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Investing in rural people

Summary of the Chairperson: First Meeting of the Second Session of the Consultation on the Twelfth Replenishment of IFAD's Resources

Note to Consultation Members

Focal points:

Technical questions:

Ronald Hartman
Director
Global Engagement, Partnership and Resource
Mobilization Division
Tel.: +39 06 5459 2610
Mob.: +39 331 684 7665
e-mail: r.hartman@ifad.org

Leon Williams
Senior Partnership Officer, Replenishment
Tel.: +39 06 5459 2809
Mob.: +39 366 783 5759
e-mail: l.williams@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra
Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

Consultation on the Twelfth Replenishment of IFAD's Resources —
Second Session
Virtual meeting, 16-17 June 2020

For: Information

Summary of the Chairperson: First Meeting of the Second Session of the Consultation on the Twelfth Replenishment of IFAD's Resources

1. Members of the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12), IFAD Management and staff convened on 16 and 17 June 2020 for the first meeting of the second Consultation session to discuss transition/graduation, IFAD12 mainstreaming themes and COVID-19 financial impacts and stress tests. Representatives from the World Bank, African Development Bank, Asian Development Bank and the Green Climate Fund attended as observers.
2. Following introductory remarks by the External Chair, Mr Kyle Peters, the President of IFAD made an opening statement highlighting the serious implications of COVID-19 for human health, economies, poverty and food security. In this context, he reiterated the need for IFAD to double its impact by 2030 and build the resilience of rural people who, in times of crisis, systematically bear a disproportionate part of the burden.
3. During the session, the representative for Egypt announced their pledge to contribute US\$3 million to IFAD12, maintaining their previous level of contribution and reflecting Egypt's unwavering commitment to IFAD's mandate. The Chair expressed his appreciation for this early announcement, especially given the current challenging circumstances.
4. The agenda was adopted without amendment.

A. Transition/graduation

5. Management presented a proposal for a transition/graduation process built upon four pillars. The proposal was based on dialogue with Members over recent weeks and in particular at the informal meeting held on 11 May 2020.
6. Members were appreciative of the updated proposals, in particular the shift to a consultative approach to transition/graduation more in line with other international financial institutions. They felt that it represented a clear improvement on the initial proposal, and expressed their aim of reaching a consensus on this topic.
7. Members acknowledged the rationale for IFAD to focus core resources on low-income countries (LICs) and lower-middle-income countries (LMICs). Members also agreed that IFAD should continue providing appropriate support to upper-middle-income countries (UMICs), given the important role that they play in IFAD's governance, financial sustainability, replenishment contributions and South-South knowledge exchange and technical cooperation.
8. Members' views varied on the proposal to allocate 100 per cent of core resources to LICs/LMICs without the assurance that there would be adequate borrowed resources to allocate at least 11 per cent (and up to 20 per cent) of the IFAD12 programme of loans and grants (PoLG) to UMICs. Some Members expressed the view that no core resources should be allocated to UMICs; others were comfortable with Management's proposal to use core resources should the level of borrowed resources be insufficient to reach the IFAD11 level of 11 per cent. There was a request to explore different options for guaranteeing a certain level of funding to UMICs. Members noted that IFAD's ability to mobilize sufficient borrowed resources and the associated financing conditions were critical for reaching a consensus on this issue and highlighted the importance of the Integrated Borrowing Framework (IBF) and the credit rating process for the IFAD12 replenishment. Management responded that borrowed resources would be sufficient if supported by a strong replenishment, a positive credit rating and approval of the IBF. The timing of the credit rating process, however, was not fully within IFAD's control. Management also noted that there would be several opportunities for discussion with the

Executive Board in the coming months that would inform Members on the status and the potential for borrowing.

9. With regard to financing conditions, there was general support for the principle of differentiated pricing for additional borrowed resources, but further clarification was requested as to the terms that would be applied to UMICs, including the likely shorter maturities. Management noted that the credit rating, which is expected to be completed before the end of the IFAD12 Consultation process, would provide further clarity as to the expected financing conditions for UMICs.
10. Members were generally supportive of the proposals to use the country strategic opportunities programmes (COSOPs) as the instruments of dialogue for the transition/graduation process. They were also generally supportive of additional variables being considered for the transition/graduation process. Suggestions were also made for variables more specifically reflective of IFAD's mandate. However, additional information was requested on the time frame for the dialogue process. Members' views on the appropriate time frame for reviewing COSOPs of countries that had reached the graduation discussion income differed: some Members suggested that the process could be lengthened while others thought that it could be shortened. Some Members also felt that the COSOPs should contain clear triggers and timelines for the graduation process. Other Members highlighted that the proposed time frame and process were adequate, recognizing that these should be aligned with country planning cycles. Management clarified that COSOPs in IFAD usually cover a period of six years, although they can be longer or shorter to align with country circumstances. It was noted that COSOPs already include a transition strategy for each country and a specific annex reflecting transition/graduation scenarios and a results framework that is reviewed annually and also more formally during a midterm review process. It was also noted that reviews by the Independent Office of Evaluation of IFAD were a prerequisite for the preparation of COSOPs.
11. There was agreement on the need to accommodate reversal of countries that slide back from one income category to another. However, Members had concerns about the option of a buffer for reversals, noting that this would need to be carefully considered given other pressing needs for IFAD financing.
12. As a next step, the Chair proposed to engage with List Convenors and other delegates, in consultation with Management, to seek a way forward. This would enable Management to revert with amendments to the addendum to foster further consensus on this topic.

B. IFAD12 Mainstreaming Themes

13. Management presented a paper on deepening impact and building resilience through mainstreaming in IFAD12. The paper proposed an approach for the treatment of and deeper integration across the four mainstreaming themes, including a proposed way forward on the suggested additional themes of biodiversity, persons with disabilities and indigenous peoples. The paper also discussed how South-South and Triangular Cooperation (SSTC) could be used to support the mainstreaming themes and how results measurement of the mainstreaming agenda could be strengthened, and the approach to mainstreaming themes that would be undertaken in situations of fragility.
14. There was support for the four mainstreaming topics of climate, gender, youth and nutrition and for the proposed way forward on biodiversity, persons with disabilities and indigenous peoples. Members also called for an increase in ambition, while building on lessons learned.
15. Many Members stressed the importance of a sustained focus on innovation and capacity-building at the regional and country levels, particularly in challenging

country contexts. They also wished to see an increased focus on SSTC to support the mainstreaming areas to maximize development impact.

16. Members appreciated IFAD's sharpened focus on operations in situations of fragility and requested additional information on this topic – in particular the nexus between fragility and the mainstreaming themes. It was noted that this aspect would be further discussed in the Business Model and Financial Framework paper during the July session.
17. Members requested increased ambition in the targets and measurement of the results and impact of IFAD's work in the four mainstreaming areas. They also noted the need for continued coordination with strategic partners to maximize impact. Some Members emphasized the need to be realistic and prioritize results based on available capacity and the expected financial resources for IFAD12. Members welcomed Management's proposal to enhance efforts to address biodiversity in conjunction with its climate change and environment agenda, and highlighted the important role of indigenous peoples in these endeavours. Additional information was requested on how IFAD intended to strengthen its work on biodiversity as part of a proposed strategy. Some Members called for specific commitments on biodiversity, including a request for reporting on IFAD's carbon footprint. Management took note of the request from several Members to better emphasize the context-specific links between agriculture, climate, environment, local culture and traditions in IFAD's projects. With respect to the terminology, IFAD would follow the Committee on World Food Security or G20.
18. Some Members felt that the document could have included more details on concrete actions in each area and described how COVID-19 response activities could be linked across mainstreaming commitments to support IFAD's role in improving rural resilience and helping to "build back better". Some Members also requested information about how the Adaptation for Smallholder Agriculture Programme + and the Private Sector Financing Programme would be integrated with the various themes and support the PoLG in this regard. There was a need to ensure that the mainstreaming areas were firmly anchored to both the PoLG and the other facilities.
19. The Chair concluded that Management would hold discussions with Members on their suggestions, including the need to describe how the mainstreaming agenda fits within the overall IFAD12 narrative and its links to indicators and targets in the draft outline of the results management framework to be annexed to the Business Model and Financial Framework paper for discussion in July. The overall outcome of the discussion on the mainstreaming themes will be reflected in the draft replenishment paper to be discussed in October.

C. COVID-19 financial impacts and stress tests

20. Management provided an overview of the expected financial impacts of COVID-19 and the outcome of specific stress tests on borrowing, encashment of contributions, debt distress and loan repayments.
21. Members appreciated the information provided and the reassurance that Management was monitoring the situation closely and maintaining open and transparent communications with its borrowers and Members at this uncertain time.
22. Members reiterated their support for recent financial architecture reforms, and expressed concern about the pressure that the current situation was placing on IFAD's financial situation and the limited buffer currently available to address liquidity shocks. Management noted in its presentation that one effect of the present situation was that the PoLG associated with the IFAD12 replenishment scenarios could be adversely affected. Several Members questioned whether the assumptions underlying the financial stress tests were too optimistic, in particular

the assumptions regarding non-performing loans. Further scenarios regarding the impact on IFAD's proposed borrowing programme were requested. Many Members emphasized that the current financial conditions necessitated a strong replenishment supported by secure access to borrowing to ensure IFAD's long-term financial sustainability and continued support to the poorest countries through the Debt Sustainability Framework. The scenarios presented, though not fully within Management's control, were unlikely to materialize in full, although some combination of them could materialize and this would be closely monitored during the consultations.

23. Overall, it was highlighted that the discussions about the IFAD12 financial scenarios in July should take into consideration these financial sustainability aspects to enable long-term impact and ensure that operational ambitions are matched by expected financing.

D. Concluding statements

24. The Chair summarized the key highlights of the discussion and outlined next steps, particularly in terms of what would be discussed in July. He then thanked Member States, the interpreters, and IFAD Management and staff for their contributions to the success of the first meeting of the second session. The President stated that, given the time constraints, his closing remarks would be shared in writing with Members. He thanked all participants for the constructive and rich dialogue [[link](#)].