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Investing in rural people

Conference room paper

Report of the Consultation on the Twelfth Replenishment of IFAD's Resources

Consultation on the Twelfth Replenishment of IFAD's Resources —
Fourth Session

Virtual Meeting, 10-11 December 2020

For: Approval

Report of the Consultation on the Twelfth Replenishment of IFAD's Resources

The Consultation is hereby invited to consider the amendments to the following document: Report of the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12/4/R.2/Rev.1).

The changes to the document are reflected as follows: deleted text with strikethrough, added text underlined.

Executive summary, page vi, paragraph 14

"Climate is critically interrelated with agriculture. Increasing climate variability threatens the lives and livelihoods of rural people, the majority of whom are dependent on natural resources. With IFAD's strong targeting of the poorest people, particularly small-scale producers, in the hardest to reach areas, based on its experience, the Fund is uniquely placed to ensure that rural communities receive the support and financing they need to adapt to the threats posed by climate change. At the same time, rural people are often stewards of natural resources, therefore investments in their livelihoods offer opportunities to mitigate climate change and preserve biodiversity. During IFAD12 the Fund will support Member States in their efforts to implement their national climate-related actions plans, including their nationally determined contributions (NDCs), in their follow up to international climate agreements, including principally the Paris Agreement."

Executive summary, page x, paragraph 31

"Recent financial reforms – including the reform of the Debt Sustainability Framework (DSF), Capital Adequacy Policy, Liquidity Policy, resources available for commitment approach and Asset and Liability Management Framework – ~~{along with the Integrated Borrowing Framework (IBF)}~~ will be fully effective in IFAD12."

Executive summary, page x, paragraph 32

"Achieving the targeted PoLG levels requires diversified funding sources and Members' support for sovereign borrowing.~~{The IBF is key to expanding IFAD's lender base and the borrowing instruments at IFAD's disposal.}~~"

Page 1, paragraph 2

"At its forty-third session in February 2020, the Governing Council established the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12). The Council requested that the Consultation submit a report on the results of its deliberations to the forty-fourth session in February 2021.~~{Representatives of IFAD's Member States met during 2020, including in virtual sessions, and finalized and endorsed this report on 11 December 2020.}~~"

Page 14, paragraph 48

"IFAD has a unique offer on climate and environment. Climate, environment and agriculture are critically interrelated. Agriculture is highly vulnerable to climate. The sensitivity of crops, livestock and fisheries to temperature, water availability, and extreme weather events puts yields at risk, jeopardizes historical productivity

gains and exposes farmers to significant losses. Agriculture also contributes to climate change – it accounts for 19 to 29 per cent of total greenhouse gas emissions and produces the largest share of non-CO2 greenhouse gases. Farmers and other actors across the world food system thus have a crucial role to play in acting on climate change and agri-environmental systems. Environmental and climate considerations are currently embedded in all COSOPs and IFAD investments. IFAD can utilize its experience and gather data and lessons from its country programmes to contribute more to the global climate policy discourse on climate mitigation and adaptation for small-scale farmers.”

Page 21, footnote 40

“Funds borrowed under any agreement other than concessional partner loans (~~e.g. loans obtained under the sovereign borrowing framework~~).

Page 30, paragraph 108

“For example, IFAD will pursue responsible investment and sustainable agricultural practices in line with sustainability objectives, leveraging science, technology and sustainable agricultural approaches, including agroecology and other approaches, to support small-scale producers and vulnerable rural people.”

Page 36, paragraph 131

“IFAD will strengthen the mainstreaming of climate through its operations using diversified instruments. During IFAD12 the Fund will support Member States in their efforts to implement their national climate-related actions plans, including their nationally determined contributions (NDCs), in their follow up to international climate agreements, including principally the Paris Agreement. Recent analysis has shown that the poorest countries struggle to prioritize borrowing for climate-related activities. ASAP+ presents an important instrument to assist member countries in achieving their stated climate objectives, and implementing national climate, environment and biodiversity-related action plans and commitments. By building on IFAD’s experience implementing ASAP – with an enhanced focus on mitigation, capacity-building and policy engagement for systemic change – ASAP+ will strengthen resilience and increase IFAD’s impact on poverty, food insecurity, and fragility.”

Page 42, paragraph 144

“The new DSF mechanism, the sustainable replenishment baseline, the Capital Adequacy Policy, the revised Liquidity Policy, ~~{the IBF}~~ and the revised approach to determining the resources available for commitment strengthen IFAD’s sustainability and financial discipline in a synergistic manner.”

Page 42, paragraph 148

“Borrowing ~~{through the IBF}~~ will be crucial to secure increased funding for all eligible countries.”

Page 43, paragraph 149

“IFAD’s ~~current~~ leverage as at 30 June 2020 is ~~9.1~~ 10.4 per cent, with US\$~~741~~791 million of borrowing liabilities.”

Page 43, paragraph 151

"Limited DSF grants will be redirected exclusively to countries in debt distress with or at the highest risk of debt distress. In IFAD12, countries ~~in~~ at moderate risk of debt distress will no longer receive grants, but will be eligible for loans on super or highly concessional terms."

Page, 45, paragraph 162

"The scenarios assumed an efficient utilization of the available capital base, with some degree of frontloading in the use of IFAD's current capital. The aim is to maximize IFAD's contribution to achieving the SDGs while increasing the leverage ratio prudently and gradually, and remaining within the levels approved by the Executive Board. ~~To do so, the Fund aims to reach a maximum leverage of 40-45 per cent by 2030.~~ This is consistent with the proposed pattern of capital utilization and current levels of liquidity."

Page 45, table 2

Regular grants figure for "End IFAD11" revised from 195 to 190, and footnote added to explain the "End IFAD11" regular grants figure:

"The originally approved IFAD11 financial framework included an allocation for regular grants of 6.5 per cent of the PoLG, equivalent to US\$227.5 million, this was revised to US\$190 million in March 2020 to avoid an unsustainable level of grant allocations. This reduced amount, in addition to being utilized for regular global/regional and country grants, provided an important source of flexible funding that enabled IFAD to respond quickly to the COVID-19 crisis when the Executive Board approved the allocation of US\$40 million towards the COVID-19 Rural Poor Stimulus Facility and to catalyse innovative initiatives such as the Private Sector Financing Programme and other new initiatives for which the Executive Board approved the utilization of US\$25 million."

Page 46, paragraph 163, bullet 3

"Sustainable total grants are directly related to the level of new core replenishment contributions and cover both DSF grants and regular grants. The amount shown in table 2 is the sum of the maximum sustainable size of new DSF grants and a proposed allocation to regular grants. All three scenarios propose a DSF reserve of US\$50 million in case additional funding is required during IFAD12 for new-DSF-eligible countries falling into debt distress, particularly those affected by conflict or a major crisis. ~~If by the third year of IFAD12, funds remain available in this reserve, they will be transferred to the regular grant programme.~~ This DSF reserve will not be drawn upon to increase the overall agreed level of regular grants."

Page 46, paragraph 163, bullet 5

"With borrowing limits regulated by the ~~[Sovereign Borrowing Framework]~~ [IBF], going forward, the cap on borrowing is governed thereunder, including the limits set for IFAD11."

Page 57, annex I, Commitments Matrix (commitment no. 41)

"Participate in MDB debt management working groups and seek to engage with other global forums on debt monitoring, transparency and debt management ~~such as the Paris Club~~"

Page 62, annex II, Results Management Framework

Strikethrough removed in front of the IFAD12 target for RMF indicator 2.2.4. It now reads: "22.5" instead of "-22.5". The strikethrough was a typo remaining from the tracked change version of the report.

Page 69, annex II, RMF, indicator 2.2.10

"Refers to the number of hectares of land in which activities were ~~started~~ undertaken to restore the productive and protective functions of the land, water and natural ecosystems and/or reverse degradation processes with a view to building resilience to specific climate vulnerabilities."

Page 79, annex V, pillar 1, paragraph 3(b)

"IFAD will make all efforts to access diversified borrowed resources, ~~{in line with the Integrated Borrowing Framework (IBF)}~~, and meet these expectations on the availability of lending to UMICs."

Page 81, annex V, pillar 3, paragraph 3(g)

"Graduation is based upon an assessment of a country's capability to manage its own development processes. It is expected that the duration of COSOPs for countries above the GDI will conform to the standard timelines, without unnecessary extensions. At completion of the COSOP, the country's progress towards the criteria to graduate from IFAD's financial support will be assessed and reviewed. If the ~~assessment~~review of the COSOP indicates that a country has made insufficient progress towards the criteria to graduate from IFAD's financial support, as defined in the COSOP guidelines, its COSOP can be extended or renewed, which would then be submitted to the Executive Board for review. If the ~~assessment~~review indicates that sufficient progress has been made for the country to graduate from IFAD's financial support, Management will engage with the country to explore how the partnership can continue in line with pillar 1(d)."

Page 83, annex VI, paragraph 7

"The PSFP will also support small-scale producers in building resilience capacities and adapting to climate change through diversified farming and livelihood systems, adopting agro-ecological practices and other approaches, and nature-based solutions enhancing biodiversity, and mitigating greenhouse gas emissions."

Page 91, annex IX, paragraph 2

"During the IFAD12 period, the Fund shall accept additional contributions from Member States in the form of core contributions, the grant element of concessional partner loans and the discount or credit generated from early encashment of core contributions."

Page 92, annex IX, paragraph 4(iv)

“Concessional partner loans will be provided in accordance with the terms of the CPL Framework approved by the Executive Board [as part of the Integrated Borrowing Framework (EB 2020/131(R)/R.21)].”

Page 92, annex IX, paragraph 4

Subparagraphs 4(ii) and 4(iii) are removed from paragraph 4 and placed under a new paragraph as follows:

“6. Member States are also encouraged to pledge the following contributions:

- (i) **ASAP+ contributions.** Contributions to ASAP+ can be made through a pledge made in writing or announced at an official IFAD meeting, followed by Member States entering into a contribution agreement with IFAD as trustee of the 2RP Trust Fund. These supplementary funds contributions will be managed under the ASAP+ window of the dedicated 2RP Trust Fund. These funds are not allocated through the PBAS and approvals under ASAP+ do not constitute IFAD’s programme of loans and grants.
- (ii) **PSFP contributions.** Similar to ASAP+ contributions, contributions to PSFP can be made through a pledge made in writing or announced at an official IFAD meeting, followed by Member States entering into a contribution agreement with IFAD as trustee of the Private Sector Trust Fund. These supplementary funds contributions will be managed under the dedicated Private Sector Trust Fund. The funds are not allocated through the PBAS and approvals under the PSFP do not constitute IFAD’s programme of loans and grants.

Contributions to the ASAP+ and PSFP Trust Funds do not yield voting rights and will not count towards the IFAD12 replenishment target.”

Page 92, annex IX, paragraph 10

“New replenishment votes shall be created in respect of core contributions, the discount or credit generated from early encashment of core contributions and the grant element of any concessional partner loan provided under the Twelfth Replenishment (Twelfth Replenishment Votes).”