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Enabling poor rural people
to overcome poverty

Draft resolution on the Ninth Replenishment of IFAD's Resources

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Consultation on the Ninth Replenishment of IFAD's Resources —
Fourth Session
Rome, 15-16 December 2011

For: **Review**

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Draft resolution on the Ninth Replenishment of IFAD's Resources

The Governing Council of IFAD,

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

Further recalling Governing Council Resolution 160/XXXIV (2011) on the Establishment of the Consultation on the Ninth Replenishment of IFAD's resources, whereby the thirty-fourth session of the Governing Council, in accordance with article 4.3 of the Agreement, set the Consultation the task of reviewing the adequacy of the Fund's resources and reporting to the Governing Council, **and**, in particular, the requirement for the Consultation to submit a report on the results of its deliberations and any recommendations thereon to the thirty-fifth session and, if required, subsequent sessions of the Governing Council, with a view to adopting such resolutions as may be appropriate;

Having considered that for the purpose of reviewing the adequacy of the Fund's resources, account has been taken of the urgent need to alleviate food insecurity by increasing the flow of external resources for food production, particularly on concessional terms, as well as the Fund's special mandate and operational capacity to effectively channel additional resources to eligible Members;

Having further considered that in determining the level at which the resources of the Fund should be replenished by additional contributions of Members, account has been taken of the announcements of Members' intentions to make additional contributions to the resources of the Fund and the President's undertaking to make every effort to explore the scope for increasing financing from alternative sources and to submit any resulting proposals to the Executive Board for approval;

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

Acting upon article 4.3 of the Agreement,

Hereby decides:

I. The level of replenishment and call for additional contributions

- (a) **Available resources.** The Fund's resources at the end of the Eighth Replenishment period and the funds to be derived from operations or otherwise accruing to the Fund during the three-year period commencing 1 January 2013 (the replenishment period) are estimated at US\$ ____.
- (b) **Target for contributions.** The target for additional contributions and special contributions from non-Member States is set at the amount of US\$ ____.
- (c) **Call for additional contributions.** Taking into account the conclusions and recommendations of the Report of the Consultation on the Ninth Replenishment of IFAD's Resources (____) regarding the need and desirability of additional resources for the operations of the Fund, Members are hereby invited to make additional contributions to the resources of the Fund in accordance with the terms set forth below.
- (d) **Pledges.** The Fund acknowledges the announcements of the Members' intentions to make additional contributions to the resources of the Fund as set out in annex VI to the Report of the Consultation on the Ninth Replenishment of IFAD's Resources. Members that have not yet formally announced their contributions are invited to do so preferably no later than the last day of the six-month period following the adoption of this resolution. The President shall communicate a revised annex VI to the Report of the Consultation on the Ninth Replenishment of IFAD's Resources (____) to all Members of the Fund no later than 15 days after the above-mentioned date.
- (e) **Structural gap.** While maintaining the target level as specified in subsection I(b), the structural gap may not exceed fifteen per cent (15 per cent) of such target level. In the event that the structural gap exceeds fifteen per cent (15 per cent) at the end of the six-month period for the creation of new votes specified in subsection IX(a) of this resolution, the target level specified in subsection I(b) shall be adjusted so that the total amount of the pledges received at that date represents at least eighty-five per cent (85 per cent) of the target level. If such an adjustment becomes necessary, the President will immediately communicate the new target level to the Governors, after which subsection I(b) shall be deemed to have been amended accordingly.

II. Measuring results, effectiveness and efficiency

- (a) During the replenishment period, the Results Measurement Framework set forth in annex II to the Report of the Consultation on the Ninth Replenishment of IFAD's Resources (____) shall constitute a systematic approach to management, monitoring and measurement to ensure that the intended results have the greatest likelihood of being achieved.
- (b) In order to raise the capacity of the Fund to effectively and efficiently manage ongoing operations and deliver the programme of work, the Executive Board and the President shall adopt the measures and undertake the actions set forth in annex I to the Report of the Consultation on the Ninth Replenishment of IFAD's Resources (____).

III. Contributions

- (a) **Additional contributions.** During the replenishment period, the Fund shall accept from Members:
- (i) **Core contributions.** Upon their core contributions to the Ninth Replenishment, Members shall receive commensurate contribution votes pursuant to article 6.3(a)(ii)(B) of the Agreement.

- (ii) **Complementary contributions.** Members shall not receive commensurate contribution votes on complementary contributions.
- (b) **Special contributions**
 - (i) During the replenishment period, the resources of the Fund may be increased by special contributions from non-Member States.
 - (ii) The Executive Board may approve related agreements with such States and allow their participation in its meetings, when appropriate.
 - (iii) Special contributions made by any State after the adoption of this resolution shall be converted into additional contributions upon the contributor's accession to the Fund during the replenishment period.
 - (iv) With respect to special contributions from sources other than States, the Executive Board may review and approve related agreements with the contributors. Based on its review of the potential implications, the Executive Board may also consider adopting measures to enable such contributors' participation in its meetings on an ad hoc basis, provided that these measures have no consequences for the governance of the Fund.
- (c) **Conditions governing contributions.**
 - (i) In conformity with article 4.5(a) of the Agreement, the foregoing contributions shall be made without restriction as to their use and shall be refunded to contributing Members only in accordance with article 9.4 of the Agreement.
 - (ii) The Governing Council will, if and when proposed, decide upon the use to be made of complementary contributions. When the Governing Council is not in session, the Executive Board shall be allowed to make such decisions.
 - (iii) In application of subsection (c)(ii) above, and without prejudice to the authority to decide on the use of complementary contributions for other purposes, during the replenishment period, the Fund shall accept complementary contributions to support the Fund's adaptation for smallholder agriculture programme.
- (d) **Denomination of contributions.** In accordance with article 5.2(a) of the Agreement, Members shall denominate their contributions in special drawing rights (SDR), in a currency used for the valuation of the SDR, or in the currency of the contributing Member if such currency is freely convertible and the Member did not experience, in the period from 1 January 2009 to 31 December 2010, a rate of inflation in excess of 10 per cent per annum on average, as determined by the Fund.
- (e) **Unpaid contributions.** Those Members that have not yet completed payment of their previous contributions to the resources of the Fund and that have not yet deposited an instrument of contribution or paid their contribution for the Eighth Replenishment are urged to make the necessary arrangements. Upon proposals by the President, the Executive Board shall adopt measures aimed at realizing the settlement of unpaid contributions.
- (f) A Member may increase the amount of any of its contributions at any time.
- (g) **Exchange rates.** For the purposes of section I(b), commitments and pledges made under this resolution shall be valued on the basis of the average month-end exchange rate of the International Monetary Fund over a six-month period preceding the adoption of this resolution between the currencies to be

converted into United States dollars (1 April–30 September 2011), rounded to the fourth decimal point.

IV. Instruments of contribution

- (a) **General clause.** Members making contributions under this resolution shall deposit with the Fund, preferably no later than the last day of the six-month period following the adoption of the resolution, an instrument of contribution formally committing to make additional contributions to the Fund in accordance with the terms of this resolution and specifying the amount of their contribution in the applicable currency of denomination.
- (b) **Unqualified contribution.** Except as specified in subsection (c) below, such instrument of contribution shall constitute an unqualified commitment by the concerned Member to pay its payable contribution in the manner and on the terms set forth in this resolution, or as otherwise approved by the Executive Board. For the purpose of this resolution, such contribution shall be called an **“unqualified contribution”**.
- (c) **Qualified contribution.** As an exceptional case, where an unqualified commitment cannot be given by a Member due to its legislative practice, the Fund may accept from that Member an instrument of contribution that expressly contains the qualification that payment of all instalments of its payable contribution, except for the first one, is subject to subsequent budgetary appropriation. Such an instrument of contribution shall, however, include an undertaking by the Member to exercise its best efforts to: (i) arrange such appropriation for the full amount specified by the payment dates indicated in section VII, and (ii) notify the Fund as soon as the appropriation relative to each instalment is obtained. For the purpose of this resolution, a contribution in this form shall be called a **“qualified contribution”**, but shall be deemed to be unqualified to the extent that appropriation has been obtained.
- (d) **Contingent contributions.** The Fund may accept contributions that, in part or in whole, may be contingent upon the completion of specific measures and actions referred to in section II of this resolution.
- (e) **Commensurate modification.** In the case of an undue delay in the deposit of an instrument of contribution or in payment, or of substantial reduction in its contribution by a Member, any other Member that has not waived the right to avail itself of the option of commensurate modification in its instrument of contribution, may, notwithstanding any provision to the contrary in this resolution, at its option, after consultation with the Executive Board, make a commensurate modification, ad interim, in its schedule of payment or amount of contribution. The option of commensurate modification may be exercised with the sole purpose of safeguarding the objectives of the replenishment and avoiding any significant disparity between the relative proportion of Members' total contributions until such time that the Member whose conduct caused the option to be exercised has acted to remedy the situation on its part or the Member exercising the option revokes its decision taken under this provision.

V. Effectiveness

- (a) **Effectiveness of the replenishment.** The replenishment shall come into effect on the date upon which instruments of contribution or payments made without an instrument of contribution relating to the additional contributions referred to in section III of this resolution have been deposited with or received by the Fund in an aggregate amount equivalent to at least 50 per cent of the pledges as communicated by the President to Members pursuant to section I(e).
- (b) **Effectiveness of individual contributions.** Instruments of contribution deposited on or before the effective date of the replenishment shall take effect on that date, and instruments of contribution deposited after such date shall take effect on their respective dates of deposit.
- (c) **Effectiveness of replenishment votes.** The distribution of the Ninth Replenishment votes, as specified in the provisions of section IX below, shall enter into effect six months after the adoption of this resolution. The President shall communicate the distribution of the Ninth Replenishment membership and contribution votes to all Members of the Fund no later than 15 days after the date specified above.
- (d) **Availability for commitment.** As of the effective date of the replenishment, all additional contributions paid to the resources of the Fund shall be considered available for operational commitment under article 7.2(b) of the Agreement and other relevant policies of the Fund.

VI. Advance contribution

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

VII. Payment of contributions

- (a) **Unqualified contributions**
 - (i) **Payment of instalments.** Each contributing Member shall, at its option, pay its unqualified payable contribution in a **single sum** or in **two** or maximum **three** instalments. Instalment payments in respect of each unqualified contribution shall be, at the option of the Member, either in **equal** amounts or in **progressively graduated** amounts, with the first instalment amounting to at least 30 per cent of the contribution, the second instalment amounting to at least 35 per cent and the third instalment, if any, covering the remaining balance.
 - (ii) **Payment dates**
 - Single-sum payment**
Payment in a single sum shall be due on the thirtieth day after the Member's instrument of contribution enters into effect.
 - Instalment payments**
Payment in instalments shall be made according to the following schedule:

The first instalment shall be due on the thirtieth day after the Member's instrument of contribution enters into effect. Any other instalment shall be due on the first anniversary of the effective date of the replenishment

and the balance, if any, shall be paid no later than the last day of the three-year period following the adoption of this resolution.

- (iii) **Early payment.** Any Member may pay its contribution at earlier dates than those specified in subsection (a)(ii) above.
 - (iv) **Alternative arrangements.** The President may, upon the request of a Member, agree to a variation in the prescribed payment dates, percentages or number of instalments of the contribution, provided that such a variation shall not adversely affect the operational needs of the Fund.
- (b) **Qualified contributions.** Qualified contributions shall be paid within 90 days after the Member's instrument of contribution enters into effect, as and to the extent that the relative contribution becomes unqualified and, where possible, in accordance with the annual payment dates specified in subsection (a)(ii) above. A Member that has deposited an instrument of contribution for a qualified contribution shall inform the Fund of the status of the qualified instalment of its contribution no later than 30 days after the annual payment date specified in subsection (a)(ii) above.
- (c) **Currency of payment**
- (i) All contributions made under this resolution shall be paid in SDR, in a currency used for the valuation of the SDR, or in the currency of the contributing Member if such currency is acceptable.
 - (ii) In accordance with article 5.2(b) of the Agreement, the value of the payment shall be determined on the basis of the rate of exchange used by IFAD for translation purposes in its books of account at the time of payment.
- (d) **Mode of payment.** In conformity with article 4.5(c) of the Agreement, payments in respect to the payable contribution shall be made in cash or, at the option of the Member, by the deposit of non-negotiable, irrevocable and non-interest-bearing notes or similar obligations of the Member, encashable on demand by the Fund at their par value in accordance with the terms of subsection (e) below. To the extent possible, Members may favourably consider payment of their contributions in cash.
- (e) **Encashment of promissory notes or similar obligations.** In conformity with the provisions of article 4.5(c)(i) of the Agreement and regulation V of the Financial Regulations of IFAD, promissory notes or similar obligations of Members shall be encashed in accordance with the drawdown policy approved by the Executive Board at its seventy-first session or as agreed between the President and a contributing Member.
- (f) **Payment modalities.** At the time of depositing its instrument of contribution, each Member shall indicate to the Fund its proposed schedule and mode of payment on the basis of the arrangements set forth in subsections (a), (b), (c) and (d) above.

VIII. Exercise of the advance commitment authority

Effective 1 January 2013, when the Executive Board authorizes advance commitment funds to be derived from operations pursuant to its power under article 7.2(b) of the Agreement, the Fund's commitment capacity shall be assessed and determined in accordance with the sustainable cash flow methodology by matching financial obligations (cash outflows) arising from commitments against current resources and projected cash inflows.

IX. Allocation of new votes for the replenishment

- (a) **Replenishment votes.** New replenishment votes shall be created (Ninth Replenishment votes). The total amount of Ninth Replenishment votes shall be calculated by dividing the total amount of pledges to core contributions, which have been received as of the date six months after the date of adoption of this resolution, by one million five hundred and eighty thousand United States dollars (US\$1,580,000).
- (b) The Ninth Replenishment votes thus created shall be distributed in accordance with section 3(a)(ii) and (iii) of article 6 of the Agreement as follows:
 - (i) **Membership votes.** Membership votes shall be distributed equally among all Members in conformity with article 6.3(a)(i)(A) and (ii)(A) of the Agreement.
 - (ii) **Contribution votes.** In conformity with article 6.3(a)(ii)(B) of the Agreement, contribution votes shall be distributed among all Members in the proportion that each Member's paid-up contribution for the Ninth Replenishment bears to the aggregate of the paid core contributions specified in section III above.
 - (iii) The allocation and distribution of the original, Fourth Replenishment, Fifth Replenishment, Sixth Replenishment, Seventh Replenishment and Eighth Replenishment votes shall continue irrespective of the entry into force of this resolution.
- (c) **Communication of votes.** The amount and allocation of votes created in accordance with subsection (a) above shall be communicated to all Members and reported to the Governing Council at its thirty-sixth session.

X. Cofinancing and miscellaneous operations

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

XI. Reporting to the Governing Council

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

XII. Review by the Executive Board

- (a) The Executive Board shall periodically review the status of contributions under the replenishment and shall take such actions, as may be appropriate, for the implementation of the provisions of this resolution.
- (b) If, during the replenishment period, delays in the making of any contributions cause or threaten to cause a suspension in the Fund's lending operations or otherwise prevent the substantial attainment of the goals of the replenishment, upon the request of the Executive Board the Chairperson of the Governing Council may convene a meeting of the Consultation established by resolution 160/XXXIV (2011) to review the situation and consider ways of fulfilling the

conditions necessary for the continuation of the Fund's lending operations or for the substantial attainment of those goals.

XIII. Mid-term review

A mid-term review of the implementation of the measures and actions referred to in section II of this resolution will be undertaken and its findings presented at an early meeting of the Consultation on the Tenth Replenishment of IFAD's Resources.