



Twelfth Replenishment

RECOVERY.
REBUILDING.
RESILIENCE.

IFAD's Comprehensive Approach to Transition/Graduation - Addendum

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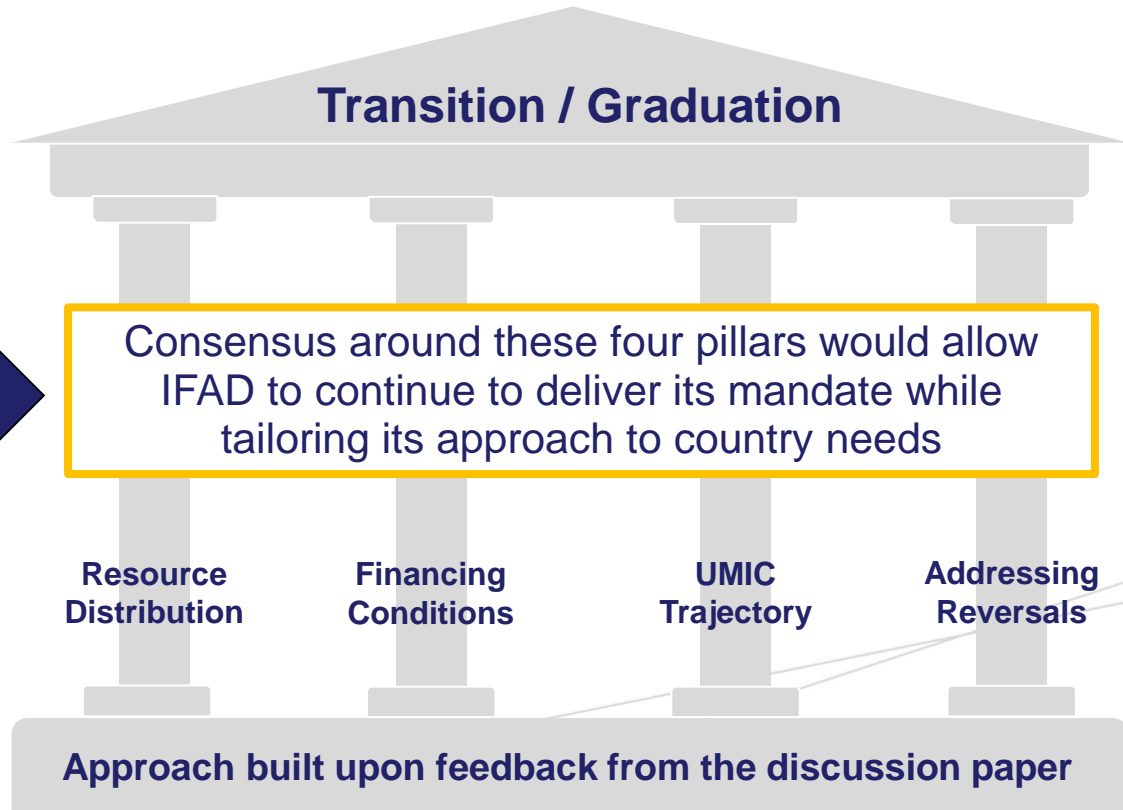
AVPs PMD and FOD

16 June 2020



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



Summary of clarifications and changes in the addendum

Resource Distribution

No changes proposed:

- Clarification of 89:11 guarantee and overall aim of 80:20

Financing Conditions

Additional guidance to financing terms:

- Differentiation in financing conditions for those reaching Graduation Discussion Income
- Pricing of borrowed resources

UMIC Trajectory

Process and timeframe:

- Greater alignment with IBRD
- Increased focus on dialogue to be reflected in new COSOP
- Additional indicators on creditworthiness and institutional strength

Addressing Reversals

Clarifications for different cases:

- Provides clearer mechanisms for cases of reversal from UMIC to LMIC status

Distribution of Financial Resources



Core Resources

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



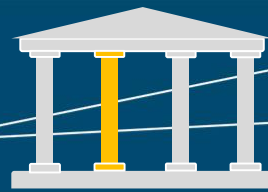
- **No resources for HICs / non ODA-eligible countries**
- **80 / 20 overall distribution of resources**

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



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

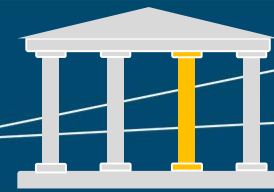
Increase in pricing terms for countries which have reached GDI



UMICs

Access to loans with **shorter maturities** to ensure that **concessionalities 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

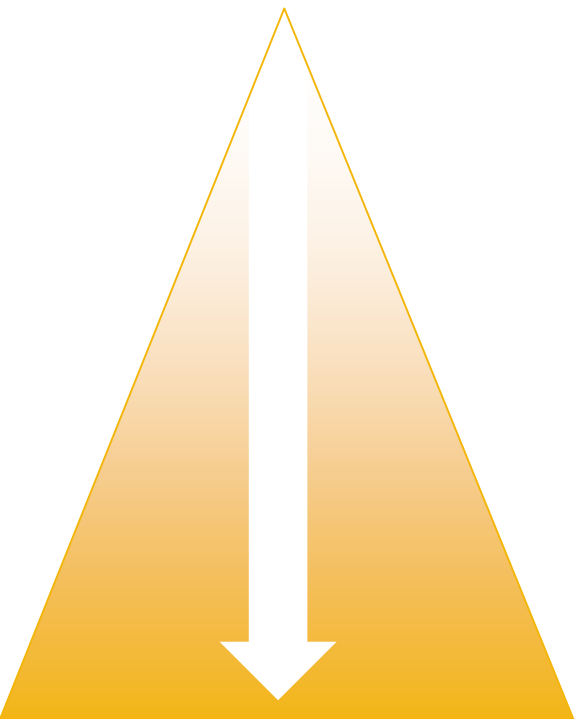


Encourage countries above GDI to increase contributions and move towards becoming **non-borrowing donors**

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