IFAD12
Business Model and Financial Framework
2022-2024

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22 July 2020
Key messages

**Food insecurity** has been rising over the past five years and COVID-19 will make trends worse. IFAD is uniquely placed to focus on recovery, rebuilding and longer term resilience.

**IFAD12** is the final full replenishment cycle under the current Strategic Framework to deliver its full impact by 2030. Strong focus on sustainability and scaling up.

IFAD12 builds and expands on IFAD10 and 11 with an integrated approach - transformational country programmes, institutional and financial transformation - to deliver expanded and deepened impact.

Only scenarios D and E allow IFAD to maintain the same level of support to the poorest most indebted countries as in IFAD11; expanded impact through ASAP+ and PFSP
IFAD’s value proposition

Only specialized global development organization exclusively dedicated to transforming agriculture, rural economies and food systems.

Goes the last mile to ensure rural economies are more inclusive, productive, resilient and sustainable.

Targeted investments complement the work of other IFIs and UN agencies & help address the varied development challenges of vulnerable rural people.

Plays an important role in mitigating risks associated with shocks and other future crises by increasing resilience of rural people.
Global context and challenges

Existing development challenges

- Poverty
- Food insecurity
- Fragility
- Debt Sustainability

Exacerbation of challenges by COVID-19

Potential impact of COVID-19 on global poverty

COVID-19 and IFAD’s target communities

With negative impacts on vulnerable groups (women, youth, indigenous people, people with disabilities) and climate adaptation
## An evolving business model

### Investment size
- **IFAD10**: IFAD financing: $31 million, Cofinancing ratio: 1:0.87
- **IFAD11**: IFAD financing: $40 million, Cofinancing ratio 2019:1:2:09
- **IFAD12**: Growing through a combination of instruments, co-financing and leverage

### Resource distribution
- **IFAD10**: 100 countries
- **IFAD11**: 80 countries, 90:10 PBAS resources
- **IFAD12**: Approx. 80 countries, 100% core to LICs & LMICs

### Instruments & tools
- **IFAD10**: PoLG
- **IFAD11**: PoLG + RBLs & RO Pilots, Differentiated loan pricing
- **IFAD12**: PoW, Core + Borrowed Resources, New instruments, RPR & PSFP

### Approach to portfolio management
- **IFAD10**: HQ based and formal supervision
- **IFAD11**: Hubs & ICOs, Continuous supervision & implementation support
- **IFAD12**: Decentralization 2.0, Adaptive management & real time decision making
To expand and deepen its impact towards Agenda 2030

Building off of these principles, IFAD further develop its

Transformational Country Programmes

Supported by Institutional Change

And its Financial Framework

To expand and deepen its impact towards Agenda 2030
A decade of action and the importance of IFAD12

2020 2022 2024 2030

IFAD12

= IFAD12 project durations based on average length of 6 years

Rising challenges in the wake of COVID-19

In IFAD11, IFAD has responded with the Rural Poverty Stimulus Facility, and by repurposing $200 million of ongoing activities to recover and rebuild from COVID-19.

In IFAD12, by enhancing the offer on climate change adaptation and the Rural Resilience Programme and by building sustainable programmes with public and private sector.
Transformational Country Programmes

Closer interaction with clients; tailored solutions and adaptable programming to drive more sustainable rural transformation
Adapting to meet changing needs

INVESTMENTS + POLICY & KNOWLEDGE = EXPANDED IMPACT

PoLG
Programme of Work
Cofinancing
PFSP
ASAP+

Regular Grants
Policy Engagement
Partnerships
Knowledge

Goal: increased income
SO1: increased production
SO2: increased market access
SO3: greater resilience

Initiated by IFAD in response to COVID-19 towards inputs, market access, and financial and digital services
Focusing on high quality delivery

**Design**
- Country ownership and alignment
- Institutional capacity
- Targeting

**Implementation**
- Proactivity
- Risk management
- Technical support
- M&E

**Agile responses**
- COVID-19 Response
  - Repurposing towards recovery and reactivation
  - $200 million

**Completion**
- Scaling up and exit strategies
- Sustainability
Inclusion: leaving no one behind

Mainstreaming

- Systematization and further integration in country-level approach
- Embed biodiversity considerations
- Continued engagement with indigenous people and persons with disabilities

Targeting

- New Targeting Policy
- 100% of core resources to poorest countries
- Tackling pockets of poverty in UMICs with borrowed resources

Fragile situations

- Will build on its Strategy for Engagement and Special Programme
- Will transform planning, tools, and delivery
Strengthening partnerships

Assembling knowledge, facilitating engagement, creating pathways for scaling up, ensuring donor coordination, and increasing cofinancing

Country Partners

RBAs & UN agencies

Private Sector

SSTC

MDBs

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>2019</th>
<th>2020 projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFAD9</td>
<td>0.66</td>
<td>0.50</td>
<td>0.78</td>
</tr>
<tr>
<td>IFAD10</td>
<td>0.93</td>
<td>0.93</td>
<td>1.04</td>
</tr>
<tr>
<td>Total</td>
<td>1.29</td>
<td>2.09</td>
<td>1.96</td>
</tr>
</tbody>
</table>

IFAD cofinancing ratios
Balancing innovation and risk

Risk
Improved risk culture and effective risk reporting and mitigation

Innovation & ICT4D
New instruments to meet changing needs and leveraging of technology

Safeguards
Updated safeguarding standards and better integration with procurement
Priority actions

- Maintain **proactivity**, enhance **adaptive management** and **monitor risks**
- Tailor strategies to **increase government ownership**
- Deepen impact through focus on **sustainability**
- Investment in **M&E** for **evidence based management**
Transformational Institutional Change

Strengthening and innovating people processes and systems for an effective and efficient IFAD
Positioning to support country programmes

Continued focus on Decentralization

IFAD staff in the field

<table>
<thead>
<tr>
<th>Year</th>
<th>Field-based</th>
<th>HQ-based</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>2015</td>
<td>17%</td>
<td>83%</td>
</tr>
<tr>
<td>2016</td>
<td>18%</td>
<td>82%</td>
</tr>
<tr>
<td>2017</td>
<td>18%</td>
<td>82%</td>
</tr>
<tr>
<td>2018</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>2019</td>
<td>31%</td>
<td>69%</td>
</tr>
<tr>
<td>2020</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>2023</td>
<td>45%</td>
<td>55%</td>
</tr>
</tbody>
</table>

Projected

Capacity to deliver

People
- Identify capacity gaps
- Reskill and upskill
- Training in performance gaps

Technology
- Automation
- Systems change
- Talent management

Processes
- Increases efficiencies
- Implement ERM

SEA / SH

Build upon SEA /SH policy adopted in April 2019 and actions taken to improve reporting, checks, and training

Will increase prevention measures including outreach
Continue maximizing institutional efficiency

IFAD efficiency ratio: 2016-2019

**Efficiency ratio**
$ of total active Portfolio per $ of administrative costs
Transformational Financial Framework

Maximizing resources for the poorest countries while ensuring IFAD’s financial sustainability
Maximizing support while ensuring financial sustainability

**D**
IFAD’s financial reforms have set the ground for a sounder and more disciplined use of resources to achieve the highest development impact.

**F**
The focus of IFAD’s core resource to LICs and LMICs will be increased, while maintaining stable financing to UMICs.

**I**
Stronger integration between finance and operations will ensure maximizing the support with innovations to maximise resources (credit rating, new policies and frameworks).
## Scenarios and trade-offs between financial variables

<table>
<thead>
<tr>
<th>End IFAD11</th>
<th>IFAD12 Financial Scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scenario A (Very Low)</td>
</tr>
<tr>
<td>Replenishment Target</td>
<td>1,100</td>
</tr>
<tr>
<td>Total PoLG</td>
<td>3,500</td>
</tr>
<tr>
<td>Sustainable Total Grants</td>
<td>790</td>
</tr>
<tr>
<td>Proposed DSF Grants</td>
<td>595</td>
</tr>
<tr>
<td>Level of Concessionality (end of IFAD12)</td>
<td>52%</td>
</tr>
<tr>
<td>Leverage Ratio IFAD 12 (debt / equity)</td>
<td>17%</td>
</tr>
<tr>
<td>Total New IFAD12 Debt</td>
<td>-</td>
</tr>
<tr>
<td>Deployable capital (end IFAD 12)</td>
<td>32-27%</td>
</tr>
</tbody>
</table>

Higher replenishments allow for a more concessional offer. Borrowing is a complement for replenishment, but it is key for all scenarios. All scenarios and allocations are dependent on IFAD achieving the levels of contributions and assumed borrowing.
Higher replenishments for all countries, with focus on LICs

100% of core resources will be channelled to LICs and LMICs

At least 11% of total resources will be allocated to UMICs, with a cap of 20 per cent
Only scenarios D and E allow for a greater impact from IFAD11

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<tr>
<td>Replenishment Target</td>
<td>1 100</td>
<td>950</td>
</tr>
<tr>
<td>Total PoLG</td>
<td>3 500</td>
<td>2 600 - 2 800</td>
</tr>
<tr>
<td>Total PoW*</td>
<td>8 400</td>
<td>6 650</td>
</tr>
<tr>
<td>Goal: increased income</td>
<td>62</td>
<td>51</td>
</tr>
<tr>
<td>SO1: increased production</td>
<td>47</td>
<td>39</td>
</tr>
<tr>
<td>SO2: increased market access</td>
<td>50</td>
<td>41</td>
</tr>
<tr>
<td>SO3: greater resilience</td>
<td>26</td>
<td>21</td>
</tr>
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* Assuming cofinancing ratio of 1.4 and no cofinancing on regular grants
For IFAD to double its impact by 2030, members need to double their contributions.

Members contributions may include additional contributions to core resources and to ASAP+ and the PSFP.
Results Management Framework

Proposed framework and indicators
Principles of the IFAD12 RMF

**SMART indicators** and closer to real time data

**Improved management** of results, such as new dashboard

**Realistic and evidence-based** target setting

Refining:

Refining alignment to **SDGs** and **Strategic Framework**; harmonization with **MDBs**

Aligning:

Ensuring relevant indicators to **IFAD12 commitments** (such as mainstreaming)
### Evolution of the RMF

<table>
<thead>
<tr>
<th><strong>IFAD10</strong></th>
<th><strong>IFAD11</strong></th>
<th><strong>IFAD12</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Results Reporting Tool</td>
<td>Results Management Tool</td>
<td>SDG Contribution</td>
</tr>
<tr>
<td>Limited alignment to IFAD’s evolving Business Model</td>
<td>Aligned with IFAD11 Business Model and IFAD Strategic Framework 2016-2025</td>
<td>Tier I</td>
</tr>
<tr>
<td>Composed of Five levels</td>
<td>Streamlined three-tier structure</td>
<td>Tier II</td>
</tr>
<tr>
<td>Self-assessment data</td>
<td>Self-assessment, independent evaluation, and disaggregated reporting</td>
<td>Tier III</td>
</tr>
<tr>
<td>Non-lending activities and mainstreamed areas only partly monitored</td>
<td>All non-lending activities and mainstreamed areas fully monitored</td>
<td>IFAD12’s Theory of Change</td>
</tr>
<tr>
<td>No reflection of Value-for-Money</td>
<td>Integrates IFAD’s Value-for-money proposition</td>
<td></td>
</tr>
</tbody>
</table>

1. **SDG Contribution**
   - Expanding impact: Expanding outreach and sending up delivery to accelerate progress towards the SDGs
   - Deepening impact: Building resilience through the mainstreaming agenda and making impact sustainable

2. **Transformational Institutional Change**
   - Closer interaction with clients; tailored solutions and adaptable programming to drive rural transformation

3. **Transformational Country Programmes**
   - Maximising resources for the poorest countries while ensuring IFAD's financial sustainability

**Principles of IFAD's results delivery**
- **Proximity**
- **Adaptability**
What is new

Tier I – goals and context

1.1 Sustainable Development Goal 1: No poverty
1.2 Sustainable Development Goal 2: Zero hunger

Tier II – Development Impact and Results

2.1 Impact
2.2 Outreach, outcomes and outputs
2.3 Project-level development outcome ratings at completion

Increased focus on measurable outcome and output core indicators (i.e. jobs, land tenure)

Tier III – Delivering impact

Transformational country programmes
3.1 Performance of country programmes
3.2 Designing for impact
3.3 Proactive portfolio management

Transformational financial framework
3.4 Resources

Transformational institutional change
3.5 Institutional efficiency
3.6 Decentralization
3.7 Human resource management
3.8 Transparency

Reporting on mainstreaming at design
Proactivity of implementation

Decentralization
SEA/SH
Gender balance
Thank you