

Document: IFAD12/2(R)/R.4
Agenda: 6
Date: 3 July 2020
Distribution: Public
Original: English

E



Investing in rural people

Draft Resolution on the Twelfth Replenishment of IFAD's Resources

Note to Consultation members

Focal points:

Technical questions:

Katherine Meighan
General Counsel
Tel: +39 06 5459 2496
e-mail: k.meighan@ifad.org

Sylvie Arnoux
Senior Legal Officer
Tel: +39 06 5459 2460
e-mail: s.arnoux@ifad.org

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 – Second Meeting

Rome, 22-23 July 2020

For: **Review**

Note to the Members

Attached for the consideration of the Consultation on the Twelfth Replenishment of IFAD's Resources is the first draft of the Governing Council resolution on the Twelfth Replenishment (the IFAD12 Resolution).

Members will note that this draft is aligned with the general structure and content of the IFAD11 Resolution. For ready reference, notable substantive changes in the draft IFAD12 Resolution are as follows:

- In accordance with the dynamic pre-funded Debt Sustainability Framework (DSF) mechanism approved by the Executive Board in 2019¹ (paragraph 5), DSF contributions are no longer identified as contributions to be made by Member States separately from core contributions;
- Adaptation for Smallholder Agriculture Programme + and Private Sector Financing Programme contributions by Member States, including bilateral development agencies and other government agencies, will be considered as additional contributions to IFAD and will attract voting rights for such Member State (paragraphs 2, 4, 6, 23, 26 and 27); and
- Reference to the Integrated Borrowing Framework (IBF) has been included in lieu of the references to the Sovereign Borrowing Framework and the Concessional Partner Loan Framework, which will form an integral part of the IBF once adopted (paragraph 29). The IBF will set the pillars of IFAD's overall borrowing activity and will be submitted to the Executive Board in September 2020 for approval (paragraph 29(b)).

Clearly, the substance and structure of the IFAD12 Resolution will depend on the outcomes of the discussions at each session of the Consultation. Upon completion of discussions at the second session, a revised draft of the IFAD12 Resolution reflecting the input from the session will be prepared and provided to Members, whose further comments will be solicited. Upon receipt thereof, the draft IFAD12 Resolution will be further revised and circulated for discussion at both the third and the fourth session of the Consultation. The final IFAD12 Resolution will be presented to the Governing Council in February 2021 for review and approval.

¹ EB 2019/128/R.44.

Resolution ___/XLIV

Twelfth Replenishment of IFAD's Resources

The Governing Council of IFAD,

Recalling the relevant provisions of the Agreement Establishing the International Fund for Agricultural Development (the Agreement), in particular articles 2 (Objective and Functions), 4.1 (Resources of the Fund), 4.3 (Additional Contributions), 4.4 (Increases in Contributions), 4.5 (Conditions Governing Contributions), 4.6 (Special Contributions) and 7 (Operations), as well as Governing Council resolution 77/2 (1977), as amended by resolution 86/XVIII (1995) (Delegation of Powers to the Executive Board);

Further recalling Governing Council resolution 211/XLIII (2020) on the establishment of the Consultation on the Twelfth Replenishment of IFAD's Resources, whereby the forty-third session of the Governing Council, in accordance with article 4.3 of the Agreement, set the Consultation the task of reviewing the adequacy of the Fund's resources and reporting to the Governing Council, and, recalling in particular, the requirement for the Consultation to submit a report on the results of its deliberations and any recommendations thereon to the forty-fourth session and, if required, subsequent sessions of the Governing Council, with a view to adopting such resolutions as may be appropriate;

Having considered that for the purpose of reviewing the adequacy of the Fund's resources, account has been taken of the urgent need to increase the flow of external resources to implement IFAD's mandate of addressing rural poverty eradication, food security, and sustainable agriculture, particularly on concessional terms, as well as the Fund's special mandate and operational capacity to effectively channel additional resources to eligible Members;

Having taken into account and agreed on the conclusions and recommendations of the Report of the Consultation on the Twelfth Replenishment of IFAD's Resources (GC 44/___) (the Twelfth Replenishment Report) regarding the need and desirability of additional resources for the operations of the Fund; and

Acting in accordance with article 4.3 of the Agreement;

Hereby decides:

I. The level of replenishment and call for additional contributions

1. **Available resources.** The Fund's available resources at the end of the Eleventh Replenishment period, together with the funds to be derived from operations or otherwise accruing to the Fund, other than borrowed funds, during the three-year period commencing 1 January 2022 (the replenishment period), are estimated at US\$ ___ billion.
2. **Call for additional contributions.** Taking into account the conclusions and recommendations of the Report of the Consultation on the Twelfth Replenishment of IFAD's Resources (Twelfth Replenishment Report) regarding the need and desirability of additional resources for the operations of the Fund, Members are hereby invited to make additional contributions to the resources of the Fund as defined in article 4.3 of the Agreement (additional contributions) in accordance with the terms set forth below. Additional contributions shall consist of:
 - (a) Core contributions to support the programme of loans and grants;
 - (b) Contributions to support the Adaptation for the Smallholder Agriculture Programme + (ASAP+);
 - (c) Contributions to support the Private Sector Financing Programme (PSFP); and
 - (d) The grant element of any concessional partner loan
 each of which is further defined in paragraph 4 of this resolution.

In this resolution, the term "concessional partner loan" shall mean a loan provided by a Member State or one of its state-supported institutions that includes a grant element for the benefit of the Fund and is otherwise consistent with the Integrated Borrowing Framework approved by the Executive Board; and the term "state-supported institution" shall include any state-owned or state-controlled enterprise or development finance institution of a Member State, with the exception of multilateral institutions.

3. **Replenishment target.** The replenishment target for core contributions and the grant element of any concessional partner loan during the Twelfth Replenishment is set at the amount of US\$ [] billion in order to support a target programme of loans and grants of up to US\$ [] billion (in all cases, the allocation being determined through the performance-based allocation system).

II. Contributions

4. **Additional contributions.** During the replenishment period, the Fund shall accept additional contributions from any Member State as follows:
 - (a) Such Member State's core contribution to the resources of the Fund;
 - (b) Any contributions to support ASAP+ from such Member State;
 - (c) Any contributions to support the PSFP from such Member State; and
 - (d) The grant element of any concessional partner loan from such Member State.
5. **DSF contribution mechanism.** In relation to paragraph 4(a) of this resolution, IFAD has established a dynamic, pre-funded mechanism under which DSF financing is based on upfront commitments. Member States would contribute to the replenishment with a single pledge as per the sustainable replenishment baseline mechanism, in order to ensure full reimbursement of all approved DSF projects up to the end of IFAD11 and to secure upfront financing for new DSF grants.

6. **Conditions governing additional contributions**
- (a) Each Member State shall receive commensurate contribution votes with respect to its core contribution and the grant element of any concessional partner loan, and, subject to conditions specified in (c) below, to its contributions to support ASAP+ and the PSFP, in accordance with article 6.3 of the Agreement;
 - (b) Core contributions shall be made without restriction as to their use;
 - (c) During the replenishment period, the Fund shall accept additional contributions from Member States, including bilateral development agencies and other government agencies, which may be made in order to support ASAP+ and the PSFP. Commensurate contribution votes with respect to additional contributions to support ASAP+ or the PSFP shall be received by the Member State. The Fund calls on Member States to make all efforts to maximize their core contributions before contributing to ASAP+ and the PSFP; and
 - (d) In conformity with article 4.5(a) of the Agreement, additional contributions shall be refunded to contributing Members only in accordance with article 9.4 of the Agreement.
7. **Special contributions**
- (a) During the replenishment period, the Executive Board may accept, on behalf of the Fund, unrestricted contributions to the resources of the Fund from non-Member States or other sources (special contributions).
 - (b) The Executive Board may consider adopting measures to enable the participation of the contributors of special contributions in its meetings on an ad hoc basis, provided that these measures have no consequences for the governance of the Fund.
8. **Pledges.** The Fund acknowledges the announcements of the Members' intentions to make additional contributions as set out in annex XI to the Twelfth Replenishment Report. Members who have not yet formally announced their contributions are invited to do so, preferably no later than the last day of the six-month period following the adoption of this resolution. The President shall communicate a revised annex XI to the Twelfth Replenishment Report to all Members of the Fund no later than 15 days after the above-mentioned date.
9. **Denomination of contributions.** Members shall denominate their contributions in:
- (a) Special drawing rights (SDR);
 - (b) A currency used for the valuation of the SDR; or
 - (c) The currency of the contributing Member if such currency is freely convertible and the Member did not experience, in the period from 1 January 2018 to 31 December 2019, a rate of inflation in excess of 10 per cent per annum on average, as determined by the Fund.
10. **Exchange rates.** For the purposes of paragraph 4 of this resolution, commitments and pledges made under this resolution shall be valued on the basis of the average month-end exchange rate of the International Monetary Fund over the six-month period preceding the adoption of this resolution between the currencies to be converted into United States dollars (1 April-30 September 2020), rounded to the fourth decimal point.
11. **Unpaid contributions.** Those Members who have not yet completed payment of their previous contributions to the resources of the Fund and who have not yet

deposited an instrument of contribution and/or paid their contribution for previous replenishments are urged to make the necessary arrangements.

12. **Increase of contribution.** A Member may increase the amount of any of its contributions at any time.

III. Instruments of contribution

13. **General clause.** A Member making contributions under this resolution (other than in respect of the grant element of a concessional partner loan) shall deposit with the Fund, preferably no later than the last day of the [six]-month period following the adoption of this resolution, an instrument of contribution [or equivalent instrument], formally committing to make additional contributions to the Fund in accordance with the terms of this resolution and specifying the amount of its contribution in the applicable currency of denomination. Any Member State or one of its state-supported institutions providing a concessional partner loan under this resolution shall enter into a concessional partner loan agreement with the Fund, preferably no later than the last day of the [six]-month period following the adoption of this resolution, but in any event not until the relevant Member State has deposited an instrument of contribution or made payment for the amount of its core contribution required under the terms of the Integrated Borrowing Framework approved by the Executive Board.
14. **Unqualified contributions.** Except as specified in paragraph 15 of this resolution, any instrument of contribution deposited in accordance with paragraph 13 shall constitute an unqualified commitment by the concerned Member to pay its contribution in the manner and on the terms set forth in this resolution, or as otherwise approved by the Executive Board. For the purpose of this resolution, such contribution shall be referred to as an "unqualified contribution".
15. **Qualified contributions.** As an exceptional case, where an unqualified commitment cannot be given by a Member due to its legislative practice, the Fund may accept from that Member an instrument of contribution that expressly contains the qualification that payment of all instalments of its payable contribution, except for the first one, is subject to subsequent budgetary appropriation. Such an instrument of contribution shall, however, include an undertaking by the Member to exercise its best efforts to: (i) arrange such appropriation for the full amount specified by the payment dates indicated in paragraph 20(b) of this resolution, and (ii) notify the Fund as soon as the appropriation relative to each instalment is obtained. For the purpose of this resolution, a contribution in this form shall be referred to as a "qualified contribution", but shall be deemed to be unqualified to the extent that appropriation has been obtained and notified to the Fund.

IV. Effectiveness

16. **Effectiveness of the replenishment.** The replenishment shall come into effect on the date upon which instruments of contribution or payments made without an instrument of contribution relating to the additional contributions from Members referred to in section II (Contributions) of this resolution have been deposited with or received by the Fund in an aggregate amount equivalent to at least 50 per cent of the pledges as communicated by the President to Members pursuant to paragraph 4 of this resolution.
17. **Effectiveness of individual contributions.** Instruments of contribution deposited and acknowledged by IFAD as a validly executed instrument on or before the effective date of the replenishment shall take effect on the effective date of the replenishment. Instruments of contribution deposited and/or acknowledged by IFAD as a validly executed instrument subsequent to the effective date of the replenishment shall become effective as of the date of such acknowledgement.

18. **Availability for commitment.** As of the effective date of the replenishment, all additional contributions paid to the resources of the Fund shall be considered available for operational commitment under article 7.2(b) of the Agreement and other relevant policies of the Fund.

V. Advance contribution

19. Notwithstanding the provisions of section IV (Effectiveness) of this resolution, all contributions or parts thereof paid prior to the effective date of the replenishment may be used by the Fund for its operations, in accordance with the requirements of the Agreement and relevant policies of the Fund, unless a Member specifies otherwise in writing. Any financing commitments made by the Fund on the basis of such advance contributions shall for all purposes be treated as part of the Fund's operational programme before the effective date of the replenishment.

VI. Payment of contributions

20. Unqualified contributions

- (a) **Payment of instalments.** Each contributing Member shall, at its option, pay its unqualified contribution in a single sum or in instalments within the replenishment period. Unless specified in the instrument of contribution, payments in instalments in respect of each unqualified contribution may be made either in equal amounts or in progressively graduated amounts, with the first instalment amounting to at least 30 per cent of the contribution, the second instalment amounting to at least 35 per cent and the third instalment, if any, covering the remaining balance.
- (b) **Payment dates**
- (i) **Single-sum payment.** Payment in a single sum shall be due on the sixtieth day after the Member's instrument of contribution enters into effect.
- (ii) **Instalment payments.** Payments in instalments shall be made according to the following schedule: the first instalment shall be due on the first anniversary of the adoption of this resolution; the second instalment shall be due on the second anniversary of the adoption of this resolution; and any further instalment shall be due no later than the third anniversary of the adoption of this resolution. However, if the date of effectiveness has not occurred by the first anniversary of the adoption of this resolution, the first payment shall be due on the sixtieth day after the Member's instrument of contribution enters into effect; the second instalment shall be due on the first anniversary of the effective date of the replenishment and any further instalment shall be due on the earlier of the third anniversary of the effective date of the replenishment or the last day of the replenishment period.
- (c) **Early payment.** Any Member may pay its contribution on dates earlier than those specified in paragraph 20(b) above.
- (d) **Alternative arrangements.** The President may, upon the request of a Member, agree to a variation in the prescribed payment dates, percentages, or number of instalments of the contribution, provided that such a variation shall not adversely affect the operational needs of the Fund.

21. **Qualified contributions.** Qualified contributions shall be paid within 90 days after the Member's instrument of contribution enters into effect, as and to the extent that the relative contribution becomes unqualified and, where possible, in accordance with the payment dates specified in paragraph 20(b) of this resolution. A Member who has deposited an instrument of contribution for a qualified contribution shall inform the Fund of the status of the qualified instalment of its

contribution no later than 30 days after the annual payment dates specified in paragraph 20(b) of this resolution.

22. **Currency of payment**

- (a) Contributions shall be made in freely convertible currencies, subject to paragraph 9 of this resolution.
- (b) In accordance with article 5.2(b) of the Agreement, the value of the currency of payment in terms of SDR shall be determined on the basis of the rate of exchange used by the Fund for translation purposes in its books of account at the time of payment.

23. **Mode of payment.** In conformity with article 4.5(c) of the Agreement, payments in respect of contributions shall be made in cash, at the option of the Member, by the deposit of non-negotiable, irrevocable and non-interest bearing promissory notes or similar obligations of the Member, payable on demand by the Fund at their par value in accordance with the terms of paragraph 24 of this resolution. To the extent possible, Members may favourably consider payment of their core contributions, contributions to ASAP+ and contributions to the PSFP in cash.

24. **Encashment of promissory notes or similar obligations.** In conformity with the provisions of article 4.5(c)(i) of the Agreement and regulation V of the Financial Regulations of IFAD, promissory notes or similar obligations of Members shall be encashed in accordance with this replenishment resolution as per paragraph 20(a) or as agreed between the President and a contributing Member.

25. **Payment modalities.** At the time of depositing its instrument of contribution, each Member shall indicate to the Fund its proposed schedule and mode of payment on the basis of the arrangements set forth in paragraphs 20 to 23 of this resolution.

VII. Allocation of replenishment votes

26. **Creation of replenishment votes.** New replenishment votes shall be created in respect of core contributions, contributions to support ASAP+, contributions to support the PSFP, and the grant element of any concessional partner loan provided under the Twelfth Replenishment (Twelfth Replenishment Votes). The total amount of Twelfth Replenishment Votes shall be calculated by dividing by US\$1,580,000 the total amount of pledges of core contributions, contributions to support ASAP+, contributions to support the PSFP, and the grant element of any concessional partner loan, in each case received as of six months after the date of adoption of this resolution.

27. **Distribution of replenishment votes.** The Twelfth Replenishment Votes thus created shall be distributed in accordance with article 6.3(a)(ii) and (iii) of the Agreement as follows:

- (a) **Membership votes.** Membership votes shall be distributed equally among all Members in conformity with article 6.3(a)(ii)(A) of the Agreement.
- (b) **Contribution votes.** In conformity with article 6.3(a)(ii)(B) of the Agreement, contribution votes shall be distributed among all Members in the proportion that each Member's paid up core contribution, contributions to support ASAP+, contributions to support the PSFP, and the grant element of any concessional partner loans made by such Member or its state-supported institution bear to the aggregate of the paid core contributions, contributions to support ASAP+, contributions to support the PSFP, and the grant element of all concessional partner loans, as specified in section II (Contributions) of this resolution.
- (c) The allocation and distribution of the original, Fourth Replenishment, Fifth Replenishment, Sixth Replenishment, Seventh Replenishment, Eighth

Replenishment, Ninth Replenishment, Tenth Replenishment and Eleventh Replenishment Votes shall continue irrespective of the entry into force of this resolution.

28. **Effectiveness of replenishment votes.** The distribution of the Twelfth Replenishment Votes, as specified above, shall enter into effect six months after the adoption of this resolution. The President shall communicate the fact of the distribution of the Twelfth Replenishment membership and contribution votes to all Members of the Fund no later than 15 days after such date, and shall report such information to the Governing Council at its forty-fifth session.

VIII. Additional resource mobilization

29. Borrowing by the Fund

- (a) **Purpose of borrowing.** While recognizing that replenishment contributions are, and should remain, the basic source of the Fund's financing, the Governing Council welcomes and supports the Fund's intention to leverage a more diversified set of resources – including loans from Member States and related state-supported institutions, multilateral development banks, supranational institutions and private institutional investors – under the Integrated Borrowing Framework during the replenishment period. Resources could also be potentially raised through market borrowing at a later stage, with relevant governing body approval.
- (b) **Integrated Borrowing Framework.** The Executive Board has established an Integrated Borrowing Framework, which sets the pillars of IFAD's overall borrowing activity and specifically introduces the possibility of borrowing from multilateral development banks, supranational institutions and private institutional investors. The Sovereign Borrowing Framework and the Concessional Partner Loan Framework form part of the Integrated Borrowing Framework and remain valid for the specific counterparts. In line with such framework, Management shall continue to inform the Executive Board of all formal negotiations undertaken with potential lenders, including the relevant due diligence undertaken and financial information obtained.
- (c) **Limitation of liability.** In relation to subparagraphs (a) and (b), it is recalled, for the avoidance of doubt, that article 3.3 of the Agreement provides that: "No Member shall be liable, by reason of its membership, for acts or obligations of the Fund."

30. Cofinancing and miscellaneous operations

During the replenishment period, the Executive Board and the President are encouraged to take necessary measures to strengthen the Fund's catalytic role in raising the proportion of national and international funding directed at improving the well-being and self-reliance of rural poor people, and to supplement the resources of the Fund by using the Fund's power to perform financial and technical services, including the administration of resources and acting as trustee, that are consistent with the objective and functions of the Fund. Operations involved in the performance of such financial services shall not be funded by resources of the Fund.

IX. Reporting to the Governing Council

31. The President shall submit to the forty-fifth session of the Governing Council and to subsequent sessions, reports on the status of commitments, payments, and other relevant matters concerning the replenishment. The reports shall be submitted to the Governing Council together with the Executive Board's comments, if any, and its recommendations thereon.

X. Review by the Executive Board

32. The Executive Board shall periodically review the status of contributions under the replenishment and shall take such actions, as may be appropriate, for the implementation of the provisions of this resolution.
33. If, during the replenishment period, delays in the making of any contributions cause, or threaten to cause, a suspension in the Fund's lending operations or otherwise prevent the substantial attainment of the goals of the replenishment, upon the request of the Executive Board the Chairperson of the Governing Council may convene a meeting of the Consultation established by resolution 211/XLIII (2020) to review the situation and consider ways of fulfilling the conditions necessary for the continuation of the Fund's lending operations or for the substantial attainment of those goals.

XI. Midterm review

34. A midterm review of the implementation of the measures and actions referred to in the Twelfth Replenishment Report will be undertaken and its findings presented at a meeting of the Consultation on the Thirteenth Replenishment of IFAD's Resources.