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Investing in rural people

## Review of IFAD's replenishment process (Background document - First meeting of the Ad Hoc Working Group on Governance)

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For: Information

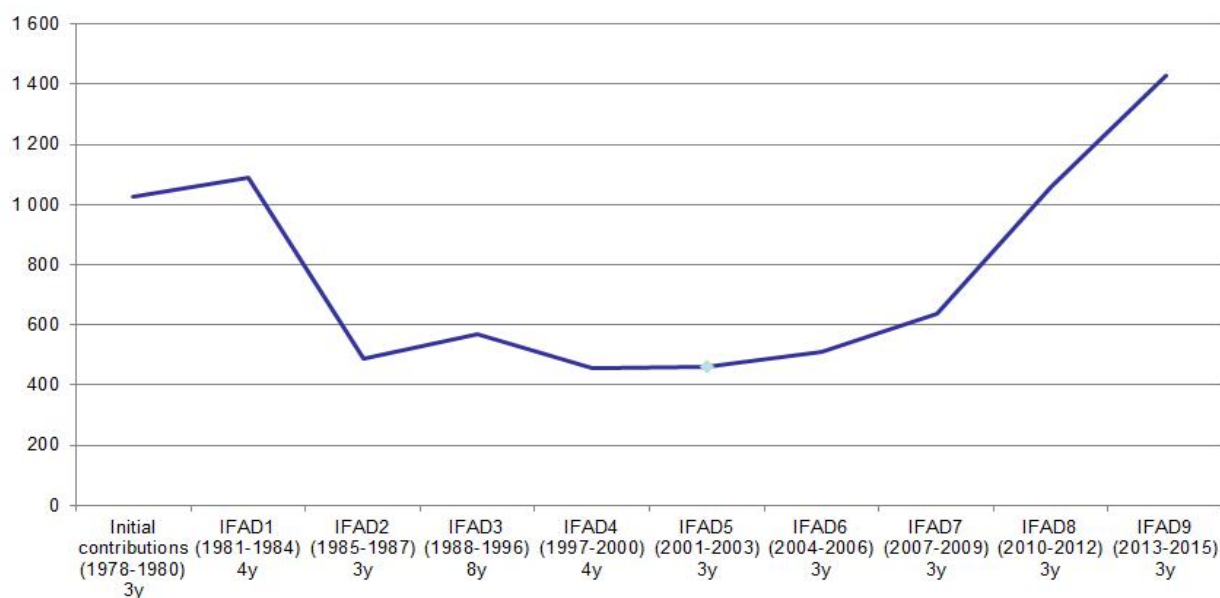
## Review of IFAD's replenishment process

(Background document for the first meeting of the Ad Hoc Working Group on Governance)

### A. Trends in IFAD's replenishment cycles

1. The Agreement Establishing IFAD, article 4, section 3 stipulates that: "In order to assure continuity in the operations of the Fund, the Governing Council shall periodically, at such intervals as it deems appropriate, review the adequacy of the resources available to the Fund; the first such review shall take place not later than three years after the Fund commences operations".
2. Since the Fifth Replenishment of IFAD's Resources (IFAD5), all replenishment exercises have been based on a three-year cycle. Chart 1 shows which replenishments had a four-year cycle (IFAD1, IFAD4) and which had an eight-year cycle (IFAD3).

**Chart 1 – Trends of IFAD's past replenishment cycles**



### B. IFAD10 contribution categories

Additional contributions

3. During the IFAD10 period, IFAD will accept additional contributions as follows:
  - (a) Core contributions to the resources of the Fund;
  - (b) Debt Sustainability Framework (DSF) compensation contributions, in addition to core contributions, to compensate the Fund for forgone principal reflows under the DSF in the amount of US\$3.4 million (DSF contributions are not included in the replenishment target); and
  - (c) Complementary contributions, in addition to core contributions and DSF compensation contributions.
4. In IFAD10, Management welcomes unrestricted complementary contributions in particular to the following four thematic areas: climate change adaptation, nutrition, public-private-producer partnerships in value chain development projects, and South-South and Triangular Cooperation. Unrestricted complementary contributions will be accepted as part of the replenishment if they are not restricted by contributing

members as to: (i) their use by IFAD as loans or as grants; and (ii) their allocation through the performance-based allocation system (PBAS).

5. Members shall receive contribution votes with respect to core contributions and DSF compensation contributions but shall not receive such votes with respect to their complementary contributions.

#### Special contributions

6. During the IFAD10 period, the Executive Board may accept, on behalf of the Fund, unrestricted contributions to IFAD's resources from non-Member States or other sources (special contributions).

### C. Replenishment process

7. IFAD's current replenishment process is undertaken through a year-long consultation which has three functions:
  - (a) It is the process by which IFAD mobilizes its core resources;
  - (b) It is an exercise in accountability by which IFAD reports to its Member States on its strategy, reforms and performance; and
  - (c) It provides an opportunity for dialogue with – and feedback and strategic guidance from – Member States.
8. The midterm review (MTR) of the current replenishment cycle is presented at the first session of the IFAD replenishment consultation. This review is discussed much earlier in the process in other international financial institutions (IFIs). There are advantages to holding a discussion of the MTR of the current replenishment several months before the new replenishment consultation starts.
9. The consultation process concludes with a report outlining the commitments to which IFAD and Members have agreed, along with the pledges of contributions from Member States. The consultation report, including a draft resolution, is submitted to the Governing Council for its approval.
10. Other important deliverables to keep in mind throughout this process are:
  - Confirmation of the replenishment target  
Within six months of the adoption of the Governing Council resolution, pledges must reach 85 per cent of the agreed target.
  - Effectiveness  
The aggregated amount of payments and instruments of contribution deposited by Member States or received by the Fund should be at least 50 per cent of the total replenishment level.

### D. Recommendations of the corporate-level evaluation on IFAD replenishments

11. The Independent Office of Evaluation of IFAD (IOE) undertook the first corporate-level evaluation on IFAD replenishments (CLER) in 2013 and issued the report in May 2014. One of the key recommendations of the CLER was to analyse the MTR to assess the appropriateness of the timing (and the possibility of a longer replenishment period), amount of time allocated and the resulting document.
12. Table 1 provides an overview of the deliverables expected in the current three-year cycle, while table 2 displays expected deliverables in a four-year cycle.

**Table 1. Deliverables in a three-year cycle** (taking IFAD9 and IFAD10 as examples)

Year 1 (2013)	Implementation of the current replenishment starts (IFAD9) Preparation for the next replenishment
Year 2 (2014)	Consultation for the next replenishment (the current practice is to hold four Consultation sessions, however a reduction in the number of sessions might sharpen the focus on strategic issues) Midterm review of current replenishment (although the review of IFAD9 was undertaken after one year, not at the midterm of the IFAD9 period) Final review of the previous replenishment (IFAD8)
Year 3 (2015)	Governing Council's approval of the resolution on the target and the consultation report. Ensure confirmation of the target for the next replenishment and possibly, replenishment effectiveness Ensure that current IFAD commitments are met (IFAD 9)

**Table 2. Deliverables in a four-year cycle** (taking IFAD9 and IFAD10 as examples)

Year 1 (2013)	Implementation of the current replenishment starts (IFAD9) Preparation for the next replenishment
Year 2 (2014)	Midterm review of the current replenishment (perhaps by end of the second year) Final review of the previous replenishment
Year 3 (2015)	Consultations for the next replenishment exercise (current practice is to hold four sessions but these could be reduced to three)
Year 4 (2016)	Governing Council approval of the resolution on the target and consultation report. Ensure confirmation of the target for the next replenishment and possibly, effectiveness Ensure that current IFAD commitments are met

13. The move from a three- to a four-year replenishment cycle deserves careful analysis. Discussions with other IFIs and multilateral development banks (International Development Association and African Development Fund) would be useful in assessing this option. While there is no evidence that a four-year replenishment cycle would have a direct impact on pledges, less frequent interaction with donors might affect the level of resources received through replenishments as well as the possibility of contributions from new donors.
14. Less frequent replenishment consultations might also reduce the opportunity for dialogue on strategy and policy issues between IFAD and Member States. This, however, could be offset by other kinds of contacts, including a comprehensive MTR. Currently, the only IFI with a four-year cycle is the Asian Development Fund.
15. The CLER report noted that a longer cycle would contribute to cost savings and – perhaps most importantly – would be a prerequisite to implement the CLER's recommendation that the meeting for the midterm review be held as a stand-alone event several months prior to the start of the next replenishment consultation.

## E. Midterm reviews undertaken by other IFIs

16. Chart 2 shows how midterm reviews are handled by other IFIs and the duration of their current replenishment cycles.

**Chart 2 – Midterm reviews in other IFIs**

	IDA 16	AfDF-12 (African Development Fund)	ADF X (Asian Development Fund)	IFAD9
MTR conducted before launching of consultation process?	Yes	Yes	Yes	No
Duration of review meeting (days)	4	3	2	0.5
Held back-to-back with other meeting?	Annual meeting of the World Bank Group and International Monetary Fund	No	No	First session of consultation of next replenishment cycle
Replenishment cycle (years)	3	3	4	3

## F. Conclusion

17. Throughout the years, IFAD has demonstrated a strong willingness to examine a variety of issues through evaluations, and responsiveness to issues raised during replenishment consultations. IFAD looks forward to the discussions of the Ad Hoc Working Group on Governance on replenishment-related matters and on how to increase the active participation of the Member States in replenishment consultations. IFAD is committed to becoming even more proactive in responding to Members States' needs, given the challenging times faced globally. The replenishment is unalterably the foundation of IFAD's operations now and will continue to be so in the future. At the same time, IFAD will continue to develop diverse financing instruments in order to mobilize greater resources in this rapidly changing environment for the benefit of smallholder farmers and rural entrepreneurs.