
Draft IFAD14 Report

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A note on this document

This document is the first draft of the Report of the Consultation on the Fourteenth Replenishment of IFAD's Resources (IFAD14 Report). It has been prepared by Management, building on the IFAD14 Strategic Directions paper presented at the launch of the IFAD14 Consultation, to continue the dialogue with Member States and present refined proposals on IFAD14's strategic priorities. It also opens the discussion on IFAD's operational approach and financial framework.

This draft is intended as a starting point for dialogue – not a final text. It presents Management's proposals and evidence from IFAD's portfolio, independent evaluations and country demand analysis. It does not yet contain all elements of the final report. Member States are invited to review the report critically both to identify areas in need of clarification or strengthened ambition and to shape the content of subsequent versions.

This draft includes:

- An overarching strategic narrative for IFAD14, setting out the context and rationale for the replenishment.
- An elaboration of the proposed IFAD14 framework, including thematic priorities and areas of focus.
- An overview of IFAD's business model and the institutional evolution that has occurred over recent replenishment cycles to deliver impact through a fit-for-purpose organization.
- A preliminary financial framework, accompanied by scenarios.
- Three technical annexes to support the financial framework on (i) terms and conditions of concessional partner loans; (ii) technical note on early encashment of core replenishment contributions; and (iii) core additional climate contributions.

A separate paper outlining the proposed approach to developing policy commitments and monitorable actions and the Results Management Framework (RMF), including suggestions for indicators that could be added, removed or adjusted, has also been circulated ahead of this session.

Not yet included in this draft

The following elements will be developed and incorporated in subsequent versions of the report, based on Member States' feedback and ongoing analytical work:

- The full commitments matrix and monitorable actions – which will be presented at the second Consultation session, informed by discussions at the first session.
- The RMF with refined indicators and targets – which will be presented alongside the commitments matrix at the second session.
- Impact projections for IFAD14 – which will be presented ahead of the second session.
- Technical refinements to the financial framework and scenarios.
- Responses to specific requests from Member States arising from the first session.
- Final technical annexes on IFAD14's financial framework, including the IFAD14 foreign exchange rate, and pledging guidelines.

Key steps in the development of the report

- **First session (current):** Review of IFAD at the midterm of IFAD13, and discussions on strategic priorities, the proposed IFAD14 framework, and the financial framework.
- **Between sessions:** An informal seminar building on discussions on commitments, the RMF and scenarios may be organized between the first and second session

(June/July) if requested by Member States. A revised draft IFAD14 Report will be circulated for e-consultation ahead of the second session.

- **Second session (29–30 October 2026):** The draft IFAD14 Report presented at the second session will incorporate all feedback received, an updated financial framework (plus relevant annexes), the complete draft RMF and proposals on policy commitments. A summary of comments received through e-consultation, and Management’s response on how this feedback has been addressed will be circulated alongside the revised report. A draft IFAD14 Resolution will also be presented for review at this session.
- **Third session (14–15 December 2026):** The final IFAD14 Report and Resolution will be presented, for submission to the Governing Council.

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Executive summary

1. Rural economies and communities hold vast potential to drive income growth, food security and long-term stability in a rapidly changing global environment. They anchor food systems, employ large youth populations and sustain natural resources. Yet they face climate shocks, conflict spillovers, weak market integration and limited access to finance. When rural incomes stagnate, food insecurity and instability deepen. When rural economies grow, countries strengthen resilience, jobs are created and social cohesion improves, leading to long-term stability.
2. The Fourteenth Replenishment of IFAD's Resources (IFAD14) will sharpen IFAD's focus by building on a proven model and offering catalytic leverage and focused delivery:
 - (i) **IFAD is the international financial institution of the first mile,¹ connecting rural economies to markets, investment and opportunity.** Rural economies remain systematically underfinanced. Smallholders capture less than 20 per cent of the final food price in value chains. Around 70 per cent of agrifood small and medium-sized enterprises lack adequate access to finance.² These are structural barriers that other financiers are not positioned to address. By combining concessional lending, grants, policy engagement, technical assistance and private sector mobilization within a single integrated country programme, IFAD connects the first mile to larger markets, infrastructure and investors.
 - (ii) **IFAD enters IFAD14 with the core building blocks of a stronger and more effective institution.** Decentralization has brought decision-making closer to governments and communities, supported by regional technical capacity and greater portfolio focus. Over time, financial reforms – including a strengthened capital framework and optimization of the balance sheet – have reinforced IFAD's financial sustainability and expanded its ability to leverage its equity base. Private sector engagement has been institutionalized, supported by dedicated expertise, updated operational processes and the Private Sector Financing Programme. More recently, institutional recalibration has further aligned structures, processes and resources with delivery priorities, strengthening operational efficiency and focus. These foundations position IFAD14 to deliver more predictable and impactful results.
 - (iii) **IFAD's model is delivering impact at scale.** Since the establishment of IFAD, each dollar of core contribution has unlocked around six dollars of on-the-ground investment in rural communities – and results confirm that this model works, and that it is getting stronger. Projects closing under IFAD12 delivered average income gains of 34 per cent, compared to 23 per cent under IFAD11. Where private sector engagement was strong, income gains reached 64 per cent.³ These outcomes reflect a model that has been independently evaluated and progressively strengthened over successive replenishment cycles.
 - (iv) **Deepening impact is the direction of travel – and IFAD14 is designed to support this.** The evidence is clear on what drives the deepest results:

¹ IFAD considers what has often been called the "last mile" to be the "first mile". The first mile refers to the most remote, excluded and underserved communities – those furthest from formal markets, financial systems and development finance. It is where small-scale farmers grow the food that nourishes both their communities and the rest of the world. These communities often face the greatest barriers to opportunity and investment, yet hold significant potential for transformation when targeted with inclusive, locally owned support.

² ISF Advisors, Mastercard Foundation Rural and Agricultural Finance Learning Lab. 2019. Pathways to Prosperity: Rural and Agricultural Finance State of the Sector Report. https://isfadvisors.co/wp-content/uploads/2019/11/2019_RAF-State-of-the-Sector-10.pdf.

³ IFAD. 2025. IFAD12 Impact Assessment Report. <https://webapps.ifad.org/members/eb/145/docs/EB-2025-145-R-21.pdf> and IFAD. 2025. Pathways out of poverty: Balancing scale and depth of impact. <https://webapps.ifad.org/members/eb/146/docs/EB-2025-146-R-16.pdf>.

integrated bundles of targeted, coordinated interventions that address the specific combination of constraints that rural households face – linking market access, skills, financial services and resilience measures together rather than addressing them in isolation.⁴ IFAD14 leverages the evidence to ensure that all country programmes integrate bundled interventions. Strengthened decentralization supports this – regional and country teams can now modulate the combination of solutions and interventions according to the specificities of country context.

- (v) **IFAD14 sharpens its programmatic focus around three pillars: markets, rural employment and resilience, and two cross-cutting enablers: private sector development and investment, and innovation.** The first pillar moves from increasing market access to strengthening the systems around which markets operate. Rural employment becomes an explicit pillar in its own right, focused on jobs, skills and enterprise for youth and women. Resilience is integrated directly into economic programming rather than treated as a stand-alone theme. Private sector development is integrated across all country programmes rather than pursued as a separate institutional agenda. Innovation shifts from isolated pilots to systematic embedding of proven solutions across operations. This offer is consistent across all contexts – but how it is sequenced, combined and weighted differs by country context. Full decentralization under IFAD13 now makes this differentiation systematic: regional teams modulate the pillars, enablers and instruments to the specific priorities and constraints of each country, so that what IFAD deploys in a fragile context differs meaningfully from what it deploys in a dynamic middle-income economy.
- (vi) **Private sector engagement is essential to scale and sustain impact.** Public resources cannot finance rural transformation at the required scale. IFAD's ability to demonstrate that first-mile markets are investable is precisely what makes it effective at attracting private capital in the rural space. Through sovereign operations, IFAD works with governments to reduce risk, strengthen enabling conditions and build investable pipelines for commercial investors. Through non-sovereign investments, IFAD is complementing these sovereign operations by providing financing to the private sector to fill gaps in their access to finance and crowd in other financiers. But private sector engagement is not only about financing at scale, it is about innovation and lasting impact at scale. In sovereign operations, projects where private sector actors are actively engaged in delivery generate four times the gains seen where private sector involvement is minimal.⁵ This is the evidence base on which IFAD14 will deepen and systematize private sector engagement across both sovereign and non-sovereign operations.
- (vii) **Partnerships must leverage complementarities in a system under reform.** Development institutions face pressure to reduce fragmentation and deliver greater efficiency. IFAD14 strengthens collaboration with multilateral development banks, regional and local technical and financial institutions and the United Nations system based on comparative strengths. IFAD brings sector specialization, technical knowledge and impact in rural development. By connecting the first mile to larger financial and investment flows, infrastructure programmes and policy platforms, partnerships multiply what IFAD achieves when working alone. This includes the private sector. The objective is for IFAD to serve as a platform that brokers complementarity and leverage, not duplication.

⁴ IFAD. 2025. IFAD12 Impact Assessment Report. <https://webapps.ifad.org/members/eb/145/docs/EB-2025-145-R-21.pdf>.

⁵ Ibid and IFAD. 2025. Pathways out of poverty: Balancing scale and depth of impact. <https://webapps.ifad.org/members/eb/146/docs/EB-2025-146-R-16.pdf>.

- (viii) **Core resources are the foundation and replenishment levels determine what ambition is possible.** Replenishment contributions (core contributions, core additional climate contributions and concessional partner loans) are the backbone of IFAD’s financial model. They sustain the concessionality needed for low-income countries and those in fragile or conflict-affected situations. They also reduce risk and enable structured financing arrangements that attract private capital. Importantly, they strengthen IFAD’s capital base, allowing it to tap into capital markets to leverage additional financing and deliver on its universal mandate. Replenishment levels directly shape what IFAD can do: the size of the programme of loans and grants, the level of concessionality required to maintain its comparative advantage and meet the needs of its target group, and the volume of cofinanced investment that concessional resources can unlock.
 - (ix) **Focused commitments and institutionalized priorities strengthen accountability.** IFAD14 proposes an approach for a sharper commitments framework, aligned with institutional capacity and deliverable within the replenishment period. Priorities from previous cycles framed as time-bound commitments – such as climate action and social inclusion – are now embedded in IFAD’s core business model and applied consistently across operations, with performance tracked through the Results Management Framework. This reflects institutional progress and reinforces accountability to Member States.
 - (x) **IFAD14 aims for durable economic transformation.** It will strengthen the way in which inclusive rural economies function, connecting rural people to markets, generating employment for the growing youth population and creating the resilience to withstand shocks. Achieving this requires sustained political and financial support from Member States. With strong support, IFAD14 can deliver predictable, scalable and lasting stability for rural societies.
3. This replenishment is our opportunity to scale first-mile investments together for food security, economic growth and stability.

Draft IFAD14 Report

I. Introduction

1. At its forty-ninth session in February 2026, IFAD's Governing Council established the Consultation on the Fourteenth Replenishment of IFAD's Resources (IFAD14) and requested the Consultation to submit a report on the results of its deliberations to the fiftieth session in February 2027. Building on the Strategic Directions paper discussed with members at the informal pre-Consultation session in December 2025, this draft report elaborates Management's initial proposals to guide discussions with Member States on IFAD14's strategic priorities, operational approach and financial framework for the 2028–2030 period.
2. The timing of this replenishment coincides with a global development environment under structural strain. Fiscal space is tightening, debt vulnerabilities are rising, climate and conflict shocks are intensifying, and official development assistance is declining, which compounds the pressure on rural economies. Rural areas are home to the majority of the world's poorest people. They are also the anchor of national food systems and employer of nearly 40 per cent of the global workforce. However, they remain chronically underfinanced.⁶ When rural incomes stagnate, food insecurity and poverty increases, displacement accelerates and the conditions for local and national stability deteriorate.⁷ The case for sustained rural investment has never been stronger – nor has the requirement to deliver measurable, durable results been more urgent.
3. IFAD has evolved to be ready for this moment. As the only international financial institution dedicated exclusively to agriculture and rural development, IFAD has the expertise, country presence and financial architecture to deliver rural transformation at the first mile. IFAD enters IFAD14 as a significantly stronger institution than at the start of the previous decade and it is ready to deploy what has been built at greater scale, with sharper focus and stronger evidence on what works.
4. The proposals in this report are organized around three mutually reinforcing pillars – markets, rural employment and resilience – supported by two cross-cutting enablers: private sector development and investment, and innovation. They reflect a deliberate sharpening of IFAD's offer, grounded in independent evaluation, impact assessment evidence and country demand. The sections that follow set out the global context for this investment, IFAD's value proposition and how IFAD14 will deliver. The financial section lays out initial replenishment scenarios for Member States' consideration. The accountability architecture is explained in a dedicated paper on the proposed approach to commitments and the Results Management Framework (RMF) and will be developed progressively over the duration of the Consultation cycle based on Member States' guidance.

II. Rural investment for stability and shared growth: The global context and IFAD's role

A. What's shaping rural realities: Opportunities and challenges

5. Rural areas remain central to global efforts to end hunger, poverty and instability. In 2024, up to 720 million people faced hunger and 2.3 billion experienced food insecurity.⁸ Rural poverty rates are more than three times higher than urban rates, reflecting persistent gaps in access to land, employment, finance, infrastructure and

⁶ FAO. 2024. FAOSTAT: Employment Indicators – Agriculture and Agrifood Systems. <https://www.fao.org/faostat/en/#data/OEA>.

⁷ FAO, IFAD, United Nations Children's Fund (UNICEF), WFP and World Health Organization (WHO). 2025. The State of Food Security and Nutrition in the World 2025 – Addressing high food price inflation for food security and nutrition. <https://doi.org/10.4060/cd6008en>.

⁸ Ibid.

markets.⁹ In many developing regions, farmers achieve only 30 to 50 per cent of attainable yields. In addition, most of the value in food systems is created beyond the farm gate: primary agriculture accounts for less than one quarter of the value added in the agrifood system, while processing, logistics, retail and services capture the majority.¹⁰ Moreover, significant improvements in efficiency are achievable along the entire value chain, since food loss and waste account for between 30 and 50 per cent of global food production.¹¹ These structural gaps mean that rural economies generate far less income and employment than their productive potential would allow.

6. Yet rural economies offer some of the highest returns for investment. Growth in agriculture is two to three times more effective at reducing poverty than growth in other sectors¹² and has driven more than half of the aggregated poverty reduction in sub-Saharan Africa.¹³ Transforming food systems could generate net benefits of between US\$5 trillion and US\$10 trillion per year in health, environmental and economic terms.¹⁴ Closing the persistent financing gaps that restrict smallholder participation in markets is not only a development imperative – it is also an economic one.
7. Demographic trends add urgency and opportunity. Nearly 60 per cent of the world’s 1.3 billion young people live in low and lower-middle income countries (LICs/LMICs), many in rural areas.¹⁵ In low-income countries (LICs), less than 20 per cent of young people are in regularly paid employment¹⁶ while 55 per cent of young workers globally are in informal or vulnerable employment. By 2050, it is projected that 70 per cent of the world’s young population will be living in countries facing persistent development challenges.¹⁷ With the right investments in skills, enterprise development and market linkages, this growing population can be a driver of rural transformation – not a source of instability.
8. Agrifood systems employ more than 64 per cent of the workforce in Africa¹⁸ and are the source of livelihoods across much of Africa, Asia and Latin America. Digital connectivity is expanding the frontier of what is possible: more than 90 per cent of people globally live within reach of a mobile network, and hundreds of millions of rural users hold mobile money accounts. When combined with investment in rural enterprises and value chains, digital tools can reduce transaction costs, expand access to finance and markets, and improve climate information and risk management. Artificial intelligence (AI) is accelerating this further – enabling precision agriculture, personalized advisory services and more efficient market access at a scale and cost that was not previously achievable. AI and digital platforms are reshaping labour markets, agricultural value chains and financial systems faster than most rural institutions can adapt. Without deliberate

⁹ World Bank. 2024. Poverty, Prosperity, and Planet Report 2024: Pathways Out of the Polycrisis.

<https://hdl.handle.net/10986/42211>.

¹⁰ FAO. 2024. The State of Food and Agriculture 2024 – Value-driven transformation of agrifood systems.

<https://doi.org/10.4060/cd2616en>.

¹¹ Baykoca, B. and Yilmaz, S. 2025. Understanding food loss patterns across developed and developing countries using a GDP, growth rate, and health expenditure-based typology. *Scientific Reports*, 15, 27597.

<https://doi.org/10.1038/s41598-025-13156-3>.

¹² Christiaensen, L. and Martin, W. 2018. Agriculture, structural transformation and poverty reduction: Eight new insights. *World Development*, 109, 413-416. <https://www.sciencedirect.com/science/article/pii/S0305750X1830175X>.

¹³ De Janvry, A. and Sadoulet, E. 2010. Agricultural growth and poverty reduction: Additional evidence. *The World Bank Research Observer*, 25(1), 1-20. <https://academic.oup.com/wbro/article-abstract/25/1/1/1681409>.

¹⁴ Ruggeri Laderchi, C., Lotze-Campen, H., DeClerck, F., et al. 2024. The Economics of the Food System Transformation. Food System Economics Commission (FSEC), Global Policy Report.

<https://foodsystemeconomics.org/wp-content/uploads/FSEC-GlobalPolicyReport-February2024.pdf>.

¹⁵ United Nations (2026). World Population Highlights 2026: Youth. UN DESA/POP/2026/TR/NO. 13. New York: United Nations. <https://desapublications.un.org/file/21644/download>.

¹⁶ International Labour Organization (ILO). 2024. Global Employment Trends for Youth 2024. Decent work, brighter futures. https://www.ilo.org/sites/default/files/2024-09/GET_2024_EN%20web.pdf.

¹⁷ United Nations (2026). World Population Highlights 2026: Youth. UN DESA/POP/2026/TR/NO. 13. New York: United Nations. <https://desapublications.un.org/file/21644/download>.

¹⁸ FAO. 2024. Employment Indicators: Agriculture and agrifood systems. <https://www.fao.org/newsroom/detail/faostat-afs-employment-data/en>.

investment in rural digital infrastructure, skills and inclusion, these shifts risk widening the divide between connected urban economies and a first mile that is bypassed rather than transformed. Connectivity alone does not generate transformation, it must be embedded in functioning market systems and supported by conditions that enable rural producers and enterprises to benefit.

9. Fragility compounds all of these challenges. Around 70 per cent of people experiencing acute food insecurity live in fragile and conflict-affected contexts.¹⁹ Food insecurity and political instability are closely linked: when rural livelihoods collapse, displacement accelerates, social tensions rise and the conditions for recovery become harder to create. Conversely, when rural economies stabilize – when incomes grow, food systems function and employment expands – the foundations for longer-term stability gain strength. Investment in rural economies is therefore also investment in stability.
10. An extended period of geopolitical instability and recurrent conflict has created persistent volatility in energy, fertilizer and food supply chains, raising input costs for farmers, eroding the purchasing power of rural households that are net food buyers, and repeatedly triggering emergency responses that crowd out the longer-term investment that rural economies need. Strengthening local input supply chains, affordable risk management tools and efficient and adaptive production systems is therefore essential – both to absorb shocks and to manage the persistent price volatility that originates beyond the reach of national policy.
11. Rural investment is a macroeconomic stabilizer. Stronger domestic value chains reduce import dependence and exposure to external price shocks. Regional market systems support trade corridors and cross-border value chains, connecting small-scale producers to wider markets, and improve the resilience of food systems to supply disruptions. Expanding rural incomes and employment reduces the fiscal burden of repeated emergency responses and contributes, over time, to a broader domestic resource base and greater national fiscal resilience.
12. The case for investing in rural transformation is therefore both urgent and grounded in evidence. The challenge is ensuring that available finance is deployed with maximum effectiveness – catalytic in its leverage, disciplined in its focus and sustained in its country engagement. IFAD combines sector depth, proven delivery models and the financial architecture to direct resources where they generate the strongest returns.

B. IFAD's value proposition in a more demanding global context

IFAD is the international financial institution of the first mile

13. IFAD is the world's only international financial institution (IFI) dedicated exclusively to agriculture and rural development, with a singular focus on reaching the most remote areas where poverty is deepest and where development begins. These are the places where small-scale producers and rural small and medium-sized enterprises (SMEs) grow the food that nourishes both their communities and the world. However, they face significant barriers to accessing the markets, finance and services needed to support vibrant rural economies, because mainstream development finance has historically not worked for them. IFAD's people-centred approach has consistently specialized in ensuring that investment reaches those most at risk of being left behind, and its deep country presence and grassroots partnerships build local ownership and drive transformation from the ground up. As a AA+ rated IFI with the inclusive governance of a multilateral institution with 180 Member States, IFAD combines financial credibility with universal reach. Since

¹⁹ Food Security Information Network (FSIN) and Global Network Against Food Crises (GNAFC). 2025. Global Report on Food Crises 2025. <https://www.fightfoodcrises.net/sites/default/files/resources/files/GRFC2025-full.pdf>.

inception, every dollar of core contribution has generated approximately six dollars of investment in rural communities.²⁰

- (a) **Reach.** IFAD reaches people and places that other financiers cannot. Its targeting frameworks direct resources to small-scale producers, landless workers, rural women, youth, Indigenous Peoples, persons with disabilities and those living in fragile and conflict-affected situations. More than half of IFAD project participants live in fragile or climate-exposed environments. IFAD's country presence – now spanning more than 45 offices – enables sustained engagement in remote and complex contexts, including where commercial incentives are weakest and risk is highest. The majority of IFAD's financing is directed to the poorest countries, positioning it as a leading source of concessional financing for agriculture and rural development.
- (b) **Relevance.** IFAD's mandate aligns directly with the most pressing development challenges of the current moment. Food insecurity and the absence of rural economic opportunity are core drivers of forced migration and instability. The demographic pressure building across developing countries, particularly in Africa, makes the case for rural employment investment urgent. Climate and fragility shocks are intensifying. Yet rural investment remains chronically underfinanced relative to its demonstrated returns. IFAD's exclusive focus on agriculture and rural development means that its resources, expertise and country engagement are calibrated entirely to address these challenges. Country-demand analyses confirm that IFAD14's three pillars – markets, rural employment and resilience – reflect what governments and rural communities are asking for.
- (c) **Results.** IFAD's model generates measurable and attributable strong impacts. The IFAD12 Impact Assessment Report showed that IFAD-supported investments increased the incomes of 49 million rural people (by an average 34 per cent), improved market access for 39 million people (average 35 per cent increase), boosted agricultural production for 40 million (average 34 per cent) and enhanced the resilience of 10 million (average 5 per cent).²¹ These aggregate results reflect a portfolio that has been progressively honed to embed the approaches that evidence shows work best – high-intensity value chain investments, strong private sector engagement and bundled interventions that address multiple constraints simultaneously.
- (d) **Resources.** IFAD acts as a unified investment platform – mobilizing, blending and directing different sources of capital towards rural transformation. Between 2022 and 2024, IFAD achieved a record cofinancing ratio of 1:2.34, exceeding its target of 1:1.5.²² It mobilized US\$1 billion from investors, including pension funds and central banks, and US\$1.14 billion in supplementary funds primarily to support smallholders to adapt to climate change.²³ By bringing together governments, public development banks, multilateral institutions, bilateral donors, trust funds, climate funds and private investors within a single country programme framework, IFAD reduces fragmentation, strengthens national ownership and ensures that resources flow to where they are needed most.

²⁰ With US\$11.12 billion paid in capital since its establishment, IFAD has mobilized a total programme of work of US\$67.44 billion, comprising: US\$26.56 billion in approved IFAD financing (including global and regional grants); and US\$40.88 billion in domestic and international cofinancing. IFAD Annual Report 2024.

²¹ IFAD. 2025. IFAD12 Impact Assessment Report. <https://webapps.ifad.org/members/eb/145/docs/EB-2025-145-R-21.pdf>.

²² IFAD. 2025. Report on IFAD's Development Effectiveness 2025. <https://webapps.ifad.org/members/eb/145/docs/EB-2025-145-R-19.pdf>.

²³ IFAD. 2025. Overview of Supplementary Funds Received, Committed and Administered by IFAD. <https://webapps.ifad.org/members/eb/145/docs/EB-2025-145-R-37.pdf>.

An institution that has evolved through deliberate reform

14. IFAD enters IFAD14 as a significantly stronger institution. Decentralization has moved decision-making closer to governments and rural communities. More than 45 country and regional offices are now operational, with expanded delegated authority that accelerates responsiveness and engagement. Country offices serve as the primary interface for government, partner and community engagement and they bring regional technical teams with expertise at the country level for faster and more context-specific programming. Decentralized regional offices with strong technical teams improve technical support and decision-making. Recalibration has further strengthened and aligned institutional functions, processes and resources more closely with delivery needs. Finally, the creation of the Office of Development Effectiveness has enabled the institution to use evidence more consistently in the design of its investments and to connect policy, quality and impact in a more effective manner.
15. Financial and risk architecture reforms have significantly strengthened IFAD's ability to multiply and leverage core contributions. These include reforms to the Debt Sustainability Framework, a risk-based Capital Adequacy Policy, a strengthened liquidity framework, and the consolidation of borrowing instruments under a revised Integrated Borrowing Framework. These reforms have secured IFAD's AA+ credit rating and the expansion of tools (such as private placements), thereby diversifying funding sources beyond Member State contributions. IFAD's capacity has been further enhanced through recent capital optimization measures, including the adoption of risk-sensitive metrics such as deployable capital, the removal of overly conservative leverage limits, and the introduction of more sophisticated risk management and liquidity tools. The creation and evolution of the Office of Enterprise Risk Management and recruitment of financial and operational risk officers have enabled the institution to grow its risk maturity and mitigate risks.
16. Private sector engagement has been institutionalized. The Private Sector Operational Strategy 2025–2030 provides the framework for deepening sovereign and non-sovereign private sector integration under IFAD14. Staff with specialized private sector expertise have been recruited into a new division, while project design and supervision processes have been revised. The Private Sector Financing Programme has established a credible platform for non-sovereign operations (NSOs). What began as a reform agenda is now embedded as a core feature of IFAD's business model.
17. IFAD has made concrete progress in its operational processes by shortening project design documentation, streamlining quality reviews, and simplifying additional financing procedures. Digital tools and AI applications have accelerated this further, automating routine processing and freeing staff capacity for project quality, country engagement and implementation support. These changes have directly strengthened IFAD's institutional capacity to focus on delivery. This is reflected in improved portfolio focus and pipeline management, greater project implementation readiness, strong country strategy effectiveness and high levels of cofinancing.
18. Taken together, these reforms represent a journey from an institution managing a portfolio of stand-alone projects to one delivering integrated decentralized country programmes at scale, with a financial architecture capable of assembling and directing diverse sources towards rural transformation. IFAD14 is not about introducing a new model. It is about executing at full capacity through the architecture that has been built, and translating the institutional maturity that has been achieved into a sharper, more differentiated programmatic offer for rural transformation tailored to individual regional and country contexts.

III. IFAD14: Investing in rural people for food security, economic growth and stability

19. The IFAD14 offer is grounded in three sources of evidence. The first is independent evaluation: the corporate-level evaluation of IFAD11 and IFAD12 consistently underscores the importance of prioritization, coherence and aligning ambition with institutional capacity. IFAD14 will respond with three clearly defined pillars: markets, rural employment and resilience.
20. Second, evidence from IFAD's impact assessments shows clearly that results are driven by: (i) bundles of targeted, coordinated interventions that address multiple constraints simultaneously; (ii) value chain approaches that extend support beyond production to aggregation, processing and markets; and (iii) engaging private sector actors at the outset. Under IFAD14, this will guide all programme design.
21. The third source of evidence is country demand. Analysis of country strategic opportunities programmes (COSOPs), pipeline projects and government priorities confirms that countries are seeking: stronger market integration; productive employment for youth; and resilience to climate change and shocks. IFAD14 is a disciplined alignment of what has been shown by the evidence to work and country needs.
22. IFAD14 is organized around three mutually reinforcing pillars and two cross-cutting enablers.
 - (a) The **markets** pillar strengthens the systems supporting functional markets – integrating value chains from production to markets, including value addition. It translates productivity gains into sustained income growth and the transformation of rural economies. This focus shifts from helping producers access markets to making market systems work for rural people.
 - (b) **Rural employment** becomes a priority in IFAD14. Productive jobs, skills and enterprise opportunities for youth are not secondary outcomes of market development. They are central to rural transformation and to the stability of countries with large, young and rapidly growing rural populations.
 - (c) **Resilience** is built through embedding adaptation to climate change, natural resource management and fragility-sensitive approaches directly within programming. Development gains must be protected rather than lost to repeated shocks, displacement and fragility.
23. Two enablers accelerate the scale and sustainability of impact across all three pillars. The first is private sector development and investment. IFAD's role is to make first-mile markets investable by reducing risk, building pipelines and attracting commercial capital into rural markets that would otherwise be overlooked. NSOs extend this reach by providing direct financing to enterprises and financial intermediaries serving rural communities. The second enabler is innovation. In IFAD14, the emphasis is on the adoption of proven solutions across all operations – spanning agriculture research and development, digital tools, mobile platforms and AI-enabled delivery. Together, these solutions put technologies and practices into the hands of smallholders, reduce transaction costs, strengthen market and climate information, and enable more adaptive and evidence-based programme management.
24. Regional and country offices with strengthened technical teams provide dedicated sector-specific expertise at the country level. This proximity fundamentally changes what IFAD can deliver. Regional teams can tailor the pillars, enablers and instruments to match each country's priorities, constraints and market conditions. This differentiation is not new: IFAD has always adapted to country context. But with strengthened institutional capacity, IFAD can deliver more systematically, at greater depth and with stronger evidence of what works in each context,

integrating a regional perspective. The programme of work approaches of integrating sovereign operations, non-sovereign investments, grants, crowding in of cofinancing and policy engagement within a single country framework now provide the vehicle for delivering in a differentiated manner. How the three pillars are sequenced, combined and weighted will therefore reflect each specific country context, guided by the regional expertise that decentralization has made available.

Figure 1
IFAD14 framework



Moving from mainstreaming to integration

25. The defining shift in IFAD14's approach is the move from mainstreaming to integration. Mainstreaming meant ensuring that gender, youth, climate and nutrition were tracked and reported on across the portfolio. Integration means that these priorities are built into the design of country programmes. They determine which value chains are selected, which enterprises are supported and which financial products are deployed. They also shape employment programming, determining which skills are prioritized, which barriers are addressed and which enterprises are targeted for support. Finally, they shape resilience investments, determining which communities are prioritized, which risks are to be addressed, which management tools are deployed and which local institutions are strengthened.
26. This integration operates at three levels. At design, inclusion objectives are embedded in country strategies and project design. At implementation, differentiated delivery approaches respond to the specific barriers and capacities of different groups. Women, youth, Indigenous Peoples and persons with disabilities face different constraints and need different solutions. At the results stage, integration is tracked through the RMF with disaggregated evidence and specific indicators. Progress is not only measured in aggregate but by who benefits.
27. Over successive replenishment cycles, themes such as climate resilience, gender equality, women's empowerment, youth inclusion and nutrition have moved from stand-alone initiatives to being embedded in IFAD's operating model through policies, operational guidance and quality assurance processes. Under IFAD14, this integration will be further strengthened. Country programmes will incorporate these priorities through approaches that reflect national contexts and priorities while maintaining clear accountability for results. This approach recognizes the diversity of IFAD's operating environments and allows programmes to address each context's

unique priorities in a practical and measurable manner aligned with national strategies. Mainstreaming does not imply uniform performance across countries and contexts: progress and gaps will continue to be tracked through the RMF and corporate reporting.

A. Focus areas

I. Markets: Unlocking rural potential

28. Small-scale producers and rural enterprises are at the heart of food systems across the developing world. Yet they capture only a small share of the value those systems generate. Market participation rates among smallholders vary enormously, from 25 per cent in Ethiopia to less than half of production sold in Kenya and as little as 12 per cent in Nepal.^{24,25} In global food systems, farmers receive less than 20 per cent of the final retail food price. Processing, logistics and retail capture the majority of value added. In a world where value chains are fragmented, infrastructure is weak, finance is unavailable and aggregation is absent, farmers cannot convert their output into sustained income growth. The markets pillar aims to strengthen the systems within which markets operate so that rural economies add and retain more value, generate more employment and grow to scale.
29. IFAD's portfolio confirms that the path from productivity to sustained income runs through functioning markets. Between 2010 and 2022, 76 per cent of IFAD-supported projects explicitly employed a value chain approach, extending support beyond production to aggregation, processing and marketing. Where private sector partners were actively engaged within value chain projects, income gains reached 64 per cent – four times that achieved with minimal private sector involvement. IFAD14 builds upon this model. Under IFAD13, stronger country presence and more integrated programming reinforced this direction. Under IFAD14, it becomes the standard for market-focused country programmes.
30. IFAD14 will signal a shift from supporting market access to strengthening the systems in which markets operate. Thus far, IFAD has supported producers to reach existing markets through training, inputs, producers' organizations and basic infrastructure. While this generates income gains, it does not transform market structure that rural producers operate within. Initiated in IFAD13 and continuing in IFAD14, country programmes will work across the full value chain, from production through aggregation, storage, processing, logistics and markets, with explicit private sector engagement at each stage. This means identifying and investing in financial infrastructure that maximizes value retention locally. Digital tools such as traceability systems, digital finance and market information platforms are embedded as delivery mechanisms – not optional components. The aim is not simply to expand the number of producers with market access. It is to improve the terms on which they participate.

Box 1

Unlocking value in rural economies: Learning from the Dairy Value Chains Development Project (DVCDP) in Uzbekistan

Implemented between 2017 and 2023 in the regions of Jizzakh and Kashkadarya, DVCDP combined capacity-building for dairy value chain actors with expanded access to credit through partner financial institutions. Credit beneficiaries invested in higher-yielding cattle and improved husbandry practices, leading to substantial increases in dairy productivity. Milk sales increased by 40 per cent, livestock income rose by 84 per cent and the value of milk production increased by 82 per cent. Participating households experienced improved food security, with outcomes 26 per cent higher than non-participants. This illustrates how integrated productivity, finance and market support can translate into income and welfare gains.

²⁴ Rueda, X. et al. 2024. INCATA: Linked Farms and Enterprises for Inclusive Agricultural Transformation in Africa and Asia – LSMS-ISA Analyses Progress Report. <https://rimisp.org/wp-content/uploads/2024/03/INCATA-LSMS-ISA-Progress-Report-Oct.-2024-Watermarked.pdf>.

²⁵ Gebremedhin, B. and Jaleta, M. 2010. Commercialization of Smallholders: Is Market Participation Enough? <https://ideas.repec.org/p/ags/aaae10/96159.html>.

Six foundations for strengthening market systems

31. Strengthening market systems requires sustained investment across six interconnected foundations. Country programmes will be designed to address all six as a coherent package calibrated to the specific constraints and opportunities of each country context.
32. **Productive capacity.** Market transformation cannot begin without climate-resilient, diversified and market-responsive production. Innovations like improved crop varieties, conservation agriculture, low-cost drip irrigation, in situ water harvesting and well-designed index insurance have demonstrated consistent results across IFAD's portfolio. IFAD14 will continue to embed these innovations in market-focused country programmes. They are the productive foundation on which all other market investment depends.
33. **Post-production and market infrastructure.** Even when production is strong, value is lost from rural economies through post-harvest losses. These are caused by weak handling capacity and poor connectivity. Storage, cold chain, feeder roads, processing equipment and market infrastructure are not complementary add-ons. They are the physical systems needed for functioning markets. In IFAD14, investments will increasingly focus on strengthening these systems as part of integrated value chain development, ensuring that production translates into income and local economic activity.
34. **Finance and financial services.** Producers and rural enterprises cannot move from subsistence to commercial activity without access to credit, insurance and savings products tailored to their needs. Agricultural micro, small and medium-sized enterprises (MSMEs) in developing countries face an annual financing gap of US\$170 billion. Approximately 70 per cent of rural MSMEs lack adequate access to finance.²⁶ IFAD14 will continue to work with financial intermediaries, including rural banks, microfinance institutions, savings and credit cooperative organizations and public development banks to expand access to financing. Value chain finance, index insurance and digital financial services will be deployed for reaching producers and enterprises that are historically underserved by formal financial systems.
35. **Skills, knowledge and organizational capacity.** Participating in higher-value markets requires capabilities that many rural producers and enterprises currently lack – meeting quality and safety standards, managing commercial contracts, using digital tools and running viable enterprises. Producers' organizations and cooperatives are central to building these capacities. They aggregate supply, strengthen collective bargaining power, provide shared services and give smallholders the market presence and reliability that individual producers cannot. In IFAD14, IFAD will support the strengthening of these organizations through targeted investments in governance, management skills, market linkages and access to services, enabling them to operate as viable market actors.
36. **Enabling environment.** Market systems function only when there are sound policies, and regulatory and institutional frameworks governing them. Land tenure security, fair and favourable trade policies, supportive regulatory systems and national agricultural strategies that prioritize rural market development all determine whether investments can transform markets. IFAD's policy engagement through COSOPs, government partnerships and participation in national and regional policy processes is a foundation for inclusive market systems. This policy engagement will be strengthened in IFAD14, supporting reforms that improve market access, enable rural enterprise development and strengthen agricultural and food systems.

²⁶ ISF Advisors, Mastercard Foundation Rural and Agricultural Finance Learning Lab. 2019. Pathways to Prosperity: Rural and Agricultural Finance State of the Sector Report. https://isfadvisors.co/wp-content/uploads/2019/11/2019_RAF-State-of-the-Sector-10.pdf.

37. **Nutrition-sensitive market design.** Market transformation delivers its full potential when it increases the availability of diverse foods. IFAD14 will embed nutrition-sensitive approaches across market investments to ensure that value chain development increases the availability and affordability of diverse, nutritious foods – not simply higher volumes of cash crops. This includes supporting local food systems that connect smallholder producers to community food markets, and facilitating linkages to national procurement systems such as school meals programmes.

Box 2

Leveraging school meals to strengthen nutrition and rural markets

Where there is country demand, IFAD will support approaches that use school feeding systems as a platform to improve nutrition and strengthen local rural economies. School meals programmes can: (i) link schools with small-scale farmers and producers' organizations through local procurement; (ii) strengthen supply chains for nutritious foods; and (iii) improve food safety, storage, kitchen and hygiene infrastructure. They may also promote nutrition education and behaviour change among students, families and communities, while supporting institutional and policy frameworks for sustainable home-grown school feeding. Collaboration with national school feeding programmes, the School Meals Coalition and the other Rome-based agencies will maximize impact and strengthen coordination.

IFAD-supported initiatives in countries including the Plurinational State of Bolivia, Brazil, Cameroon, Guinea-Bissau, Indonesia, Kenya, the Lao People's Democratic Republic and Tajikistan demonstrate that predictable school meal procurement can create stable local markets for nutritious foods. This incentivizes diversified smallholder production and generates income and employment opportunities in rural areas (especially for women) while improving children's access to safe and nutritious foods.

Strengthening market systems: Three measurable shifts

38. Investment across these six foundations is designed to produce three measurable shifts for rural communities. Together they define what markets can achieve under IFAD14.
39. **Higher and more stable incomes.** More rural households will convert productivity gains into stable, higher net incomes through improved sales, reduced post-harvest losses and stronger bargaining power. This reflects structural improvements in how markets function, rather than temporary interventions.
40. **More value retained locally.** More value will be generated and retained within rural economies through aggregation, storage and processing. Rural enterprises will capture a larger share of the value they produce. Employment will expand along value chains as activities are implemented. Rural economies will become more economically active and less dependent on external processing and logistics.
41. **More inclusive and reliable market systems.** Market systems will work for a broader range of participants, including women, youth, Indigenous Peoples and marginalized producers who face the highest barriers. These systems will be more reliable, offering producers more predictable demand, stable prices and durable commercial relationships through structured private sector engagement and public-private-producer partnerships (4Ps). They will also be more connected, linking first-mile producers to national procurement systems, regional value chains and global markets through trade corridors such as the African Continental Free Trade Area or subregional trade and transport corridors.

II. Rural employment: Empowering youth

42. Rural economies are not generating enough well-paid productive work. Agricultural workers represent 26 per cent of global employment, but generate only 4 per cent of global GDP. This gap reflects the scale of underemployment, informality and low productivity in rural labour markets.²⁷ Around 86 per cent of rural employment

²⁷ FAO. 2024. Gross Domestic Product and Agriculture Value Added, 2013–2022: Global and Regional Trends. FAO Statistics Highlights. <https://www.fao.org/statistics/highlights-archive/highlights-detail/gross-domestic-product-and-agriculture-value-added-2013-2022.-global-and-regional-trends/en>.

globally is informal.²⁸ The global youth unemployment rate stands at 13 per cent. Twenty per cent of young people lack employment, education or training. Approximately 55 per cent of young workers are in informal or vulnerable employment.²⁹ Between 2025 and 2050, the youth population in LICs and LMICs is expected to grow by 16 per cent, reaching nearly 880 million, with much of the growth projected in sub-Saharan Africa.³⁰ Without a significant expansion in productive rural employment, the demographic shift towards a younger labour market will become a source of instability rather than growth. Addressing rural employment is not a secondary concern. It is central to economic transformation and to the stability of countries with large and rapidly growing rural youth populations.

43. In IFAD13, employment was considered an outcome of market development and livelihood strengthening. It was embedded across the portfolio, but not treated as a stand-alone investment priority. Evidence shows that employment outcomes depend on the ecosystem surrounding a worker or entrepreneur – not on any single intervention delivered in isolation. Stand-alone training programmes generate skills but not jobs. Finance without skills and market linkages produces underperforming enterprises. Market access without organizational and financial capacity leaves rural workers in low-return subsistence activities. IFAD14 will have a dedicated focus on productive, remunerative work in farming and off-farm activities across the rural enterprise ecosystem: processing, logistics, input supply, services and agribusiness.
44. The evidence on what works is clear. Bundled interventions combining skills training, access to finance, mentoring and market linkages consistently outperform single-component approaches. In Cameroon, a youth agropastoral programme that bundled training, blended finance and coaching generated a 48 per cent increase in annual income and a 38 per cent increase in enterprise profit growth.³¹ In Madagascar, vocational training combined with inputs and hands-on practice increased household incomes by 84 per cent and youth incomes by 60 per cent.³² Initiatives linking rural youth to agricultural value chains in India and across 10 African countries have increased incomes by up to 50 per cent. A programme in Uganda that provided youth with cash grants alongside enterprise support generated returns of roughly 35 per cent per year.³³ Building on this evidence base, the ecosystem approach is the organizing principle of employment programming under IFAD14.

Five foundations for rural employment expansion

45. Expanding productive rural employment requires investment across five foundations. Country programmes will be designed to address them in line with each country's unique labour market conditions, demographic pressures and enterprise ecosystem.
46. **Skills and entrepreneurship development.** Young people and women need skills that are linked to real opportunities and jobs. Training is most effective when it:

²⁸ ILO. 2024. Women and Men in the Informal Economy: A Statistical Picture. https://www.ilo.org/sites/default/files/2024-04/Women_men_informal_economy_statistical_picture.pdf.

²⁹ ILO. 2024. Global Employment Trends for Youth 2024: Decent Work, Brighter Futures. https://www.ilo.org/sites/default/files/2024-11/GET_2024_EN_web4.pdf.

³⁰ United Nations (2026). World Population Highlights 2026: Youth. UN DESA/POP/2026/TR/NO. 13. New York: United Nations. <https://desapublications.un.org/file/21644/download>.

³¹ Mabiso A., Toguem R., Rosi A., Mastroeni A., and Pinca V. 2024. Impact assessment report: Youth Agropastoral Entrepreneurship Promotion Programme (AEP-Youth), Republic of Cameroon. <https://www.ifad.org/documents/48415603/51143611/cameroon-aep-report.pdf/b755311c-f92c-1407-00c0-12bbe9b1ef7e?t=1752747342289>.

³² Sadania, C., Steiner, S. and Zucchini, E. 2024. Impact assessment report: Vocational Training and Agricultural Productivity Improvement Project (FORMAPROD) in Madagascar. <https://www.ifad.org/documents/48415603/49819368/MADAGASCAR+FORMAPROD+Report.pdf/50362e5a-d0c8-eca3-871a-8430d14e92d9?t=1753196796120>.

³³ Blattman, C., Fiala, N. and Martinez, S. 2014. Generating Skilled Self-Employment in Developing Countries: Experimental Evidence from Uganda. *Quarterly Journal of Economics* 129(2): 697–752. <https://academic.oup.com/qje/article-abstract/129/2/697/1866610>.

combines technical and entrepreneurship skills; is connected to apprenticeship and work-based learning opportunities; and is embedded within value chains. IFAD14 will prioritize training that responds to labour market demand – connecting young people to the jobs and enterprises that need them.

47. **Finance for rural enterprises and workers.** Access to finance is one of the most binding constraints on rural employment creation. Rural MSMEs – including youth- and women-led enterprises – face significant barriers to accessing credit, working capital and growth finance. IFAD14 will expand financial inclusion through financial intermediaries, blended finance instruments and tailored products such as including start-up grants and value chain finance. Risk management tools such as index insurance protect working capital and help enterprises to continue operating during downturns. This is particularly important in fragile and climate-vulnerable contexts, where income shocks can rapidly degrade enterprise viability.
48. **Enterprise development services and rural business ecosystems.** Individual enterprises cannot succeed without a supportive ecosystem of services, networks and market relationships. IFAD14 will strengthen rural business ecosystems that support enterprise development. This includes partnerships with private sector actors that generate jobs and building local service-provider networks that rural MSMEs depend on. Agribusiness hubs and incubation platforms are proven models for this. Across nine African countries, IFAD-supported agribusiness hubs created more than 59,000 decent jobs and 8,000 businesses – more than doubling their targets.

Box 3

IFAD's Integrated Agribusiness Hub programme

IFAD's Integrated Agribusiness Hub programme is a flagship initiative to address rural youth unemployment by linking skills development with job creation and market access.

Agribusiness hubs are not simply training centres: they are integrated platforms where decent jobs are created and supported. The hubs match the ambitions of rural young people with the economic potential of rural areas, using a holistic model that combines skills, technology, finance and market linkages.

The programme supports both wage employment and youth-led enterprise development, helping young people start or expand agribusinesses. It addresses the persistent mismatch between youth skills and labour market demand while fostering partnerships across the public and private sectors. Increasingly, the hubs are investing in digital solutions, renewable energy, and “green” skills to respond to emerging opportunities.

In Rwanda, the Rural Youth Employment Support (R-YES) project, implemented through Kilimo Trust, shows the hub model in action. Cofunded by IFAD and Germany's Federal Ministry for Economic Cooperation and Development, the project brought together Rwanda Polytechnic school, the Rwanda Youth in Agribusiness Forum and 26 agribusinesses to create sustainable employment for 3,000 young people across agricultural value chains. The model combined incubation, market linkages and entrepreneurship support. As a result of a disability-inclusive strategy that paired targeted outreach with employer sensitization, 89 young persons with disabilities secured employment.

By integrating training, incubation, partnerships, and systems analysis, this model demonstrated a scalable approach to generating sustainable, decent employment for youth within agrifood systems. IFAD14 will draw on the results and lessons learned to scale up integrated, market-driven approaches to rural youth employment.

49. **Market linkages and value chain integration.** Youth enterprises are more likely to succeed and sustain employment when they are integrated into functioning value chains, with access to buyers, suppliers and market information. IFAD14 will embed employment pathways within the market system investments. This will ensure that value chain development generates jobs, and that employment is connected to the market opportunities created by IFAD's investments. Private sector partnerships are central to this. Agribusinesses, financial institutions and digital platforms create market-driven employment at a scale that public investment alone cannot.

50. **Addressing barriers for youth, women and marginalized groups.** Structural barriers prevent women, youth and other groups from accessing employment. Young people face barriers to land, capital and professional networks. Women remain concentrated in lower-paid activities with limited control over assets. IFAD14 addresses these barriers through targeted investments in women's economic empowerment, youth-focused financial products and the removal of social and regulatory constraints. South-South and Triangular Cooperation (SSTC) is an important channel for addressing these barriers. Countries including Brazil, China and India have developed effective models for rural enterprise development, vocational training and agribusiness linkages that are directly transferable to other countries. IFAD14 will channel this experience through structured SSTC – connecting countries with proven approaches with each other.

Investment in employment: Three measurable shifts

51. Investment across these five foundations is designed to produce three measurable shifts at the country level. Together, they define what expanding rural employment looks like under IFAD14.
52. **More productive and higher-paid work, particularly for youth and women.** More young women and men will be in productive, higher-return employment, including as farm operators, rural enterprise owners, value chain workers or service providers. Employment will be linked to market opportunities and sustained beyond the life of individual projects. This will translate into higher incomes, and livelihoods that are more stable and less dependent on subsistence agriculture.
53. **A stronger rural enterprise base.** More rural MSMEs will be viable, growing and generating employment across value chains. More youth- and women-led enterprises will access the finance, services and market connections they need to invest and expand. The rural enterprise ecosystem will expand, with more service providers, commercial relationships and private sector engagement creating employment opportunities.
54. **Employment as a driver of stability.** Rural economies will generate productive opportunities that reduce distress migration and social instability. Young people will have real alternatives to migration and will be able to see a viable economic future in their communities. Remittances from those who do migrate will be productively invested in local enterprises and build resilience. Rural employment will become a stabilizing force rather than a source of pressure.

III. Resilience: Investing in peaceful, adaptable rural communities

55. Markets generate income. Employment sustains it. But neither is durable if rural people and enterprises cannot withstand the shocks that threaten to reverse their gains.
56. Over the past three decades, disasters have caused US\$3.26 trillion in agricultural losses, averaging US\$99 billion per year.³⁴ Drought alone accounts for 34 per cent of all agricultural losses globally. Without adaptation, global crop yields could decline by 10 to 25 per cent by 2050.³⁵ Climate risks intersect with fragility and conflict. Food insecurity and scarce opportunities are core drivers of conflict and forced migration. Investment in rural development is therefore a front-line strategy for security and stability. Every dollar invested in prevention saves an estimated

³⁴ FAO. 2025. The Impact of Disasters on Agriculture and Food Security 2025 – Digital solutions for reducing risks and impacts. <https://doi.org/10.4060/cd7185en>.

³⁵ FAO. 2023. The Impact of Disasters on Agriculture and Food Security 2023 – Avoiding and reducing losses through investment in resilience. <https://doi.org/10.4060/cc7900en>.

IPCC, 2022: Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA, 3056 pp., doi:10.1017/9781009325844.

US\$16 in crisis response. The cost of not building resilience into rural investment is therefore not just a development loss. It is a fiscal and stability risk.

57. Building on progress in IFAD13, IFAD14 deepens the integration of resilience within economic programming. Climate adaptation, natural resource management and fragility-sensitive approaches are built into investments that strengthen livelihoods and market systems. This integration shapes the design of value chains, employment pathways and country programmes. Rather than building resilience as a complement to economic development, integrated models drive economic development that is resilient to shocks.

Box 4

IFAD's toolkit for operational agility to respond to crises and shocks

Increased and accelerated disbursements. For projects facing higher costs, IFAD is increasing disbursement amounts and fast-tracking the release of funds. This prevents interruptions to critical activities.

Faster and simplified procurement in fragile and crisis-affected settings. IFAD is activating specific procurement procedures where needed. This allows essential goods and services – such as agricultural inputs – to be procured more quickly.

Activation of the response to emergencies and disasters (RED) component. At design, IFAD-financed projects can include a RED component as a built-in emergency response mechanism. When activated, it allows projects to rapidly redirect resources towards urgent priorities arising during shocks.

Faster approvals of restructuring, reprioritization, and extensions. IFAD has streamlined approval processes for crisis situations that allow reallocation of funding and adjustment of activities within projects as pricing changes and country needs and priorities evolve. This reduces delays and gives projects the time needed to adapt and deliver results under difficult conditions.

Refocusing annual workplans. Annual workplans and budgets are being repackaged to prioritize activities most at risk, such as access to fertilizer, inputs for food production and critical rural infrastructure.

Six foundations for rural resilience

58. Building resilience requires investment across six interconnected foundations. Together they address the many shocks and stresses – climate, economic, fragility-related and institutional – that threaten to reverse rural development gains.
59. **Climate-resilient agricultural practices.** Climate-resilient agriculture links yields and income growth to resilience against climate shocks and weather-related variability. Proven innovations include alternate wetting and drying of irrigated rice, submergence-tolerant crop varieties, agroforestry and integrated soil fertility management. These practices reduce vulnerability to rainfall shocks, protect soil health and maintain productivity under stress. IFAD14 embeds them systematically across country programmes rather than treating them as stand-alone investments. They are part of how IFAD designs productive agricultural systems – not a separate component.
60. **Natural resource management and ecosystem restoration.** Land degradation, water stress and biodiversity loss erode the natural foundations that rural economies depend on. They reduce productive capacity, increase exposure to climate shocks and exacerbate poverty over the long term. IFAD14 will support sustainable land and water management, ecosystem restoration and nature-based solutions, guided by the Climate, Environment and Biodiversity Strategy 2025–2031. These investments will protect productive assets, stabilize incomes and preserve the ecosystems that underpin food security and rural livelihoods.

Box 5

Supporting farmers to recover from climate shocks – Cambodia’s Agriculture Services Programme for Innovation, Resilience and Extension (ASPIRE)

When IFAD launched ASPIRE in Cambodia in 2015, the goal was to build a farmer-led model of agriculture services good enough to become government policy. By the time the programme closed in 2022, it had done exactly that. The numbers tell the story.

Across 148,000 households, farming income rose by 60 per cent, rice yields increased by 21 per cent, and market participation grew by 19 per cent. Households reached by ASPIRE showed an 8 per cent improvement in their ability to recover from climate and other shocks – a measure of resilience that matters as much as income in rural contexts.

The model worked because it combined extension services, financial support and climate-resilient infrastructure in a single integrated package, addressing multiple constraints at once rather than one at a time. Its success has since catalysed a successor programme, the Agriculture Services Programme for an Inclusive Rural Economy and Agricultural Trade (ASPIRE-AT), designed to deepen market linkages and scale up results.

61. **Risk management and financial protection.** Shocks reverse development gains when households and enterprises have no financial protection. Well-designed index insurance has proven effective at reducing transaction costs and encouraging productive investment. Farmers with insurance are significantly more likely to invest in modern inputs and expand their enterprises. Mobile money and digital financial services strengthen household resilience by enabling rapid transfers, savings and access to credit during shocks. IFAD14 will expand the use of insurance, risk-sharing instruments and digital financial services to protect the incomes and enterprises built through IFAD’s investments.
62. **Fragility-sensitive programming.** In fragile and conflict-affected settings, instability is often rooted in food insecurity, degraded natural resources, insecure land tenure and limited economic opportunity. These conditions can lead to social tensions, displacement and recurring crises. IFAD cannot address the drivers of fragility alone. But its investments can address those within its mandate to improve rural incomes, protect productive assets and reduce vulnerability to shocks. Building on the Updated Approach to IFAD Engagement in Fragile Situations, IFAD14 will continue the practice of integrating context-specific diagnostics, enhanced risk management and sequenced investments across all programming in fragile contexts. The humanitarian-development-peace nexus approach will be reinforced through collaboration with the other Rome-based agencies. The Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) will address immediate food security and early recovery while IFAD provides longer-term investments in productive livelihoods and market systems. IFAD will strengthen its programmatic and knowledge partnerships with IFIs, including through relevant MDB/IFI communities of practice, such as the MDB Fragility, Conflict and Violence Technical Working Group. In addition, IFAD will pursue joint analysis, coordinated programming and complementary investments.
63. **Climate information services and early warning.** Access to reliable climate information improves agricultural decision-making, raises incomes and facilitates the adoption of adaptive practices. Early warning systems give communities and enterprises time to take action before shocks hit. IFAD14 will embed climate information services and early warning tools into country programmes through digital advisory platforms, weather information services and AI-enabled tools that improve targeting and adaptive management in climate-vulnerable and fragile contexts.
64. **Community institutions and social cohesion.** Resilience is not only physical and financial; it is also institutional and social. Communities that have strong local institutions, sound natural resource governance and social cohesion recover faster from shocks and are less vulnerable to instability. IFAD14 will strengthen community-driven approaches, supporting farmers’ organizations, producers’

cooperatives, Indigenous Peoples' organizations and local governance structures. Such groups give communities the agency to manage risks, coordinate recovery and sustain development gains. When communities shape priorities and oversee implementation, investments are better adapted to local realities and more likely to endure.

Box 6

Solving resource-based disputes: Supporting stock route management in Sudan

Every year, pastoral communities in central Sudan move south with their livestock along traditional migration routes that can span hundreds of kilometres. These routes are under threat, primarily from the expansion of mechanized farming. This often leads to conflict between farmers and herders.

In collaboration with the European Space Agency, geospatial data have been used to measure the impact of a stock route management project in Sudan. The findings have shown that demarcation of livestock routes, supported by community-based management committees including farmers and herders, created an effective model for shared natural resource governance, with communities reporting a 70 per cent reduction in disputes. Of those disputes reported, six conflict resolution centres successfully mediated 90 per cent, which largely concerned crop damage and land tenure.

By reducing resource-based conflict and protecting shared productive assets, this approach created stable conditions for sustained rural livelihoods.

Resilience investment: Three measurable shifts

65. Investment across these six foundations is designed to produce three measurable shifts at the country level. Together they define what successful rural resilience looks like under IFAD14.
66. **Development gains are protected from shocks and stress.** Rural households and enterprises will be able to adapt to stresses and absorb shocks without losing incomes, assets and market access. Climate shocks will not wipe out productive capacity. Economic volatility will not reverse enterprise viability. Fragility-related disruptions will not erase institutional progress. Economic gains from the markets and employment pillars will be strengthened over time rather than being set back by crises.
67. **Rural communities are more stable and better able to recover.** Communities will have the institutions, risk management tools and social cohesion to respond to shocks and recover faster. Local governance will be stronger. Natural resources will be managed sustainably. Land and water conflicts will be reduced. Migration from rural areas will not be driven by the collapse of livelihoods and the absence of economic opportunities.
68. **Rural investment contributes to stability.** Sustained investments in rural resilience will reduce food insecurity, exclusion and economic marginalization, mitigating the risk of displacement, social instability and conflict. Rural economies with sustained incomes, strong food systems and stable community structures will create the conditions for peace and sustained growth. In IFAD14, rural investment is not only a development strategy – it is a stabilization strategy.

B. Enablers of impact

69. The three pillars define what IFAD14 aims to achieve. The two enablers – private sector development and investment, and innovation – define how these ambitions will reach scale and endure. Both are embedded across every pillar, every country programme and every investment decision.

I. Private sector development and investment

70. Rural transformation cannot be financed by public resources alone. Commercial investors do not naturally flow to first-mile markets where risk is high, transaction sizes small and enabling conditions weak. IFAD is transforming the rural investment landscape by reducing risk, building investable project pipelines and demonstrating that first-mile markets can generate returns.

71. IFAD's comparative advantage is not only in engaging with the private sector, but where and how it engages. IFAD operates in first-mile rural economies, where transaction sizes are small, risks higher and enabling conditions for commercial investment limited. Different institutions play complementary roles across the investment spectrum. MDBs typically support large-scale infrastructure and policy frameworks, while development finance institutions and private investors focus on commercially viable segments. IFAD complements these efforts by working in the parts of rural economies that remain underserved. It provides catalytic capital, long-term engagement and sector-specific expertise that make these markets more investable. IFAD is the only actor that combines concessional finance, technical assistance, policy engagement and private sector investment facilitation within a single country framework.

Box 7

IFAD's additionality on rural private sector investments

IFAD's exclusive focus on agriculture and rural development brings significant knowledge and country-level relationships. First, IFAD's experts understand rural markets, their actors and the combinations of investment and technical assistance that create viable commercial opportunities. Second, IFAD's concessional resources allow it to absorb risk at a level that commercial investors cannot. IFAD is therefore able to demonstrate viability in markets where perceived risk deters private investment, then step back as commercial capital flows in. Third, IFAD's integrated country programme model embeds in the sovereign investment, policy engagement and producer capacity along with private sector engagement. Together, these create the enabling conditions for enterprise viability.

72. Under IFAD13, private sector engagement was advanced as an institutional priority: building the tools, platforms and operational capacity to engage private actors at both the sovereign and the non-sovereign levels. Private sector engagement and investment are now cross-cutting features of how IFAD operates, embedded in country strategies, project design, quality assurance and the sequencing of investments. IFAD14 includes a sharper focus on mobilizing private investment in smallholder agriculture and rural MSMEs to fill financing gaps in underserved segments and expand opportunities for co-investment in rural economies.

Sovereign and non-sovereign complementarity: The integrated investment model

73. The full power of IFAD's private sector engagement comes from the combination of sovereign operations and NSOs within a single country programme framework. Sovereign operations create an enabling environment (market infrastructure, policy frameworks, financial ecosystems and producer capacity) that makes rural markets investable. NSOs provide direct capital to enterprises and financial intermediaries operating within these strengthened systems. As enterprises grow and commercial relationships develop, the need for concessional support recedes and market actors can sustain activity independently.
74. This sequencing will be systematic in IFAD14, with sovereign and non-sovereign pipelines integrated within COSOPs aligned with national priorities. Reporting will capture the combined impact of sovereign and non-sovereign investments at the country level – reflecting all public and private capital mobilized by IFAD's country engagement.

Strengthening private sector development and investment in sovereign operations

75. Through sovereign operations, IFAD works with governments to reduce the systemic constraints that limit private investment in rural economies. This strengthens financial ecosystems, market infrastructure, regulatory frameworks and producer capacity so that rural markets become stronger and more investable. There are three primary channels for IFAD's business engagement with the private sector in IFAD14.

76. **Financial sector engagement.** IFAD works with commercial banks, microfinance institutions, savings and credit cooperative organizations, public development banks and local financial institutions to expand access to finance for rural households, MSMEs and agricultural enterprises. Public development banks have a public mandate and domestic reach that enable them to address market gaps and extend finance at the local level. During IFAD14, IFAD will expand its engagement with public development banks to strengthen risk management, expand rural outreach and mobilize additional capital. Risk-sharing and blended finance instruments will be used to crowd in cofinancing, especially in climate-exposed and fragile contexts.

Box 8

Partnering with public development banks to scale rural finance: IFAD and the Brazilian Development Bank (BNDES)

In 2023, IFAD signed its first-ever agreement with a public development bank, partnering with BNDES to launch Sertão Vivo – aimed at building climate resilience for smallholder farmers across the semi-arid north-east of Brazil. IFAD’s US\$30 million loan anchored a blended package totalling US\$217 million, cofinanced by BNDES and the Green Climate Fund, and achieving a leverage ratio of 7:1. The programme subsequently expanded to US\$286 million, with an ambition to reach 1.8 million people across nine north-eastern states.

The model has proven catalytic beyond the initial transaction. Brazil’s IFAD portfolio has more than doubled. Crucially, the success of BNDES has attracted interest from Brazil’s regional development banks, signalling the potential to replicate and scale the model across the country.

77. **Agribusiness partnerships and 4Ps.** IFAD engages agribusinesses through 4Ps, multi-stakeholder platforms, contract farming and related value chain models. Sovereign projects invest in producers’ organizations, skills development and complementary infrastructure, while private partners co-invest in logistics, sourcing, training and market access. These arrangements strengthen productivity, generate employment and reinforce value chain ecosystems. Under IFAD14, 4Ps will be expanded and formalized, with clear exit pathways and strong expectations for private sector co-investment.
78. Large private sector actors are important cofinanciers in this model. IFAD’s investments can connect local and global value chains. Initiatives such as the Enhanced Linkages Between the Private Sector and Small-Scale Producers (ELPS) and Food and Agriculture Resilience Mission – Pillar 3 (FARM P3) show how IFAD can build the pipelines and market intelligence needed to attract commercial partners into first-mile investments. Launched under Japan’s G7 Presidency, ELPS connects agribusinesses and smallholders through co-investment models that strengthen supply chains, boost productivity and market access, and promote environmental and social sustainability. FARM P3, launched under France’s European Union Council Presidency and hosted by IFAD, applies the same co-investment model to strengthen local food production, reduce food loss and waste, and deepen regional market integration across Africa. Both models can be replicated across regions.
79. **Agritech and rural service providers.** IFAD engages agritech firms and rural service providers to deploy market-proven technologies that reduce costs, manage climate risks and improve market access. These partnerships define clear exit pathways from the outset, with increasing expectations for financially viable business models that ensure continuity and scale after IFAD’s support ends.

Box 9

4Ps in practice: Kenya Cereal Enhancement Programme – Climate-Resilient Agricultural Livelihoods Window (KCEP-CRAL)

KCEP-CRAL applied a 4Ps model linking smallholders with private agro-dealers through a digital voucher system. Implemented in partnership with the Government, the model brought together agro-dealers, Equity Bank and tech providers to deliver inputs to smallholder farmers.

The programme registered and trained 626 agro-dealers and enabled over 148,000 farmers to access quality inputs worth US\$27 million. Following programme completion, a commercially viable input supply network remained, sustainably strengthening rural markets. The programme increased the incomes and food security of more than 60,000 farmers.

Leveraging non-sovereign operations for systemic impact

80. NSOs are a critical instrument for transforming rural markets in IFAD14. Through NSOs, IFAD provides direct financing to enterprises and financial intermediaries serving rural areas. This unlocks opportunities for smallholders and rural communities, and helps to structure investable first-mile markets.
81. IFAD has strengthened its NSO portfolio through the Private Sector Financing Programme. IFAD provides catalytic capital through these instruments (typically between US\$2.5 million and US\$15 million) targeting investments that larger institutions overlook. Many of these investments are considered too small, complex or risky for other financiers. Operating in remote rural markets often involves higher costs and limited collateral, which discourages commercial lenders. IFAD absorbs that risk.
82. Through its catalytic investments, IFAD demonstrates that rural markets can be viable. This reduces perceived risk and attracts private and institutional investors. As rural MSMEs grow, they create jobs and generate demand for local services, inputs and transport. This expands employment and economic opportunities across rural communities.
83. In IFAD14, IFAD will pursue greater portfolio diversification across financial institutions, MSMEs and impact funds in line with its Non-Sovereign Operations Investment Strategy. Balancing scale with catalytic and transformative impact, IFAD will prioritize ecosystem change-makers through NSOs, including aggregators, logistics providers, specialized financial intermediaries, agritech firms and rural service providers. These actors remove structural barriers that prevent smallholders from participating in markets. By supporting these enterprises, IFAD strengthens value chains and expands employment opportunities in rural communities.
84. IFAD will optimize the use of on- and off-balance-sheet instruments to reduce risk and crowd in private capital through blended approaches. It will deepen partnerships with MDBs, public development banks, development finance institutions and local financial institutions with different risk appetites, ticket sizes and target markets. The Private Sector Financing Programme will remain the primary vehicle for this work, providing sustained access to concessional and risk-absorbing capital for operations in low-income, fragile and climate-exposed contexts. During IFAD13, IFAD developed a credit enhancement mechanism that combines core and borrowed resources. This allows IFAD to include higher-risk, higher-impact transactions on its balance sheet while maintaining its credit rating and operating within its risk appetite.

Box 10

Catalytic capital use in practice: Leveraging core resources to unlock higher-impact non-sovereign investments

Grant resources are set aside through a risk-sharing participation agreement to expand financing for NSOs and to ensure that IFAD's loan portfolio, funded by borrowed resources, can target high-risk investments aligned with IFAD's mission. This represents an operationally and financially independent facility, backed by a reserve pool of liquidity funded by core resources, that covers potential losses – preserving the minimum average credit rating of the overall portfolio while mitigating the higher capital charges associated with NSOs relative to sovereign operations.

This mechanism is enabling IFAD to finance more ambitious transactions within its risk appetite, directing catalytic capital to enterprises and financial intermediaries serving low-income and fragile contexts. IFAD is already working to expand the scale and scope of this model by optimizing its revolving and leverage capacity, and exploring partnerships with donors and development finance institutions that provide similar credit enhancement mechanisms.

Under IFAD14, this work will expand, ensuring that financial constraints do not prevent IFAD from investing where the development need is greatest.

Private sector engagement: Three measurable shifts

85. **More private capital flowing to first-mile markets.** Sovereign and non-sovereign investments together create an enabling environment and build a pipeline for commercial and institutional investors. The volume of cofinancing increases. Rural markets that were previously avoided by private investors become viable entry points.
86. **A stronger and more inclusive rural enterprise base.** More rural MSMEs, including women-led enterprises and youth agribusinesses, access finance, market relationships and technical support to grow and generate employment. The “missing middle” financing gap narrows. Rural enterprise ecosystems grow.
87. **Impact that endures beyond IFAD's direct involvement.** Market relationships, commercial infrastructure and institutional capacity built through private sector engagement sustain productive activity after project closure. IFAD's exit does not reverse development gains.

II. Innovation as a driver of scalable impact

88. Innovation under IFAD14 is a delivery mechanism applied across every pillar, every country programme and every investment decision. Under IFAD13, innovation was often pursued in specific projects or thematic areas. This included piloting new approaches, testing digital tools and building evidence. In IFAD14, the emphasis will shift from piloting to adoption. IFAD will deploy proven innovations systematically at scale across countries and regions, including through SSTC.
89. An innovation can only be scaled when its technological, institutional and market components are aligned, and it has been rigorously evaluated in real-world conditions. The gap in innovation is often in access for rural communities. IFAD14 will focus on closing that gap.

Four innovation functions

90. **Connecting research, local innovation and proven solutions with deployment.** IFAD operates at the intersection of national agricultural research systems, farmer-led innovation and international research partnerships. Its role is to connect these systems and deploy proven innovations. When innovative solutions have been developed through international partnerships – including the Rome-based agencies and CGIAR – IFAD supports the country-level adaptation and validation in each context. The range of proven innovations spans land and soil management, water harvesting, climate-adaptive farming, input efficiency, labour-saving tools, post-harvest storage, risk management and market access. All these solutions have been evaluated in real-world conditions and have shown consistent results. For example, farmer-managed natural regeneration has demonstrated

impact at scale in the Sahel. IFAD14 will treat this evidence base as the foundation for deployment of proven solutions.

91. **Embedding digital tools and AI across operations.** Digital technologies are transforming rural development. They will be a practical delivery tool in IFAD14, guided by the Information and Communication Technology for Development (ICT4D) Strategy 2020–2030. Mobile money has measurably improved household resilience and input adoption. Digital advisory and weather services raise yields, incomes and build resilience when they are adapted to the context. Site-specific nutrient management, informed by soil testing, significantly improves input efficiency. AI-enabled tools support better targeting, adaptive management and operational decision-making. Digital platforms connect dispersed rural producers and enterprises to finance, markets and services, reducing the transaction costs that previously limited first-mile engagement.
 92. Digital tools will be embedded in country programmes from the outset in IFAD14, following three principles. The first is context-sensitivity. For example, a digital extension advisory system can reach scale quickly in a country with strong mobile infrastructure and an established extension network. In a fragile context with limited connectivity however, digital extension requires careful planning and adaptation. IFAD will adapt digital tools to each unique operating environment. The second principal is inclusivity: digital tools that work in low-connectivity environments will be prioritized, along with digital and financial literacy for women and youth. The third principle is responsibility. Data governance will be embedded in project design, ensuring secure, ethical use of agricultural data and protecting the rural communities whose information underpins digital systems.
 93. IFAD14 will also focus on the enabling infrastructure that makes digital tools viable at scale. This supports agro-dealer networks, digital public infrastructure and national digital agriculture strategies. Digital input systems, digital payments and AI-enabled advisory tools integrated into local institutions have already demonstrated results in IFAD13. IFAD14 moves these digital tools from demonstration to deployment across country programmes.
 94. **Context-sensitive piloting and learning.** In fragile contexts with limited connectivity or weak infrastructure, solutions that can be scaled up elsewhere require careful piloting and adaptation. IFAD14 will distinguish between piloting and scaling up, treating each digital innovation as unique in each individual operating environment.
 95. **South-South and Triangular Cooperation as an innovation tool.** Many developing countries in the South have demonstrated proven models of rural enterprise development, digital agriculture, agribusiness integration and financial inclusion. Such models may be more relevant and can be adapted at lower cost than external solutions. This knowledge exists, but does not always reach the countries that need it.
 96. The recalibration of IFAD has strengthened SSTC in investment designs. Building on this, in IFAD14, SSTC will be woven into innovation delivery as a matter of course – not treated as a parallel activity. IFAD will structure pathways that bring proven peer-country approaches to scale across regions, facilitate peer learning and connect country programmes with relevant developing country expertise. This also strengthens the employment link, as many of the most effective models for rural youth employment and agribusiness linkage development have been pioneered in middle-income developing countries and are directly applicable in lower-income contexts.
- Innovation impact: Three measurable shifts**
97. **Reaching further with the same resources.** Digital tools, AI-enabled delivery and systematic use of proven innovations improve efficiency and effectiveness. As

proven solutions replace less-effective approaches, more rural producers and enterprises benefit and the overall value of these approaches (cost per outcome) increases.

98. **Adopting proven solutions at the institutional level.** Innovations are embedded in national agricultural systems, government programmes, financial institutions and rural enterprises – even those not supported by IFAD. The measure of success is not how many innovations IFAD pilots, but how many it embeds.
99. **Rural producers and enterprises access tools that improve their productivity, market access and resilience.** Farmers use climate information to make better decisions. Rural enterprises access finance and markets through digital platforms. Households use mobile money and insurance to manage risk. The gap between technology and rural access narrows.

C. Addressing drivers of poverty and vulnerability: IFAD's targeting approach

100. To deliver on its promise, rural transformation needs to reach those who need it most. Rural poverty is shaped by intersecting constraints, including gender inequality, age-related barriers, disability, discriminatory social norms, insecure land tenure and unequal access to services and markets. When these structural barriers are not addressed, investments generate growth that is not inclusive. Targeting is not a compliance exercise: it is a condition for rural transformation that generates durable results at scale.
101. IFAD14 treats women, youth, Indigenous Peoples and persons with disabilities as central economic actors whose full participation is essential to rural transformation. Empowering women by promoting their access to economic opportunities, strengthening their decision-making and reducing their workloads, yields high gains in productivity, income, household nutrition and community resilience. Engaging youth accelerates the adoption of climate-smart practices and digital tools. Partnering with Indigenous Peoples safeguards biodiversity and promotes sustainable resource governance. Reaching persons with disabilities strengthens the inclusiveness and effectiveness of IFAD-supported projects. These benefits extend beyond targeted individuals, strengthening the systems that all rural communities depend on.

Box 11

Inclusive targeting

Preserving Indigenous knowledge and sustainable livestock systems in Aymara communities (Plurinational State of Bolivia)

Through the Indigenous Peoples Assistance Facility, IFAD supports Aymara llama-herding communities in Corque Marka to preserve traditional knowledge and strengthen sustainable livelihoods. Using the principles of Free, Prior and Informed Consent, the project team partnered with communities to document ancestral veterinary practices based on medicinal plants and a harmonious relationship with the natural ecosystem, which are central to herd health. It also engaged Indigenous youth to transmit this knowledge across generations, helping to safeguard cultural heritage while reinforcing climate-resilient livestock systems.

Sparking Disability-Inclusive Rural Transformation (SPARK)

The IFAD-supported SPARK initiative has integrated disability inclusion across rural development projects in Burkina Faso, India, Malawi and Mozambique. The programme trained rural persons with disabilities as facilitators who support project teams and communities in identifying barriers and adapting agricultural services, to ensure the full participation of persons with disabilities. Through capacity-building, accessible technologies and inclusive programming approaches, SPARK has helped thousands of rural persons with disabilities to access livelihoods and economic opportunities.

IV. Delivering impact through integrated country programmes

102. IFAD14 builds on the strategic foundations laid under previous replenishment cycles. It maintains continuity in IFAD's business model while strengthening delivery, focus and responsiveness. Under IFAD13, IFAD advanced an integrated, country-led approach, combining concessional finance, policy engagement and partnerships to move beyond stand-alone projects towards systemic impact. IFAD14 builds on this foundation by reinforcing integrated country programmes as the core delivery unit. Interventions and finance tools are bundled, sequenced and designed for sustainability from the outset, so that results can be sustained and expanded through national systems and markets long after IFAD's direct engagement ends.

A. An integrated, agile and context-specific programme of work

103. The differentiated, country-specific offer that decentralization enables is delivered through an integrated country programme model that combines concessional finance, policy engagement, technical assistance and partnerships within a single framework anchored in national development priorities. Three examples illustrate the range of this model. In a fragile Sahelian context, resilience, community-driven approaches and institutional strengthening must come first – before market and employment investments can take hold. In a dynamic middle-income economy, the priority is connecting an established smallholder base to regional value chains and private co-investment. In a Small Island Developing State, climate-resilient infrastructure, logistics and food system integration are the prerequisites. Each scenario requires a different sequencing of the same pillars and enablers. Decentralized teams in regional offices are now equipped to make those judgments systematically rather than case by case.

104. This operational coherence is confirmed by the evidence. Country strategy effectiveness is rated satisfactory or better in 88 per cent of completed COSOPs. Country-level policy engagement is rated satisfactory or better in 84 per cent. Under IFAD14, the emphasis shifts to using this model to implement operations at greater scale, discipline and speed.

Programme of work: IFAD's integrated investment platform

105. The IFAD programme of work is defined as the total value of rural development investments. This comprises IFAD's own investments made through the programme of loans and grants (PoLG) and the international and domestic cofinancing mobilized in support of IFAD's investments. The integrated programme of work combines sovereign operations, non-sovereign investments, grants, supplementary funds and policy engagement within a single country-level investment platform. It is the basis on which cofinancing is mobilized, partnerships are structured, and public and private capital is assembled and directed towards rural transformation.

106. In IFAD14, the programme of work will be the central platform for translating partnership commitments into scaled, country-level impact. It will serve as the primary vehicle for co-investment, with IFAD engaging governments and partners earlier in the pipeline to align financing cycles, reduce design complexity and accelerate readiness ahead of approval. This earlier, more strategic engagement will expand cofinancing opportunities beyond what replenishment contributions alone can achieve. A stronger programme of work enables larger and more integrated country programmes, increases the mobilization of public and private capital, and offers a more credible, investment-ready proposition to partners. Integrated reporting will capture total financing mobilized at country level, providing the transparency and confidence that institutional and private co-investors require. The programme of work is central to the replenishment case: each contribution to

IFAD14 directly expands the overall financing envelope for rural transformation as it is multiplied through the leverage that partnerships generate.

Country strategic opportunities programmes: The sequencing framework

107. COSOPs remain the cornerstone of IFAD's country engagement. Anchored in national development plans, food system pathways, climate commitments and rural inclusion agendas, they unite IFAD's financing, knowledge services and partnerships within a forward-looking framework. COSOPs guide the sequencing of investments, policy dialogue and SSTC across the programme cycle, while retaining flexibility to adapt to shocks and changing country conditions. They also provide the reference point for aligning both sovereign and non-sovereign investments to a single country results framework, strengthening coherence, sustainability and pipeline development over time.
108. Operational delivery increasingly follows programme of work approaches. Greater selectivity at entry and stronger discipline over portfolio composition translate into fewer and more integrated operations where conditions allow. Sequencing remains central. In fragile or capacity-constrained contexts, engagement begins with resilient, community-driven approaches and institutional strengthening, progressively expanding to the areas of finance, markets and private sector engagement as conditions improve. In more stable environments, IFAD moves directly towards structuring inclusive value chains, mobilizing finance at scale and supporting policy reform. Multiphase approaches allow investment to deepen and expand as capacity and market conditions evolve, with defined triggers that allow adaptation throughout the programme cycle. Across all contexts, IFAD14 places stronger emphasis on sustainability and scale by building national ownership, strengthening institutional capacity and defining clear exit pathways so that successful approaches are absorbed into national systems or sustained through market actors beyond project closure.

Universal mandate and tailored offer

109. IFAD serves a universal membership. However, its concessional resources, deepest sector engagement and most intensive programming are concentrated where rural poverty, food insecurity and vulnerability are most acute: low-income countries and fragile situations. This is where external financing gaps are largest, where commercial investment does not flow and where the development case for concessional finance is strongest. Universality is a governance principle. It means that IFAD's offer is relevant and available to all Member States, and calibrated to the needs, level of development and absorption capacity of each country context.
110. Countries in different income categories have different levels of economic maturity and development needs. In low-income countries and fragile situations, programming emphasizes resilience, livelihood restoration and institutional strengthening, supported by grants and highly concessional finance. These situations are where IFAD's comparative advantage is most distinctive and where the depth of engagement matters most.
111. In lower-middle-income countries (LMICs), IFAD combines concessional investment with progressively stronger private sector engagement to deepen value chain development, expand rural finance systems and build the market infrastructure needed for broader economic transformation.
112. In upper-middle-income countries (UMICs), engagement is differentiated and demand-driven. Small Island Developing States prioritize climate-resilient infrastructure and logistics, and food systems strengthening. Large emerging economies engage with IFAD to address persistent pockets of marginalization, fragile ecosystems and social exclusion within otherwise dynamic national economies. Across UMICs, IFAD places greater emphasis on catalytic investments, knowledge exchange, innovation and structured SSTC, and preserves its core resources for lower-income and fragile contexts.

113. Regional differentiation allows different economic development maturity needs to be met. In regions with large youth cohorts and limited wage employment, IFAD intensifies pathways from learning to earning and rural enterprise growth. Where weak market integration is a binding constraint, IFAD focuses more heavily on aggregation, processing, finance and market systems. In fragile situations, programming prioritizes resilience and livelihood stabilization, with sequenced pathways back into markets and enterprise growth. Across regions, digital and AI-enabled delivery is increasingly supporting scale and effectiveness. This differentiation is also reflected in the focus across regional investment programmes.

Box 12

IFAD's regional tailoring approach

In Asia and the Pacific, IFAD focuses on catalytic first-mile investments that connect smallholders and rural enterprises to markets, finance and employment and is increasingly mobilizing climate and private finance in Small Island Developing States.

In East and Southern Africa, IFAD prioritizes inclusive value chains, rural finance and climate adaptation to generate employment, particularly for youth, while strengthening resilience in fragile environments and expanding domestic private sector cofinancing.

In West and Central Africa, where fragility and food insecurity remain significant challenges, investments emphasize community-driven development, agroecology and climate adaptation alongside investments that strengthen farmers' organizations and youth entrepreneurship, create job opportunities and promote inclusive value chains.

In the Near East, North Africa and Europe, IFAD combines community-based resilience and natural resource management in fragile contexts with innovation, supply chain upgrading and digital rural services in middle-income countries, including support for upgrading agricultural technologies and regulatory systems to meet international standards, including European Union Food Safety Standards.

In Latin America and the Caribbean, investments focus on integrated territorial development, linking opportunities in agriculture, food systems, market inclusion, and employment to address inequality, migration pressures and environmental vulnerability, while leveraging partnerships with public development banks, climate finance and private investors to scale impact.

114. Together, these approaches, differentiated by economic development maturity and by region, ensure that IFAD's universal mandate is delivered through a focused, evidence-based offer calibrated to where the need is greatest and where IFAD's model generates the strongest returns.

B. Partnerships as platforms for scale and impact

115. Partnerships are central to IFAD's operating model and will remain so under IFAD14. Rural transformation requires coordinated action across finance, policy, markets and institutions. IFAD works with governments, development banks, United Nations entities, private actors and rural organizations to structure integrated responses that no single institution could deliver alone.
116. Under IFAD14, this approach will be further strengthened to ensure that rural investment is systematically connected to wider economic, climate and regional development processes while keeping small-scale producers and rural communities at the centre. Partnerships are not pursued for coordination alone: they are a platform to mobilize cofinancing, shape programme design and influence larger initiatives to ensure that agriculture and rural economies remain central and the first mile is not forgotten. IFAD's comparative advantage lies in its ability to act as a first-mile integrator, linking community institutions, producers' organizations and rural enterprises to larger financing platforms so that investment delivers inclusive and sustainable rural outcomes.
117. Under IFAD14, collaboration with multilateral and regional development banks will become more systematic and strategically aligned where IFAD adds value. Building on long-standing partnerships with institutions such as the World Bank, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank and the Islamic Development Bank, and growing collaboration with regional

partners (including the Development Bank of Latin America, the Central American Bank for Economic Integration, the OPEC Fund for International Development and the Gulf Cooperation Council), development institutions and many other development financial institutions partners, IFAD will continue to connect global finance with local impact.

118. IFAD will deepen pipeline coordination and cofinancing frameworks with key institutions to scale up agricultural financing and rural investment through initiatives such as AgriConnect. These efforts emphasize joint pipeline development, clear division of labour and coordinated implementation so that IFAD's first-mile strengths complement partners' operations and infrastructure finance. Finally, in global and regional forums, IFAD will continue to position itself as the specialized international financial institution for small-scale agriculture and rural transformation.
119. IFAD14 will further link country programmes to regional integration efforts such as the European Union Global Gateway and the African Continental Free Trade Area. By connecting rural producers and enterprises to cross-border infrastructure, market integration and value chain development in these broader corridors, IFAD will help ensure that regional growth translates into tangible economic opportunities at community level.
120. Within the United Nations Development System, IFAD will continue to engage actively in reform processes, including the UN80 initiative, to strengthen coherence, reduce fragmentation and reinforce country ownership. IFAD has been engaging in the UN80 process with the objective of promoting a simplified system, improving synergies in operations, strengthening the focus on core mandates and ensuring tailored approaches to reform, while ensuring that country leadership, ownership and results sit at the centre of development action
121. Collaboration with the Rome-based agencies will continue, particularly across the humanitarian-development-peace nexus. Roles are grounded in comparative advantage. FAO contributes early warning, food security analysis and anticipatory action. WFP provides humanitarian food assistance and recovery platforms that stabilize food access. IFAD brings investment finance and longer-term rural development programmes that restore productive livelihoods and sustain market systems. Together, the three agencies work together along the arc from crisis to recovery to transformation, and IFAD14 will deepen joint planning to make this work more coherent and less fragmented.
122. At the same time, IFAD14 will maintain strong mechanisms to ensure that rural voices shape policy and investment decisions. Engagement with producers' organizations, cooperatives and Indigenous Peoples' organizations – including through the Farmers' Forum and the Indigenous Peoples' Forum – will continue to anchor national and global dialogue in local realities. By linking global finance, regional initiatives and community-level institutions, IFAD will strengthen inclusive market integration, local ownership and long-term resilience.
123. Together, these partnerships will enable IFAD to scale up its programme of work by attracting cofinancing commitments from a broad range of domestic and international partners, and deliver lasting impact through integrated country programmes, while preserving IFAD's focus on the first mile and measurable results.

V. An institution fit for purpose

A. Prioritizing operational agility

124. IFAD enters this replenishment cycle as a decentralized, integrated, financially strengthened and operationally agile institution, building on reforms delivered under previous cycles. During IFAD13, these reforms expanded country presence and delegated authority, strengthened financial architecture and risk management,

broadened IFAD's operational and financial toolbox and improved alignment between strategy, resources and delivery.

125. IFAD14 marks a shift from institutional reform to institutional performance. The emphasis is no longer on structural changes, but rather on ensuring that the reforms undertaken translate into agile delivery, stronger partnerships and more predictable results at the country level, including in fragile and complex contexts. IFAD wants to consolidate its role as the partner of choice in rural development for both governments and other cofinanciers. This will be realized through streamlined design and supervision processes that enhance operations, strengthen results-based management, increase efficiency of decentralized operations, and promote strategic workforce planning, digital tools, data-driven decision-making and multilateral partnerships.

IFAD as a partner of choice: Streamlined processes and systems

126. During IFAD13, IFAD strengthened its financial architecture through investments in financial and data management systems and digital operational tools. These investments enhanced financial oversight and enabled more agile and responsive project pipelines. The operational agility initiative has reduced bottlenecks and streamlined partnerships with governments and private sector actors. IFAD14 will build on investments made under IFAD13, and shift from piloting new tools to institutionalizing their use across the organization. Technology will be a practical enabler of outcomes and efficiency, strengthening targeting, supervision, portfolio oversight and risk management, rather than be seen as a stand-alone innovation agenda. Digital tools, geospatial data and analytics are embedded in core operational processes to reduce transaction costs, improve decision-making and support adaptive management. Technology will play a central role in enabling more agile, streamlined, efficient and integrated ways of working.

Embedding and mainstreaming emerging technologies for impact

127. Since 2020, building on the People, Processes and Technology Plan, IFAD has been embedding emerging technologies, including AI, throughout the organization, guided by strong responsible use guardrails. Under IFAD13, the focus was on achieving early efficiency gains while identifying priority use cases and piloting applications with operational relevance. A range of enterprise-grade AI tools now support daily tasks, such as summarization, translation and transcription, while additional use cases are being co-developed across departments to strengthen operational effectiveness. These include AI-supported retrospective analysis of fragile situations, augmented project design reviews, and automated support for compliance and document processing. Under IFAD14, emerging technologies will be applied where they add clear operational value within core operations and enterprise systems. Their adoption will also inform how the workforce evolves, including the skills, roles and ways of working required to deliver on IFAD's mandate more effectively. At the same time, IFAD will identify priority areas where collaboration with other IFIs and development partners can strengthen shared capabilities and accelerate efficiency gains in delivery.

Strengthening strategic workforce planning and talent management

128. A skilled and adaptable workforce is central to IFAD's institutional effectiveness. Over the last years, IFAD has repurposed a significant number of posts and functions into more strategic and operational areas, such as private sector, procurement, technical expertise and development effectiveness. Going forward, more tailored strategic workforce planning will allow IFAD to better anticipate future resourcing needs, identify critical skill and knowledge gaps, and take targeted steps to address them.
129. As IFAD scales NSOs and deepens private sector engagement, workforce composition and skills become key enablers of success, particularly in areas such as private sector finance, blended instruments, risk structuring and partnership

management. IFAD14 will therefore emphasize targeted recruitment and focused upskilling and reskilling oriented towards applied operational competencies to further strengthen implementation.

Laser focus on results-based management and planning

130. As a core enabler of operational agility, IFAD's results-based budgeting and management methodology will continue to enhance transparency, accountability and alignment of institutional resources with development outcomes. This approach anchors IFAD in its core mandate, links replenishment commitments to delivery, and shifts the focus from activities to measurable results. Looking ahead, IFAD will strengthen the connection between replenishment commitments and annual delivery through a rolling three-year planning cycle starting in 2028. Resource allocation will be based on shared multi-year operational planning assumptions centred on field delivery. In addition, budget allocations will be aligned with planned outputs and corporate outcomes, simplifying internal budgeting processes while ensuring coordination across departments with clear results underpinning budget proposals.

Leveraging shared services and partnerships

131. IFAD continues to strengthen the efficiency of its decentralized operating model through, where appropriate, the systematic use of shared services and partnerships with United Nations agencies, IFIs and other development partners. Currently, over 60 per cent of IFAD offices operate in shared premises – including participating in common back-office arrangements, as is the case in Kenya. This supports economies of scale, operational continuity and cost-effectiveness. IFAD also leverages system-wide services and long-term agreements for travel, fleet management, procurement and security training. Under IFAD14, the focus shifts from expanding participation in shared arrangements to maximizing their operational value.

B. Expanding IFAD's financial toolbox as a catalytic investment platform

A strengthened financial model enabling greater flexibility

132. IFAD's financial model has evolved over successive replenishment cycles, with each cycle strengthening the institution's financial foundations, governance and risk management. This evolution has resulted in a solid and resilient financial position, supported by a strong capital base and an excellent liquidity profile.
133. Recent updates to the Capital Adequacy Policy have further strengthened the way IFAD and Member States steer the organization and its balance sheet, providing the tools needed to optimize resources while preserving prudence and long-term financial sustainability. Together, these developments demonstrate that IFAD's financial model has reached a level of maturity that allows for greater flexibility without compromising financial discipline.
134. This strengthened position enables IFAD to use capital optimization to deploy resources more efficiently in line with its mandate, reflecting a more forward-looking and integrated approach to how IFAD determines the size and composition of the PoLG. It allows IFAD to adapt its financial model as needs evolve, while preserving stability and its identity as a concessional development fund over the long term. This translates into renewed commitment to ensuring that at least 70 per cent of the PoLG is deployed through the performance-based allocation system (PBAS) and that between the PBAS and the Borrowed Resource Access Mechanism (BRAM), LICs and LMICs can access at least 85 per cent of overall resources.

Strengthening IFAD's financial and operational offer

135. During IFAD14, IFAD will continue to explore instruments to offer Member States in its investment programmes. Partial credit guarantees (PCGs)³⁶ can become an additional important instrument of IFAD's offer based on the pilot being carried out in IFAD13. PCGs allow IFAD to extend its impact through partnerships with national and regional public development banks, supporting local investments that are critical for rural transformation. Such financial instruments can enable IFAD to deepen collaboration with peer multilateral and development finance institutions, share risk and mobilize additional resources, including from the private sector, to increase the overall programme of work.
136. IFAD is also aiming for innovation in its partnership with the private sector, which is recognized as a strategic actor for scale and sustainability. Rural SMEs and local financial institutions usually operate in local currency while many MDBs and development finance institutions offer their lending in hard currency (dollars, euros, etc.). To this end, IFAD is exploring the use of **local currency lending solutions for its non-sovereign investments**, thereby adapting its financial offer to the specific constraints faced by private sector partners, notably foreign exchange risk. IFAD will present a thorough analysis to its governing bodies of the benefits, costs and risks of such a programme before proceeding.

Innovation to enhance institutional financial tools for resource mobilization

137. During IFAD14, IFAD will explore additional instruments to mobilize more financing for rural economies. Sovereign portfolio guarantees at the balance sheet level are one example. Portfolio guarantees would offer Member States an additional and more targeted way to support IFAD's activities beyond core replenishment contributions and concessional partner loans. This instrument has already been used by peer MDBs and would allow IFAD to mobilize additional financing to support rural transformation.
138. Given its strong track record of issuing private placements in past cycles, IFAD is now ready to access liquidity more efficiently and at scale through capital markets. Funding projects and programmes with public bond issuances, as a complement to existing private placements, is an effective way to mobilize private sector capital and redirect it towards IFAD's development objectives. As IFAD's total assets have increased in recent years, timely and efficient access to capital markets could represent an important element of financial resilience and financial risk management.

Box 13

Public issuances to complete IFAD's financial toolkit

Building on existing issuance experience

Since 2021, IFAD has issued 13 private placements, strengthening its capacity as a sustainability bond issuer and enhancing its market profile. Public issuances could further consolidate institutional capacity and support future rating considerations.

A broader and more efficient access to liquidity

Unlike private placements targeted to a limited investor base, public issuances reach a wider market and offer a more efficient channel to access liquidity. In periods of market stress, they could diversify funding sources and help reduce liquidity and refinancing risk.

A complementary option, depending on liquidity needs

Public issuances could complement IFAD's existing instruments but would be considered only if liquidity needs exceed a certain volume – as required for necessary recurrent market access. Their use would remain fully aligned with IFAD's financial framework and policies.

³⁶ IFAD is in the process of launching a partial credit guarantee pilot programme in IFAD13 to be submitted for the Executive Board's approval in Q2 2026. If approved, the pilot programme will continue in IFAD14, with the aim of streamlining PCGs in IFAD's financial toolkit and offer in subsequent cycles.

Supporting institutional strength and visibility

A recurrent presence in public markets could reinforce IFAD's visibility among global institutional investors, particularly central banks. It could also strengthen relationships with Member States and support IFAD's mission in capital markets. Proceeds would continue to fund the PoLG under existing Board-approved parameters.

VI. IFAD14: Financial framework and impact

139. This section presents lessons learned on impact over the last decade. Three financial scenarios are presented for the consideration of the Consultation, to illustrate how different replenishment outcomes would determine IFAD's capacity to deliver its strategic priorities. While priorities and the operational approach remain constant across scenarios, resource availability directly shapes the scale, concessionality and flexibility of implementation.

Translating resources into impact

140. IFAD14 will build on the development results achieved in previous replenishment cycles while delivering strong economic impacts for rural people. As a results-based organization, IFAD has established impact assessments as the cornerstone of its development effectiveness. Using a dataset of 58 rigorously conducted impact assessments for projects closing between 2016 and 2024 – spanning IFAD10, IFAD11 and IFAD12 – IFAD can measure results across its core RMF indicators: income, productive capacity, market access, resilience and nutrition. These assessments provide the empirical foundation for IFAD14's results architecture and inform both the design of future investments and the setting of impact targets.³⁷
141. Over time, IFAD's portfolio has shifted towards higher-intensity value chain projects, which has increased impact for project participants. Findings from the IFAD12 Impact Assessment Report indicate that projects assessed during the IFAD12 period demonstrated stronger average impacts on income, productive capacity and market access than those assessed during the IFAD11 period, with income gains of 34 per cent compared to 23 per cent, productive capacity gains of 35 per cent compared to 23 per cent, and market access gains of 34 per cent compared to 25 per cent.³⁸ These strong impacts are driven by smart bundles of targeted and better-coordinated actions, with clear attention to complementarities and timing. These bundled designs do more than raise individual incomes; an analysis of 17 IFAD11 projects found a 10 per cent reduction in multidimensional poverty directly attributable to IFAD's interventions.³⁹ However, this shift also resulted in fewer people being reached, as complex integrated projects inherently have a narrower outreach profile. IFAD12 impact targets, modelled on the higher outreach figures of earlier cycles, did not fully account for this strategic evolution, and this should be carefully considered when evaluating performance against targets. The results for IFAD14 will therefore reflect the expected impact of projects closing during the replenishment period, rather than projects newly designed under IFAD14. As the IFAD14 strategic priorities of markets, rural employment and resilience are progressively translated into country programmes and investment

³⁷ Income and productive capacity metrics are tailored to sector-specific activities targeted by the project, such as crop, livestock or fisheries, while broader livelihood projects incorporate total income from agriculture, wages, self-employment and transfers. Improved market access is captured through the value of marketed products, also tailored to a project's theory of change. Resilience is measured by a household's self-reported ability to recover from climate and non-climate shocks. Nutrition is standardized through the Household Dietary Diversity Score, which measures the quality and diversity of a household's diet and helps identify whether a project has successfully moved a family beyond basic caloric survival (eating just grains) towards a more balanced and nutritious diet. Food security is measured through the Food Insecurity Experience Scale, which measures the access dimension of food security, specifically the constraints people face due to a lack of money or other resources.

³⁸ IFAD. 2025. IFAD12 Impact Assessment Report. <https://webapps.ifad.org/members/eb/145/docs/EB-2025-145-R-21.pdf>.

³⁹ Hossain, M., Mendiratta, V. and Savastano, S. 2024. Agricultural and rural development interventions and poverty reduction: Global evidence from 16 impact assessment studies. *Global Food Security*, 43, 100806. <https://www.sciencedirect.com/science/article/abs/pii/S2211912424000683>.

pipelines, their full development impact will materialize in subsequent replenishment cycles as those projects reach completion.

142. In addition to outreach, IFAD14 will focus on deepening the impact of its investments. The scale of impact under IFAD14 depends directly on the level of replenishment resources, and both the volume of resources mobilized and the composition of the investment portfolio influence the scale and nature of impact achieved over time. Higher contributions translate into a larger programme of work, greater concessionality for LICs and LMICs, and broader investment reach. The scale of outreach also depends on the types of investments that countries choose. Investments in rural financial services and basic rural infrastructure can reach very large numbers of people at a relatively low cost per project participant, while value chain and integrated interventions often reach fewer people but generate deeper and more transformative economic impacts.
143. Strong replenishment outcomes will therefore allow IFAD to maintain broad outreach while investing in programmes capable of delivering deeper and more durable economic transformation, combining both streams to generate strong and measurable improvements in rural livelihoods alongside more sustainable transformation across rural economies.
144. Impact projections for IFAD14 will be presented to the Consultation ahead of the second session. The projections will be informed by the findings of the IFAD12 Impact Assessment Report and reflect the expected performance of projects closing during the IFAD14 period. This approach also aligns with the development of the commitments, monitorable actions and RMF, ensuring consistency and coherence within IFAD's results and accountability architecture.

Proposed IFAD14 scenarios

145. The scenarios are underpinned by the following variables:
- The level of replenishment contributions, including core additional climate contributions and concessional partner loans;
 - The level of deployable capital;
 - The level of borrowing;
 - The level and composition of concessionality, particularly grant availability.
146. Together, these variables determine the size of the PoLG, the balance between grants and loans and the overall scale of the programme of work achievable under IFAD14.
147. The following scenarios are presented for consideration and feedback:
- (a) **Scenario A** assumes core contributions broadly equivalent to IFAD13, PoLG volume and PBAS share⁴⁰ increase by 10 per cent compared to IFAD13 levels, illustrating the impact of IFAD's new Capital Adequacy Policy in optimizing the use of its financial resources. The grant share, estimated at 23 per cent of the concessional envelope, remains at the same level as for IFAD13.
 - (b) **Scenario B** assumes an 8 per cent nominal increase in replenishment financing compared to IFAD13, enabling a 14 per cent increase in total PoLG and an increase in grant volume.
 - (c) **Scenario C** assumes a 20 per cent increase in replenishment financing compared to IFAD13, significantly expanding total concessional resources and delivering a substantial increase of 21 per cent in the overall PoLG and the highest level of concessionality.

⁴⁰ The PBAS is IFAD's country allocation mechanism and determines the amount of concessional resources. The resources include core resources as well as a portion of ordinary loans.

Table 1
Replenishment scenarios for IFAD14
(Millions of United States dollars)

Scenarios	IFAD13	IFAD14		
		A	B	C
Contributions				
New core contributions	1 382	1 400	1 500	1 625
Core additional climate contributions	54	75	100	125
Concessional partner loans	226	200	200	250
Total new replenishment financing	1 662	1 675	1 800	2 000
Use of resources				
Programme of loans and grants	3 405	3 725	3 895	4 115
Total concessional resources	2 055	2 190	2 305	2 450
of which sustainable granting capacity	483	515	580	650
Total non-concessional resources	1 350	1 530	1 590	1 665
of which Private sector Financing Programme	90	125	125	125
Programme of work (PoLG + cofinancing)	9 363	10 960	11 460	12 120

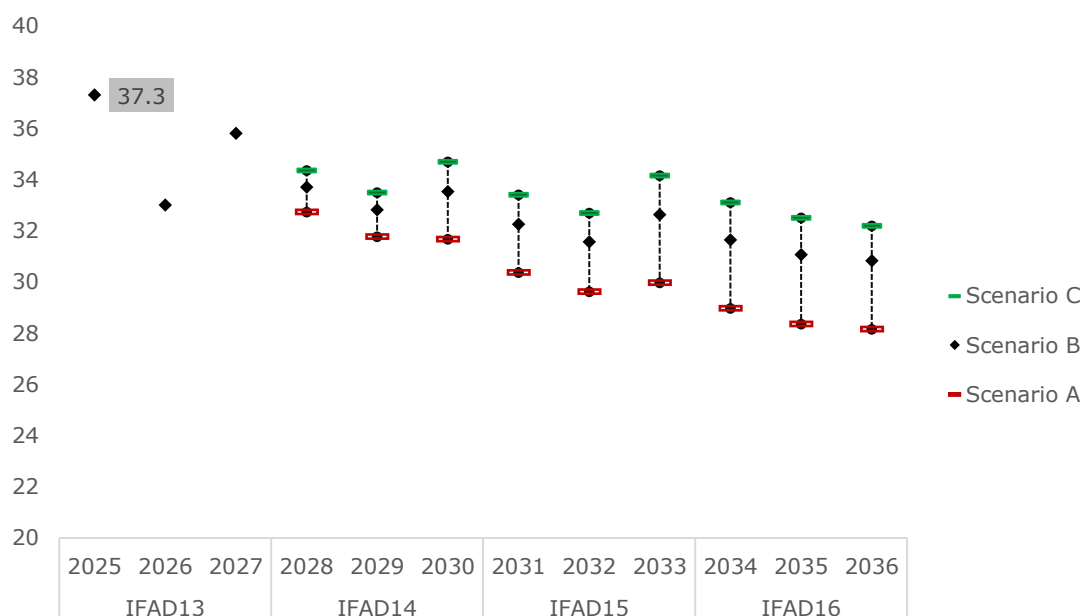
IFAD's financial compass

148. The PoLG represents IFAD's maximum capacity for new loan and grant approvals under IFAD14. It is determined by the level of core replenishment contributions, core additional climate contributions, concessional partner loans and the use of deployable capital while considering existing disbursement obligations and the need to maintain adequate liquidity buffers, in line with IFAD's capital adequacy and liquidity policies.
149. The capital optimization initiative, which concluded in 2025 with the approval of the revised Capital Adequacy Policy and revised Integrated Borrowing Framework, allows IFAD and Member States to have clear visibility of the Fund's financial trajectory and sustainability in the long term. This strengthened financial compass, backed by extremely strong capital and liquidity positions, enables informed decision-making cycle over cycle on how to use IFAD's capital in the most efficient way, while maintaining a prudent capital trajectory and ensuring key financial metrics are not breached. This means that while capital optimization provides greater flexibility to respond in moments of need, it also provides for early warning indicators that will prompt Member States and IFAD to activate the appropriate trade-offs to ensure IFAD's viability in the long term.
150. **Deployable capital (DC)** is IFAD's primary financial metric, encompassing lending and grant capacity, concessional levels, portfolio credit quality, preferred creditor status and market risk. The revised Capital Adequacy Policy⁴¹ confirmed the deployable capital ratio as the binding limit for commitment capacity.
151. For IFAD14, considering its relatively short period, the impact of the scenarios on the trajectory of DC is expected to remain above 30 per cent for all scenarios, compared to 37.3 per cent in 2025. When projecting up to IFAD16, DC is expected to continue to remain above the policy limit for all scenarios with a range of between 28 and 32 per cent by the end of IFAD16 as shown in figure 2. As per the revised Capital Adequacy Policy, capitalization ratios from credit rating agencies are also closely monitored. The Standard & Poor's (S&P) capitalization ratio is not a constraint for IFAD, notably following the review on the methodology by the agency. Fitch's ratio is currently the most restrictive.⁴²

⁴¹ IFAD. 2025. Revised Capital Adequacy Policy. <https://webapps.ifad.org/members/eb/146/docs/EB-2025-146-R-23-Rev-1.pdf>.

⁴² As of June 2025, and following the change in methodology by S&P, the risk-adjusted capital ratio stood at 133 per cent, well above the 23 per cent threshold, thereby maintaining extremely strong capitalization. However, as of end-2024, the Fitch usable capital to risk-weighted assets ratio stood at 60.4 per cent, while the threshold for excellent capitalization is set by the agency at 35 per cent.

Figure 2
Projections of deployable capital (IFAD14–IFAD16)



152. Capital projections confirm the potential for IFAD to adapt its capital utilization strategies, which could ensure the delivery of an ambitious PoLG by preserving the concessional offer (i.e. through additional borrowing if necessary). At the same time, the new capital strategy allows for assessing potential capital optimization strategies during IFAD14 (i.e. portfolio guarantees), which could be used to enhance IFAD's risk profile. The capital relief resulting from the potential implementation of such strategies could ultimately create additional lending headroom to support IFAD's mandate.
153. **Sustainable grant capacity.** With more than 50 countries facing high debt distress alongside persistent poverty, grants remain a critical instrument for financing rural and agricultural development. In line with the Debt Sustainability Framework (DSF) and the sustainable replenishment baseline, grants are financed primarily through new core replenishment contributions and additional contributions, net of expenses and past compensation related to DSF and the Heavily Indebted Poor Countries Initiative. As a result, higher grant availability is directly linked to stronger replenishment outcomes.
154. In more constrained scenarios, limited grant capacity also reduces IFAD's ability to absorb deterioration in countries' debt situations during the cycle without reducing allocations elsewhere. The lower scenario would require additional solutions to maintain grants for countries in high debt distress. As other concessional funds such as the International Development Association or the Asian Development Fund have proposed, IFAD Management could explore the possibility of offering selected grant-eligible countries a demand-driven mix of grants and super highly concessional loans, subject where applicable to validation by the International Monetary Fund. This mix was already applied under IFAD11, following approval by the IFAD Executive Board.

Private sector financing and catalytic use of capital

155. Private sector engagement is essential to achieve scale. Rural transformation requires financing beyond sovereign channels. Under IFAD14, the NSO programme will be expanded and funded through a combination of core resources, borrowed resources, and off-balance-sheet supplementary funds. Across scenarios A to C, the NSO envelope is set at US\$25 million in core resources and US\$125 million in

borrowed resources, which is an increase of 39 per cent in borrowed resources, reflecting IFAD's commitment to structuring transactions with strong catalytic effect.

156. Credit enhancement instruments will be central to this effort, enabling engagement in higher-risk transactions, particularly in LICs and LMICs. Blended finance structures, innovative financing mechanisms, and non-sovereign portfolio guarantees from public development finance institutions will be deployed across all scenarios to crowd in private and public impact capital, with core resources serving as the primary lever for credit enhancement in selected transactions.

Concessional, allocation and universality

157. The allocation mechanisms will remain the same in IFAD14 and are based on sustainability and transparency. Sovereign financing will continue to be channelled through the PBAS, complemented by the BRAM, alongside a dedicated envelope for NSOs. This framework balances scale, concessional, and coverage across the replenishment cycle, while ensuring clear accountability for both sovereign and non-sovereign financing windows.
158. **IFAD14 will preserve a significant level of concessional** in resources allocated through the PBAS. Across all scenarios, the PBAS envelope will represent no less than 70 per cent of the total PoLG, ensuring that resource allocation remains anchored in country needs, performance and vulnerability.
159. Across all scenarios, overall concessional – expressed as the average grant element of the concessional envelope – is maintained at a high level, in the 63 to 65 per cent range, with higher concessional achieved under stronger replenishment outcomes. This level of concessional is higher than that observed in many peer institutions operating under similar concessional models, confirming IFAD's continued role as a leading concessional development fund with a strong focus on LICs and LMICs.

Table 2

Breakdown of use of resources by channel across the IFAD14 scenarios (Millions of United States dollars)

	IFAD13	A	B	C
Programme of loans and grants	3 405	3 725	3 895	4 115
Volume of resources by channel^a				
PBAS^b	2 408	2 610	2 735	2 900
BRAM for sovereign operations	857	945	985	1040
NSO envelope^c	108	150	150	150
Other non-country, global and regional grants	32	20	25	25

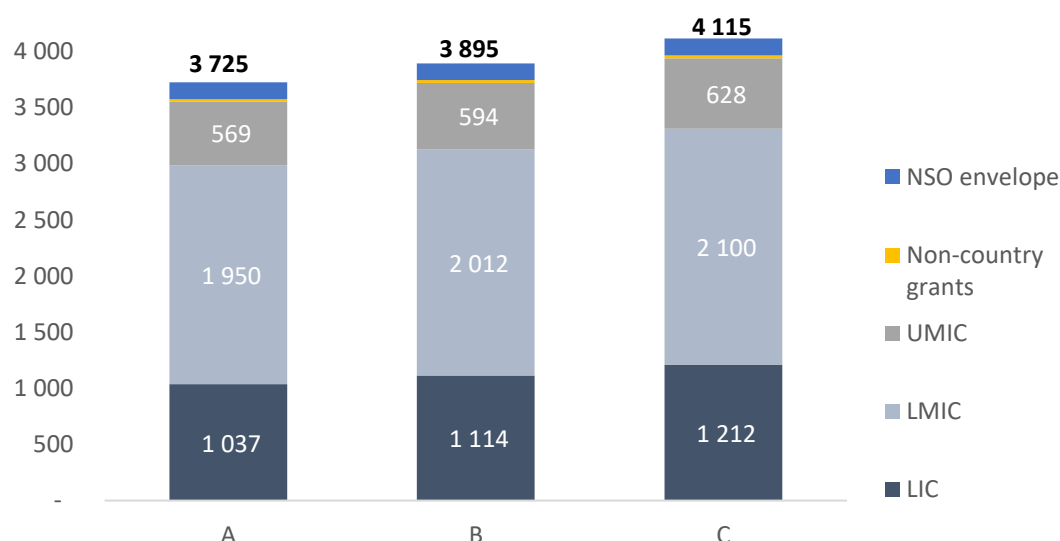
^a For comparison purposes and subject to policy commitments, the scenarios assume that under IFAD14 at least 60 per cent of core resources will continue to be directed to Africa, including 55 per cent to sub-Saharan Africa, and that the share of core resources allocated to countries classified by the World Bank as affected by fragility or conflict will remain at 30 per cent.

^b PBAS includes climate top-ups, DSF grants and a reserve for debt distress degradation.

^c The NSO envelope includes borrowed resources and core resources for credit enhancement.

160. IFAD will continue to deliver on its commitment to universality and financial sustainability. Approximately 40 per cent of IFAD's resources are provided on ordinary terms and are primarily absorbed by LICs (on demand through BRAM), LMICs, UMICs and private sector financing. Higher replenishment contributions translate into higher volumes of both core and borrowed resources available to all country groups, while maintaining broadly similar distribution shares in percentage terms across the three scenarios (85 per cent for LICs and LMICs and 15 per cent for UMICs).

Figure 3
IFAD14 scenarios of PoLG: Distribution by income category
 (Millions of United States dollars)



Box 14

Key messages on the IFAD14 financial framework

1. Member State support remains the foundation

Member State contributions remain the bedrock of IFAD's business model and financial sustainability. Sustaining high levels of grants – especially for countries facing high debt distress – requires stronger replenishment outcomes, as grant capacity is directly linked to contributions. Grants are used strategically to protect the most vulnerable countries and to support de-risking and catalysing private sector impact.

2. A strong financial position enables predictability and flexibility in programming

Through a gradual evolution, IFAD has built a strong financial position. IFAD14 deepens IFAD's role as a catalytic platform for rural investment, leveraging its AA+ credit rating, sector expertise and hybrid financial model. Capital optimization promotes long-term visibility of IFAD's commitment capacity (lending headroom), allowing IFAD and Member States to deploy resources more efficiently in line with the Fund's mandate, combining concessional resources, leverage and sound risk management.

3. Concessional and focus on LICs and LMICs are preserved

85 per cent of resources continue to flow to LICs and LMICs, and IFAD remains highly concessional, at levels comparing or exceeding other development funds. Grants remain essential for countries facing high debt distress. Higher scenarios are needed to sustain higher grant volumes, and IFAD is exploring options to support the most vulnerable in all cases.

4. Clear trade-offs within finite resources

Operating within limited replenishment resources requires transparent trade-offs between outreach, concessional and financial sustainability. However, capital optimization and long-term capital planning provide a degree of flexibility that can limit the magnitude of these trade-offs, avoiding severe deviations in outreach or concessional ambitions.

VII. Conclusion

161. The proposals in this report are intended as a starting point for dialogue. They represent Management's initial proposals for Member States to discuss and refine through the Consultation process.
162. The guidance from the first session will determine the evolution of the IFAD14 offer – including the commitments matrix, RMF and impact projections. Management looks forward to the discussion and to building, together with Member States, a replenishment that balances ambition and realism and is grounded in delivery capacity.

Terms and conditions of concessional partner loans

A. IFAD14 concessional partner loans – terms and conditions

- (i) **Maturity.** 25 or 40 years to match IFAD’s blend and highly concessional terms. Upon request, IFAD may consider maturities between 25 and 40 years.
- (ii) **Grace period.** Five years for a 25-year loan or 10 years for a 40-year loan. Upon request, IFAD may consider grace periods of between 5 and 10 years.
- (iii) **Principal repayment.** Principal repayment will begin after the grace period, applying straight-line amortization to the repayment schedule to closely match the repayment terms of IFAD blend and highly concessional loans (a 25-year loan principal will amortize at a rate of 5 per cent per annum; and a 40-year loan principal will amortize at a rate of 3.3 per cent per annum).
- (iv) **Interest.** Concessional partner loans (CPLs) will have fixed interest rates to be aligned with IFAD’s concessional lending terms. They will have an all-in special drawing right (SDR) equivalent maximum interest rate of 1 per cent. The difference between the interest rate on the CPL and the maximum interest rate for the specific currency (if the CPL interest rate is higher than the maximum interest rate) will be covered by an additional grant payment from the Member State (or its partner institutions) to IFAD. CPLs with variable interest rates will not be considered, as most of IFAD’s concessional loans are on fixed rate terms.
- (v) **Interest rate floor.** CPLs are subject to a 0 per cent interest rate floor.
- (vi) **Prepayments.** To ensure IFAD’s financial sustainability, IFAD may prepay the outstanding balance of the CPL, in whole or in part, without penalty.
- (vii) **Currencies.** IFAD will primarily accept CPLs in special drawing rights, United States dollars and euros, matching the denomination currencies of IFAD’s loans. Alternatively, CPLs in other SDR basket currencies (Japanese yen, British pound sterling and Chinese renminbi) or any other currencies may be considered, subject to IFAD’s assessed ability to swap such loans into United States dollars or euros.
- (viii) **Drawdown.** CPLs will normally be drawn down in no more than three equal instalments over a maximum period of three years. If agreed with the lender, Management may authorize a single-tranche drawdown or up to five equal instalments. A single-tranche drawdown will be required for CPLs that must be swapped into United States dollars or euros.
- (ix) **Minimum amount.** Only CPLs of US\$10 million or greater will be considered.
- (x) **Additionality.** Member States (or its partner institutions) providing CPLs will be expected to provide minimum core contributions equal to at least 60 per cent of a minimum grant contribution benchmark (MGCB) and to target a total grant equivalent contribution – which includes the core contribution and the grant element of the CPL – of at least their MGCB. The MGCB will be equal to 100 per cent of the average core contribution in local currency of the preceding two replenishment periods (for IFAD14, it would be the average of IFAD12 and IFAD13 core contributions). An example is provided in table 1 below.

Table 1

Example of minimum core contribution and minimum total contribution for IFAD14

(Millions of United States dollars)

Country X		
IFAD 13	Core contribution (excluding Debt Sustainability Framework [DSF] contribution)	20
	Contribution in grant element of CPL	10
IFAD12	Core contribution (excluding DSF contribution)	30
	Contribution in grant element of CPL	20
IFAD14	Minimum grant contribution benchmark (MGCB)	25
	Minimum core contribution (60% of MGCB)	15
	Grant element of CPL	10
Total grant equivalent contribution = core contribution + grant element of CPL = 100% of MGCB		25

- (xi) **Effectiveness.** A CPL agreement between IFAD and the CPL provider (or its partner institution) will be entered into preferably no later than the last day of the six-month period following the adoption of the IFAD14 Resolution, but at any rate not until the relevant Member State has deposited an instrument of contribution for the amount of its core contribution required under the provisions of subparagraph (x) above. In cases where a CPL provider (or its partner institution) plans to provide an additional grant to lower the interest rate on the CPL, IFAD will require the payment of the additional grant as a prerequisite to accepting the loan disbursements from the CPL provider. This is to protect IFAD from paying high borrowing costs on the CPLs without receiving the related grant payments that ensure the required concessionality.
- (xii) **Earmarking or restrictions on use of funds.** Since the primary purpose of CPLs is to finance lending within IFAD's overall programme of loans and grants (PoLG), in principle, a lender may not restrict the use of the funds being lent to IFAD (e.g. in terms of target group, purpose, theme or geographic area). In limited cases, a thematic instrument with no specific earmarking to a subset of assets can be considered, if the proposed theme is in line with IFAD's core mission and has strong linkages to IFAD's loan portfolio in its entirety. CPLs for climate may be considered given the significant integration of climate finance within the IFAD PoLG and the IFAD14 focus on strengthening IFAD's toolkit to mobilize climate finance for small-scale farmers. CPL resources will be allocated through the performance-based allocation system to Member States borrowing on terms comparable to or higher than those applicable to the CPL, as appropriate, therefore covering the whole set of lending products offered by IFAD. As CPLs are part of IFAD's core resources, no dedicated reporting on resource distribution (countries or amount of resources), use or results achieved through them is foreseen for this type of contribution.
- (xiii) **Grant element.** The grant element represents the present value of the financial benefit to IFAD of obtaining a CPL as opposed to a loan contracted on market terms. It is consequently the portion of the loan that is considered a grant for voting rights purposes to incentivize members to provide such loans to IFAD. In the event of an additional grant payment, such payment will be incorporated into the grant element of the CPL.
- (xiv) **Voting rights.** The grant element of the CPL will entitle the Member State to voting rights under the same formula as applicable to replenishment contributions as stipulated in article 6, section 3(a)(ii) of the Agreement Establishing IFAD. A CPL from a state-supported institution will also entitle the relevant Member State that owns or controls such agency to receive voting rights for the grant element of the CPL.

- (xv) **Governance.** CPLs will be subject to the same authorization process as followed for other borrowing arrangements under the revised IBF.

B. IFAD14 discount rates and grant element

1. All CPL parameters, including discount rates, financial equivalent interest rates between different currencies, and illustrative grant elements, are based on data as of 30 September 2026.⁴³ Grant elements for IFAD14 CPLs are derived using the IFAD14 discount rates. The discount rates are calculated based on a proxy of IFAD's own funding cost. All else equal, the higher the interest rate on the CPL, the lower the concessionality and the grant element. Table 2 below shows the discount rate applicable for IFAD14 CPLs.

Table 2
IFAD14 discount rates
(Percentage)

<i>Currency</i>	<i>25-year CPL</i>	<i>40-year CPL</i>
Special drawing rights (SDR)		
United States dollars (US\$)		
Japanese yen (JPY)		
British pound sterling (GBP)		
Euro (EUR)		
Chinese renminbi (RMB)		

2. The maximum interest rate on any CPL that IFAD can accept is a 1 per cent rate in SDR terms. Equivalent maximum interest rates for other SDR basket currencies are shown in table 3. The maximum interest rate is driven by the assets to be financed by the CPLs, and the need to respect the condition of non-subsidization of borrowing. The difference between the actual interest rate on the CPL and the currency's maximum interest rate (if the former is higher than the maximum rate) would have to be covered by an additional up-front grant payment from the Member State to IFAD.

Table 3
IFAD14 CPL maximum interest rates
(Percentage)

<i>Currency</i>	<i>25-year CPL</i>	<i>40-year CPL</i>
Special drawing rights (SDR)		
United States dollars (US\$)		
Japanese yen (JPY)		
British pound sterling (GBP)		
Euro (EUR)		
Chinese renminbi (RMB)		

3. An interest rate floor of 0 per cent will be applied for CPLs in currencies for which the equivalent of 1 per cent of SDR is negative. In IFAD14, it will be applicable only for CPLs denominated in JPY. In this case, Member States would provide a loan at 0 per cent interest rate and an up-front supplemental grant.
4. Tables 4a and 4b show different interest rate levels in SDR terms, financially equivalent interest rates in other currencies⁴⁴ of the SDR basket, and the illustrative grant element embedded in those loans. Each column of the table

⁴³ The actual discount and interest rates to be applied will be presented at the second replenishment Consultation session in October 2026.

⁴⁴ Please note that in order to obtain financially equivalent interest rates, a cross currency swap was simulated. Estimated swap costs were also considered when calculating financial equivalent interest rates for all CPLs other than those denominated in US\$ and EUR

represents financially equivalent interest rates to ensure reaching an equal grant element. The final grant element of the CPL will be calculated by applying the discount rates in table 2 and the actual disbursement schedule of the CPL agreed with the Member State providing the CPL.

Table 4a

Interest rates of SDR, financial equivalent interest rate in SDR basket currencies and illustrative grant elements (25-year CPL)

(Percentage)

25-year CPL with three-year disbursement schedule					
Currency	Interest rates			Requires up-front grant payment	
	0.00	0.50	1.00	1.50	2.00
Special drawing rights (SDR)					
United States dollars (US\$)					
Japanese yen (JPY)					
British pound sterling (GBP)					
Euro (EUR)					
Chinese renminbi (RMB)					
Grant element					

Table 4b

Interest rates of SDR, financial equivalent interest rate in SDR basket currencies and illustrative grant elements (40-year CPL)

(Percentage)

40-year CPL with three-year disbursement schedule					
Currency	Interest rates			Requires up-front grant payment	
	0.00	0.50	1.00	1.50	2.00
Special drawing rights (SDR)					
United States dollars (US\$)					
Japanese yen (JPY)					
British pound sterling (GBP)					
Euro (EUR)					
Chinese renminbi (RMB)					
Grant element					

C. Determination of the grant element

5. While the full nominal amount of the CPL represents the financial resource for the PoLG, IFAD will attribute voting rights to Member States providing CPLs in an amount proportionate to the grant element embedded in the loans. The grant element of the CPL is the ratio of the present value of the debt service to the present value of the loan disbursements. The calculation formula is the same as that applied for the IDA20 CPL framework, which is defined in the IDA20 Deputies' Report, as follows:

$$1 - \frac{\sum_{i=1}^n (DF_i \times CFS_i)}{\sum_{j=1}^n (DF_j \times CFD_j)}$$

Where:

- DF_i = Discount factor at period i, calculated using the IFAD14 discount rates;
- CFS_i = Cash flow from debt service at period i;
- DF_j = Discount factor at period j, calculated using the IFAD14 discount rates;
- and
- CFD_j = Cash flow from loan disbursement at period j.

D. Additional considerations

6. **Discount rate to calculate the grant element.** The discount rate calculation is important in that it determines the grant element, and therefore the allocation of votes for Members providing CPLs. For the IFAD14 CPLs, the method of calculating the discount rate used in determining the grant element will remain largely the same as the method approved for IFAD13, as described below.
7. **Net cost saving.** The methodology considers the possible savings compared to IFAD's borrowing transactions at market terms.
8. To determine the appropriate discount rate to use, the assumed borrowing cost for IFAD was based on the proxy of IFAD's funding cost, with the appropriate adjustments to consider the longer maturity of the CPL compared to the average maturity of IFAD's borrowing. For IFAD's borrowings not denominated in United States dollars, an appropriate cross currency swap was simulated to determine the average funding spread over the Secured Overnight Financing Rate (SOFR).
9. To convert the variable funding spread to a fixed interest rate funding cost, an interest rate swap was simulated, with the two proposed CPL maturities.
10. A similar calculation was performed for the other four currencies, where the funding rate in United States dollars was used as the starting point when determining the funding rates in other currencies (simulated using a two-year forward starting cross currency swap, which corresponds to the expected average time to disburse a CPL). The weighted averages of the five currencies were then calculated to determine the discount rates in SDR terms.
11. **Interest rate floor.** An interest rate floor will be required for CPLs denominated in currencies for which the equivalent of 1 per cent of SDR (maximum interest rate on CPLs) is a negative rate. In this case, Member States would provide a loan at 0 per cent in a CPL currency (this 0 per cent interest rate could also be achieved through a combination of a higher interest rate loan with a supplemental grant). The 0 per cent floor means that the loan rate will be higher than the maximum 1 per cent SDR rate. Fair treatment across Member States will be ensured by using the 0 per cent interest rate of the CPL and additional grant payment when calculating the loan's total grant element, in order to determine voting rights and compliance with the minimum grant contribution.
12. **Additional grant payments.** In case an additional grant payment is required (either to meet the interest floor requirement or if the Member State wishes for an interest rate higher than the maximum interest rate), the amount will be calculated based on the present value of the difference in future cash flows calculated with the final interest rate and the maximum interest rate. The same discount rate as provided in table 2 will be used in the present value calculation. The Member State may effect the additional grant payment over several instalments provided the CPL has the same disbursement schedule and the present value of the additional grant payment is maintained.

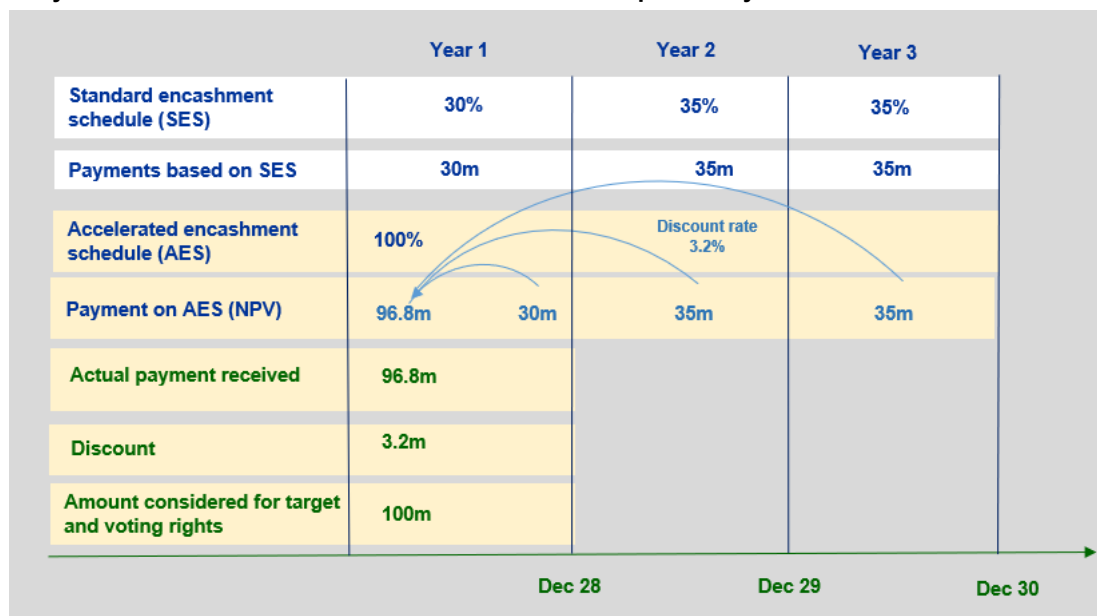
Technical note on early encashment of core replenishment contributions

1. The mechanism for early encashment of core replenishment contributions was introduced in IFAD12 and maintained during IFAD13.
2. Following the amendment of the Agreement Establishing IFAD in February 2021, the discount or credit generated by early encashment became eligible for the accrual of contribution votes.⁴⁵
3. For IFAD14, the mechanism will remain unchanged, as described in this annex.
4. Generally, IFAD's Member States pay the full nominal amount of their core replenishment contributions, as set forth in their pledge or an instrument of contribution, within three years. The schedule typically foresees the following instalments: year one: 30 per cent of full nominal; year two: 35 per cent of full nominal; year three: 35 per cent of full nominal amount; or payments in three equal instalments.
5. Starting from the baseline of IFAD's standard encashment schedule, and in line with the practices of other international financial institutions, Member States will have the option to pay their pledge based on an accelerated encashment schedule.
6. The discounted amount is equal to the net present value (NPV) of such accelerated schedule calculated at a discount rate established for the replenishment cycle.
7. Considering the nature of core contributions (i.e. equity), and given that the proceeds of early encashment will be invested in the liquidity portfolio, the reference discount rate will be linked to the estimated liquidity portfolio investment return so as not to endanger IFAD's financial sustainability. Should the investment return be a negative rate, for the purpose of this exercise it will be assumed at zero and no discount will be generated for early encashment of contributions.
8. The IFAD14 discount rate for early encashment of contributions is set at 3.2 per cent per annum, which represents the estimated yearly investment return on IFAD's liquidity portfolio.⁴⁶
9. Figure 1 presents an example of an early encashment where the Member State pays the amount of US\$96.8 million, that is the NPV of the full nominal amount of the pledge of US\$100.00 million. The full nominal amount of the core contribution will be counted towards the replenishment target, and voting rights will be attributed in relation to the full nominal amount (pledge or instrument of contribution) used in calculating the discount.
10. Should the Member State pay more than the NPV of the standard encashment schedule, the Member State will accrue a credit against the difference (i.e. against the NPV gain). The credit will be allocated first towards the Member State's outstanding contribution arrears from previous replenishments, if any. If no contribution arrears are attributable to the Member State, such amount will be allocated as an additional core contribution towards the current replenishment target, and voting rights will be attributed in relation to such credit.

⁴⁵ Specifically, article 6, section 3(b) of the Agreement Establishing IFAD, as amended, states that "the grant element of a concessional partner loan and the discount or the credit generated from the early encashment of contributions shall be considered as "paid contributions" and contributions votes shall be distributed accordingly".

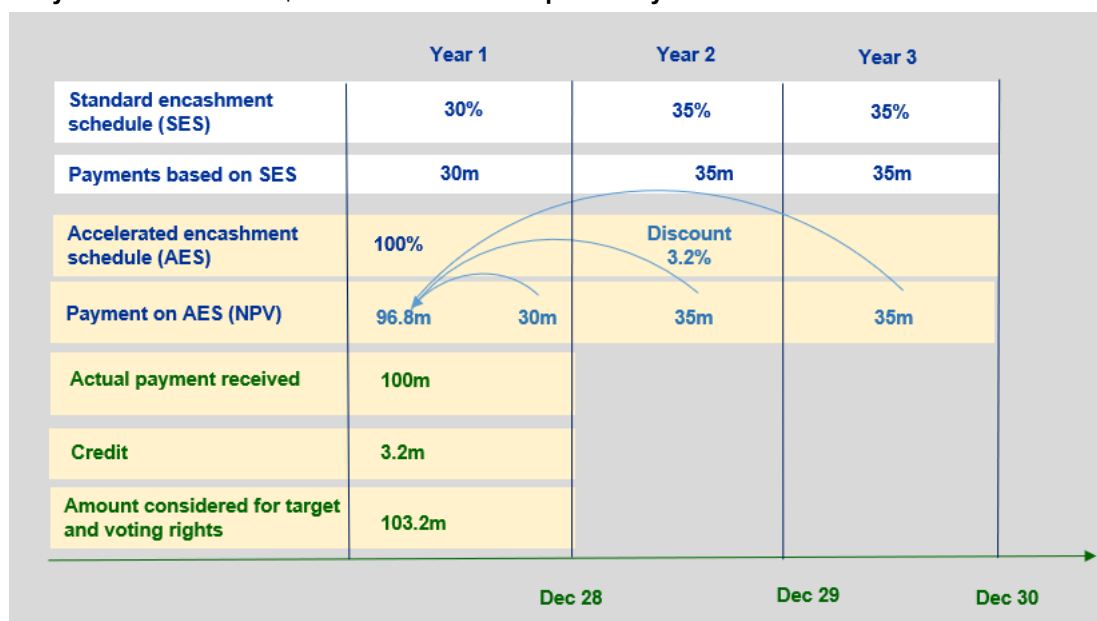
⁴⁶ Based on reported investment portfolio absolute return for 2022.

Figure 1
Early encashment mechanism and timeline based on a sample core pledge of US\$100 million and early encashment of NPV of US\$96.8 million in one lump sum in year 1



- Figure 2 presents an example of an early encashment and a credit. The NPV would have been US\$96.8 million but the Member State pays US\$100.00 million. This generates a credit of US\$3.2 million.

Figure 2
Early encashment mechanism and timeline, based on a sample core pledge of US\$100 million and early encashment of US\$100 million in one lump sum in year 1



- The reference discount rate will apply to all IFAD14 core contributions equal to or above the floor of US\$10 million that are encashed in accordance with the requirements of this technical note. This floor is introduced in recognition of the very low discount that would result from lower contribution amounts and the high transaction costs for both IFAD and the Member States independently of the contribution amount.

13. The schedule of encashment of contributions has implications for IFAD's liquidity and resource base. Therefore, Member States wishing to avail themselves of the early encashment option must communicate the exact accelerated schedule when pledging or, at the latest, when depositing the instrument of contribution. Deposits of promissory notes or letters of credit will not generate a discount.

Technical note on core additional climate contributions

1. Core additional climate contributions (ACCs) were created during IFAD13. For IFAD14, it is proposed that the mechanism will remain unchanged, as described in this annex.
2. **Purpose.** ACCs are proposed to be maintained as an additional component of IFAD's core financing to increase the mobilization and effective management of climate finance with a view to fostering improved impact on smallholder climate adaptation and mitigation. They function as an additional core contribution option for IFAD14 that: (i) further integrates climate-related activities within IFAD's regular project design and project implementation from the outset, maximizing efficiency and impact while minimizing transaction costs for recipients, contributors and IFAD; (ii) maximizes the benefits of IFAD's unique financial architecture, increasing both the PoLG and the total volume of climate finance that IFAD catalyses with its multiplier effect; and (iii) gives Member States the option to contribute core climate-dedicated contributions as replenishment contributions, received and programmed efficiently up front.
3. **Impact on resources available for programming.** ACCs do not result in the creation of a new fund or special programme. They boost IFAD's own core resources and equity and thereby increase available resources for all recipient countries to be accessed through the existing performance-based allocation system (PBAS) and Borrowed Resource Access Mechanism (BRAM) in accordance with existing eligibility criteria. PBAS-eligible countries (low-income countries and lower-middle-income countries, as well as eligible Small Island Developing States⁴⁷) benefit from "climate top-ups", distributed using the PBAS, in an amount equal to the total amount of ACCs received. Countries borrowing through the BRAM, including upper-middle-income countries, also benefit since ACCs form part of IFAD's equity that can be leveraged, in accordance with IFAD's Capital Adequacy Policy, to increase the borrowed resources made available through the BRAM.
4. **PBAS allocation approach.** The allocation of climate top-ups to eligible countries takes place ahead of the implementation of the IFAD14 cycle, aligned with the timing and approach for PBAS allocations. They are used solely for climate finance-eligible activities in IFAD's regular projects. Allocations are submitted to the Executive Board for information, as is the case for PBAS allocations. Where a country does not make full use of their climate top-up, it is reallocated to other eligible countries without affecting their normal PBAS allocation, thus introducing a demand-driven element to this portion of IFAD's core climate resources. Similarly, countries accessing BRAM rather than PBAS benefit from increased financing due to IFAD's increased borrowing capacity created by the ACC. Likewise, the related increase in BRAM resources are subject to the normal BRAM financing terms and conditions of the country, through the existing BRAM which operates on a demand-driven basis, taking into account IFAD's existing financial risk management criteria.
5. **Financing terms and conditions.** All climate finance related to ACCs (the climate top-ups for PBAS-eligible countries and the increased BRAM resources) is made available to each country on its usual lending terms and financing conditions, including for countries eligible for grant financing under the Debt Sustainability Framework. Countries accessing finance through the BRAM do so under the same mechanism, while countries accessing finance through the PBAS receive resources through that system. Many of the most climate-vulnerable countries are also

⁴⁷ As per the current Policies and Criteria for IFAD Financing, special provisions are in place for small states and countries with fragile situations that allow them to access IFAD's concessional resources.

affected by debt distress and therefore benefit from 100 per cent grant financing.⁴⁸ Any reflows are treated as part of IFAD's normal core resources.

6. **Activities to be financed.** Climate top-ups are integrated ex ante into the design of regular IFAD projects to further support activities that directly contribute to climate adaptation and/or climate mitigation, with co-benefits of restoring and promoting biodiversity, and that are eligible to be reported as 100 per cent climate finance according to the methodologies of multilateral development banks (MDBs). The range of eligible activities mirrors those funded from core regular contributions through IFAD's PoLG and accounted for as climate finance. In line with Member States' priorities, financing primarily supports adaptation-related activities. IFAD's action during the IFAD14 period on climate, environment and biodiversity will be driven by the **Climate, Environment and Biodiversity Strategy** (2025–2031).⁴⁹
7. **Increasing design, supervision and implementation efficiency.** Climate top-ups form part of a country's available resources, alongside its regular PBAS allocation, and are used jointly in the development of new operations or additional financing during IFAD14. As such, climate top-up financing is always combined with other IFAD financing to enhance the climate focus of larger investments. It is not used to finance separate stand-alone projects. Climate top-ups are therefore fully integrated into the overall project design and review process, ensuring that climate activities are fully embedded in the project logic at the start, thus enabling improved design and greater impact. This also minimizes transaction costs that otherwise occur when supplementary climate funds are mobilized from non-IFAD sources, or added at later stages to ongoing projects. Operations that include climate top-ups benefit from IFAD's normal supervision and implementation support.
8. **Reporting.** As ACCs are part of IFAD's core resources, results are reported against the replenishment's Results Management Framework, and integrated into the Report on IFAD's Development Effectiveness (RIDE) and the Report on IFAD's Mainstreaming Effectiveness (RIME). IFAD's Climate Action Report also includes reporting on ACCs as it covers all of IFAD's climate-related activities. Climate finance tracking follows the MDB methodologies.
9. **Impact on the share of climate finance in the PoLG.** ACCs finance activities that are classified as 100 per cent climate finance. As in IFAD13, the level of climate finance of the IFAD14 PoLG, as agreed during the IFAD14 Consultation, applies irrespective of the level of ACCs mobilized.
10. **Climate finance reporting.** IFAD reports its climate finance commitments to the Organisation for Economic Co-operation and Development (OECD) using the MDB methodologies. OECD has confirmed that ACCs can be reported as 100 per cent climate finance and has commended IFAD on this innovation. IFAD recognizes that some Member States prefer to use the Rio Markers Methodology for their own climate finance reporting. IFAD therefore provides additional reporting using the Rio Markers Methodology.
11. **Governance aspects:**
 - (i) **Voting rights.** ACCs are eligible for voting rights as they: (i) constitute a subcategory of additional contributions to the Fund, (ii) are provided on standard lending terms for which recipient countries are eligible; and (iii) generate reflows that become part of IFAD's core resources. Other forms of additional contribution to IFAD include core contributions, the grant element of

⁴⁸ Of the 20 most climate-vulnerable countries (according to the University of Notre Dame Global Adaptation Initiative [ND-GAIN]) that received PBAS allocations in IFAD12, 10 received 100 per cent grant financing, 5 received super highly concessional terms, 3 highly concessional and 2 blend terms. South Sudan did not have a ND-GAIN score but also received 100 per cent grant financing. ND-GAIN is a widely used index that measures a country's exposure, sensitivity and capacity to adapt to the negative effects of climate change. It is developed by ND-GAIN.

⁴⁹ [EB 2025/145/R.14](#).

concessional partner loans (CPLs) and the discount or credit resulting from early encashment.

To safeguard the primacy of core contributions and in order to manage substitution risk, ACCs generate voting rights at **half** the rate of regular core contributions (50 votes per US\$158 million of contributions). In all other respects, voting rights are determined according to the standard formula provided in article 6.3(a)(ii) of the Agreement Establishing IFAD. Contributors only receive 57 per cent of the votes created as a result of their contributions. Under IFAD rules, the balance of 43 per cent of votes created by ACCs are distributed equally among all Member States as membership votes (including Member States that did not contribute ACCs). Furthermore, the number of total voting rights generated by ACCs during a replenishment cannot be greater than 50 per cent of the total amount of votes created for other additional contributions. Thus, ACCs do not materially affect the balance between Member States or Lists, ensuring that IFAD's voting power remains broadly spread across the Membership.

Voting rights are allocated to the contributing Member State according to the formula, upon payment of their ACCs.

- (ii) **Substitution risk.** To mitigate the risk of substitution between ACCs and Member States' core replenishment contributions, Member States are expected to make a core pledge for IFAD14 in an amount equivalent to at least 100 per cent of their most recent core contribution in nominal terms, in the currency in which the contribution was made in order to benefit from the voting rights for their ACCs. This arrangement ensures that substitution risk at the level of individual Member States is avoided. Member States unable to make a core pledge to IFAD14 in an amount equivalent to at least 100 per cent of their contribution to the previous replenishment may contribute ACCs but such ACC contribution will not generate voting rights.
- (iii) **Linkage to replenishment target.** ACCs are included in the overall replenishment target. However, clear separate targets are set out in the financial framework for core contributions, ACCs and CPLs as each plays a distinct role in the overall financing of IFAD's PoLG.
- (iv) **Approval of financing.** Governance of ACCs and approval of loans or grants financed by climate top-ups are the same as for other IFAD-financed operations, and fall under the responsibility of the Executive Board.
- (v) **Contributions by non-Member State partners.** Non-Member States or other partners may provide a special contribution to be used in accordance with the ACC mechanism, in line with previous practice and the applicable legal framework for special contributions. They do not receive voting rights, are not part of the replenishment target, are not able to apply any conditions on the use of funds, and have no role in the governance of the funds.