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## Draft Resolution on the Twelfth Replenishment of IFAD's Resources

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

Rome, 10-11 December 2020

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**For: Review**

## Note to the Members

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

The IFAD12 Resolution, in its third draft, reflects the comments received on the Member States platform, as follows:

- Paragraphs 13 and 29(a), (b) and (c) have been revised to remove the reference to the Sovereign Borrowing Framework and/or the Concessional Partner Loan Framework. Brackets around the references to the Integrated Borrowing Framework have been removed following the approval of the Integrated Borrowing Framework by the Executive Board.
- Paragraph 20(c) has been revised to reflect the discount or credit that may be generated by the early encashment mechanism. The mechanism no longer requires an early, lump sum payment of the core contribution.

For ease of reference, revisions made to the second draft of the IFAD12 Resolution are shown as follows: added text has been underlined and deleted text is indicated in strikethrough mode.

Upon completion of the discussions at the fourth session of the Consultation, the final draft of the IFAD12 Resolution, reflecting the conclusions reached during the session, will be prepared and incorporated as an annex to the final Report of the Consultation on the Twelfth Replenishment of IFAD's Resources.

## **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;

**Noting** the importance of the enhanced Adaptation for Smallholder Agriculture Programme (ASAP+), under the Rural Resilience Programme, and the Private Sector Financing Programme (PSFP) to complement the Fund's programme of loans and grants and scale up impact in accordance with the IFAD12 business model, in support of which the Executive Board has created a separate Trust Fund for each programme pursuant to its decisions as set forth in EB 2020/129/R.11/Rev.1 and EB 2020/130/R.13;

**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 IFAD12 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 (IFAD12 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) The grant element of any concessional partner loan; and
  - (c) The discount or credit generated from early encashment of core contributions.

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, the grant element of any concessional partner loan and the discount or credit generated from early encashment of core contributions 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, together with other resources of the Fund, (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) The grant element of any concessional partner loan from such Member State; and
  - (c) The discount or credit generated from early encashment of core contributions from such Member State.
5. **Debt Sustainability Framework (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 could 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, the grant element of any concessional partner loan and the discount or credit generated from early encashment of core contributions, in accordance with article 6.3 of the Agreement;
  - (b) Core contributions shall be made without restriction as to their use;
  - (c) 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, 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 IX to the IFAD12 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 IX to the IFAD12 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 to 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 and of the discount or credit generated from early encashment of core contributions) 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]~~~~[Concessional Partner Loan 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 deposited 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 8 of this resolution. The President shall report to the Executive Board nine (9) months after the adoption of this Resolution on the progress of the replenishment; in the event that the replenishment is not yet effective, the Executive Board may decide to declare effectiveness following a recommendation by the President.
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. Members that pay their core contribution in cash with a schedule that is accelerated when compared to the IFAD standard encashment schedule before the end of the first year of the replenishment period, as specified in paragraph 1 of this resolution, shall be entitled to receive a discount or credit calculated on the basis of the mechanism approved by the Governing Council.
- (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, 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, the grant element of any concessional partner loan, and the discount or credit generated from early encashment of core contributions 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, the grant element of any concessional partner loan, and the discount or credit generated from early encashment of core contributions, 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, the grant element of any concessional partner loans made by such Member or its state-supported institution, and the discount or credit generated from early encashment of core contributions, bear to the aggregate of the paid core contributions, the grant element of all concessional partner loans, and the discount or credit generated from early encashment of core contributions, 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}~~~~{the Sovereign Borrowing Framework and the Concessional Partner Loan Framework}~~ during the replenishment period.
- (b) **Integrated Borrowing Framework.** The Executive Board has established an Integrated Borrowing Framework that 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.}]
- ~~{(b) **Sovereign Borrowing framework.** The Executive Board has established a Sovereign Borrowing Framework for Borrowing from Sovereign States and State Supported Institutions (EB 2015/114/R.17/Rev.1) and shall revise it as appropriate to ensure consistency with this Resolution. 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, in order to fulfil the target of the programme of loans and grants set forth in paragraph 3 of this Resolution.~~}
- ~~{(c) **Concessional partner loans.** Concessional partner loans shall be provided in accordance with the terms of the Concessional Partner Loan Framework approved by the Executive Board (EB 2017/S10/R.2/Rev.1).}~~}
- (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.

- (a) 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.

- (b) In this regard, the Governing Council calls on Member States to make all efforts to maximize their core contributions and provide additional supplementary funds contributions to support ASAP+ and the PSFP, including through their bilateral development agencies and other government agencies. ASAP+ scales up IFAD's ability to channel critical additional climate financing to small-scale producers, allowing IFAD to complement its programme of loans and grants through additional high-impact interventions. The PSFP is an instrument to catalyse private funding for rural micro, small and medium-sized enterprises (MSMEs), focusing on generating employment for youth and women, and working directly with a new suite of private sector actors. Management will also take necessary measures to mobilize supplementary funds contributions to these programmes from non-Member States and other non-state actors, including multilateral organizations, philanthropic individuals and foundations, and other entities in line with the provisions of the respective trust fund instruments.

## **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 IFAD12 Report will be undertaken and its findings presented at a meeting of the Consultation on the Thirteenth Replenishment of IFAD's Resources.