 - 3,800</td>
<td>4,000 - 4,300</td>
</tr>
<tr>
<td>Impact relative to IFAD11</td>
<td>-</td>
<td>87%</td>
<td>94%</td>
<td>107%</td>
<td>114%</td>
</tr>
</tbody>
</table>

*excludes grant element of CPLs

- Consistent with double impact by 2030
- Increases funding for poorest countries
- Ensures financial sustainability
IFAD12 Offer: Organizational

People
- Targeted Capacity Investment
- Improved strategic workforce planning
- Enhanced performance management
- Talent development

Processes & Technology
- Business process reengineering
- Technical enhancement and automation
- Improved human resources systems

Risk management
- Strengthened financial, operational, strategic and programme delivery risk management & cross-cutting risks
- Integrated enterprise risk management
- Alignment with IFAD risk appetite
- Enhanced reporting tools

Prevention and response to sexual harassment and sexual exploitation and abuse
- Implementation of corporate policy
- Mandatory training
- Expanded outreach, particularly in the field
Thank you