Preamble

• IFAD is a Development Fund. Donor replenishments remain its main source of financing and permits operations continuity

• As a way forward to find consensus between members, IFAD proposes a non-mechanical dialogue-based approach to transition, based on four pillars, aligned with characteristics at the World Bank

• IFAD is seeking consensus on pillars to be reflected in the Replenishment Discussions and report with the approach as a commitment before IFAD12

Approach built upon feedback from the discussion paper

Consensus around these four pillars would allow IFAD to continue to deliver its mandate while tailoring its approach to country needs

Transition / Graduation

- Resource Distribution
- Financing Conditions
- UMIC Trajectory
- Addressing Reversals
# Summary of clarifications and changes in the addendum

<table>
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<th>Resource Distribution</th>
<th>Financing Conditions</th>
<th>UMIC Trajectory</th>
<th>Addressing Reversals</th>
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<td><strong>No changes proposed:</strong></td>
<td><strong>Additional guidance to financing terms:</strong></td>
<td><strong>Process and timeframe:</strong></td>
<td><strong>Clarifications for different cases:</strong></td>
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<tr>
<td>• Clarification of 89:11 guarantee and overall aim of 80:20</td>
<td>• Differentiation in financing conditions for those reaching Graduation Discussion Income</td>
<td>• Greater alignment with IBRD</td>
<td>• Provides clearer mechanisms for cases of reversal from UMIC to LMIC status</td>
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<td>• Pricing of borrowed resources</td>
<td>• Increased focus on dialogue to be reflected in new COSOP</td>
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Distribution of Financial Resources

Core Resources

- 100% for LICs / LMICS + small states or countries in fragile situations

Borrowed Resources

- Lending to UMICs funded solely from borrowed resources
- At least an equal allocation in IFAD12 PoLG as IFAD11 (11%)
- Other countries on demand, including LICs and LMICs, per creditworthiness

No resources for HICs / non ODA-eligible countries
80 / 20 overall distribution of resources
Financing Conditions

Aligned

Builds on IFAD’s current price differentiation based on maturity premiums and income categories

Spreads will reflect diverse economic status of borrowers and transition/fragility status and include all income categories

Anchored to GDI

Increase in pricing terms for countries which have reached GDI

UMICs

Access to loans with shorter maturities to ensure that concessionality is lower for UMICs than for LICs and LMICs
Trajectory for UMICs over GDI

**Transition / Graduation – Dialogue via the COSOP**

- Discussions will consider **access to capital markets**, level of **institutional development**
- Countries reaching GDI threshold will initiate a dialogue **reflected in a new COSOP** to agree support, capacity and instruments
- Encourage countries above GDI to increase contributions and move towards becoming **non-borrowing donors**

**UMICs**
Achievement of Graduation Discussion Income
Addressing Reversals

From HIC to UMIC:
Any reversals for HICs ensure that UMICs become eligible for resources from the start of the next replenishment period, subject to EB approval.

From above GDI to below GDI:
Any reversals during transition / graduation discussion delay discussions; For countries already transitioned / graduated, access available from following replenishment cycle (subject to EB approval).

From UMIC to LMIC:
Assessment of eligibility for core resources at the start of each replenishment period; Reversals addressed in the form of adjusted financial terms from start of the next financial year.
Comments & Feedback