
IFAD13 Directions

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IFAD13 Directions

Executive summary

1. **Food systems are breaking down as conflict, climate change and economic shocks reverse decades of development progress. Rural people bear the brunt of these crises.** Investments are urgently needed to produce more and better food locally and, furthermore, to transform entire local food systems. The Thirteenth Replenishment of IFAD's Resources (IFAD13) provides a global investment framework to respond. IFAD's Replenishment is an opportunity to invest in the food security of the poorest rural populations, supporting diversified local production and food systems transformation. IFAD13 puts small-scale producers and marginalized rural people, who are most vulnerable to the impacts of crises and shocks, at the centre of this transformation. Such investments will have a multiplier effect across the Sustainable Development Goals (SDGs) and will support rural people in adapting to climate change and building resilience to future shocks, thereby breaking the cycles of humanitarian crises, displacement, migration and instability.
2. **IFAD was created in crisis and is purpose-built to take on a larger role to address today's challenges.** External assessments recognize IFAD as among the most efficient and effective development organizations. Institutional and financial reforms in recent years have strengthened IFAD's ability to function as an assembler of finance, integrating multiple priorities into comprehensive programmes and delivering development impact to rural populations. Recent impact assessments confirm that IFAD is improving the production, market access, resilience and food security of tens of millions of poor rural people and small-scale producers. Every US\$1 billion of investment in IFAD's programme of work has increased the incomes of 8.6 million beneficiaries by at least 20 per cent.
3. **The overarching priority of IFAD13 will be to build sustainable, inclusive and resilient local food systems and transform rural livelihoods.** IFAD13 will focus on the Fund's core areas of comparative advantage to sustainably improve agricultural productivity and to integrate small-scale producers into commercial value chains. IFAD13 will bring a greater focus on drivers of fragility, mobilizing financing for climate and biodiversity and increasing private sector engagement in rural areas. IFAD's approach will give high priority to gender, youth and social inclusion, and nutrition.
4. **To achieve the required level of ambition in the current global environment, IFAD is calling for a coalition between Member States, IFAD and its partners to increase investments in food systems and rural livelihoods.** With robust core contributions from Member States, IFAD can maximize funding and concessionality for the poorest countries, ensure that climate finance reaches small-scale producers and crowd in greater public and private investment for food systems and rural transformation. The need for an ambitious IFAD13 financing package is clear. At a time of growing debt distress, IFAD will ensure that scarce donor resources go where they are needed most, that they are multiplied into a larger programme of work that combines core and supplementary financing and borrowing, as well as domestic and international cofinancing, and that the impact of every dollar is expanded, deepened and sustained.

I. Introduction

1. **Our food systems are breaking down.** Food insecurity is rising at an alarming rate, poverty has increased, and climate change and biodiversity loss are rapidly worsening. Fiscal and economic pressures are restricting countries' ability to address the root causes of crises, while food insecurity and a lack of opportunities in rural areas drive fragility and migration. More and better food must be produced locally, and the way in which it is produced must be improved; in fact, entire local food systems need to be transformed. Small-scale producers and marginalized rural people, who are most vulnerable to the impacts of crises and shocks, are an essential part of the solution.
2. **Global investments in food systems and rural livelihoods are urgently needed.** IFAD was founded in response to the global food and energy crises of the 1970s and entrusted with the mission of addressing the root causes of poverty and food insecurity. The Fund plays a leadership role in ensuring that global development finance reaches the poorest and most marginalized rural people and small-scale producers. IFAD is purpose-built to enable Member States to scale up official development assistance for agriculture, and it can bring in other sources of finance to meet the demand from developing countries for increased investments. IFAD13 provides a framework for doing this and for responding to current crises while building resilience and leveraging other forms of public and private investment.
3. **To achieve the required level of ambition, IFAD is calling for a coalition between Member States, IFAD and its partners to increase investments in food systems and rural livelihoods to respond to escalating crises.** The IFAD13 Directions paper outlines this framework. The approach builds on robust core contributions from Member States, aligning with the call made in the Ceres2030 report for increased investments in food and agriculture.¹ Increasing ambition and investment levels will enable IFAD to multiply funding to benefit the most vulnerable rural poor small-scale producers. Particular attention will be placed on low-income countries (LICs) and countries under debt distress where a high level of concessionality, including grant financing, is needed.
4. **Fragility, climate change and private sector engagement,** in particular, are areas in which IFAD Management sees the need and potential to scale up. Enhanced tools will be proposed for these areas in IFAD13 to improve operational effectiveness and to assemble increased funding.

II. Why is urgent investment in food systems needed?

5. **The world is facing a food crisis on a scale that is unprecedented in modern history.** In 2020, almost 3.1 billion people could not afford a healthy diet and, in 2021, up to as many as 828 million people were going hungry – a staggering increase of up to 200 million more people since 2019.² Extreme poverty has also increased since 2019, reversing a long downward trend, with food price increases creating further challenges.³ Overall, poverty remains concentrated in fragile and

¹ Cornell University, International Food Policy Research Institute and International Institute for Sustainable Development, *CERES2030. Ending Hunger, Increasing Incomes, and Protecting the Climate: What Would It Cost Donors?* (<https://ceres2030.iisd.org/wp-content/uploads/2021/03/ceres2030-en-what-would-it-cost.pdf>).

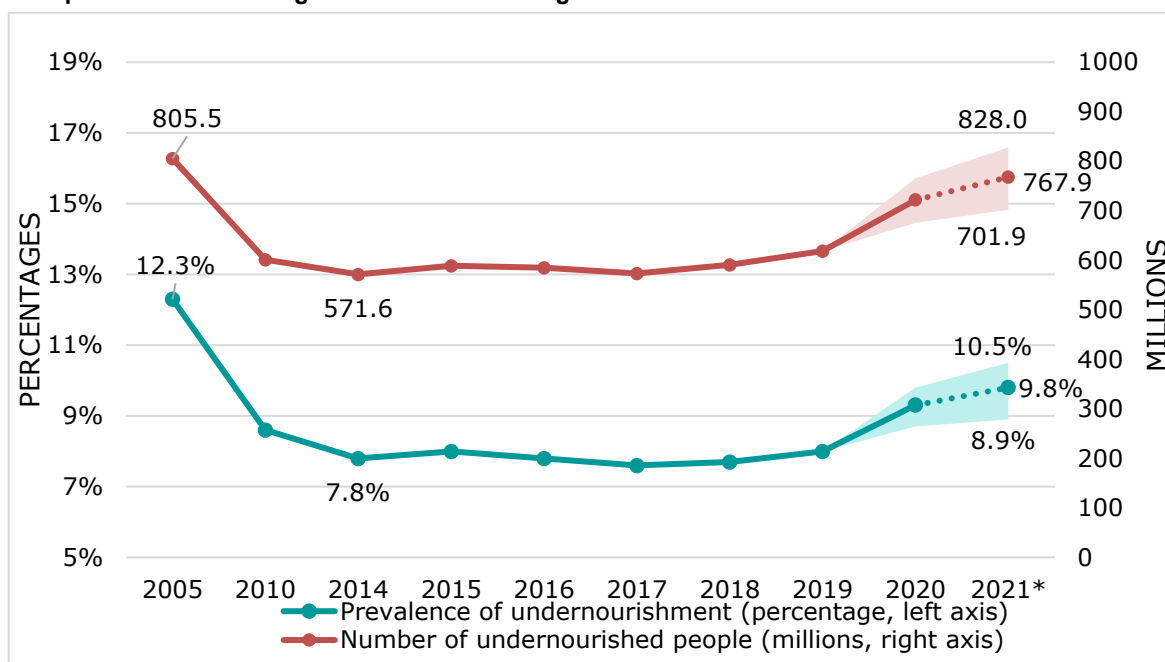
² The Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development, United Nations Children's Fund, World Food Programme and World Health Organization, *The State of Food Security and Nutrition in the World 2022*. See also United Nations, *Sustainable Development Goals Report 2022* (<https://unstats.un.org/sdgs/report/2022/The-Sustainable-Development-Goals-Report-2022.pdf>).

³ World Bank, *Poverty and Shared Prosperity Report 2022: Correcting Course* (<https://openknowledge.worldbank.org/bitstream/handle/10986/37739/9781464818936.pdf>).

conflict-affected situations, sub-Saharan Africa⁴ and rural areas, which account for over 80 per cent of people living in extreme poverty worldwide.⁵ Rural areas and rural people are also disproportionately affected by climate change and conflict⁶ and suffer from underinvestment and a lack of access to economic opportunities, all of which makes them more prone to poverty and vulnerable to extremism, migration, hunger and malnutrition.⁷

6. **Today's crises underscore the urgent need to transform food systems to produce more food locally and become more resilient, leveraging their potential to address global and local challenges.** IFAD has first-hand knowledge of the barriers that must be overcome in order to accomplish this. In the remote rural areas where it works, food and nutritional insecurity are compounded by poverty, fragility and conflict. Because of the inequalities they face, women, youth and marginalized communities have fewer means of dealing with these shocks. Key food system vulnerabilities include a lack of access to affordable finance and infrastructure, agricultural practices that are not resilient to climate shocks, inadequate digital connectivity for reliable access to markets and services, and agricultural practices and diets that result in dependency on imported fertilizers and foods.

Figure 1
Multiple crises are leading to an increase in hunger



Note: Projected values for 2021 are illustrated by dotted lines. Shaded areas show the lower and upper bounds of the estimated range.

Source: Food and Agriculture Organization of the United Nations (FAO), *The State of Food Security and Nutrition in the World 2022*, p. 13.

⁴ Forty-three countries in the world with the highest poverty rates are in fragile and conflict-affected situations and/or in sub-Saharan Africa. Paul Corral et al. *Fragility and Conflict: On the Front Lines of the Fight against Poverty* (Washington, D.C.: World Bank, 2020) (<https://openknowledge.worldbank.org/handle/10986/33324>).

⁵ World Bank, *Poverty and Shared Prosperity Report 2022: Correcting Course* (<https://openknowledge.worldbank.org/bitstream/handle/10986/37739/9781464818936.pdf>).

⁶ See IFAD, *Rural Youth in the Context of Fragility and Conflict* (https://www.ifad.org/documents/38714170/41187395/14_Baliki+et+al._2019+RDR+BACKGROUND+PAPER.pdf/a0003ba0-3e4f-3fbd-8d2b-654bf75176e8) and IFAD, *What Can Smallholder Farmers Grow in a Warmer World?* (<https://www.ifad.org/en/web/latest/-/ifad-report-predicts-steep-drop-in-african-staple-crops-by-2050%C2%A0prompting-urgent-call-for-adaptation-funding-at-cop26>).

⁷ United Nations, *Sustainable Development Goals Report 2022* (<https://unstats.un.org/sdgs/report/2022/The-Sustainable-Development-Goals-Report-2022.pdf>).

7. **An uneven economic recovery and limited fiscal space reduce investment capabilities for addressing the root causes of poverty and food insecurity.** The public debt outlook has deteriorated rapidly, severely limiting countries' ability to finance their own recovery and long-term development plans and their access to external finance from traditional sources, such as international financial institutions (IFIs). At least 54 developing economies – home to more than 50 per cent of the people living in extreme poverty – are suffering from severe debt problems.
8. **Official development assistance (ODA) for the achievement of SDG 2 and food systems transformation is severely lacking.** The Ceres2030 report estimates that current ODA for agriculture (approximately US\$12 billion per year) would need to be increased by another US\$14 billion and combined with an additional US\$19 billion in government investment to close the SDG 2 financing gap.⁸ However, despite global commitments to end hunger by 2030, donor support for agriculture has been stagnant at just 4 to 6 per cent of total ODA for at least two decades now, which is well below the historical levels of 15–20 per cent provided during the 1970s and 1980s.⁹ These trends are mirrored, but to an even more severe extent, in climate finance data: it is estimated that the share of climate finance directed to small-scale agriculture in 2019/2020 was only approximately 1 per cent of the total, even though the needs for such finance in the agriculture sector are the greatest of all.¹⁰
9. **Urgent investment in food systems and rural livelihoods is needed.** It has long been recognized that investment in agriculture is one of the most effective means of addressing poverty and hunger. Small-scale producers have a critical role to play in helping developing countries' local food systems address food insecurity where needs are most acute. Small-scale farmers produce 30–35 per cent of the global food supply and up to 70 per cent of the food consumed in low- and middle-income countries. Food production on even the smallest scale is critical for farmers' own food and nutrition security and a crucial source for local markets.¹¹ Successful food systems transformation could generate US\$4.5 trillion in new business opportunities every year.¹² This would create over 120 million decent rural jobs and help limit global warming and regenerate natural ecosystems and biodiversity, while also reducing the estimated US\$12 trillion in costs and waste currently generated by food systems every year. Equitable and sustainable food systems transformation could potentially have a game-changing impact on poverty, food insecurity and many development goals. Such a transformation will require investment – with appropriate concessionality, including grant financing for the poorest countries in debt distress – to be delivered through the most efficient and effective channels directly to where it is needed and can have the greatest impact.

⁸ <https://ceres2030.iisd.org/wp-content/uploads/2021/03/ceres2030-en-what-would-it-cost.pdf>.

⁹ <https://sdgpulse.unctad.org/official-support-development/> and <https://donortracker.org/topics/agriculture#funding-trends>.

¹⁰ IFAD, Climate finance to strengthen food systems: An opportunity for IFAD (document EB 2022/137/R.2).

¹¹ IFAD, *Rural Development Report: Transforming Food Systems for Rural Prosperity*, 2021.

¹² World Bank, <https://documents1.worldbank.org/curated/en/879401632342154766/pdf/Food-Finance-Architecture-Financing-a-Healthy-Equitable-and-Sustainable-Food-System.pdf>. See also Food and Land Use Coalition, *Growing Better: Ten Critical Transitions to Transform Food and Land Use* (London, UK: FOLU, 2019).

III. IFAD's comparative advantage

10. **IFAD is the world's fund for transforming agriculture, rural economies and food systems; it targets its investments at the most vulnerable rural populations.**¹³ IFAD is the only IFI dedicated to investing in inclusive and sustainable food systems transformation. IFAD's mission is to transform rural economies and food systems by making them more inclusive, productive, resilient and sustainable. In fulfilling its mandate, IFAD targets and invests in "the last mile", reaching the remotest areas. IFAD's unique focus is its exclusive targeting of small-scale producers, rural workers, women and youth, Indigenous Peoples, marginalized ethnic groups and victims of disaster and conflict.
11. **As a pioneer of locally led development, IFAD empowers rural people to drive their own development.** IFAD's unwavering focus has been to support rural people and small-scale producers in overcoming poverty. IFAD supports the voice of rural communities and works hand in hand with governments to bring together partners working on SDG 2 and key stakeholders around the same table. In doing so, IFAD also learns from and invests in rural poor people. IFAD finances inclusive growth, focusing on the development needs of the rural poor while striving for sustainable impact by giving poor and marginalized rural people a "helping hand", not a "handout".
12. **IFAD is an assembler of finance and is dedicated to resilient rural transformation.** As the global fund for agriculture and the first United Nations fund to receive a credit rating, IFAD is seen by its borrowers and partners as an effective provider of sustainable financing for rural transformation and small-scale producers. Since 1977, IFAD has converted every dollar of core contributions from Member States into over two dollars of IFAD financing and into six dollars of investment on the ground through the mobilization of cofinancing.¹⁴ Over recent years, IFAD's ability to crowd in cofinancing and additional resources has been strengthened. A record high cofinancing ratio of 1:1.95 was achieved during IFAD11, and total supplementary funds provided to IFAD by its partners increased from US\$187.6 million during IFAD9 to US\$334.4 million during IFAD10 and to US\$728.3 million during IFAD11.
13. **IFAD provides leadership globally, regionally and at the country level to strengthen the international aid architecture for food systems transformation.** A key element of this is unifying fragmented efforts around SDG 2. At the global level, IFAD actively contributes to various initiatives, such as the Global Crisis Response Group, the Global Alliance for Food Security, the Food and Agriculture Resilience Mission and the Global Donor Platform for Rural Development (GDPRD),¹⁵ along with other multilateral and global policy forums. At the regional level, IFAD is active in critical areas such as the Sahel, is working with the Rome-based agencies' regional programmes and small island developing states, and plays a leadership role in the Great Green Wall Initiative. At the country level, IFAD engages as a member of United Nations country teams, together with other Rome-based agencies, and works with other public, private and non-governmental partners to maximize investment in food and nutrition security. IFAD leads, for

¹³ The Agreement Establishing International Fund for Agricultural Development defines the objective of the Fund as to "mobilize additional resources to be made available on concessional terms for agricultural development in developing Member States...to introduce, expand or improve food production systems and to strengthen related policies and institutions...taking into consideration: the need to increase food production in the poorest food deficit countries; the potential for increasing food production in other developing countries; and the importance of improving the nutritional level of the poorest populations in developing countries and the conditions of their lives."

¹⁴ With US\$10.3 billion in paid-in contributions since its establishment, IFAD has mobilized a total programme of work of US\$61 billion, including US\$24.2 billion in approved IFAD financing (including for global and regional grants) and US\$37 billion in domestic and international cofinancing (IFAD Grants and Investment Projects System, January 2023).

¹⁵ GDPRD helps shape the thinking, policies and programming of the global donor community around food systems and rural development to accelerate progress towards the SDGs and longer-term prosperity and sustainability. See <https://www.donorplatform.org/our-work/strategic-objectives/>.

instance, the food pillar of Egypt's Country Platform for the Nexus of Water, Food and Energy Programme.

Box 1

IFAD's partnership footprint at the country level

In recognition of IFAD's role as a key partner and a principal driver of agricultural development in Egypt, during the Twenty-Seventh Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27), IFAD and the Government of Egypt signed a partnership agreement for US\$3.35 billion. IFAD will thus lead Egypt's Country Platform for the Nexus of Water, Food and Energy (NWFE) Programme and will be heading up the policy coordination and funding mobilization effort to be undertaken with other development partners.

The NWFE Programme provides a practical, replicable demonstration of the country platform concept framed in 2018 by the G20 Eminent Persons Group on Global Financial Governance, which proclaimed that country ownership of development objectives should guide the coordinated efforts of all stakeholders to attain and scale up more successful, impactful and sustainable results.

14. **IFAD is results- and impact-driven.** The Fund has a robust results management system and is the only development finance institution to systematically conduct impact assessments in a way that enables estimation of impact across its entire portfolio. Results and impact data are used for learning purposes and to guide real-time investment decisions. In 2021, IFAD's ongoing portfolio had reached about 100 million of the world's poorest and most marginalized rural people,¹⁶ helping them to increase their resilience and protect their livelihoods. The IFAD10 and IFAD11 impact assessments confirm the Fund's strong performance in increasing incomes and improving the production, market access, resilience and food security of millions of poor rural people.
15. **In 2021, IFAD was rated as the most effective and efficient multilateral development organization globally.**¹⁷ This rating has been supported by a comprehensive internal change process that was initiated in 2018 and is directed towards enhancing programme design and delivery, consolidating financial sustainability and ensuring the quality of results. In recent years, IFAD has also received a highly positive assessment from the Multilateral Organization Performance Assessment Network (MOPAN) and is once again the only United Nations agency to be fully pillar-assessed by the European Union.
16. **Building on IFAD's comparative advantage, IFAD13 presents Member States with an opportunity to scale up investments that address the root causes of poverty and food insecurity.** Building on the important steps taken during IFAD12 to expand IFAD's operational and financial capacity, IFAD is uniquely placed to support a reinvigorated effort to achieve SDG 2, respond to climate change and transform food systems so that they can produce more nutritious food locally and improve the way in which it is produced.

IV. IFAD13 priorities

17. **The proposed overarching priority for IFAD13 will be to build sustainable, inclusive and resilient local food systems and to transform rural livelihoods.** To achieve this, a comprehensive approach in line with IFAD's comparative advantage and the demand from borrowing countries is outlined below. This approach builds on lessons learned from recent impact assessments and IFAD's expertise in agricultural production and inclusive value chains.
18. **For IFAD13, three priority areas are proposed: (i) addressing drivers and impacts of fragility; (ii) climate and biodiversity financing; and (iii) engagement with the private sector.** These areas build on IFAD's role as an assembler of finance, which is discussed in more detail below. Across the IFAD13 priorities, the Fund will emphasize gender, youth and social inclusion, and nutrition.

¹⁶ IFAD, Report on IFAD's Development Effectiveness, 2022 (EC 2022/118/W.P.4).

¹⁷ Center for Global Development, The Quality of Official Development Assistance 2021.

Agricultural production and inclusive value chains

19. **IFAD investments focus on improving climate-smart agricultural productivity and integrating small-scale producers into commercial value chains, thereby creating and sustaining local markets.** In response to the current global food crisis, IFAD13 will focus on the Fund's core areas of comparative advantage: boosting incomes, local production, markets and resilience.
20. **Enhancing agricultural productivity** requires interventions that improve the availability and quality of inputs (including seeds and fertilizers), access to technology (including through information and communications technologies for development [ICT4D]) and capacity-building. IFAD's investments in capacity-building and knowledge are aimed at furthering agroecological and other sustainable and climate-smart agricultural production practices, supporting the engagement of producers' organizations in value chains and fostering conducive policy environments.
21. Boosting production also requires improving inadequate rural infrastructure. In coordination with IFIs and other partners, IFAD invests in **last-mile rural infrastructure** with a focus on irrigation and water management, tertiary roads, storage facilities, small-scale renewable energy schemes and digital connectivity. These investments directly benefit IFAD's target groups by improving production, increasing market access and reducing post-harvest losses and transport costs. This boosts incomes and improves the competitiveness of poor rural producers.
22. Expanding the access of rural people and enterprises to **inclusive rural financial services** will also continue to be a key element of IFAD's work. This is important for agricultural value chain development but also for the broader non-farm rural economy and for strengthening the ability of rural households to cope with shocks. The IFAD11 impact assessment found that access to financial services, including insurance, savings and credit, helped to increase resilience. Potential new directions could include: (i) increased attention to non-credit financial services such as insurance, guarantees and blended finance solutions; (ii) enhanced support to digital financial services, notably those targeting women and youth; (iii) climate risk management services such as weather index insurance; and (iv) increased efforts to develop innovative solutions for remittance and diaspora investment flows and to catalyse private financing and funding from public development banks.

Addressing drivers and impacts of fragility

23. **IFAD13 will continue to increase the Fund's focus on drivers and impacts of fragility.** Countries in fragile situations¹⁸ are home to an increasingly large share of the people living in extreme poverty and are highly vulnerable to shocks of all kinds – including economic shocks, climate shocks and conflicts. By 2030, 86 per cent of the world's extremely poor people are projected to be living in fragile contexts. Therefore, during IFAD13 the Fund will not be able to reach those who have been left furthest behind without strong, sustained engagement in fragile contexts. Building on lessons from the Rural Poor Stimulus Facility and the Crisis Response Initiative to strengthen the Fund's response to the impacts of short-term shocks, including through programme design, will be a key part of this effort.
24. In fragile situations, IFAD's engagement will be driven by its comparative advantage while it works in close coordination with partners to complement their relief actions with IFAD's focus on **recovery, rebuilding and resilience**. IFAD13 investments will address many context-specific drivers and impacts of fragility by: (i) strengthening the resilience of agricultural production and boosting markets and rural livelihoods; (ii) accelerating climate adaptation and strengthening natural resource governance; and (iii) fostering inclusiveness of women and youth and empowering marginalized and conflict-affected rural communities. IFAD13 will seek

¹⁸ IFAD's classification of fragile situations will continue to draw upon the list of fragile and conflict-affected situations released annually by the World Bank Group ([WBG](#)).

to maximize the resources available for investment in countries affected by fragility, including by crowding in supplementary resources and cofinancing to complement IFAD's own resources.

Climate and biodiversity financing

25. **IFAD plays a leadership role in accelerating climate adaptation for small-scale agriculture. During IFAD13, enhanced tools will be proposed to scale up this role.** IFAD's critical role in this area builds on its track record of success with the Adaptation for Smallholder Agriculture Programme (ASAP) and the enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) in channelling climate finance to small-scale producers. IFAD is very actively engaged in joint efforts such as the Great Green Wall Initiative and has significantly increased the level of climate finance delivered through its programme of loans and grants (PoLG) and its broader programme of work (PoW) in recent years. IFAD is also an increasingly important partner for global climate and environment funds, as it works to ensure that their financing reaches small-scale producers and rural areas, and will have a role to play in implementing the recently agreed Kunming-Montreal Global Biodiversity Framework.¹⁹
26. **All IFAD-financed investments are now climate-proof.** IFAD is already helping rural communities and small-scale producers adapt to the challenges of climate change, including in fragile and conflict-affected situations. All projects are designed to be climate-sensitive and over 90 per cent of new projects include activities specifically designed to build adaptive capacity. Furthermore, 40 per cent of the performance-based allocation system (PBAS)/Borrowed Resource Access Mechanism (BRAM) financing and 100 per cent of ASAP+ financing specifically qualify as climate finance in accordance with the multilateral development bank (MDB) methodology. Biodiversity is also integrated into IFAD's approach to climate and environment. IFAD13 offers another pathway for Member States to advance biodiversity goals and to direct biodiversity finance to sustainable food systems and rural livelihoods.
27. **IFAD13 is an opportunity to significantly expand IFAD's role as an assembler of climate and biodiversity finance.** To achieve this, IFAD is exploring ways to further enhance the integration of climate and biodiversity finance into its PoLG and broader PoW. During IFAD13, a proposal will be made for simplifying the Fund's climate finance structure by introducing arrangements to secure more climate financing as core resources, up front at the beginning of each replenishment cycle so as to allow full integration with timelines for the design of PBAS/BRAM-financed projects.
28. This would reduce transaction costs for IFAD and for recipients and would lead to more integrated project design and implementation and to better project outcomes. This could be done through **additional core contribution arrangements for climate finance** (see box 3). Any enhanced approach would be coupled with intensified efforts to spearhead policy, technical and other financial innovations to address the significant shortfall in the amount of climate finance reaching small-scale producers. This could be done by assembling more technical assistance grant support, designing bankable projects to attract co-investment or structuring blended finance and other financial instruments.

Private sector engagement

29. **During IFAD13, enhanced engagement with the private sector will be proposed in order to leverage IFAD's growing capacities in this area.** A key finding of the IFAD11 impact assessments was that increased production and productivity translate into better incomes and livelihoods when well-functioning value chains connect beneficiaries to markets. The private sector can help drive

¹⁹ One of the targets of the Kunming-Montreal Global Biodiversity Framework is to mobilize at least US\$200 billion per year by 2030.

investment in food and agricultural value chains in developing countries, and it therefore should be a larger part of the solution for transforming food systems sustainably. During IFAD13, deeper and more structured engagement with the private sector, especially midstream²⁰ (i.e. processing, transformation and distribution), will therefore be proposed. This will include a focus on innovations, whether in technology, processes or practices.

30. IFAD13 priorities for engaging the private sector will include sustainable production (including reduced post-harvest losses), access to markets and technology, and enhanced resilience to climate change. This will be supported by a more strategic approach to pipeline development to ensure greater synergy with PBAS/BRAM-financed projects and the development of an appropriate financial model for private sector engagement. **Private Sector Financing Programme (PSFP)** instruments will then be increasingly leveraged to strengthen value chain relationships across IFAD's **public-private-producer partnerships (4Ps)** and value chain development portfolio. This will be of central importance for accelerating resilient, inclusive and green rural economic growth, leveraging technology and increasing the multiplier effect of IFAD's investments. It is particularly important in LICs and fragile situations, where IFAD's support can be most catalytic and where the Fund can address broader challenges such as fragility, strengthening market resilience during crises and reducing push-factors for migration.

Gender, youth and social inclusion

31. **Empowering women and achieving gender equality, harnessing the potential of rural youth and strengthening targeting and inclusiveness lie at the core of IFAD's identity.** Recent policy and strategy updates have strengthened IFAD's social inclusion framework and raised the level of ambition through, for example, the introduction of gender-transformative approaches.²¹ IFAD13 will continue this ambition, emphasizing IFAD's people-centred approach and broader focus on social inclusion of Indigenous Peoples, persons with disabilities and other groups at risk of marginalization; increasingly by pursuing intersectional approaches.
32. Successful **gender transformation** requires investment, challenging gender norms, strengthening institutions, giving equal voice to women, persistence, and financial and social innovation. This was confirmed by the IFAD11 impact assessments, which found that catalysing change in social norms around gender requires addressing multiple dimensions of women's empowerment and adopting approaches that include the whole of society. IFAD ensures inclusion and gender transformation through a strategy built on patient financing, piloting at the country level and the use of country investments for scaling up. This helps to ensure asset ownership, business entrepreneurship, financial access, voice, participation and burden-sharing. IFAD13 will include intensified efforts to ensure women's equal access to productive assets, services, employment and market opportunities through investment projects, country-level non-lending engagement and special initiatives such as the Gender-Transformative Mechanism.²²
33. Securing the active engagement of **rural youth** in the agriculture sector will also be essential to sustain dynamic rural economic growth in the future. To this end, IFAD's flagship Youth Agribusiness Hubs Programme will be scaled up, and IFAD will step up efforts to strengthen the employment effects of youth-sensitive projects and deepen its efforts to increase young people's participation in decision-making processes. IFAD will support the empowerment of rural people by actively engaging with rural organizations, including farmers', Indigenous Peoples' and other

²⁰ IFAD, *Rural Development Report: Transforming Food Systems for Rural Prosperity*, 2021 (<https://www.ifad.org/documents/38714170/43704363/rdr2021.pdf/d3c85b6a-229a-c6f1-75e2-a67bb8b505b2?t=1649073218696>).

²¹ Including the updated Policy on Engagement with Indigenous Peoples and the new Disability Inclusion Strategy.

²² <https://www.ifad.org/en/gender-transformative-mechanism>.

community-based organizations, particularly those representing marginalized groups. This will be crucial to ensure that development processes are inclusive and that **Indigenous Peoples, persons with disabilities and marginalized rural groups** can participate on an equal footing.

Nutrition

34. **IFAD13 will be an opportunity to make decisive progress in improving nutrition, which remains essential to IFAD’s work.** In 2021, 3.1 billion people were unable to afford a healthy diet; many of those people live in rural areas and many of them are women. In Africa, an estimated 80 per cent of the population cannot afford a healthy diet.²³ IFAD11 impact assessments show that increasing production and incomes does not automatically lead to improved nutrition. Progress in this area takes time, and IFAD recognizes the need for sustained efforts to achieve the desired impact.
35. During IFAD13, increased emphasis will be placed on targeting for nutrition and the promotion of **diversified local food production, value addition and consumption**. Targeting will be based on physiological vulnerability across socio-economic and gender dimensions, as women bear a disproportionate share of the burden of malnutrition. This approach will help to direct financing where it is most needed and where it will have the biggest impact. IFAD will also strengthen the resilience of production systems and markets to make nutritious foods more readily available, accessible, affordable and sustainable. This focus on market development will parallel innovative approaches to consumer education and behavioural change, boosting consumer demand for healthy diets. These measures, combined with scaled-up private sector investment in nutrition-sensitive food value chains and strengthened partnerships between relevant public and private sector actors, will ensure stronger support for target groups and help to improve health and well-being outcomes.

V. IFAD’s operational pillars

36. IFAD’s priorities during IFAD13 will be underpinned by three operational pillars: transformative country programmes, the Fund’s financial architecture and its role in assembling development finance, and the further consolidation of institutional reforms. These are aligned to the IFAD12 operational pillars.

A. Delivering transformative country programmes for rural empowerment

37. **Transformative country programmes, tailored to the country context, will be the core of IFAD’s business model.** Transformative country programmes integrate the full array of IFAD’s financial and non-financial operations at the country level using country strategic opportunities programmes (COSOPs) and/or country strategy notes for planning, managing and monitoring. During IFAD13, the role of country programmes will increasingly be to serve as platforms for IFAD’s work as an assembler of finance. They will also reflect IFAD’s deepening approach to collaboration and coordination within United Nations country teams and particularly with the other Rome-based agencies, IFIs and other development partners.
38. **Country programmes are anchored in borrowers’ national visions, national food system transformational pathways and relevant sector strategies, including those associated with Nationally Determined Contributions (NDCs).** The programmatic approach ensures that IFAD’s sovereign and non-sovereign financing and non-lending engagement are mutually reinforcing and support IFAD’s impact through transformative change. In line with IFAD’s South-South and Triangular Cooperation Strategy 2022-2027, the Fund will

²³ The State of Food Security and Nutrition in the World 2022.

continue to leverage South-South and Triangular Cooperation as an integral part of its country programmes. During IFAD13, Management will also continue to consolidate country programmes into larger, more impactful projects, where appropriate, and to focus on phased approaches in which new projects will build on and scale up successful previous phases. Avoiding fragmentation and prioritizing programmatic and phased project approaches will facilitate an increased focus on drivers of transformative change.

39. **Operational flexibility within transformative country programmes will be critical to support the rural poor in addressing the impact of unexpected shocks.** In situations of fragility and conflict, transformative country programmes will use a differentiated, conflict-sensitive approach, reinforcing the humanitarian-development-peace nexus. While COSOPs and country strategy notes ensure that country programmes focus on agreed strategic objectives, they will also be responsive to evolving national, regional and global opportunities and risks and to unforeseen shocks. The costs of disengaging and then re-engaging at times when IFAD's support may be most needed and when there is the greatest risk of losing hard-won development gains are high. Avoiding these costs will entail ensuring IFAD's investments are more flexible and agile through, for example, the inclusion of a component on crisis and disaster risk reduction where appropriate. Building on the experiences of the Rural Poor Stimulus Facility and the Crisis Response Initiative, the Fund will work closely with humanitarian actors and other partners in responding to crisis situations, complementing humanitarian assistance with IFAD's focus on building resilience.

Box 2

Enhancing support for low-income countries during IFAD13

IFAD13 must support greater investment in LIC food systems to boost climate-resilient local agricultural production. LICs face high levels of poverty, fragility and climate vulnerability and are severely affected by the current crises. Many are struggling with rising debt and high prices for imported food, fuel and fertilizer, which are leading to increased food insecurity and a heightened risk of social unrest.*

IFAD Management is exploring options for increasing financial support to LICs during IFAD13. LICs account for over 40 per cent of IFAD12 PBAS allocations and benefit from higher PBAS allocations per capita than countries in other country-income categories. Initial assessments show that the possibility of increasing PBAS financing for LICs in IFAD13 will depend to a great extent on an increase in core replenishment contributions to boost capacity for concessional financing, in particular for Debt Sustainability Framework (DSF) grants. This can be complemented by other strategic resource mobilization efforts, including Climate Additional Contributions (see box 3), BRAM financing for creditworthy LICs (10 LICs are expected to access the BRAM during IFAD12) and continued efforts to secure grant-based supplementary funding and international cofinancing.

In addition to financing, the main focus of IFAD's decentralization agenda has been to strengthen its presence in LICs, especially those affected by fragility. IFAD is continuing to increase its overall presence and staffing in LICs: by the end of IFAD12, LICs will account for a larger number of IFAD country offices than any other income category – 22 in total by the end of IFAD12, versus 20 in lower-middle-income countries (LMICs), 8 in upper-middle-income countries (UMICs) and 1 in a high-income country (HIC) – with a planned 70 per cent increase in overall staffing in LICs and a doubling of international staff in LICs compared to IFAD10. This is expected to enhance the efficiency of IFAD's investments, enable timely implementation and policy support to governments and facilitate resource mobilization.

* International Monetary Fund, Macroeconomic Developments and Prospects in Low-Income Countries, December 2022.

40. **Country-level policy engagement will continue to feature prominently in IFAD's transformative country programmes.** Building on IFAD12 commitments, the Fund will enhance policy engagement and support. Multi-stakeholder engagement and a bottom-up approach will help ensure sustainability and country ownership of rural policies. Engagement will be increased in policy dialogues related to climate change and the nexus with food security and agriculture, including in relation to national adaptation plans, NDCs and food systems transformation pathways. As part of this effort, IFAD will focus on providing analytical and advisory support based on local and national knowledge, contexts and data systems. This will also be of help to countries in their transition to sustainable food systems.
41. **IFAD will continue to devote efforts to regional policy engagement, notably by forging and nurturing regional and global strategic partnerships.** IFAD

will engage with relevant stakeholders – national and subnational governments, farmers’ organizations, civil society, the private sector and other development partners – to enhance policy frameworks or strengthen their implementation and resourcing. Given the critical role of public policy as a lever of change, IFAD will also step up its engagement in policy dialogues that have the potential to bring about shifts towards the low-emission and climate-resilient development of rural economies.

42. **IFAD13 will have an intensified focus on innovation (including technological innovation) and on real-time, data-driven learning and scaling up within country programmes.** Action will be taken at multiple levels: at the country level, by providing support for data use in policy and programme design; at the project level, by enhancing monitoring and evaluation, knowledge and data systems for lessons learned in real time; and, at the corporate level, by further strengthening the rigour of impact assessments and making better use of agricultural research and innovation in country programmes. IFAD will also continue exploring the integration of behavioural-science-driven approaches into its work, along with other elements of the Quintet of Change identified in the United Nations Secretary-General’s Common Agenda.²⁴

B. Assembling development finance

43. **The IFAD13 financial framework will crowd in additional public and private resources, particularly for the poorest countries in debt distress, through an integrated PoW.** Core contributions are the bedrock of IFAD’s funding and are a prerequisite for any additional resource mobilization through borrowing or cofinancing. For IFAD13, Management is proposing that core funding should consist of: (i) core replenishment contributions; (ii) concessional partner loans (CPLs); and (iii) Climate Additional Contributions (climate ACs). The proposal for climate ACs as a new core funding mechanism builds on lessons learned since IFAD9 from the ASAP and unrestricted complementary contributions (see box 3). The funding sources complementing these core resources to expand IFAD’s PoW are: (a) additional borrowing (other than CPLs); (b) supplementary resources, especially for countries with limited borrowing capacity, including many LICs and those with fragile and conflict-affected situations; (c) innovative financing instruments; and (d) domestic and international cofinancing. This focus on an integrated PoW, incorporating diverse sources of funding, maximizes the benefits of IFAD’s hybrid financial architecture and recent financial reforms for increased impact.
44. **IFAD’s ability to increase support to the countries that are most in need relies on core funding.** In a context of high and rising levels of indebtedness, core replenishment contributions remain the foundation of IFAD’s financial architecture for supporting the poorest countries in line with their debt absorption capacities. CPLs also have a critical role to play in maximizing concessional financing for LICs and LMICs, as will climate ACs if they are introduced. IFAD will continue to provide a significant level of concessionality (grant element) with core financing, as well as a dedicated DSF envelope. The commitment capacity of the Fund will be guided by the sustainable replenishment baseline.²⁵

²⁴ The Quintet of Change identified in the Secretary-General’s Common Agenda includes: (i) data, analysis and communications; (ii) innovation and digital transformation; (iii) strategic foresight; (iv) behavioural science; and (v) performance and results orientation. Strengthening capacities of United Nations organizations in these areas will help them address complex, interconnected challenges and develop system-wide solutions.

²⁵ The commitment capacity of the Fund will continue to be guided by the sustainable replenishment baseline, its grant capacity while taking into consideration the compensation of past DSF commitments, future heavily indebted poor countries (HIPC) compensation and a prudential buffer to address additional debt distress degradation or similar events during the replenishment cycle.

Box 3

Proposed Climate Additional Contributions for IFAD13

Given the critical importance of climate in IFAD's work, both now and for the foreseeable future, a sustainable approach to integrating climate finance into IFAD's business model and financial architecture is required. Building on lessons learned from IFAD's experience with the ASAP and unrestricted complementary contributions, Management proposes that, for IFAD13, consideration be given to establishing a new category of Climate Additional Contributions – "climate ACs". These additional contributions could be:

1. **Received** from Member States as additional contributions to IFAD's core resources.
2. **Allocated** up front as additional climate financing for PBAS-eligible countries, or a subset of the most climate-vulnerable countries, and fully integrated at design. Allocations could be made using the PBAS formula but would be distinguished from regular PBAS allocations.
3. **Provided** on eligible countries' normal lending terms, including as grants for DSF-eligible countries, thereby increasing the funding available for countries in debt distress. In the long term, any reflows would become part of IFAD's core resources.
4. **Utilized** in a way that ensures that they can be reported as 100 per cent climate finance (regular core contributions could continue to be reported as 40 per cent climate finance, assuming this target is maintained for PBAS/BRAM financing).
5. **Eligible** for the assignment of voting rights for contributors as long as they are additional to core contributions, with no additional earmarking.

If climate ACs are established, they could become the preferred means of accepting 100 per cent climate finance contributions from IFAD Member States from IFAD13 onward. The ASAP+ could continue to serve as a window of the Rural Resilience Programme (2RP) Trust Fund for the acceptance of earmarked supplementary funds for climate, particularly from non-Member State partners who would not be able to contribute to IFAD's replenishment.

Member States are encouraged to provide feedback on this proposal with a view to developing a more detailed proposal for discussion in June 2023.

<i>Benefits for recipients</i>	<i>Benefits for contributors</i>
<ul style="list-style-type: none"> - Increased availability of climate funding for the most climate-vulnerable countries - Programmed and delivered alongside IFAD PBAS/BRAM funding for increased efficiency and effectiveness and reduced transaction costs 	<ul style="list-style-type: none"> - An additional mechanism for channelling 100 per cent climate finance to directly support smallholder agriculture as a means of addressing the climate-agriculture-food security nexus - Potential eligibility for voting rights

45. **Increased replenishment contributions will enable the Fund to generate a multiplier effect through its borrowed resources, thanks to its strong AA+ credit rating.** Making maximal use of IFAD's hybrid financial model and recent financial reforms is in line with global calls for a more effective use of the balance sheets of IFIs.²⁶ Management is exploring options for increasing IFAD's funding opportunities for the remainder of IFAD12 and for determining the framework for IFAD13 financial scenarios, including additional contributions for climate-related action. The borrowing strategy will reflect a prudent and progressive approach to leveraging and building on lessons learned to date. IFAD built significant experience as an issuer in 2022, and its mature financial and risk management capacities were reassessed by both rating agencies, which confirmed its AA+ rating in 2022.
46. **The Integrated Borrowing Framework (IBF) and capital adequacy and liquidity policies will continue to guide IFAD's borrowing activity.** Updates to the IBF based on significant lessons learned in 2022 are being prepared for submission to the Executive Board in May 2023. With this background, and driven by the final goal of providing attractive financing conditions to creditworthy LICs and MICs, IFAD will continue to assess its readiness for market borrowing and report to the Executive Board during IFAD12, in line with Governing Council resolution 223/XLIV on Amendments to the Policies and Criteria for IFAD Financing, which states that any commencement of market borrowing by IFAD must first be

²⁶ The G20 has called on MDBs to enhance development financing to support economic recovery and has urged MDBs to continue to discuss options for implementing the recommendations of the G20 Independent Review on MDBs' Capital Adequacy Frameworks, with progress on this expected during 2023. IFAD Management is closely following the discussions and their potential implications for IFAD.

reviewed and endorsed by the Executive Board and ultimately approved by the Governing Council.

47. **IFAD13 will also explore new financing innovations to address current global development challenges.** This could involve a combination of increased replenishment contributions and financial structures already tested at other IFIs/MDBs, along with IFAD's collaboration with public development banks (PDBs), which has included IFAD's hosting of the secretariat of the agricultural PDBs and its leading role in the development of the PDB Platform for Green and Inclusive Food Systems. Following the experience of some MDBs, Management is considering other potential new and innovative approaches for mobilizing funding, such as leveraging equity by rechannelling special drawing rights, or crowding in resources from non-traditional contributors to de-risk IFAD transactions and increase their concessionality. Management is also exploring the possibility of setting up a guarantee scheme as part of its sovereign portfolio, which would release more deployable capital.
48. **Accelerating climate adaptation calls for a far greater level of ambition in the mobilization of climate adaptation and biodiversity finance.** IFAD13 will aim to significantly expand the Fund's role as an assembler of climate and biodiversity finance. To achieve this, IFAD is exploring ways to enhance the integration of climate finance into its PoLG and broader PoW, taking into consideration both the availability of finance and country demand. Management is considering proposing the establishment of Climate Additional Contributions (see box 3), which would also help to increase concessional funding and grants for the poorest countries.
49. **IFAD13 will also have the ambition to expand the PSFP and deepen the integration of private sector funding into IFAD's business model.** The PSFP requires greater and more predictable funding to scale up its benefits. A stronger PSFP will provide a platform for IFAD to actively pilot and scale up innovative financial solutions, instruments and structures with high potential to unlock private capital for the small-scale agriculture sector in support of inclusive food systems transformation. Options for strengthening PSFP funding in IFAD13 and beyond are being analysed and will be evaluated, with consideration also being given to IFAD's financial sustainability. Options could potentially include a combined use of IFAD capital with various forms of supplementary funding (programmatic cofinancing, returnable capital, guarantees and special purpose grants). Any approach would be accompanied by the implementation of appropriate institutional and legal arrangements and safeguards. Management will present proposals on the PSFP as part of the IFAD13 Business Model and Financial Framework paper in June.
50. **IFAD13 will ensure a strategic approach to leveraging supplementary resources for transformative country programmes.** The growth in supplementary resources provided by Member States and non-Member State partners highlights IFAD's strengths in partnership, efficiency, delivery and impact.²⁷ In recent years, IFAD has responded by strengthening its management of these resources including through a supplementary resource strategy and has streamlined and improved its internal operating procedures. During IFAD13, efforts will continue to be made to strengthen IFAD's ability to maximize the impact of these resources. Particular emphasis will be placed on mobilization for LICs, fragile and conflict-affected situations and countries in debt distress, thereby further expanding IFAD's overall financial support for these countries. In this regard,

²⁷ The annual mobilization of supplementary resources reached a record of US\$420 million in 2021, up from less than US\$100 million a year until 2017 and between US\$150 million and US\$160 million a year in 2018-2020 (EB 2022/136/INF.5). The final total for 2022 is expected to be approximately US\$300 million.

Management is looking to utilize elements of the Umbrella 2.0 approach used for World Bank trust funds.²⁸

51. **IFAD will continue to prioritize core resources for the poorest countries while remaining committed to its universal mandate.** IFAD13 will maintain the commitment to devote 100 per cent of core funding to LICs and LMICs, with a dedicated envelope for DSF grants, and will ensure that UMICs can access 11-20 per cent of the IFAD PoLG in the form of borrowed resources. This approach will maximize the share of concessional resources for LICs and countries in debt distress, Africa and sub-Saharan Africa, and countries in fragile situations. IFAD's Graduation Policy will be implemented through upcoming COSOP updates for relevant countries. The country selectivity principles of strategic focus, absorptive capacity and ownership will continue to apply in IFAD13, together with a limit on the overall number of countries that access IFAD financing during the cycle.

C. Institutional framework

52. **In IFAD13, consolidation of institutional reforms will ensure that IFAD's capacities are sustainably strengthened.** IFAD has recently made important improvements in its organizational, operational and risk management capacity. It will remain committed to the continuous improvement of these changes while ensuring appropriate flexibility and sequencing of any future actions. This will be done, for example, by implementing ongoing initiatives (including Decentralization 2.0, human resources reforms, the digital transformation,²⁹ and upskilling and reskilling efforts spurred by the People, Processes and Technology Plan), while also incorporating lessons learned, monitoring the external context and assessing the institutional, operational and financial requirements of new commitments. Decentralization will remain a key priority in IFAD13 with a view to bringing IFAD closer to the people it serves, strengthening portfolio performance and enabling IFAD staff to learn, adapt, anticipate and leverage tailored and evidence-informed local solutions for transformational development outcomes.³⁰ Implementation of Decentralization 2.0 will be adjusted based on experience thus far and feedback from an ongoing evaluation by the Independent Office of Evaluation of IFAD. Attention will also be paid to the capacities required to underpin IFAD's evolving role as an assembler of finance.
53. **Prioritization will focus on optimizing the Fund's use of resources to achieve ambitious results.** Management recognizes that challenges exist with respect to staff workload and capacity and is devoting considerable attention to reducing the vacancy rate, strengthening prioritization and building a conducive workplace culture. Key steps in that process for IFAD13 are further alignment between the development objectives established for the replenishment period, planning cycles and IFAD's regular budget. Learning, performance measurement indicators and efficiency ratios from the Results Management Framework will continue to inform institutional planning and administrative budget management. Moreover, it is important to separate IFAD's programmatic costs from other indirect management costs as part of the ongoing smart budgeting process, which is being implemented for the first time in the 2023 results-based PoW and regular and capital budgets.³¹ IFAD13 will help to align IFAD cost reporting more closely with that of other United Nations agencies and IFIs in order to better measure and manage for efficiency and results.

²⁸ <https://www.worldbank.org/en/programs/trust-funds-and-programs/umbrella-2-programs>.

²⁹ Including **enhanced digital collaboration and virtual workspaces** that enable distributed teams to work together efficiently and effectively in a decentralized organization and that facilitate flexible working arrangements for staff; **automation** of predictable tasks and streamlined processes, together with support for the acquisition of **digital skills** to increase the productivity and technical autonomy of staff while providing support in the form of adequate digital investments, oversight and risk management.

³⁰ See IFAD and decentralization – a short- and medium-term discussion. EB 2022/135/R.4/Rev.1.

³¹ EB 2022/137/R.3.

54. **IFAD also remains committed to preventing and responding to sexual harassment and sexual exploitation and abuse, combating hate speech and racism, and enhancing diversity, equity and inclusion.** IFAD continues to implement a zero-tolerance policy on sexual harassment and sexual exploitation and abuse, along with its related action plan, and to submit regular updates to the Executive Board. Mandatory training for IFAD personnel remains in force, alongside training for implementing partners and the provision of guidance for recipients of IFAD financing. Implementation of IFAD's action plan on hate speech and racism is ongoing, and Management will continue to provide regular updates on the recently approved Strategy on Diversity, Equity and Inclusion.

VI. Conclusion

55. **Extraordinary times call for an extraordinary global effort.** Reversing the trends in food insecurity and poverty is possible, and IFAD's experience shows that investments in food systems and rural livelihoods are the entry point for change. Addressing root causes of food insecurity and poverty also helps to mitigate drivers of fragility and alleviate migratory pressures. In the context of growing debt distress, it is clear that increasing financing for the poorest countries and accelerating action on food systems, climate and rural transformation will require increased global ambition. In this document, IFAD Management has presented a number of proposed elements for a framework that will effectively leverage IFAD's comparative advantage to do this and step up to the challenge.
56. **The proposed IFAD13 priorities identified in this paper form a comprehensive framework to address key development constraints and to build on IFAD's expertise and results.** Member States are invited to give feedback on priority areas, potential enhanced tools and operational pillars. Based on the feedback and guidance received, IFAD Management will begin preparing the IFAD13 Business Model and Financial Framework paper for the second session of the IFAD13 Consultation, scheduled to take place in June 2023. The Business Model and Financial Framework paper will include more detailed proposals on many of the elements outlined here, including priority themes and potential IFAD13 financial scenarios.
57. **The joint task ahead for Replenishment delegates and IFAD Management will be to build a strong case for investment that mobilizes the highest possible level of financing for IFAD13.** This will be essential to provide increased levels of highly concessional funding, including grants, and support to the poorest countries to ensure that more and better food can be produced locally and that entire local food systems are transformed. With time running out to deliver on the SDGs, and with climate, COVID and conflict significantly increasing poverty, hunger and debt distress, scaling up support for IFAD is among the most efficient means to deploy ODA and face these challenges.