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Investing in rural people

## **Report of the Consultation on the Tenth Replenishment of IFAD's Resources**

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## Contents

<b>Abbreviations and acronyms</b>	<b>ii</b>
<b>Executive summary</b>	<b>iii</b>
<b>I. Introduction</b>	<b>1</b>
<b>II. The context for IFAD10</b>	<b>2</b>
<b>III. What IFAD brings</b>	<b>5</b>
<b>IV. Operational effectiveness and efficiency</b>	<b>7</b>
A. Priorities under IFAD10	7
B. Mainstreaming cross-cutting themes	9
C. Consolidation of strategic approaches	11
D. Differentiated approaches for countries in fragile situations, low-income countries and MICs	13
<b>V. Institutional effectiveness and efficiency</b>	<b>15</b>
A. Further enhancing the operations delivery model and tools	16
B. Strengthening the service delivery platform	17
C. Facilitating members' review of IFAD governance arrangements	18
D. Further improving the efficiency of the business model	19
<b>VI. Building on IFAD's results management system</b>	<b>19</b>
A. Results measurement under IFAD9	19
B. Results Measurement Framework for IFAD10	20
C. Monitoring and evaluation and impact analysis for improved learning	21
<b>VII. Financial framework</b>	<b>22</b>
A. The financial framework through IFAD8 and IFAD9	22
B. The financial framework for IFAD10	22
C. Debt Sustainability Framework	23
D. Financing options for IFAD's future	24
<b>VIII. Midterm review of IFAD10</b>	<b>25</b>
<b>IX. Selection of the IFAD11 Chairperson</b>	<b>25</b>
<b>X. Recommendation</b>	<b>25</b>
<b>Annexes</b>	
I. IFAD10 Commitment Matrix	26
II. IFAD10 Results Measurement Framework 2016-2018	31
III. Implementation status of IFAD9 commitments	51
IV. Draft ad hoc working group on governance issues: Terms of Reference	62
V. IFAD's agenda for improved nutrition	64
VI. List of documents provided to the Consultation and other reference documents made available	66
VII. Draft resolution on the Tenth Replenishment of IFAD's Resources	67
VIII. Members' contribution pledges to IFAD10	75
IX. Review of the status of the Debt Sustainability Framework	78

## Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
CLEE	corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations
COSOP	country strategic opportunities programme
DSF	Debt Sustainability Framework
FAO	Food and Agriculture Organization of the United Nations
FSU	Field Support Unit
GEF	Global Environment Facility
HR	human resources
ICT	information and communications technology
IFI	international financial institution
M&E	monitoring and evaluation
MIC	middle-income country
MTR	midterm review
ODA	official development assistance
PBAS	performance-based allocation system
PoLG	programme of loans and grants
PoW	programme of work
4P	public-private-producer partnership
RIDE	Report on IFAD's Development Effectiveness
RIMS	Results and Impact Management System
SSTC	South-South and Triangular Cooperation
SCF	sustainable cash flow

# Report of the Consultation on the Tenth Replenishment of IFAD's Resources

## Executive summary

1. Agricultural growth is widely recognized to be a precondition for a country's economic structural transformation and a powerful vehicle for poverty reduction. Today, agriculture also needs to deliver global food security and improved nutritional outcomes, while also offering expanded employment opportunities, sustainably managing the natural resource base and remaining resilient to the effects of climate change. This agenda brings significant challenges, but can also offer new opportunities to smallholders through expanding markets for food and environmental services, as well as creating new sources of growth and employment in diversified rural economies. What is critical is to ensure that poorer rural households are able to access and benefit from these opportunities and are not further marginalized, and are able to better manage the growing risks they face.
2. After 10 years of growth and reform, IFAD is now recognized as a significant player in the international development landscape, with a unique mandate and a proven, strong record of operational performance and development impact. Looking forward, IFAD has a clear vision of its role: in different contexts, to facilitate investment, support national and global policy processes, generate and share knowledge, and develop partnerships, all in pursuit of a goal of sustainable and inclusive rural transformation. Under the Tenth Replenishment of IFAD's Resources (IFAD10), it will draw and build upon the achievements of its recent performance to scale up its results.
3. At the same time, however, IFAD stands at a crossroads in terms of its financing model. The model of core replenishment contributions as the *sole* source of its external funding is unlikely to be adequate in the future, particularly if IFAD is to expand its operations to a level that reflects better the estimated demand for IFAD resources yet is within the organization's capacity to deliver. This means that IFAD needs to build a new financial model that will ensure its sustainability, while also equipping it to serve its full range of Member States, enlarge its development impact and contribute meaningfully to the achievement of the post-2015 development agenda.
4. Members of the IFAD10 Consultation recognized IFAD's success in improving its operational effectiveness, its institutional effectiveness and efficiency, its financial capacity and management and its results management system. They agreed that IFAD can contribute more to the eradication of rural poverty and hunger and to a process of sustainable and inclusive rural transformation. In the context of an IFAD10 target of moving 80 million rural people out of poverty, a broad set of commitments were agreed to enhance IFAD's efficiency, and its development effectiveness and impact – while at the same time putting the organization on a road to financial sustainability.
5. The agreed commitments are outlined in the main body of this report and summarized in the IFAD10 Commitment Matrix in annex 1. These commitments represent IFAD's improvement agenda for the IFAD10 period (2016-2018). This agenda is shaped around the following four themes.
  - (i) **Operational effectiveness and efficiency.** In order to further strengthen its operational effectiveness under IFAD10, the Fund will:
    - Give explicit and consistent attention in all its operations to innovation, learning and scaling up.

- Mainstream three cross-cutting themes that are relevant to most or all country programmes and projects and critical to enhanced development outcomes and impact: adaptation to climate change, improved nutritional impact, and gender equality and women's empowerment.
  - Consolidate strategic approaches around four key sets of issues – public-private-producer partnerships, country-level policy engagement, global policy engagement, and South-South and Triangular Cooperation; as well as give particular attention to expanding support for rural youth.
  - Develop increasingly differentiated approaches for countries in fragile situations, low-income countries and middle-income countries.
- (ii) **Institutional effectiveness and efficiency.** Under IFAD10 the organization will take further steps to strengthen its business model in the following areas:
- Further enhancing the operations delivery model and tools, through partnership-building, knowledge management, country presence and a new grant policy.
  - Strengthening the service delivery platform, through further improvements to IFAD's financial management systems, consolidation of the human resources management reforms begun in IFAD9, upgrading of the information and communications technology (ICT) architecture, and streamlining and reducing costs of other support services.
  - Facilitating Members' review of IFAD governance arrangements.
  - Further improving the efficiency of the business model.
- (iii) **Building on IFAD's results management system.** Results management will continue to drive IFAD's delivery of stronger outcomes and development impact. The Results Measurement Framework for IFAD10 builds on that of IFAD9, and it enhances its strategic focus, performance management value, and alignment to IFAD's theory of change. IFAD will also expand its capacity-building support to monitoring and evaluation systems at project and country level, upgrade its Results and Impact Management System (RIMS), and put into place a multi-pronged strategy for impact assessment.
- (iv) **Financing options for IFAD's future.** Members agreed that IFAD needs to examine the options for broadening its strategy for resource mobilization. These include options to expand the programme of loans and grants (PoLG): sustained mobilization of core and unrestricted complementary contributions through replenishment cycles; and borrowing to leverage IFAD's resources, in the short-term borrowing from sovereign states and state-supported institutions, and for the longer term, exploring the scope for borrowing from the market. Market borrowing is not considered an option for IFAD10 however. Options also include expanding the programme of work (PoW) through supplementary funding and a more strategic and targeted approach to cofinancing.
6. **The financial framework for IFAD10.** The Consultation endorsed an overall financing framework for IFAD10 of US\$3.6 billion, to support an indicative programme of loans and grants of US\$3.0 billion, as well as administrative and other budget expenditures, plus IFAD's share of debt relief under the Heavily Indebted Poor Countries (HIPC) Debt Initiative,<sup>1</sup> amounting to US\$0.6 billion. In order to realize this US\$3.0 billion PoLG, and in line with the logic of the sustainable cash flow (SCF) approach used to determine the PoLG, the total requirement for replenishment contributions from Member States amounts to US\$1.44 billion.

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<sup>1</sup> Though excluding the compensation for principal forgone as a result of the implementation of the Debt Sustainability Framework (DSF).

7. The Consultation agreed to a target of US\$1.44 billion for IFAD10 to be provided by Member States in the form of core, and if necessary unrestricted complementary, contributions. The Consultation also agreed that, to the extent necessary, IFAD Management should look to sovereign borrowing to achieve the PoLG target, subject to the rules of the borrowing framework as and when approved by the Executive Board. It may additionally look to further borrowing, up to a maximum size of PoLG of US\$3.5 billion. The PBAS will determine the allocation of all programmed resources, and all borrowing to achieve a PoLG greater than US\$3.0 billion will be undertaken on an administrative budget-neutral basis.

# Report of the Consultation on the Tenth Replenishment of IFAD's Resources

## I. Introduction

1. **Background.** At its thirty-seventh session in February 2014, the Governing Council adopted resolution 180/XXXVII on the Establishment of the Consultation on the Tenth Replenishment of IFAD's Resources (IFAD10). The Consultation was requested to review the adequacy of the Fund's resources, and to submit a report on the results of its deliberations and any recommendations thereon to the thirty-eighth session and, if required, subsequent sessions of the Governing Council. At its fourth session, on 19 December 2014, the Consultation finalized its report and recommended a draft resolution on IFAD10 to the Governing Council for adoption.
2. **IFAD in transition.** After 10 years of growth and reform, IFAD is now recognized as a significant player in the international development landscape. It has a unique mandate in smallholder agricultural development and rural poverty reduction, and a proven, strong record of operational performance and development impact. Today it aims to make further improvements in these areas by consolidating its existing business model, while also mainstreaming some of the newer thematic issues on which it is working so as to achieve greater development impact.
3. At the same time, however, the organization stands at a crossroads in terms of its financing model. The model of core replenishment contributions as the *sole* source of its external funding is unlikely to be adequate in the future, particularly if IFAD is to expand its operations to a level that is consistent with on one hand, the estimated demand for IFAD resources, and on the other, the amount the organization has the capacity to deliver. This means that IFAD needs to start looking at new ways of mobilizing resources in order to better fulfil the mandate it has been given by its Members.
4. Effective resolution of this issue will enable IFAD to address a second issue it faces: that with the changing structure of its client base, the shares of replenishment resources it allocates to different categories of Member States will have to change accordingly. Expanded access to new borrowing-based sources of concessional resources will make it possible for IFAD to enlarge its overall resource base to address the diverse funding demands of Member States from different categories in a more flexible and effective way without undermining its close engagement with any of these countries. At this critical moment therefore, IFAD needs to build a new financial model that will ensure its sustainability, while at the same time equipping it to serve its range of Member States, enlarge its development impact and contribute meaningfully to the achievement of the post-2015 development agenda.
5. **Purpose and organization of the report.** This report summarizes the conclusions of the resource adequacy review carried out by the IFAD10 Consultation. It presents the recommendations for strengthening the Fund's delivery of development outcomes and improving its efficiency during the IFAD10 period for approval by the Governing Council. The report presents the strategic directions, reform agenda and key financial parameters for IFAD10. Further integral components of the Consultation's conclusions and recommendations are included in annexes as follows: IFAD10 Commitment Matrix (annex I); IFAD10 Results Measurement Framework 2016-2018 (annex II); Implementation status of IFAD9 commitments (annex III); Draft Ad hoc working group on governance issues: Terms of Reference (annex IV); IFAD's agenda for improved nutrition (annex V); List of documents provided to the Consultation and other reference documents made available (annex VI); Draft resolution on the Tenth Replenishment of IFAD's Resources (annex VII); Members' contribution pledges to IFAD10 (annex VIII); and Review of the status of the Debt Sustainability Framework (annex IX).

## II. The context for IFAD10

6. **New challenges and opportunities for smallholder agriculture and rural development.** The latest estimates by the Food and Agriculture Organization of the United Nations (FAO) put the number of chronically undernourished people at about 805 million for the period 2012–14, down more than 200 million since 1990–1992. However, further declines will be highly dependent on global food prices, since the world's poor spend over half their income on food. Rates of extreme poverty have been halved between 1990 and 2010 – with declines recorded in all regions; however, there are still 1.2 billion people living on less than US\$1.25 a day. For IFAD, there are two critical associated points. The first is the fact that most of the world's extremely poor people no longer live in the world's poorest countries: three quarters of them live in countries that have reached middle-income status. The second is that poverty rates in rural areas are substantially higher than in urban areas, and 70 per cent of those living on less than US\$1.25 a day – 840 million – live in rural areas, and most are directly or indirectly dependent on agriculture.
7. Agricultural growth is widely recognized as both a precondition for a country's economic structural transformation and a powerful vehicle for poverty reduction. It also contributes to food security and to reduced agriculture prices. Some developing countries have succeeded in achieving this growth. But agricultural sectors in many others will require profound changes if they are to deliver a twenty-first century agenda encompassing global food security and improved nutritional outcomes, expanded employment opportunities for rural people – particularly rural youth, rural poverty eradication, sustainable management of the natural resource base, and resilience to the effects of climate change. This must be achieved against a challenging backdrop of harsher environmental conditions, resource constraints and climate change; demographic transformations; and a track record of declining rates of agricultural productivity growth.
8. However, there are also new opportunities emerging for smallholder farmers and rural people. Growing urban demand for food in most developing countries – particularly higher-quality and higher-value products – has translated into a growing range of market opportunities for smallholder farmers. There are also new sources of non-farm growth and employment in rural areas, and in all regions a growing proportion of rural household income comes from the non-farm economy. Environmental service markets too are starting to offer rural people the possibility of deriving incomes from providing services such as ensuring downstream water supplies, safeguarding biodiversity or sequestering carbon. In all these dimensions, the challenge is to ensure that poorer rural households are able to access and benefit from the opportunities, and are not further marginalized by others better equipped to exploit them.
9. At the same time, the roles played by smallholder farmers, the private sector, governments and international development agencies are changing too. Farmers themselves are by far the largest investors in agriculture in developing countries; but levels of investment in the sector are growing as larger investors, both domestic and global, exploit new opportunities – with both positive and negative consequences for rural populations. Public investment by governments remains critical to provide the goods and services that can unlock the potential of smallholder farmers or enable them to diversify into non-farm activities. Governments also need to establish the enabling policy environment for investment, and create the incentives and rules that encourage the private sector – from smallholder farmers to global agribusiness – to invest in agriculture, and increase the efficiency and sustainability of their investments.
10. Flows of official development assistance (ODA) from international development agencies comprise a declining and relatively minor share of agricultural investment, but they can be important for some low-income countries, enabling them to plug



major funding gaps. For many more, including many MICs, ODA can serve to catalyse private investment in the agricultural and rural sector and help governments strengthen their policies and add value to the quality of public investment in the sector. Increasingly, this is the role that IFAD is being called on to play, and it will become ever-more important under IFAD10.

11. **IFAD's performance under IFAD9.** In February 2012 the IFAD Governing Council adopted resolution 166/XXXV on the Ninth Replenishment of IFAD's Resources, covering the period 2013-2015. The target Member contribution level was set at US\$1.5 billion, an increase of 25 per cent over IFAD8, in order to finance and implement a three-year programme of loans and grants (PoLG) of US\$3 billion, equal to that of IFAD8. The support given to IFAD9 reflected both the Members' increased concern with the state of global food security and rural poverty, and their confidence in IFAD's capacity to undertake a more effective programme of work (PoW). In turn, IFAD committed to improving its operational effectiveness; increasing its institutional effectiveness and efficiency; strengthening its financial capacity and management; and enhancing the results management system. A midterm review (MTR) of IFAD9 has reported on progress made and the results achieved through 2013, and the prospects for the delivery of all IFAD9 commitments within the remaining two years of IFAD9 (2014 and 2015).
12. To improve its **operational effectiveness**, IFAD has been continuously strengthening its business model. Reformed quality enhancement and quality assurance processes have contributed to raising the quality of projects at entry, as has the requirement that all projects now undergo an economic analysis. Direct supervision has enabled IFAD to support project implementation more effectively; while increased country presence, through 40 country offices, has brought it closer to its clients. IFAD has also taken measures to improve its aid effectiveness, mainstream scaling up, differentiate its approach according to country context, deepen its engagement in country-level policy processes, step up its engagement with the private sector, promote gender equality and women's empowerment, expand its work on nutrition, and build its Adaptation for Smallholder Agriculture Programme (ASAP) – now the largest climate change initiative for smallholder farmers worldwide. A new knowledge management framework and staff training assist all these efforts. A capacity-building initiative aims to enhance management of IFAD-financed projects in fragile states; and support is being provided to national monitoring and evaluation (M&E) systems. A variety of initiatives for South-South and Triangular Cooperation (SSTC) have been launched. Partnerships have been strengthened and expanded, including with the other Rome-based agencies (RBAs). IFAD has also taken an active role in global policy discussions, and particularly on the post-2015 development agenda.
13. IFAD has also done much to improve its **institutional effectiveness and efficiency**. It has introduced strategic workforce planning to ensure optimal use of resources and contain costs. In collaboration with the other RBAs, it has achieved significant savings in procurement and travel costs. IFAD is also upgrading its information and communications technology (ICT) systems to further streamline business processes. In response to the corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations (CLEE), IFAD has revised and consolidated its action plan to enhance efficiency. It has also submitted proposals to the Executive Board to reduce the costs of the governing bodies, many of which have been approved. It has rolled out a series of reforms in human resources management, and it worked closely with the International Civil Service Commission in a review of the General Service staff salary scale in Rome.
14. To strengthen its **financial capacity and management**, IFAD has built capacity in the newly created Financial Operations Department and Budget and Organizational Development Unit. It has implemented a new financial model using the sustainable cash flow (SCF) approach. The Executive Board has endorsed the submission to the

IFAD10 Consultation for consideration a proposal for compensation of forgone principal, arising from the adoption of the Debt Sustainability Framework (DSF) in 2005, to be initiated during the IFAD10 period. A revised Lending Policies and Criteria document came into force in 2013, so aligning IFAD's products with those of other comparable international financial institutions (IFIs). IFAD has also actively engaged with non-Member States, and a number of new countries have joined the Fund.

15. In order to enhance the **results management system**, the results measurement framework and the project self-assessment system have both been strengthened, more attention is being paid to supporting project M&E systems, and work on project impact evaluation has begun (see paragraphs 79-82).
16. Overall, a good start has been made on addressing the IFAD9 commitments. All 56 commitments are either wholly on track (41) or on track with minor implementation issues only (15). Priority areas for continuing improvement include reducing delays in the project cycle, enhancing aid effectiveness, ensuring simplicity of objectives and activities in fragile states, improving national M&E systems, raising operational efficiency and sustainability and scaling up results for greater impact, and enhancing institutional efficiency. These achievements provide the starting point for IFAD's operational and institutional agenda under IFAD10.
17. **Post-2015 development agenda.** The context within which IFAD will operate during IFAD10 will be profoundly shaped by the post-2015 development agenda on which the world's nations will agree in 2015. IFAD has actively engaged in discussions on the agenda with Member States and other stakeholders on issues around its mandate and area of expertise; and while the agenda is still to be finalized, it is probable that the elimination of extreme poverty by 2030 will be the first goal for the post-2015 period. Many of the other themes that have emerged in draft documents will be of relevance for IFAD; these include the focus on hunger, nutrition, sustainable agriculture, gender equality and women's and girls' empowerment, sustainable energy, inclusive economic growth, employment and decent jobs, sustainable production and consumption, climate change, sustainable use of ecosystems, land degradation and biodiversity loss.
18. At this stage, it is possible to highlight three points of particular relevance for IFAD. First, with each of the new global development goals, a set of targets will be agreed to. Many of these will be "zero targets": that is to say they will seek the complete elimination of poverty or hunger for example; and as such they will raise the level of ambition of, and demands upon, the international community. Second, the agenda will likely reaffirm the importance of strengthening international cooperation to address the challenges related to sustainable development, in particular in developing countries; and it will recognize the importance of developing a broad alliance of people, governments, civil society and the private sector to achieve sustainable development. And third, given the probable goals and/or targets, it is clear that investment in smallholder agricultural development, rural poverty eradication and rural transformation – the roles that IFAD has been mandated to play – will play a key part in the achievement of the agreed outcomes. IFAD will thus have an important contribution to make in achieving the post-2015 development goals.
19. **Implications for IFAD10.** Looking forward, IFAD needs to respond effectively to the evolving challenges of, and opportunities for, smallholder agricultural development and rural poverty eradication, while at the same time drawing and building upon the achievements of its recent operational performance to do so. It must respond to these challenges and opportunities using a flexible approach, tailored to the changing development conditions and specific country circumstances. IFAD will need to work within the context of the post-2015 development agenda, and it will have to contribute to its realization. Key among the implications are the requirements that IFAD build upon the projects it supports to achieve systemic solutions for sustainable development impact, and that it draws on its expertise to

work in partnership with others to achieve the scaling up of successful approaches that is so critical to achieve sustainable development.

### III. What IFAD brings

20. **IFAD's vision and role.** IFAD's Strategic Vision is one of inclusive and sustainable rural transformation. It is one of diversified, thriving rural economies that are linked to cities and that support – and are supported by – a process of sustainable urbanization. This requires the emergence of a productive, commercial, sustainable and inclusive agricultural sector, which on the one hand delivers high-quality foods for a growing population, agricultural products for further processing, and a range of critical environmental services and global goods; and on the other, offers decent incomes to smallholder farmers, and in particular to youth and women. Inclusive and sustainable rural transformation will likely mean that there will be fewer full-time smallholder farmers, yet those who remain will develop increasingly commercially oriented, productive and profitable farm systems. A growing number of rural people will cease to farm, or will do so on a part-time basis only, as they move into complementary economic activities. Many of these will be linked to agricultural value chains, but increasingly non-agricultural activities and services will emerge that offer diversified livelihoods for growing numbers of people, and increased resilience for rural communities. Inclusive and sustainable rural transformation will lead to a decline in the rural population that results from the emergence of new opportunities in urban areas and not from the lack of them in rural areas.
21. In reality, this stylized model plays out in different ways in diverse contexts, and IFAD's approach recognizes and responds to that diversity. In all situations, however, the Fund's role is to contribute to facilitating that country-specific process of rural transformation, and in particular, to promote its inclusiveness. Rural populations can be highly heterogeneous, and IFAD's specific task is to support those rural households and communities who may otherwise be excluded from economic opportunities and unable to move out of poverty without targeted public support (often because they live in remote or conflict-affected areas). These groups typically lack assets; they are often marginalized and excluded from mainstream processes of economic development; and they usually include women, youth and – in some contexts – indigenous peoples. IFAD's goal is to enable them to gain increasingly remunerative, sustainable and resilient livelihoods that help them move out of and beyond poverty. To this end, and in different ways according to the context, IFAD facilitates both public and private investment; it supports national and global policy processes; it generates and shares knowledge; and it develops partnerships, all in pursuit of a goal of inclusive and sustainable rural transformation in which these marginalized groups play a full and active role and from which they are able to benefit.
22. IFAD supports rural people as smallholder producers, helping them to sustainably increase their agricultural productivity and link up to modern value chains, while remaining resilient to the effects of climate change. It does so both because the vast majority of rural people in developing countries today still depend at least in part on smallholder agriculture, and because smallholder agricultural growth represents a powerful and cost-effective way to reduce poverty and inequality, and stimulate the non-farm rural sector and overall economic growth. IFAD also believes that smallholders represent a critical engine of food supply, and that they can contribute far more than they currently do to food security and nutrition, the environment and climate change agenda, and the sustainability of food systems. Well-conceived and targeted investments and policies aimed at smallholders can promote the empowerment of women and gender equality; they can catalyse private investment to sustain and expand development outcomes; and they can contribute to reducing conflict, since violence in impoverished areas is usually intimately related to the problem of ensuring food security.

23. However, because smallholder agriculture will not be the future for everyone, IFAD also supports those sections of the rural population, often the poorest and most vulnerable, who are less able to make it as commercial agricultural producers or have no aspirations to do so – to move beyond farming and to build livelihoods in the larger non-farm rural economy. Such an approach is of particular relevance for targeting rural youth, who represent an increasingly important section of IFAD’s target group; and indeed a growing number of IFAD-financed projects aim to respond to the specific challenges faced by young rural women and men, and help them to build their capacities and fulfil their ambitions. Given the critical importance in many developing countries of creating employment opportunities for large numbers of rural youth, IFAD’s forthcoming Strategic Framework, for the period starting in 2016 (paragraph 33), will articulate in more detail how IFAD will support this key group.
24. **IFAD’s theory of change.** IFAD’s unique role in contributing to inclusive and sustainable rural transformation is built upon a theory of change. This starts with a commitment to ensuring its institutional effectiveness and efficiency: the way in which it mobilizes, allocates and utilizes its financial and human resources. Strong institutional performance underpins the improved operational performance of IFAD-supported projects; and ultimately ensures that project outputs deliver development outcomes: beneficiaries – rural women and men – increasing their productivity and incomes, building their organizations, and strengthening the resilience of their livelihoods and ecosystems to shocks and climate change. Strong operational performance depends on effective country programming and project design, as well as support for project implementation and national processes to strengthen policies for smallholder agriculture and rural development.
25. IFAD’s country programmes are made up of on one hand the projects IFAD supports, and on the other the related policy processes in which it engages and the policy changes at national or state level to which it contributes; and both of these facets are supported by the knowledge it gathers and shares and the partnerships it develops to carry them out. It is the country programmes – this mix of projects and policy engagement – that deliver development impact at scale, assessed above all in terms of the numbers of rural people moved out of poverty. IFAD’s efforts can be enhanced further by, for example, intensifying engagement in global and regional policy forums, greater support for SSTC, increased leveraging of responsible private-sector investment in agriculture, and expanded partnerships for agricultural research and innovation. In addition, success in realizing the global agenda ultimately depends on collective efforts by the international development community and partner countries; proactive partnership and coordination at global and regional levels are critical to ensure that efforts are combined for enhanced impacts.
26. IFAD’s theory of change underpins its results measurement framework (see IFAD10 Results Measurement Framework 2016-2018), which provides a basis for assessing how well IFAD is performing at different points of the impact pathway. This impact pathway is reflected in the RMF’s five interlinked levels of results, covering institutional effectiveness and efficiency; operational effectiveness of IFAD-supported programmes and projects; IFAD-supported country-level development outputs; IFAD-supported country-level development outcomes and impact; and global poverty, hunger and agricultural development outcomes and impact.
27. **IFAD’s comparative and absolute advantage.** IFAD is well positioned to play a substantive role in the realization of the global development agenda. In the domain of smallholder agricultural development and rural poverty reduction, IFAD’s advantage is comparative relative to other international development agencies, and it is also absolute. It has close to 40 years of operational experience and it has acquired a vast knowledge of what works, and what does not work, in supporting national efforts in rural poverty reduction. Its spread and outreach, in terms of the number of countries it works in, is a major strength: it enables it to draw out diverse experiences, share lessons learned, and bring successes from one country or region to another.

28. Often working in the most remote rural areas, IFAD has a unique focus on rural people and their livelihoods: it places smallholder farmers, pastoralists, artisanal fishers and other rural entrepreneurs and workers at the centre of its programmes – while targeting the particular needs of women, indigenous peoples and, increasingly, youth among these groups. In focusing on rural people, IFAD recognizes that poverty is usually associated with lack of power – social, economic and political – and supporting processes to empower poor rural people individually and collectively is today a hallmark of IFAD’s approach. So too are partnerships with their organizations – of farmers, pastoralists, indigenous peoples, savers and the like – and a focus on helping them strengthen their capacities, representation and accountability.
29. In recent years, IFAD has defined its role with increasing clarity: it promotes and finances innovative approaches and technologies to reduce rural poverty at the local level. It is now taking larger strides to ensure that lessons captured from these innovations are scaled up for greater impact wherever possible. Beyond larger programmes, scaling up means supporting changes in national policies, galvanizing the actions of rural people’s organizations, incentivizing private-sector investment, and creating sustainable long-term impact by connecting small-scale producers to inclusive value chains. This clarity of purpose is reflected in IFAD’s solid Results Measurement Framework, which has enabled the organization to demonstrate strong and positive results in terms of its institutional efficiency, its operational effectiveness, and its development impact. Finally, its knowledge and constant presence in the agricultural rural sector, combined with the ability to bring resources to support national policies and programmes – without imposing preconceived solutions – means that IFAD is a trusted partner of the governments of many developing Member States. In many cases, this enables it to be a bridge builder between governments, civil society and the private sector.
30. While IFAD has a comparative and absolute advantage, it is one firmly rooted in the areas covered by its mandate to invest in rural people, often in remote areas. It has specialized experience and knowledge and a clear and defined focus, which complements the approaches of many other international development organizations – bilateral agencies and in particular IFIs such as the World Bank, as well as the regional development banks, which tend to focus more on general support for rural infrastructure and social services. At the same time, IFAD partners with national and international governmental and non-governmental organizations with complementary areas of expertise, and with the other Rome-based agencies, to identify innovative solutions and scale them up to a level where national governments can sustain programmes at scale. Looking forward, IFAD will continue to focus on the areas it knows and on which it has built its reputation, while at the same time working in partnership with others to address development challenges that go beyond its area of specialization or to leverage its experience and knowledge for greater development impact. The organization is aware of the risk of mission creep, and will avoid it by working selectively, only in those thematic areas relative to its mandate that are explicitly identified under its Strategic Framework to be approved in December 2015 (paragraph 33).

## **IV. Operational effectiveness and efficiency**

### **A. Priorities under IFAD10**

31. The specific goals, targets and indicators associated with the post-2015 development agenda are yet to be agreed upon. Once they are, they will provide an overarching framework for IFAD’s work, just as the Millennium Development Goals have done in the period up to 2015; and IFAD’s operations will be oriented towards maximizing the organization’s contribution to the achievement of the post-2015 development goals. IFAD’s Strategic Vision<sup>1</sup> of inclusive and sustainable rural transformation responds to

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<sup>1</sup> A Strategic Vision for IFAD 2016-2025: Enabling inclusive and sustainable rural transformation (IFAD10/2/R.2).

this emerging framework, while building on the organization's strategic position in the international development architecture, the comparative advantage it has gained, the changing context for smallholder agriculture, and the proposal by IFAD of a policy framework for rural transformation as an integral part of the post-2015 global development agenda.

32. The development goal for the IFAD10 period will be to enable 80 million rural people to move out of poverty. In order to implement IFAD's Strategic Vision and, specifically, achieve this goal, a series of operational priorities for IFAD10 have been defined. These are based on the PoW for IFAD10 prepared for the second Consultation session, and the issues raised by members during the course of the IFAD10 Consultation. The priorities are outlined below, and reflected in the Commitment Matrix (annex I). Their starting point is the centrality of **innovation, learning and scaling up** to all of IFAD's operations. They include three cross-cutting themes that are relevant to most or all country programmes and projects and are critical to enhanced development outcomes and impact: **adaptation to climate change, improved nutritional impact, and gender equality and women's empowerment**. These themes will be emphasized under IFAD10, and mainstreamed in IFAD's PoW to support the scaling up agenda. The operational priorities also include four key sets of issues – **public-private-producer partnerships, country-level policy engagement, global policy engagement, and South-South and Triangular Cooperation** – where strategic approaches already developed will be consolidated under IFAD10. Finally IFAD will develop increasingly **differentiated approaches for, and among, middle-income countries and for countries in fragile situations**.
33. In 2015, the agreed priorities for IFAD10 will be formulated into an operational Strategic Framework. This, IFAD's fifth Strategic Framework, will present IFAD's overarching goals, objectives and thematic areas of focus from 2016 and for the medium-term, and address issues of thematic and country selectivity for enhanced effectiveness, efficiency and impact. In addition, it will articulate principles of engagement that will guide IFAD-supported operations and determine how IFAD will deliver against the framework. It will be the primary point of reference for all operational staff and consultants. In addition, in 2015, the Independent Office of Evaluation of IFAD (IOE) will commence a corporate-level evaluation of the performance-based Allocation System (PBAS), the system through which IFAD allocates its financial resources in support of the priorities defined in its Strategic Framework. Taking into account the lessons learned through this evaluation, the Executive Board may wish to identify ways to improve the PBAS. IFAD Management will support the Board, as requested, in order to facilitate this process.
34. **Innovation, learning and scaling up**. Under IFAD10 there will be an explicit focus on innovation, learning from that innovation, and scaling up for expanded and sustainable impact. This process will become the *raison d'être* of IFAD operations, and it will be pursued comprehensively. Projects will not be seen as an end in themselves, but as a means to a greater end – bringing about systemic change in support of rural poverty eradication; and under IFAD10 they will be structured to ensure that this continuum of innovation-learning-scaling up works effectively. They will be designed to enable governments to draw on IFAD's experience in designing and supporting national efforts to eradicate rural poverty across the developing world. They will be structured to offer opportunities to innovate in a range of ways that respond to the specific challenges faced by different types of smallholder farmers. They will use new technologies and approaches that respond to smallholders' diverse needs, and build new forms of partnerships with local communities, organizations of rural people, the private sector and other development partners – particularly other IFIs which will bring to bear substantial financial resources, and FAO its strong technical expertise. They will also look to accessing new sources of investment from financial service providers, the private sector and rural people themselves – including through

remittances. With a strong focus on effective M&E and knowledge management systems to analyse the drivers of success and constituencies for change, programmes and projects will serve to enable governments – and IFAD itself – to draw out the lessons of the implementation experience and to use the evidence to reshape policies, institutions and practices for expanded impact in terms of rural poverty reduction.

35. In order to establish a systematic approach to scaling up results, IFAD will develop a series of tools, guidance notes and training events. It will also elaborate a new operational framework to define the business processes, financial instruments, incentives and procedures that need to be put in place to move the scaling up results agenda forward, while ensuring that it has the capacity and resources to do so. It will give particular attention to scaling up the cross-cutting themes that will be mainstreamed in IFAD's operations, as outlined below. Most of this preparatory effort will take place in the course of 2015 so that implementation of the scaling up process can take place during IFAD10. This will ensure that all project design documents under IFAD10 will include strategies for innovation, for knowledge management and for scaling up.

## **B. Mainstreaming cross-cutting themes**

36. **Adaptation to climate change.** Climate change is transforming the context for IFAD's work. It is adding to the overall cost of lifting rural people sustainably out of poverty – managing climate-related disasters and building climate change resilience increase investment costs by some 10-20 per cent; and it is stimulating a rapid programme of climate mainstreaming so that the climate risk to IFAD's portfolio is minimized. The ASAP, launched in 2012, was designed to build on IFAD's long history of work on natural resource management by incentivizing the inclusion of climate change-related risk factors more explicitly in IFAD-supported project designs and implementation. This climate risk inclusion has so far led to three main ways in which projects are evolving: better analysis through the preparation and use of vulnerability analyses that take into account climate-related and other threats; more innovation through the addition of more climate risk-related activities to projects; and the scaling up of sustainable agriculture techniques. This approach has led to a measurable improvement in country strategic opportunities programmes (COSOPs) and project designs related to climate change, even if data suggest that approximately one third of new projects are still not sufficiently assessing and protecting themselves from climate risks. The objective therefore is to achieve 100 per cent mainstreaming, with climate change explicitly factored into all COSOPs and project design reports. In doing so, the use of earmarked grants and loans for climate change adaptation will remain an important tool throughout IFAD10 to incentivize climate integration across the IFAD investment portfolio.
37. To achieve this, IFAD will implement a 10-point plan to achieve 100 per cent climate mainstreaming by 2018, comprising: (1) further integration of climate risk screening into the review process for all IFAD projects and COSOPs; (2) roll-out of a second phase of IFAD internal training on climate integration; (3) designation of a Senior Management "climate champion" to help guide and promote the mainstreaming agenda; (4) increased technical support for climate mainstreaming; (5) expanded use of the Global Environment Facility (GEF) and other cofinancing resources; (6) use of IFAD grants<sup>2</sup> as a tool for climate mainstreaming at the country level; (7) in partnership with the RBAs, implementation of a scaled-up programme on the use of satellite/global information system tools; (8) exploration of the scope for a climate vulnerability index for possible inclusion in the performance-based allocation system (PBAS) formula; (9) expansion of communication and knowledge-sharing on lessons

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<sup>2</sup> Subject to the provisions of the new grants policy (paragraph 65).

- and results from IFAD's climate-related work; and (10) expansion of IFAD's role in managing climate finance.
38. Through IFAD10, IFAD will expand its commitment to make climate finance work for poor smallholder farmers and diversify the financial instruments that can be brought to bear for pro-poor, low-carbon and climate-resilient development. This includes broadening the financial base for climate mainstreaming through complementary contributions from its Members which are not restricted in their use by IFAD as loans or grants, or in terms of their geographic allocation. In parallel, IFAD will be ready to receive further contributions to ASAP, and will look to accessing multilateral funding sources such as the GEF and possibly the Green Climate Fund in order to expand its role in managing climate finance. In 2015, IFAD will conduct a review of its work on climate change, including the ASAP. This exercise will provide opportunities for IFAD to update current and prospective contributors to IFAD's climate change work and interested Members on plans and progress made to expand IFAD's role in enabling smallholder farmers to adapt to climate change and in managing climate finance. Special consideration will be given to the concrete institutional pathways and processes through which ASAP has incentivized climate-smart agriculture using earmarked climate finance.
  39. **Improved nutrition impacts.** Although improving the nutritional status of the poorest rural people is a fundamental objective of IFAD, the main focus of IFAD's past investments was on increasing agricultural production and farm income. However, it is now recognized that these results alone have limited impact on improving nutrition. IFAD's evolving approach therefore draws on an understanding of how agriculture can help shape the food system as a whole in ways that improve nutrition and diet quality, especially for women and young children. It seeks to mainstream nutrition into agricultural and rural development activities by, among other things, working to increase the nutrient value of foods, link production to consumption through education, and partner with other sectors to optimize impact on nutrition. For example, investments can orient supply chains towards improving nutrition by promoting the use of micronutrient-rich crops and increasing the demand for and supply of more diverse foods. Other actions support homestead production and farm-level nutrition knowledge around food quality, storage, preservation and preparation.
  40. To leverage the contribution of agriculture to improved nutrition during IFAD10, a nutrition lens will be used at each stage of the project cycle, from design through implementation. Projects will increase support for nutrition-sensitive country strategies and project design and for country-level policy dialogue around the potential improvements in nutrition that can be achieved through smallholder agricultural practices and approaches. Under IFAD10, all new COSOPs will assess the nutritional situation and describe how the country programme can be expected to contribute to improved nutrition. At least one third of all projects will be nutrition-sensitive, meaning that they will be required to have explicit nutrition objectives, actions and indicators of performance. An action plan on nutrition, to be prepared by mid-2015, will offer a road map with targets and time lines for how IFAD will work to mainstream nutrition, including the piloting of a dietary diversity indicator as part of RIMS, and the use of project mid-term reviews. Institutional partnerships and advocacy will be particularly important in promoting the needed multi-sectoral agenda, first and foremost with Member governments, but also with relevant agencies and networks, such as FAO, the World Food Programme (WFP), members of the Consultative Group for International Agricultural Research (CGIAR), UNICEF, the Scaling up Nutrition (SUN) Movement and Renewed Efforts Against Child Hunger and Undernutrition (REACH). IFAD's agenda for improved nutrition is described in more detail in annex V. IFAD will seek unrestricted complementary contributions from its Members in order to pursue its action agenda for nutrition-sensitive agriculture.



41. **Gender equality and women's empowerment.** Significant progress has been made in implementing IFAD's 2012 Policy on Gender Equality and Women's Empowerment. Women's representation among people receiving services from IFAD-supported projects has continued to increase (49 million in 2013) and women now account for almost half of all beneficiaries. Women dominate training in business and entrepreneurship (76 per cent) and rural financial services (over 70 per cent of savers and almost 60 per cent of borrowers). Over 90 per cent of projects are found to have moderately satisfactory or better gender impacts. However, there is still more to do, as women continue to have less access to assets such as land, water, technologies, labour and education, which reduces their productivity and income.
42. Under IFAD10, the organization will consolidate its position as a leading agency on innovative measures to promote rural women's empowerment. It will conduct a review of implementation of the IFAD Policy on Gender Equality and Women's Empowerment, and it will commit to meeting or exceeding all 15 UN-SWAP indicators by 2017. The principal thrust of IFAD-supported projects will be to promote economic empowerment that enables rural women and men to have an equal opportunity to participate in, and benefit from, profitable economic activities. This will be flanked by efforts to reduce the labour burden of rural women and increase their voice in decision-making at all levels. IFAD already uses a system of markers to reflect the maturity of projects at design, implementation and completion stages from a gender perspective. Under IFAD10 it will aim to ensure that at least 15 per cent of project designs are gender-transformative and at least 50 per cent achieve full gender mainstreaming, and it will establish a more systematic approach for tracking project performance. It will also strengthen the gender perspective of the RIMS by drawing on key elements of the Women's Empowerment in Agriculture Index. It will mainstream gender into project cycle management training, and incorporate gender lessons in its knowledge-sharing and capacity-building activities. The organization will also build on the activities initiated during IFAD9 to conduct an ex ante analysis of the gender-sensitivity of IFAD's loan portfolio and the administrative budget.

### **C. Consolidation of strategic approaches**

43. **Public-private-producer partnerships.** Evidence suggests that agriculture-led growth offers a powerful vehicle for broad-based poverty reduction. However, the purely commercial incentives that motivate large agribusiness investments generate value chain structures and distributional outcomes that are not inherently pro-poor. Responsive public intervention in support of smallholder participation in agricultural value chains can make them more inclusive, and simultaneously provide a meaningful approach to poverty reduction, environmental stewardship and efficient primary production. For this reason, in recent years, IFAD has been widening the government-led focus of its country strategies and projects to promote increased involvement of the private sector with greater attention to value chain development, commercialization and access to markets.
44. By engaging the national and international private sector and helping to reduce the risk and transaction costs they face in dealing with smallholder producers, the projects IFAD supports can leverage complementary private-sector investment to create new markets for those producers. IFAD's private-sector engagement strategy is thus premised on building mutually beneficial partnerships between the public sector, the private sector and small rural producers – public-private-producer partnerships (4Ps) – and supporting the development of inclusive agricultural value chains that empower smallholder farmers to sell to more stable, larger or higher-value markets. IFAD has already gained operational experience in promoting 4Ps and it has obtained promising results in discrete cases. However, its mainstreaming 4Ps into projects is at times challenged by hesitant governments and lack of access to services and expertise to pursue these partnerships successfully. To address these challenges, and further build on its experiences in successfully brokering private-sector partnerships, IFAD is currently developing an initiative that

- would identify and broker potential 4Ps in selected IFAD-supported projects, while maximizing the learning process.
45. Under IFAD10, IFAD will expand private-sector participation in the projects it supports through value chain financing and the 4P mechanism, and assess the viability and effectiveness of this approach to sustainably increase private-sector investment in the smallholder agricultural sector while also increasing the access of small farmers to markets and improving their livelihoods. It will also seek unrestricted complementary contributions from its Members in order to enable it to scale up the 4P agenda. In addition, IFAD has recently signed partnership agreements with Unilever and Intel; during IFAD10 other such agreements with the corporate private sector will be drawn up where they can contribute to the achievement of IFAD's mandate and they do not incur any reputational risk for the organization.
  46. **Country-level policy engagement.** Country-level policy engagement is an important vehicle for scaling up and leveraging systemic change in the conditions facing poor rural people. Under IFAD9 the organization has made substantial progress in developing an agenda for country-level policy engagement: it has strengthened its in-house capacity; clarified its understanding of how IFAD and IFAD-supported projects can best contribute to national policy processes; introduced a consistent focus on country-level policy engagement into the quality enhancement process for programmes and projects; conducted a stocktaking of country-level policy activities in the regional divisions and strengthened the framework for reporting on policy engagement at the country level; and used supplementary trust fund resources to create a dedicated funding window for supporting policy activities outside the framework of project financing.
  47. Under IFAD10, country-level policy engagement will have four broad objectives: (a) creating an enabling policy environment for implementing IFAD-supported projects and achieving development impact; (b) drawing out lessons learned under projects and scaling up successes through integration into national policies, institutions and strategies; (c) strengthening and enhancing the pro-poor focus of public policies for rural development and their implementation, and the responsible institutions; and (d) strengthening the capacity of national stakeholders to participate effectively in policy processes and shape national policies. Specific activities will include policy analysis; supporting local institutions – both government and those of rural civil society; creating policy space and supporting policy processes; and promoting regional and South-South learning and exchange. Partnerships – with governments and rural people's organizations, the private sector, and other development partners – will all be critical for this agenda. Under IFAD10, all COSOPs and project design reports will define a specific approach for country-level policy engagement.
  48. **Global policy engagement.** The policy context for agricultural development and rural poverty eradication at the national level is shaped in part by the global policy context. For this reason, IFAD has become an increasingly active player in global policy discussions, in order to influence the agenda in favour of the interests of smallholder farmers, and rural women and men more broadly. It brings to this dialogue the knowledge and understanding drawn from its operational experience, which will be strengthened under IFAD10 through the implementation of a publications strategy aimed at mining IFAD's knowledge in a more methodical manner. During IFAD9 the organization began to strengthen the strategic focus and coordination of its engagement in international policy processes. It defined an approach to better coordinate this engagement, prepared a corporate plan for work in this area, and created a community of practice to enhance communication and effectiveness across the house. IFAD actively participated in the work of the G20 in the areas of development and food security, was heavily involved in the process to strengthen the Committee on World Food Security (CFS) and the preparation of some

of its key deliverables, and took part in the ongoing dialogue around the post-2015 development agenda. It continued to engage in policy debates about development effectiveness and responsible agricultural investment, and to advocate for greater recognition of the role of agriculture in addressing climate change.

49. IFAD brings a specific perspective to global debates on agriculture and food security, as it does to debates on rural poverty, inclusive growth, and inequalities. Increasingly, IFAD's counsel is sought on these issues, as well as on climate change, land, financial inclusion and remittances, and public-private partnerships. Current priorities for international policy engagement are the definition of a new global agenda for development; the elaboration of new frameworks and modalities for development financing; continued support to strengthening the CFS and the implementation of its outcomes; and promoting more enabling policy conditions for the empowerment of rural women. Under IFAD10, IFAD will continue to define corporate-level priorities for international policy engagement, with a focus on areas where it has a specific comparative advantage rooted in IFAD operations and that are in turn critical to fostering and supporting its vision of rural transformation, and it will prepare strategies for each specific engagement.
50. **South-South and Triangular Cooperation.** In the context of a multipolar world, countries from the South account for a significant – and increasing – share of the world economy. SSTC is a reflection of the growing interest of countries of the southern hemisphere in strengthening their relations with each other, by sharing their knowledge, technology and expertise, and learning from each other's experience. IFAD's role, which is played out exclusively in the areas of smallholder agriculture and rural poverty reduction, is to identify knowledge, experiences and good practices in one country that can be of value to stakeholders in other countries, and to broker knowledge-based relationships between them. It is a role that is played out in IFAD's country programmes and projects, as well as in the regional/global policy arena; and it is one that is facilitated through the use of IFAD's regional grants. Under IFAD9, IFAD has stepped up its support to SSTC. An ongoing stocktaking of IFAD's evolving approach and performance to date in over 40 countries, has found the main activities to promote SSTC are exchange visits and study tours for project staff, cross fertilization on country programming, project staff training, capacity development for farmers' organizations, and partnerships with the private sector. It has also begun to identify key ingredients for success in a range of settings. These include, for example, the credibility of the development experience of the cooperating country, the involvement of capable and committed institutions, the use of a variety of tools and activities, and adequate financial support.
51. Under IFAD10, IFAD plans to strengthen its comparative advantage and expand its work in this area in terms of both knowledge-based cooperation and investment promotion, seeing it as an integral part of its business model. It will monitor its performance and report on it in the Report on IFAD's Development Effectiveness (RIDE), and a minimum of 50 per cent of new COSOPs will be expected to include an approach for SSTC as part of the country programme. IFAD will promote the use of its own resources to support SSTC, and it will also seek unrestricted complementary contributions and other resources in order to substantially expand its engagement in this area.

#### **D. Differentiated approaches for countries in fragile situations, low-income countries and MICs**

52. Recognizing that the challenges and opportunities in middle-income countries vary considerably, and that they are substantially different to those in low-income countries and countries in fragile situations, IFAD Member States have called for clearer differentiation in IFAD's approach to engagement in different contexts. In fact, IFAD's early and consistent adoption of a tailored, targeted and country-driven model is well adapted to such differentiation. As a principle, its approach to programme and

project design is to align interventions with on the one hand its own policies and on the other the stated needs and strategies of its partner countries, rather than pursue formulas based on country categories – a point recognized in the 2013 IFAD Institutional Report published by the Multilateral Organisation Performance Assessment Network (MOPAN).<sup>3</sup> Nevertheless, IFAD has learned important lessons from its operations in countries in fragile situations and in MICs, and the broad direction of future operations in these country categories is discussed below.

53. **Countries in fragile situations** cut across different categories: they can be MICs as well as low-income countries. They can experience country- or area-specific fragility; they may be fragile in some respects and not others, and they may also move in and out of conditions of fragility. Some countries in fragile situations have recently emerged from conflict. Approximately 40 per cent of all those living in extreme poverty (500 million people) live in what the Organization of Economic Co-operation and Development (OECD) defines as fragile states, and fragile states make up 40 per cent of the countries in which IFAD has operations. IFAD's 2013 assessment of its performance in fragile states pointed to difficulties in project implementation: it found that projects are less likely to be well managed, and significantly less likely to be sustainable after external funding runs out. It pointed to the need for project designs to be simple and to concentrate on helping rural people – particularly women – and their community-level organizations to build resilience and capacity to cope with shocks. Partnerships with NGOs and civil society organizations can be particularly helpful in this regard. In light of this, IFAD is sharpening its focus on building capacity and strengthening institutions to better support countries in fragile situations in delivering development results, and it will continue to do so under IFAD10.
54. Generally, countries in fragile situations demand greater involvement by IFAD in supervision and implementation support, and IFAD has included a country's fragility as one of the criteria in prioritizing the location of new IFAD country offices (by the end of IFAD10, almost half of IFAD's expected 50 country offices will be in fragile states). Under IFAD9 a partnership was developed with FAO to provide hands-on technical assistance to problem projects in 10 countries in fragile situations. In addition, IOE is currently undertaking an evaluation of IFAD's work in fragile states which will be issued in 2015. Under IFAD10, IFAD will prepare a strategy for IFAD's work in countries in fragile situations that takes into account the lessons of the partnership with FAO and the recommendations of the evaluation, and also draws on the principles of the New Deal for Engagement in Fragile States. The strategy will be submitted to the Executive Board in April 2016.
55. **MICs.** MICs too are a highly varied group of countries, with gross national incomes (GNI) per capita ranging from just over US\$1,000 to almost US\$13,000. Increasingly, it is recognized that GNI per capita levels do not always reflect the diversity in socio-economic conditions, as evidenced by poverty rates that vary from over 60 per cent (e.g. Swaziland) to less than 5 per cent (e.g. Bolivarian Republic of Venezuela, Turkey) and rural populations constituting less than 10 per cent of the total population (e.g. Uruguay) to more than 70 per cent (e.g. Viet Nam). Furthermore, some MICs are also fragile states. More and more countries are reaching GNI per capita income levels that signify MIC status, and as a result, between 2000 and 2010 the number of low-income countries fell from 63 to 35, while the number of MICs increased from 92 to 109.
56. The 2014 IOE evaluation synthesis of IFAD's engagement in MICs confirms the value of IFAD's role in these countries. It argues that: "For the foreseeable future, IFAD will continue to play a relevant role in supporting MICs to reduce rural poverty given its

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<sup>3</sup> The MOPAN report states: "IFAD's stakeholders in countries consider the organisation to be strong overall in responding to the key priorities of national partners". The report also noted that IFAD was perceived to be strong in its support of national and partner plans and for funding proposals designed and developed by national governments or other direct partners."

mandate and the significant number of rural poor people and inequality in such countries". IFAD Management shares IOE's view. First, some MICs have large numbers of rural poor, including smallholders, or deep pockets of rural poverty, or particularly fragile regions where IFAD can target its financial support. Second, IFAD is a valuable source of technical expertise for MICs, helping their governments address issues of uneven urban/rural growth, youth employment and food security. It does so by working with governments and other national stakeholders to develop and test innovative approaches for rural poverty reduction and employment creation; drawing out and analysing the experience gained from IFAD-supported projects; and assisting governments in developing national policies, strategies and institutions that can build on the lessons learned. Third, IFAD is a membership-based organization, and as such all interested Members – including MICs – may wish to draw on the services that IFAD can offer them. And fourth, loan and interest repayments by those MICs borrowing on ordinary and blend terms are an integral component of IFAD's financial model.

57. Between 2004 and 2014, IFAD provided loans to 38 countries classified by the World Bank as MICs on ordinary, intermediate or blend terms. Mobilizing project cofinancing – particularly from domestic sources – to match IFAD's investment is an important issue in countries borrowing on less concessional terms, and over the 2004-2014 period IFAD achieved an overall cofinancing ratio of 1:1.4 (IFAD to cofinancing) in these countries. Over time, the cofinancing performance has improved considerably, from 1:1.0 under IFAD7 to 1:2.1 thus far under IFAD9. This is largely a result of increased levels of domestic cofinancing; this ratio rose from 1:0.8 to 1:1.7 over the same period. During the IFAD10 period, the RIDE will include information on MICs, their use of financial instruments and services, and cofinancing ratios achieved.
58. To improve its services to MICs, IFAD has amended its General Conditions for Agricultural Development Financing to facilitate lending to MICs in currencies other than special drawing rights, a preference of an increasing number of MICs. In addition, in 2012 the Executive Board approved an instrument establishing a reimbursable technical assistance programme to serve MICs that seek only technical support from IFAD. The first projects under this programme are currently under development. Under IFAD10, IFAD will develop procedures, consistent with the reimbursable technical assistance instrument, and will expand the use of the tool to respond to Member States' demand.
59. An increasing number of IFAD's developing Member States are reaching MIC status and borrowing on blend and ordinary terms, and IFAD's financing model has to adapt to this changing reality. Expanded access to additional concessional resources through sovereign borrowing as and when the borrowing framework is approved (paragraph 103), will make it possible for IFAD to diversify its sourcing for lending while at the same time freeing up replenishment resources that will benefit all of its borrowing/recipient member countries. At the same time, IFAD is actively reflecting on how it can most effectively engage in MICs and add value to national efforts to eradicate rural poverty.<sup>4</sup> Taking into account the lessons it has learned from its work in MICs in recent years, the experiences of other IFIs, and the findings and recommendations of the IOE evaluation synthesis on IFAD's engagement in MICs, IFAD will submit updated information on its strategy on engagement with MICs to the Executive Board in December 2015.

## V. Institutional effectiveness and efficiency

60. **Priorities under IFAD10.** As described in paragraph 13 above, IFAD has done much under IFAD9 to improve its institutional effectiveness and efficiency. Yet despite the progress made, under IFAD10 the organization will need to take further steps to

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<sup>4</sup> See IFAD10/2/R.3, "Enhancing IFAD's business model for inclusive and sustainable rural transformation", annex II, sections VI and VII on differentiated services.

enhance its business model, both to consolidate those gains and to better equip itself to respond to emerging opportunities and challenges. These steps will not involve dramatic changes of direction. There are four major areas for action: (a) further enhancing the operations delivery model and tools; (b) strengthening the service delivery platform; (c) facilitating members' review of the governance arrangements; and (d) further improving the efficiency of the business model.

## **A. Further enhancing the operations delivery model and tools**

61. **Partnership-building.** IFAD is operating in an increasingly dynamic context, in which partnerships play a key role in providing solutions for complex development challenges. To further strengthen its role as a catalyst of rural investment, facilitate its scaling up agenda and capture a wider range of technical skills for programme design and implementation, IFAD will strengthen its existing partnerships and establish new partnerships where they bring added value; and building on its experience to date, it will enter into partnerships in all the projects that it supports. It will elevate its partnership with the RBAs to a strategic level by collaborating with FAO and WFP in line with the distinct comparative advantage of each institution. It will continue to work in close partnership with organizations of smallholder farmers, indigenous peoples and other rural people. It will seek collaboration on new innovative financing streams and engage more strategically with new private-sector partners to deliver benefits for rural groups and small producers. All this IFAD will do by leveraging the social capital and trust that it has built through decades of agricultural and rural investment. To support partnership goals under IFAD10, and guided by its Partnership Strategy, IFAD will continue to invest more in its capacity to broker and create internal incentives to expand the strategic and practical use of partnerships.
62. Cofinancing is a special type of partnership, of particular importance to IFAD and its PoW. Over the last 10 years, the total cofinancing ratio has averaged 1:1.23 (IFAD to cofinancing), although it has fluctuated enormously year-on-year, and it is heavily influenced by a few projects: in any given year only two projects (out of approximately 30 approved) can represent as much as 33 per cent of IFAD's total cofinancing. Recognizing the past challenges it has faced in mobilizing cofinancing, IFAD will set a target ratio of 1:1.2 under IFAD10, and it will monitor and report on its cofinancing performance by source of cofinancing (domestic and international, public and private) and country type (MIC and low-income country). At the same time however, it remains ambitious to expand its cofinancing, and it will develop an operational approach for mobilizing cofinancing, based on a better assessment of the strategic potential for cofinancing, a scanning of international aid architecture for agriculture and rural development, and a review of the relationship between domestic financing ability and level of domestic cofinancing.
63. **Knowledge management.** Gathering and sharing knowledge about smallholder development is a key dimension of IFAD's value proposition. It is essential for the design and implementation of cost-effective projects and for targeted dialogue on the institutional and policy conditions for success. It is a vital dimension of scaling up. And it is a fundamental requirement for adding value in global and regional dialogues about the role of smallholders in realizing equitable and sustainable economic growth. By virtue of its mandate and comparative advantage in this area, IFAD has much to offer its development partners, and it is now compiling and sharing its experience-based knowledge more systematically. In addition to working with other institutions to analyse current rural transformation processes and their potential implications for long-term rural development strategies, the Strategy and Knowledge Department is leading an IFAD-wide effort to bring rigour to the documentation and analysis of what has been achieved in the past – and why. Under IFAD10, this will become a regular part of IFAD's work. It will monitor its performance and report on it in the RIDE.

64. **Country presence.** IFAD views effective country presence as essential for its business. Staff and consultants based in the field are more effective in providing continuous support for project design and implementation support and supervision, engaging in national policy processes, and building strategic partnerships at the country level – including through the United Nations “Delivering as One” agenda. Accordingly, decentralization was accelerated under the Change and Reform Agenda, launched in 2009, and IFAD now has 40 country offices, including in all its largest operational countries. Under IFAD10, IFAD will continue its programme of expanding its country presence, establishing an additional 10 to make a total of 50 country offices. Nearly half of the total number will be in fragile states, where the need for strong support is greatest. As IFAD works in around 100 countries, the plan is for half of the countries to be directly served by a country office. It is not intended to establish country offices in the remaining half, which is made up of countries with small programmes where it would not be cost-effective to do so. For these countries, IFAD’s approach will be to handle the country programme either from an office in a neighbouring country, or from IFAD headquarters in Rome. IFAD’s approach to its country offices under IFAD10 will be informed by a corporate-level evaluation on IFAD’s decentralization model and experience, which IOE has indicatively planned for 2016-17.
65. **Grant policy.** IFAD grants are a key instrument for policy engagement, innovation, knowledge-sharing and building national capacities in agriculture and rural development. At present, Management is conducting a review of the IFAD Policy on Grant Financing with the objective of improving the efficiency and effectiveness of grants. Management will also take on board the recommendations of the evaluation currently being undertaken by IOE. Based on the findings of these two assessments, by April 2015, Management will submit for the approval of the Executive Board a new grants policy that will set out a clear strategic direction for grants through IFAD10. The new policy will improve the focus of the grant programme to achieve better alignment with IFAD’s Strategic Vision, knowledge framework and country-level investments for greater impact.

## **B. Strengthening the service delivery platform**

66. **Financial management.** IFAD’s financial management systems will undergo further strengthening during IFAD10. IFAD will continue building capacity in programme and project financial management and provide timely support for project design and implementation. As it moves into innovative financing arrangements, IFAD will develop its capacity for risk analysis and the management of such resources. It will also further refine its results-based budgeting system to ensure optimal and economical use of internal resources. A key tool in assisting Management to control costs will be a tailored system (piloted during IFAD9) to measure more accurately the full costs of key business processes: the system will permit Management to continuously monitor the use of IFAD’s human resources (HR) and make adjustments in line with strategic needs and business requirements.
67. **HR management.** During IFAD10, the HR reform begun in IFAD9 will be consolidated. The strategic workforce planning exercise will be refined and will determine, annually, the size, skills set and competencies of IFAD’s workforce, as well as its deployment. As IFAD expands the number of its country offices from the current 40 to 50, an increase in nationally recruited staff is expected. Further substitution of Professional technical staff for consultants, as recommended by the CLEE, is also expected to take place to strengthen IFAD’s technical capacity in critical areas such as policy work, climate change, nutrition and public-private partnerships.
68. Other reforms begun during IFAD9 that will be important components of the HR management agenda under IFAD10 include: refining the new staff rules and implementing procedures introduced in 2012; actively addressing concerns raised by staff in the 2012 global staff survey; improving the performance evaluation system (PES); implementing the new reward and recognition framework for superior

performance; revising the learning and development strategy; and continued HR process streamlining.

69. Under IFAD10 there will be continued focus on the IFAD9 commitments regarding gender competence and gender equality in IFAD's HR policy, and gender balance and equitable geographic distribution in staffing. The targets established under IFAD9 for gender balance and other HR targets were ambitious and set appropriate goals that hopefully can even be exceeded in IFAD10 and continue to drive further accomplishments in these important areas.
70. IFAD will also maintain its cooperation with the International Civil Service Commission, particularly in the system-wide review of the common compensation system. It is expected that the recommendations of the review will be implemented during IFAD10, and may introduce further savings in staff costs.
71. **ICT architecture.** A major recommendation of the CLEE was for IFAD to upgrade its ICT architecture to support business process reforms. Building on the upgrades already introduced, IFAD will introduce other improvements in IFAD10. Striving for ever-greater business process efficiency, in part through better use of ICT and in part through upgrading the ICT architecture, will be a key aspect of the ICT medium-term plan for IFAD10.
72. **Other support services.** IFAD9 saw the beginning of internal process streamlining and reduction in the costs of internal transactions, facilitated by improvements in ICT. IFAD10 will be a period in which these newly introduced systems add new functionality and efficiency, further increasing efficiencies. Particular focus will be on staff travel and procurement. During IFAD9, rules and processes related to staff travel were updated and new systems introduced, leading to reduced travel costs and considerable savings in the time spent to process bookings and travel authorizations (estimated 40 per cent). These efforts will continue during IFAD10.
73. Procurement initiatives, including the implementation of a user-friendly e-procurement interface and revised corporate procurement guidelines, are planned with the goal of significantly reducing transactional steps during IFAD10. The initiative to collaborate with the other RBAs in jointly procuring goods and services through the common procurement team and joint tenders will continue, and the collaboration will be extended to other United Nations agencies with the sharing of long-term agreements and other harmonization initiatives.
74. During IFAD9, IFAD was awarded the Leadership in Energy & Environment Design (LEED) green building certificate at the gold level in recognition of the headquarters' design and environmental practices. IFAD is working at confirming the gold certification during IFAD10 or even moving to platinum-level certification.
75. In response to IFAD's growing country presence and the need to further decentralize, the Field Support Unit (FSU) was established during IFAD9. The FSU provides a structured approach to better supporting the IFAD country offices and improving the communication link to IFAD headquarters. It includes the functions of field security, general administration, human resources, IT support, accreditation and privileges. Under IFAD10, the role of FSU will be further strengthened through enhanced collaboration with the regional divisions, so as to mainstream support functions into the core operations of IFAD.

### **C. Facilitating members' review of IFAD governance arrangements**

76. The issue of IFAD's governance was raised in the CLEE, which noted that the List system has "far-reaching implications for governance, voice and representation" and questioned whether it is "still relevant in today's global context". While Consultation members noted that the current partnership between Lists is one of the unique characteristics of IFAD, they concurred that the time is opportune for a review and



possible updating/amendment of the arrangements for ensuring effective representation of Member States in IFAD's governing bodies, including the List system.

77. They expressed their support for the idea of setting up an inter-Consultation working group of members to consider governance issues, and in particular to review and assess the structure, appropriateness and relevance of the IFAD List system; review and assess the composition of the Replenishment Consultation and the length of replenishment cycles in IFAD11 and beyond; and make proposals for consideration by the Governing Council, as appropriate. In so doing, the working group may also review current practices of other IFIs with respect to governance structure, replenishment procedures and composition (terms of reference for the working group are shown in annex IV).

#### **D. Further improving the efficiency of the business model**

78. IFAD's overall efficiency ratio – defined as the ratio of the administrative budget to the PoLG – has improved considerably from over 16 per cent in 2007 to 12.7 per cent in 2011-2013, and it is projected to see a further small decline in 2014 and 2015. Under IFAD10, the ratio will be calculated inversely (i.e. with the level of administrative expenditures as the denominator instead of the numerator) – reflecting the more intuitive logic that higher reported results represent improved performance. With this in mind, the ratio is projected to improve further to 8.2 (approximately 12.2 per cent) under IFAD10. Underlying the improvement to date is the major expansion in the PoLG and PoW in the past seven years against the backdrop of a flat or slowly expanding administrative budget. This has been made possible by measures such as: (i) keeping increases in headquarters staff in check and – in the case of the Programme Management Department (PMD) – relying more on locally recruited staff in country offices; (ii) increasing the size of individual loans, to prevent an expansion in the number of projects designed and implemented; (iii) reducing payments to cooperating institutions; and (iv) realizing efficiency gains in key business processes. Under IFAD10, the maintenance of the current level of PoLG will be realized against the backdrop of a real flat or minimal increase in the administrative budget and continued efforts to improve the efficiency ratio.

## **VI. Building on IFAD's results management system**

### **A. Results measurement under IFAD9**

79. In response to the findings of the 2005 independent external evaluation of IFAD, the organization put in place a comprehensive and effective results management systems, of which the Results Measurement Framework (RMF) is a core component. The RMF consists of a suite of indicators and targets that serve to assess and drive improvement of the Fund's performance in achieving objectives relative to its development and institutional effectiveness and efficiency. Performance assessments draw on a range of third-party mechanisms as well as IFAD's own self-evaluation system and IOE evaluations, the arms-length review of project quality at entry and annual in-country client/partner surveys. Results relative to targets in the RMF are reported annually to the Executive Board and Evaluation Committee via the RIDE, as well as at the MTR of IFAD's replenishments.
80. Substantial changes were introduced to the RMF for the IFAD9 period to strengthen and more clearly demonstrate the Fund's impact and value for money. IFAD was the first multilateral development organization to set a target for the number of people lifted out of poverty – 80 million over the 2010-2015 period. New indicators and more ambitious targets for operational and institutional efficiency were also defined, and new management tools were introduced to monitor the costs of business processes and facilitate cost containment and reduction. In addition, as one of the key commitments for IFAD9, IFAD has been implementing an impact evaluation programme, using a range of methods including randomized control trials. It has also

been strengthening its project self-assessment system – the RIMS – to focus on critical areas such as scaling up, environment and natural resource management, adaptation of smallholders to climate change, gender and nutrition.

81. As a consequence of the improvements made, IFAD's results management system and RMF received positive reviews in the 2013 MOPAN assessment and the 2013 Multilateral Aid Review by the United Kingdom, and in the CLEE and IOE's corporate-level evaluation on IFAD replenishments. However, it was observed that the sheer volume of indicators, which had increased from 50 in the IFAD8 RMF to 80 in the IFAD9 RMF, did not usefully support performance assessment and management; and they recommended that IFAD underpin the RMF by articulating a theory of change that explains the logic behind the achievement of IFAD's overall objectives.
82. The 2013 RIDE reveals encouraging progress with respect to IFAD's contribution to development outcomes and impact. IFAD-supported projects reached an estimated 98.6 million people in 2013, half of them women, as against the IFAD9 target of 90 million. Progress on most indicators of project performance is encouraging. In terms of institutional efficiency, 95 per cent of the IFAD9 pledge target has been reached; most of the HR management indicators are on track; there has been a significant improvement in risk management; and several of the efficiency indicators are already close to reaching their 2015 targets. While the ex ante efficiency ratio for 2014 has shown little movement, this is mainly due to the planned increase in expenditures on ICT being made in response to the CLEE's recommendations.

## **B. Results Measurement Framework for IFAD10**

83. The IFAD10 RMF, which is shown in full in annex II, is built on a review of the IFAD9 RMF indicator suite, aimed at optimizing its strategic focus, performance management value and alignment to IFAD's theory of change. This has led to some indicators being modified, added or dropped, and has resulted in a reduced total of 58 indicators at five distinct levels.<sup>5</sup>
84. **RMF level 1 – Global poverty, food security and agricultural investment outcomes** – embodies the broader development goals IFAD contributes towards, tracked by measures of extreme poverty and food insecurity and investment in agriculture. This is premised on the evidence that public investment in smallholder agriculture and rural development is an effective means to lift substantial numbers of poor people out of poverty and food insecurity, and enhance sustainably their productive capabilities. Five indicators will measure global poverty and food security outcomes and global agricultural investment outcomes.<sup>6</sup>
85. **RMF level 2 – Country-level development outcomes and impact delivered by IFAD-supported projects** – success in achieving global poverty and food security targets is predicated on development projects – such as those supported by IFAD – attaining consistently strong impact on poverty and food insecurity among targeted populations. Realizing such impact requires that IFAD-supported projects perform well in terms of effectiveness, efficiency, gender equality, sustainability, environment and natural resource management, adaptation to climate change, government performance, innovation and potential to scale up successes. The RMF will measure the number of people moved out of poverty, against an IFAD10 target of 80 million people, as well as the progress achieved against three impact indicators and nine outcome indicators.
86. **RMF level 3 – Country-level development outputs delivered by IFAD-supported projects** – outputs of IFAD-supported projects underpin the

<sup>5</sup> The definition of the indicators, as well as the methodology behind the setting of the targets, are explained in annex II.

<sup>6</sup> These are considered provisional, and in December 2015, once the goals associated with the post-2015 development agenda have been approved they may be modified or slightly expanded as relevant to IFAD's mandate.

achievement of impacts and outcomes reflected in level 2 of the RMF. Maximizing outreach helps larger populations benefit from project support services; while the supply of project outputs enables smallholders to overcome the key constraints they face, giving them access to a range of productive resources and inputs, knowledge, infrastructure, markets, financial and business services, and responsive institutions. Both provide the basis for expanded development outcomes. Twelve indicators will measure performance in terms of overall project outreach – against a projection range of 110 million-130 million people, as well as outputs relative to natural resource management, agricultural technologies, rural financial services, marketing, microenterprise, policies and institutions, and climate change adaptation.

87. **RMF level 4 – Operational effectiveness of IFAD-supported country programmes and projects** - assesses the performance of IFAD-managed processes aimed at positively influencing the design, delivery and achievement of programme outputs. Achievement of agreed programme results is supported by better project design that responds to the needs and priorities of rural poor people; an effective portfolio management process that assists those entities responsible for project implementation; and deeper knowledge of how policies for smallholder agriculture and rural development work in practice. Eighteen indicators will measure the performance of country programmes during implementation, projects at entry, portfolio management and cofinancing.
88. **RMF level 5 – IFAD’s institutional effectiveness and efficiency** – focuses on the effective mobilization, allocation, and efficient utilization of financial and human resources. As such, results at this level contribute to varying degrees to the achievement of results across all other levels of the RMF. Ten indicators will measure IFAD’s performance in improved resource mobilization and management, improved human resources management, and improved administrative efficiency.
89. The sources of the data for level 1 will be mostly external, and based on standard, authoritative sources. Level 2 results will be derived from IFAD’s project impact studies and surveys, its RIMS surveys, and its rating of project performance at completion point. Level 3 results will also be assessed using RIMS data, derived from the ongoing project portfolio. Most figures for levels 4 and 5 results will be derived from IFAD corporate databases: project status report ratings, Flexcube, the Grants and Investment Projects System (GRIPS) and PeopleSoft systems; and some will come from arms-length or third-party assessments such as the quality-at-entry assessments and client/partner surveys. It should be noted that performance against a number of indicators will be influenced by the level of the IFAD10 PoLG, and that in the event of the final PoLG being either higher or lower than the target US\$3.0 billion, the projected ranges for level 3 indicators and targets for administrative efficiency at level 5 would need to be adjusted.
90. The RMF will be the principal instrument of Management accountability to IFAD’s governing bodies. As per current practice, it is proposed that results relative to the IFAD10 RMF be reported annually to the Executive Board and Evaluation Committee through the RIDE, as well as the IFAD10 Midterm Review in early 2017. IFAD Management will also continue to monitor performance on all IFAD10 RMF indicators on a quarterly basis and take corrective action as necessary through the corporate performance review process.

### **C. Monitoring and evaluation and impact analysis for improved learning**

91. During IFAD10, IFAD will continue to provide systematic support to M&E systems at project level (and country level, where feasible) to ensure the generation of high-quality data for governments, partners and IFAD. In addition, it will upgrade the RIMS into a fully-fledged results monitoring system and put in place a multi-pronged strategy for impact assessment, aimed above all at measuring the number of people moved out of poverty during IFAD10. This strategy will involve: (a) randomly

selecting projects for rigorous ex post impact evaluations with quasi-experimental designs; (b) purposively selecting a limited number of highly innovative projects in defined thematic areas that would be eligible for evaluations with experimental methods such as randomized controlled trials; and (c) purposively conducting systematic reviews and meta-studies to strengthen the analysis and assessments of the above evaluations with benchmarks derived from other studies. By mid-2015, IFAD will brief the Executive Board on the specifics of the methodology to estimate the numbers of people moved out of poverty, and before the end of 2015 IFAD will update the Board on the precise number of impact evaluations to be conducted under IFAD10, based on budget availability, the lessons learned under IFAD9 and the need to ensure the statistical rigour of the exercise.

## **VII. Financial framework**

### **A. The financial framework through IFAD8 and IFAD9**

92. Under IFAD8, in the face of an unprecedented global food crisis, IFAD increased its target PoLG from US\$2.0 billion in IFAD7 to US\$3 billion. This was made possible by a substantial increase in Members' core contributions and by an even bigger, non-repeatable increase in the use of internal resources.
93. Under IFAD9, Members committed a further small increase in core contributions and a substantial increase in complementary contributions, to allow IFAD to maintain its PoLG at US\$3 billion in IFAD9. However, due to external factors as well as to the specificities of the financing terms of the complementary contributions, it is estimated that approximately US\$400 million of additional funding would be needed for the remaining IFAD9 period.
94. The first concrete proposal brought to the Board to implement Governing Council resolution 166/XXXV (2012), in terms of exploring the scope for increasing financing through innovative mechanisms and from new sources, was a loan from KfW Development Bank (KfW). The KfW loan, which was approved by the Executive Board in September 2014, will enable IFAD to meet the target PoLG for the IFAD9 period and so maintain a higher level of lending to all Members than would otherwise have been the case. It did so by expanding the resources available to finance loans on ordinary terms while at the same time freeing up replenishment resources for the benefit of all its borrowing/recipient countries, with more than 70 per cent of the total PoLG resources being allocated to low-income countries. The financial partnership with KfW is also providing IFAD with an opportunity to consolidate its institutional financial management capacity, including financial risk analysis.

### **B. The financial framework for IFAD10**

95. The Consultation endorsed an overall financial framework for IFAD10 of US\$3.6 billion, to support an indicative programme of loans and grants of US\$3.0 billion,<sup>7</sup> as well as administrative and other budget expenditures, and IFAD's share of debt relief under the HIPC (but excluding the compensation for principal forgone as a result of DSF implementation), which collectively amount to US\$0.6 billion. In order to realize this PoLG of US\$3.0 billion, and in line with the logic of the SCF approach used to determine the PoLG, the total requirement for replenishment contributions from Member States amounts to US\$1.44 billion.<sup>8</sup>
96. The Consultation agreed to a target of US\$1.44 billion for IFAD10 to be provided by Member States in the form of core and unrestricted complementary contributions.<sup>9</sup> If

<sup>7</sup> A projected distribution of loan and grant resources under the PoLG is provided in the IFAD10 programme of work (IFAD10/2/R.4), presented at the second session of the IFAD10 Consultation in June 2014.

<sup>8</sup> This figure holds only in the event that the funds mobilized are core or unrestricted complementary contributions.

<sup>9</sup> The concept of "complementary contributions" was introduced for the first time in the Governing Council resolution on IFAD2 (1986, GC 9/Res. 37/IX) and has been accepted by the Governing Council in all subsequent replenishments. They are defined in the Resolution as part of the "additional contributions" which make up the total replenishment, along with core and DSF contributions, though Members do not receive votes with respect to their complementary contributions. In

at this point the target is still not achieved, Management should then look to borrowing from sovereign states and state-supported institutions (sovereign borrowing) to reach it, subject to the rules of the borrowing framework as and when approved by the Executive Board (paragraph 103).

### **C. Debt Sustainability Framework**

97. The DSF was adopted by the Governing Council (resolution 141/XXIX) in 2006 and the detailed implementation arrangements were adopted by the Executive Board (EB 2007/90/R.2) one year later. As one of its key commitments during the IFAD9 Consultation, Management committed to presenting a proposal to the Executive Board on how responsibility for compensation for forgone principal arising from adoption of the DSF will be managed, starting in IFAD10. Following review by the Audit Committee in November 2013, Management submitted to the Executive Board in December 2013 a paper entitled Review of the status of the Debt Sustainability Framework (EB 2013/110/R.31/Rev.1). This paper, which is reproduced in full in annex IX, included the following recommendations:
- (a) Member States reaffirm their commitment to compensate the Fund for principal forgone as a result of DSF implementation. In line with the practice at other IFIs, this would mean applying the pay-as-you-go principle approved by the Executive Board in April 2007. Adopting this approach would also ensure alignment of IFAD's practice with those of other IFIs;
  - (b) IFAD adopt the methodology used by the African Development Fund to calculate the share of each Member State to compensate IFAD for DSF implementation, as this is considered the most viable and relevant option for IFAD;
  - (c) DSF beneficiary countries be excluded from the requirement to contribute to compensation for forgone principal repayments in addition to regular contributions on a pay-as-you-go basis;
  - (d) A threshold be set below which compensation shares are not required if the amounts payable are deemed too low; Management proposes a minimum threshold of US\$10,000 to be applied to List C Member States;
  - (e) Adjustments made as a result of items (c) and (d) be redistributed to other contributors to finance the gap;
  - (f) New members or countries that did not pledge in the relevant replenishment period be encouraged to volunteer to contribute even when not legally bound by the above; such contributions should nonetheless not be taken into account in determining compensation shares;
  - (g) Voting rights be considered for DSF compensation share contributions;
  - (h) Donor contributions made in future replenishments be used to cover DSF obligations first, with any residual balance being considered as regular replenishment contributions; and
  - (i) The decision of the Executive Board in April 2007 – that forgone interest and service charges not be compensated – be maintained.
98. The Executive Board endorsed Management's recommendations and the submission of the paper to the IFAD10 Consultation for consideration. The IFAD10 Consultation in turn approved the recommendations and the paper's submission to the Governing Council for adoption.

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the context of IFAD10, the term "unrestricted complementary contributions" is used to refer to such contributions which are not restricted by contributing Members as to: (a) their use by IFAD as loans (which generate reflows benefiting the Fund) or as grants; or (b) their use for any category of developing Member States. The Executive Board may approve the use of unrestricted complementary contributions, which may include those to support specific agendas around four critical operational themes and approaches: mainstreaming climate change, nutrition-sensitive agriculture, South-South and Triangular Cooperation and public, private, producer partnership (4Ps).

99. As such, assuming the Governing Council's adoption, starting in IFAD10, Members will be invited to announce their DSF contributions separately from and in addition to their core and complementary contributions.

#### **D. Financing options for IFAD's future**

100. The system of core contributions combined with a relatively high reliance on internal resources has allowed the PoLG to increase in recent replenishments, and enabled the institution to play a more prominent role through increased funding capacity. For IFAD10, the total demand for the Fund's resources has been estimated at US\$5.5 billion,<sup>10</sup> and while fully responding to such demand would clearly be beyond IFAD's capacity and it is significantly greater than current and projected resource availability, an internal assessment indicates that the organization could effectively deliver a US\$3.5 billion PoLG.
101. In this context it is agreed that IFAD needs to examine the potential, specific approaches, risks and organization requirements for broadening its resource mobilization efforts, thereby initiating a transition from operating solely as a revolving fund to an institution that accesses resources from a broader range of stakeholders. In this, it would be following the lead of other major IFIs, whose approaches to resource mobilization are all rapidly evolving. In doing so, IFAD would explore options that enable it both to strengthen and expand the PoLG, and to seek additional resources to expand the PoW. All options would be expected to conform to a set of guiding principles and be subject to due diligence to ensure that they support the desired financial and developmental objectives of IFAD's Members, and any proposed actions would be submitted to the Membership for approval.
102. The options to be considered, which are not necessarily mutually exclusive, include: core contributions and unrestricted complementary contributions; borrowing; supplementary funds; and cofinancing. Of these, the first two would expand IFAD's PoLG, while the latter two would expand the PoW.
103. The approaches identified and next steps proposed are as follows:
- The first and foremost priority for Member States and Management is to work together to mobilize core resources through a successful IFAD10 outcome in order to support a PoLG of US\$3.0 billion (equal to the IFAD9 level), based on total **replenishment contributions** of US\$1.44 billion. In addition to their core contributions, Member States may also provide **unrestricted complementary contributions** as part of the replenishment, including to support IFAD's agendas for climate change adaptation, South-South and Triangular Cooperation, and nutrition-sensitive agriculture, as well as for its 4P initiative.
  - Building upon this strong basis of core and unrestricted complementary contributions, and in line with Governing Council resolutions 122/XXIV (2001) and 166/XXXV (2012), the institution should continue to mobilize additional resources through **sovereign borrowing** in order to reach the US\$3.0 billion PoLG.<sup>11</sup> In addition, and in order to further pursue its mandate, reach more rural people and increase its impact, IFAD may look for additional sovereign borrowing up to a maximum size of PoLG of US\$3.5 billion. The PBAS will

<sup>10</sup> See IFAD10 programme of work (IFAD10/2/R.4).

<sup>11</sup> In the event of the replenishment target of US\$1.44 billion being reached, it would not be necessary to conduct any borrowing in order to achieve the US\$3.0 billion PoLG. However, assuming that the replenishment falls short of US\$1.44 billion, and assuming that borrowing is at such terms that it can only be on-lent at ordinary terms, then the following scenarios might apply if IFAD wants to keep its current percentage allocation across lending terms: with a US\$1.3 billion replenishment, IFAD would need to borrow US\$280 million to achieve the US\$3.0 billion PoLG; while with a US\$1.2 billion replenishment it would need to borrow US\$480 million. With a US\$1.1 billion replenishment, the borrowing requirements to reach US\$3.00 billion are greater than the projected allocation for ordinary-term lending. Maintaining the allocations derived from the current PBAS formula, it would be possible to borrow "only" US\$550 million, for a total PoLG of US\$2.86 billion.

determine the allocation of all programmed resources, and all borrowing to achieve a PoLG greater than US\$3.0 billion will be undertaken on an administrative budget-neutral basis. Any borrowing involved will be pursued only upon completion and approval of the borrowing framework (currently under development)<sup>12</sup> that concerns sovereign borrowing, and will in all cases be subject to the approval of the Executive Board.

- **Borrowing from the market** is not for the immediate future – and specifically, not for IFAD10; though it will be explored under IFAD10 for the longer term, after determining the appropriate preconditions for considering such borrowing and the legal requirements.
- To expand the PoW, IFAD will continue to receive **supplementary funds** in support of thematic priorities consistent with IFAD's Strategic Vision. Such funds could also attract new financing partners, including global funds, foundations, impact/ethical investors and corporate partners. Creation of any dedicated thematic trust fund will not detract from IFAD's ability to plan and implement its PoLG, nor will it require IFAD to put in place substantially differentiated business practices and administrative systems. IFAD will ensure that, over time, there is a plan in place for any thematic trust fund to mainstream its resources into IFAD's PoLG, making them part of IFAD's revolving internal resources to the greatest extent possible.
- As described in paragraph 62, IFAD will develop a more strategic and targeted operational approach for mobilizing **cofinancing** to further expand the PoW.

## VIII. Midterm review of IFAD10

104. Members of the IFAD11 Consultation will consider the MTR of IFAD10 at a session early in 2017. Adequate time will be allocated at the MTR session to formulate the corresponding agenda for the subsequent sessions of the IFAD11 Consultation. The review will provide an opportunity for members to monitor progress achieved against the IFAD10 Commitment Matrix (annex I) and the RMF 2016-2018 targets (annex II), as well as to provide further guidance for the achievement of IFAD10 objectives.

## IX. Selection of the IFAD11 Chairperson

105. The Chairperson for the IFAD11 Consultation will be selected through an open process to be completed prior to the first IFAD11 Consultation session, in consultation with the Executive Board.

## X. Recommendation

106. The IFAD10 Consultation recommends to the Governing Council that it adopt the draft resolution attached as annex VII to this report.

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<sup>12</sup> At its 110<sup>th</sup> session in December 2013, the Executive Board requested IFAD to establish a borrowing framework. This is currently being developed under the guidance of the Audit Committee, with a view to its submission to the Executive Board in April 2015.

## IFAD10 Commitment Matrix

Area of reform		
<b>IFAD's Strategic Vision and role</b>		
	<ul style="list-style-type: none"> <li>Present to the Executive Board the Strategic Framework for 2016 onwards, reflecting the post-2015 agenda and including a systematic focus on innovation, knowledge management and scaling up – particularly by national governments and other IFIs – for improved sustainability of results.</li> </ul>	<b>Time frame:</b> December 2015
<b>Operational effectiveness and efficiency</b>		
Innovation, learning and scaling up	<ul style="list-style-type: none"> <li>Implement a scaling-up process, based on a series of tools, partnerships – including with IFIs, guidance notes and training events, plus a new operational framework, to be developed and distributed to the Executive Board for information.</li> </ul>	<b>Time frame:</b> December 2015
	<ul style="list-style-type: none"> <li>100 per cent of project design reports to define an approach for innovation and scaling up</li> </ul>	<b>Time frame:</b> ongoing. <b>Reporting:</b> annually through RIDE
Climate adaptation	<ul style="list-style-type: none"> <li>100 per cent of project design reports to mainstream climate adaptation.</li> </ul>	<b>Time frame:</b> ongoing. <b>Reporting:</b> annually through RIDE
	<ul style="list-style-type: none"> <li>Implement a 10-point plan for climate mainstreaming.</li> </ul>	<b>Time frame:</b> ongoing. <b>Reporting:</b> annually through RIDE
	<ul style="list-style-type: none"> <li>Continue to expand the resource base for climate finance, leveraging additional resources from traditional and new stakeholders.</li> </ul>	<b>Time frame:</b> ongoing. <b>Reporting:</b> annually through RIDE
	<ul style="list-style-type: none"> <li>Conduct a review of IFAD's work on climate change, including the ASAP.</li> </ul>	<b>Time frame:</b> 2015
Improved nutritional impact	<ul style="list-style-type: none"> <li>100 per cent of COSOPs to include a nutrition situation assessment and specify how and whether the COSOP's strategic objectives relate to improving nutrition and vice versa.</li> </ul>	<b>Time frame:</b> ongoing <b>Reporting:</b> Annually through the RIDE
	<ul style="list-style-type: none"> <li>33 per cent of project design reports are nutrition-sensitive (with explicit nutrition objectives, actions and indicators).</li> </ul>	
	<ul style="list-style-type: none"> <li>Develop an action plan on nutrition, offering a road map with targets and time lines of how IFAD will work to mainstream nutrition, including the piloting of a dietary diversity indicator as part of RIMS, and the use of project midterm reviews.</li> </ul>	<b>Time frame:</b> Mid-2015
Public-private-producer partnerships (4Ps)	<ul style="list-style-type: none"> <li>Establish best practices to guide future collaboration with the private sector; develop new financial instruments and business practices to leverage and sustain increased cofinancing through private investments.</li> </ul>	
	<ul style="list-style-type: none"> <li>Expand private-sector participation in projects through the 4P mechanism and value chain financing and assess its viability and effectiveness.</li> </ul>	<b>Time frame:</b> ongoing <b>Reporting:</b> Annually through the RIDE



Area of reform		
Gender equality and women's empowerment	<ul style="list-style-type: none"> <li>Commit to meeting or exceeding all 15 UN-SWAP* indicators</li> <li>At least 15 per cent of project designs are gender-transformative (score of 6) and at least 50 per cent achieve full gender mainstreaming (score = 5)</li> </ul>	<p><b>Time frame:</b> 2017</p> <p><b>Time frame:</b> ongoing. <b>Reporting:</b> Annually through the RIDE</p>
	<ul style="list-style-type: none"> <li>Conduct review of implementation of the IFAD Policy on Gender Equality and Women's Empowerment</li> <li>Track share of staff costs/time dedicated to gender issues</li> </ul>	<p><b>Time frame:</b> 2015</p> <p><b>Time frame:</b> ongoing. <b>Reporting:</b> Annually through the RIDE</p>
Country-level policy engagement	<ul style="list-style-type: none"> <li>100 per cent of COSOPs to define a specific approach for country-level policy engagement appropriate to IFAD's programme in each country.</li> </ul>	<p><b>Time frame:</b> ongoing</p> <p><b>Reporting:</b> Annually through the RIDE</p>
Global policy engagement	<ul style="list-style-type: none"> <li>Define three-year corporate-level priorities for international policy engagement and strategies for priority engagements.</li> <li>Implement publications strategy aimed at more systematically managing and sharing IFAD's knowledge and experience.</li> </ul>	<p><b>Time frame:</b> ongoing</p> <p><b>Reporting:</b> Annually through the RIDE</p>
South-South and Triangular Cooperation	<ul style="list-style-type: none"> <li>50 per cent of all COSOPs to include an approach for SSTC.</li> </ul>	<p><b>Time frame:</b> ongoing</p> <p><b>Reporting:</b> Annually through the RIDE</p>
More differentiated country approaches	<ul style="list-style-type: none"> <li>Submit for the approval of the Executive Board, a strategy for IFAD's work in countries in fragile situations, setting out IFAD's comparative advantage and ensuring linkages with other agencies and international initiatives (such as the Committee on World Food Security Agenda for Action), and incorporating the recommendations of the IOE evaluation.</li> </ul>	<p><b>Time frame:</b> April 2016</p>
	<ul style="list-style-type: none"> <li>Develop procedures for reimbursable technical assistance (RTA) and expand the RTA tool to respond to Member State demand.</li> <li>Implement differentiated approaches to working in different country contexts, strengthening and monitoring performance on South-South Cooperation.</li> </ul>	<p><b>Time frame:</b> ongoing</p> <p><b>Reporting:</b> Annually through the RIDE</p>
	<ul style="list-style-type: none"> <li>Submit to the Executive Board updated information on IFAD's strategy on engagement with MICs.</li> <li>Support the Executive Board in identifying and implementing ways to improve the PBAS.</li> </ul>	<p><b>Time frame:</b> December 2015</p> <p><b>Time frame:</b> 2016</p>

\*United Nations System-wide action plan for implementing the United Nations policy on gender equality and the empowerment of women.

Area of reform		
<b>Institutional effectiveness and efficiency</b>		
Further enhancing the operations delivery model and tools	<ul style="list-style-type: none"> <li>Target a mean 1:1.2 cofinancing ratio and monitor and report on its cofinancing performance by source of cofinancing (domestic and international, public and private) and country type (MIC and low income country).</li> <li>Develop an operational approach for mobilizing cofinancing.</li> <li>Monitor and report on performance on knowledge management</li> </ul>	<p><b>Time frame:</b> ongoing <b>Time frame:</b> ongoing <b>Reporting:</b> Annually through the RIDE</p>
	<ul style="list-style-type: none"> <li>Review/evaluate country presence, following implementation of the updated country presence policy and strategy for 2014-15.</li> </ul>	<p><b>Time frame:</b> ongoing <b>Reporting:</b> Annually through the RIDE</p>
	<ul style="list-style-type: none"> <li>Establish 10 new country offices to bring the total number to 50, and as required, strategically strengthen staffing, including outposting of country programme managers, through a budget-neutral approach, in order to support better project design and implementation, policy engagement and impact.</li> </ul>	<p><b>Time frame:</b> 2017 <b>Time frame:</b> end-2018 <b>Reporting:</b> Annually through the RIDE</p>
	<ul style="list-style-type: none"> <li>Make further improvements to the QA system, to enhance project quality at entry.</li> </ul>	<p><b>Time frame:</b> ongoing <b>Reporting:</b> Annually through the RIDE</p>
	<ul style="list-style-type: none"> <li>Submit a new grants policy for the approval of the Executive Board, to be implemented under IFAD10.</li> </ul>	<p><b>Time frame:</b> April 2015</p>
	<ul style="list-style-type: none"> <li>Review and extend the IFAD Partnership Strategy into IFAD10; provide training on partnership-building, operationalize the tools developed under the strategy and internalize partnership-building into core business processes.</li> </ul>	<p><b>Time frame:</b> end-2018 <b>Reporting:</b> Annually through the RIDE</p>
Enhancing financial management and risk assessment capacity	<ul style="list-style-type: none"> <li>Use a tailored system to measure the full costs of key business processes through a more accurate allocation of staff costs to underlying activities.</li> <li>Strengthen IFAD's financial management capacity and oversight processes, taking into account the borrowing framework. In particular, shape enhanced risk management, cash flow forecasting and supplementary funds administration to meet the increased challenges of scaling up the multi-mode resource mobilization model to which IFAD is committed.</li> <li>Monitor IFAD's financial management, including the decentralization of finance functions to country offices and project financial management oversight, and ensuring adequate resources for robust financial oversight allocated through budgeting process.</li> </ul>	<p><b>Time frame:</b> ongoing <b>Reporting:</b> Annually through the RIDE</p> <p><b>Time frame:</b> end-2015 <b>Reporting:</b> Annually through the RIDE</p> <p><b>Time frame:</b> ongoing <b>Reporting:</b> Annually through the RIDE</p>
Proactive HR management	<ul style="list-style-type: none"> <li>Improve gender balance, especially at grades P-5 and above, and ensure continued focus on equitable geographical distribution in recruitment</li> <li>Ongoing HR policy review and HR systems streamlining to ensure optimum</li> </ul>	

<b>Area of reform</b>		
	<ul style="list-style-type: none"> <li>effectiveness and efficiency.</li> <li>Enhance HR policies and support for increased country presence.</li> <li>Strengthen the strategic workforce planning process, including further substitution of technical staff for consultants.</li> </ul>	<p><b>Time frame:</b> ongoing</p> <p><b>Reporting:</b> Annually through the RIDE</p>
Upgrading communication and ICT systems	<ul style="list-style-type: none"> <li>Enhance ICT systems to support streamlined business processes.</li> </ul>	<p><b>Time frame:</b> ongoing</p> <p><b>Reporting:</b> Annually through the RIDE</p>
Enhancing systems for procurement, facilities management and travel	<ul style="list-style-type: none"> <li>Operationalize revised guidelines for corporate procurement and institutional contracts.</li> <li>Renew the LEED green building certificate at the gold level or higher.</li> <li>Enhance travel system incorporating streamlined processes.</li> </ul>	<p><b>Time frame:</b> ongoing</p> <p><b>Reporting:</b> Annually through the RIDE</p>
Governance	<ul style="list-style-type: none"> <li>Support an inter-Consultation working group of members from all Lists established to consider governance and report on the results of its deliberations and any recommendations thereon to the fortieth session of the Governing Council in 2017.</li> </ul>	<p><b>Time frame:</b> 2017</p> <p><b>Reporting:</b> Regular reporting to the Executive Board</p>
Administrative efficiency	<ul style="list-style-type: none"> <li>Improve the ratio of the PoLG to actual administrative expenditures to 8.2 by 2018 and continue efforts to improve the efficiency of the business model.</li> </ul>	<p><b>Time frame:</b> ongoing</p> <p><b>Reporting:</b> Annually through the RIDE</p>
<b>Results Measurement System for IFAD10</b>		
	<ul style="list-style-type: none"> <li>Report to the Executive Board on performance against IFAD10 RMF indicators and targets, including monitoring progress on scaling up.</li> </ul>	<p><b>Time frame:</b> ongoing</p> <p><b>Reporting:</b> Annually through the RIDE</p>
	<ul style="list-style-type: none"> <li>Agree with the Executive Board on any updates to RMF, based on emerging results from IFAD9, the gender midterm review, other evaluation findings, and the approved SDG Framework.</li> </ul>	<p><b>Time frame:</b> end-2015</p>
	<ul style="list-style-type: none"> <li>Implement a multi-pronged strategy for impact assessment comprising rigorous ex post impact evaluations (minimum 9), randomized controlled trials and systematic reviews and meta-studies.</li> </ul>	<p><b>Time frame:</b> ongoing</p> <p><b>Reporting:</b> Annually through the RIDE</p>
	<ul style="list-style-type: none"> <li>Update the Executive Board both on the specifics of the methodology to estimate the number of people moved out of poverty and on the precise number of impact evaluations to be conducted under IFAD10.</li> </ul>	<p><b>Time frame:</b> early 2015</p>
<b>Financial framework</b>		
Financing options for IFAD's future	<ul style="list-style-type: none"> <li>Present the borrowing framework for the review of the Audit Committee and then submit it for the approval of the Executive Board.</li> </ul>	<p><b>Time frame:</b> Executive Board submission April 2015</p>

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**Area of reform**


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| <ul style="list-style-type: none"> <li>• Raise unrestricted complementary contributions, receive supplementary funds, develop a more strategic and targeted approach towards cofinancing, and following approval of the borrowing framework, seek borrowing from sovereign states and state-supported development institutions, and explore the scope for borrowing from the market.</li> </ul> | <p><b>Time frame:</b> ongoing<br/><b>Reporting:</b> Annually through the RIDE</p> |
| <ul style="list-style-type: none"> <li>• Ensure that any unrestricted complementary funding is strictly aligned with IFAD's priority areas of strategic focus.</li> </ul>   | <p><b>Time frame:</b> end-2015</p>  |
| <ul style="list-style-type: none"> <li>• Ensure that borrowing is in line with IFAD priorities and the borrowing framework.</li> </ul>  | <p><b>Time frame:</b> end-2015</p>  |
| <ul style="list-style-type: none"> <li>• Provide an update to the Executive Board on the identification of sources for sovereign borrowing and negotiations with potential lenders.</li> </ul>  | <p><b>Time frame:</b> December 2015</p>   |
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## IFAD10 Results Measurement Framework 2016-2018

### Overview

1. The IFAD10 RMF provides a basis for assessing how well IFAD is performing at key points of its impact pathway;<sup>13</sup> it is in turn underpinned by a theory of change, which reflects IFAD's unique role in contributing to inclusive and sustainable rural transformation. This impact pathway is reflected in the RMF's five interlinked levels of results. It starts with a commitment to ensuring IFAD's institutional effectiveness and efficiency in the mobilization, allocation and efficient utilization of financial and human resources. Strong institutional performance underpins the improved operational performance of IFAD-supported projects and ultimately ensures that project outputs deliver development outcomes: beneficiaries – rural women and men – increasing their productivity and incomes, building their organizations, and strengthening the resilience of their livelihoods and ecosystems to shocks and climate change.
2. Key activities for influencing operational performance are effective country programming and project design, and support for project implementation and national processes to strengthen policies for smallholder agriculture and rural development. These facets are supported by the knowledge IFAD gathers and shares, and the partnerships it develops to carry them out. It is the combination of country programmes, projects and policy engagement that delivers development impact at scale, assessed above all in terms of the number of rural people moved out of poverty. These efforts can in turn be enhanced further by, for example, intensifying engagement in global and regional policy forums, greater support for SSTC, increased leveraging of responsible private-sector investment in agriculture and expanded partnerships for agricultural research and innovation.
3. The figure below provides an overview of the five levels of IFAD's RMF and outlines causal links between expected results at different levels. These causal links rest on myriads of evidence- and experience-based learning and assumptions about developmental, social, economic, institutional, environmental and political change, and how such changes can be influenced positively for maximum impact on the lives of rural women and men. These assumptions are under continual validation and refinement to take into account differences in contexts and their evolution, a process that IFAD will be able to contribute to even more substantially in the near future through the impact evaluation initiative started in IFAD9. Critical assumptions are reflected in the RMF by virtue of the performance dimensions it attempts to measure. More detailed analyses of assumptions take place at project level through use of the logical framework tool during project design and implementation.
4. The important role that risk management plays in the fulfilment of results at different levels of the RMF, and within IFAD-supported country programmes and projects is fully recognized. Risks faced will vary widely depending on local, country or regional context, and may be of a policy, institutional, technical, environmental, security, political, financial or economic nature. A thorough analysis of risks is undertaken as part of each country programme and project development process. This will inform

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<sup>13</sup> These performance assessments draw on a range of third-party mechanisms in complementarity with IFAD's own self-evaluation system and the evaluations performed by the IOE, including arms-length reviews of project quality at entry and annual in-country client/partner surveys. Results relative to targets in the RMF are reported annually to the Executive Board and its Evaluation Committee in the RIDE, as well as at the midterm review of IFAD's replenishments. Comprehensive and detailed reporting on the full set of project-related indicators employed in IFAD's self-evaluation system is provided in the Annual Review of Portfolio Performance, whereas independent analysis of indicators covered by IOE is reported annually to the Executive Board and its Evaluation Committee in the ARRI. Consistency between IFAD's independent and self-evaluation methods and systems is fostered by a harmonization agreement between IFAD and IOE, which is regularly updated to maintain alignment between the two systems.

mitigation strategies and also enable each country programme management team to proactively address context-specific risks that have the potential to constrain the achievement of outputs and outcomes. This has in turn been reinforced at the corporate level since 2008 through a formal enterprise risk management system that supports management of key organizational risks, and strengthens IFAD's ability to achieve its overall objectives.

Figure: Overview of the IFAD10 RMF and of causal links between expected results at different levels



## IFAD10 Results Measurement Framework Indicators

### RMF level 1 – Global poverty, food security and agricultural investment outcomes

Table 1

#### Level 1: Global poverty, food security and agricultural investment outcomes<sup>a</sup>

<i>Indicators</i>	<i>Source</i>	<i>Baseline (year)</i>	<i>Results (year)</i>
<b>1.1 Global poverty and food security outcomes</b>			
1.1.1 Population living on less than US\$1.25 a day	UN <sup>d</sup>	46.7% (1990)	22% (2010)
1.1.2 Prevalence of undernourishment in population	UN	23.6% (1990-1992)	13.5% (2012-2014)
1.1.3 Children under 5 underweight	UN	25% (1990)	15% (2012)
<b>1.2 Global agricultural investment outcomes</b>			
1.2.1 Level of official development assistance to agriculture (billions of United States dollars) <sup>b</sup>	OECD	US\$10.4 (2011)	11.5 (2012)
1.2.2 Developing countries with share of agriculture in total public expenditure of 5% or more <sup>c</sup>	IFPRI	38.3 (1995)	23.2 (2011)

Note: OECD - Organisation for Economic Co-operation and Development.

<sup>a</sup> These indicators will be reviewed taking into account indicators featuring in the Sustainable Development Goals framework to be approved in September 2015 that are relevant to IFAD. Updates will be proposed to the Executive Board by end-2015. This will be done in the context of other updates to the RMF that will be proposed to the Executive Board by end-2015. (See the IFAD10 Commitment Matrix, second commitment under area of reform in the Results Measurement System for IFAD10.)

<sup>b</sup> Data are in constant 2012 prices.

<sup>c</sup> International Food Policy Research Institute (IFPRI), *2013 Global Food Policy Report*, food policy indicators (Washington, D.C.: 2014).

<sup>d</sup> United Nations, *The Millennium Development Goals Report 2014* (New York, 2014).



## RMF level 2 – Country-level development outcomes and impact delivered by IFAD-supported projects

Table 2

### Level 2: Country-level development outcomes and impact delivered by IFAD-supported projects

<i>Indicators</i>	<i>Source</i>	<i>Baseline 2011-20 13</i>	<i>IFAD10 target 2018</i>	<i>IFAD9 target 2015</i>
<b>2.1 People moved out of poverty</b>		NA	80 <sup>c</sup>	80 <sup>d</sup>
2.1.1 People moved out of poverty (million)				
<b>2.2 Impact indicators</b>				
2.2.1 Household asset ownership index <sup>a</sup>	RIMS	NA	Tracked	Tracked
2.2.2 Level of child malnutrition (3 sub-indicators – acute, chronic and underweight); male:female ratio <sup>a</sup>	RIMS	NA	Tracked	Tracked
2.2.3 Length of hungry season (number of months) <sup>a</sup>	RIMS	NA	Tracked	Tracked
<b>2.3 Outcome indicators, (percentage of projects rated moderately satisfactory or better) at completion</b>				
2.3.1 Effectiveness <sup>b</sup>	PCR	88	90	90
	IOE	75	Tracked	
2.3.2 Efficiency <sup>b</sup>	PCR	76	80	75
	IOE	57	Tracked	
2.3.3 Rural poverty impact <sup>b</sup>	PCR	88	90	90
	IOE	86	Tracked	
2.3.4 Gender equality	PCR	93	90	90
	IOE	80	Tracked	
2.3.5 Sustainability of benefits <sup>b</sup>	PCR	81	85	75
	IOE	65	Tracked	
2.3.6 Innovation and scaling up	PCR	91	90	90
	IOE	79	Tracked	
2.3.7 Environment and natural resource management	PCR	86	90	90
	IOE	73	Tracked	
2.3.8 Support for smallholder adaptation to climate change	PCR	NA	50	NA
2.3.9 Government performance	PCR	78	80	80
	IOE	66	Tracked	

Note: RIMS - Results and Impact Management System; PCR – project completion report; IOE – Independent Office of Evaluation of IFAD.

<sup>a</sup> These indicators will be measured and reported in the RIDE for the first time in 2015, and will provide the basis for establishing 2015 baselines and targets for 2018. The updates to the IFAD10 RMF will be presented to the Executive Board by end-2015. This will be done in the context of other updates to the RMF that will be proposed to the Executive Board by end-2015. (See the IFAD10 Commitment Matrix, second commitment under area of reform in the Results Measurement System for IFAD10.)

<sup>b</sup> A breakdown of results for fragile states will be provided in the RIDE.

<sup>c</sup> Total for the six-year period 2013-2018.

<sup>d</sup> The IFAD9 target of 80 million was set for the six-year period 2010-2015. Hence, a comparable period was set for achieving the IFAD10 target.

Table 3

**Level 3: Country-level development outputs delivered by IFAD-supported projects**

<i>Indicators</i>	<i>Source</i>	<i>Baseline 2013</i>	<i>IFAD10 projection ranges 2018</i>	<i>IFAD9 target 2015</i>
<b>3.1 Overall outreach</b>				
3.1.1 People receiving services from IFAD-supported projects (million; male:female ratio)	RIMS	98.6 (52:48)	110 - 130	90
<b>3.2 Natural resource management</b>				
3.2.1 Land under improved management practices (million ha)	RIMS	4.1	3.3 - 5.0	Tracked
3.2.2 Land under irrigation schemes (ha)	RIMS	277 000	240 000 - 350 000	Tracked
<b>3.3 Agricultural technologies</b>				
3.3.1 People trained in crop and livestock production practices/technologies (million; male:female ratio)	RIMS	6.4 (53:47)	5.5 - 7.7	Tracked
<b>3.4 Rural financial services</b>				
3.4.1 Voluntary savers (million; male:female ratio)	RIMS	19.1 (28:72)	14 - 21	Tracked
3.4.2 Active borrowers (million; male:female ratio)	RIMS	6.2 (40:60)	5.0 - 7.5	Tracked
<b>3.5 Marketing</b>				
3.5.1 Roads constructed/rehabilitated (km)	RIMS	20 120	18 000 - 24 000	Tracked
3.5.2 Processing facilities constructed/rehabilitated ( <b>new</b> )	RIMS	9 391	7 500 - 11 300	Tracked
3.5.3 Marketing facilities constructed/rehabilitated ( <b>new</b> )	RIMS	3 252	3 000 - 5 000	Tracked
<b>3.6 Microenterprise</b>				
3.6.1 Enterprises accessing business promotion services	RIMS	88 000	80 000 - 120 000	Tracked
<b>3.7 Policies and institutions</b>				
3.7.1 People trained in community management topics (million; male:female ratio)	RIMS	1.8 (24:76)	1.6 - 2.3	Tracked
<b>3.8 Climate change adaptation</b>				
3.8.1 Poor smallholder household members supported in coping with the effects of climate change (million) ( <b>new</b> )	RIMS	2.3	8 - 15	Tracked

## RMF level 4 – Operational effectiveness of IFAD-supported country programmes and projects

Table 4

### Level 4: Operational effectiveness of IFAD-supported country programmes and projects

<i>Indicators</i>	<i>Source</i>	<i>Baseline 2014</i>	<i>IFAD10 target 2018</i>	<i>IFAD9 target 2015</i>
<b>4.1 Percentage of country programmes rated 4 or better during implementation for:</b>				
4.1.1 Contribution to increased incomes, improved food security and empowerment of poor rural women and men	Client survey	89 (2013-2014)	90	90
4.1.2 Adherence to the aid effectiveness agenda	Client survey	89 (2013-2014)	100	100
4.1.3 Engagement in national policy dialogue	Client survey	81 (2013-2014)	85	70
4.1.4 Partnership-building	Client survey	92 (2013-2014)	90	90
<b>4.2 Percentage of projects rated 4 or better at entry</b>				
4.2.1 Overall rating for quality of design	QA	91	90	85
4.2.2 Overall rating for quality of design (fragile states only)	QA	83	85	80
4.2.3 Gender <sup>a</sup>	QA	81	90	90
4.2.4 Monitoring and evaluation	QA	88	90	80
4.2.5 Scaling up	QA	83	85	80
4.2.6 Environment and climate change <b>(new)</b>	QA	NA	80	NA
4.2.7 Loan-financed projects have a published and verifiable economic analysis <sup>b</sup> <b>(new)</b>	QA	NA	100	NA
<b>4.3 Portfolio management</b>				
4.3.1 Time from project approval to first disbursement (months)	GRIPS	17	14	14
4.3.2 Percentage disbursement ratio (overall)	Flexcube	15.8	22	17
4.3.3 Percentage disbursement ratio (fragile situations) <sup>c</sup>	Flexcube	15.3	20	18
4.3.4 Gender focus in implementation	PSR/GRIPS	89	90	90
4.3.5 Percentage of projects rated moderately satisfactory or better with acceptable disbursement rate (against approved annual workplan and budget) <b>(new)</b>	PSR	55	65	NA
4.3.6 Percentage of grants rated moderately satisfactory for overall implementation progress <b>(new)</b>	GSR	NA	80	NA
<b>4.4 Cofinancing</b>				
4.4.1 Cofinancing ratio (overall) <sup>d</sup>	GRIPS	1.27 (2011-2014)	1.20	1.6

Note: QA – Quality assurance; GRIPS – Grants and Investment Projects System; PSR – project status report; GSR – grant status report.

<sup>a</sup> The current practice of breaking down results for gender transformative and gender mainstreaming projects in the Annual Report on the IFAD Policy on Gender Equality and Women's Empowerment presented each year within the RIDE will continue in IFAD10.

<sup>b</sup> The target is set based on a broad definition of economic analysis. Economic analysis is required for all IFAD projects; however, it is expected that in approximately 10 per cent of cases methods other than cost-benefit analysis will be employed, due to the fact that some benefits (e.g. environmental, capacity development and empowerment) do not lend themselves well to such approaches.

<sup>c</sup> Data represent disbursements in IFAD's list of fragile states, which combines a harmonized list agreed on by multilateral development banks and a list compiled by the Organisation for Economic Co-operation and Development (OECD).

<sup>d</sup> A breakdown of results by source of cofinancing and country type will be provided in the RIDE.

## RMF level 5 – IFAD’s institutional effectiveness and efficiency

Table 5

### Level 5: IFAD’s institutional effectiveness and efficiency

<i>Indicators</i>	<i>Source</i>	<i>Baseline 2014 or other</i>	<i>IFAD10 target 2018</i>	<i>IFAD9 target 2015</i>
<b>5.1 Improved resource mobilization and management</b>				
5.1.1 Percentage of IFAD10 pledges over replenishment target	Corporate databases	95	100	100
<b>5.2 Improved human resources management</b>				
5.2.1 Staff engagement index: percentage of staff positively engaged in IFAD objectives	Global staff survey	76	75	75
5.2.2 Percentage of workforce from Lists B and C Member States	Corporate databases	40	Tracked	Tracked
5.2.3 Percentage of women in P-5 posts and above	Corporate databases	29	35	35
5.2.4 Time to fill professional vacancies (days)	Corporate databases	109	100	100
<b>5.3 Improved administrative efficiency</b>				
5.3.1 Share of budget allocations to: <sup>a</sup>				
Cluster 1				
Cluster 2	Corporate databases			
Cluster 3				
Cluster 4				
5.3.2 Ratio of budgeted staff positions in ICOs	Corporate databases	42.7	45	45
5.3.3 Loan and grant commitments in US\$ per US\$1 of administrative expenditure	Corporate databases	7.9 (2011-2013)	8.2	8
5.3.4 Loan and grant commitments and project cofinancing in US\$ per US\$1 of administrative expenditure <b>(new)</b>	Corporate databases	14.9 (2011-2013)	15.2	NA
5.3.5 Disbursements in US\$ per US\$1 of administrative expenditure	Corporate databases	5.1 (2011-2013)	5.5	5.3

<sup>a</sup> Following a review and refinement of the cluster approach to budgeting in 2015, a target for this indicator will be proposed to the Executive Board by end-2015. This will be done in the context of other updates to the RMF that will be proposed to the Executive Board by end-2015: see the IFAD10 Commitment Matrix, second IFAD10 commitment under the Results Measurement System for IFAD10 area of reform.

## Definitions and data sources for IFAD10 RMF indicators

### RMF level 1: Global poverty, food security and agricultural investment outcomes

Code	Indicator name	Data source	Definition
<b>1.1</b>	<b>Global poverty and food security outcomes</b>		
1.1.1	Population living on less than US\$1.25 a day	United Nations, <i>The Millennium Development Goals Report</i>	The proportion of the population living in households below the international poverty line where the average daily consumption (or income) per person is less than \$1.25 a day measured at 2005 international prices adjusted for purchasing power parity.
1.1.2	Prevalence of undernourishment in population	United Nations, <i>The Millennium Development Goals Report</i>	The condition of people whose food consumption is continuously below a minimum dietary energy requirement for maintaining an acceptable minimum body size, a healthy life and carrying out light physical activity. This is equivalent to the proportion of the population who suffer from hunger or food deprivation.
1.1.3	Children under 5 underweight	United Nations, <i>The Millennium Development Goals Report</i>	The percentage of children aged 0-59 months whose weights are less than two standard deviations below the median weight for age groups in the international reference population.
<b>1.2</b>	<b>Global agricultural investment outcomes</b>		
1.2.1	Level of official development assistance (ODA) to agriculture (billions of United States dollars)	OECD, <i>Aid Statistics</i>	OECD aid flow data in constant prices to agriculture, forestry and fishing and rural development. This excludes aid to other sectors that may have a direct or indirect effect on agriculture such as food security, developmental food aid and emergency food aid.
1.2.2	Developing countries with share of agriculture in total public expenditure of 5% or more	IFPRI, <sup>a</sup> <i>Global Food Policy Report</i>	As per the IFPRI calculation of food policy indicators, taking into account public expenditure data as well as other variables such as deflators and exchange rates.

<sup>a</sup> International Food Policy Research Institute.

## RMF level 2: Country-level development outcomes and impact delivered by IFAD-supported projects

Code	Indicator name	Data source	Definition
<b>2.1</b>	<b>People moved out of poverty</b>		
2.1.1	People moved out of poverty (million)	Impact evaluation surveys, RIMS surveys	<p>The indicator measures the number of beneficiaries moved above a defined poverty line (defined at baseline). This is based on an assessment of the number of beneficiaries that experience upward economic mobility - defined as changes in economic status (proxied by the asset index and consumption indicators - across the period spanning from baseline to completion).</p> <p>The measurement approach consists of two main steps: (i) the impact evaluation of a sample of projects completing in the 2013-2018 period; and (ii) extrapolation of the results of the impact evaluations to IFAD's entire portfolio, comprising projects that are active or complete in the 2013-2018 period. The indicator will be reported in 2018.</p>
<b>2.2</b>	<b>Impact indicators</b>		
2.2.1	Household asset ownership index	RIMS surveys	The number of households (or percentage of beneficiaries) with increased asset ownership after an IFAD intervention. The list of assets owned by households is obtained from household surveys conducted at the beginning and completion of IFAD-financed projects. The indicator will be reported in 2018.
2.2.2	Level of child malnutrition (3 sub-indicators - acute, chronic and underweight); male/female	RIMS surveys	The number of children (or percentage of children covered) with improved nutrition indicators. Three measures of malnutrition are used during the RIMS impact surveys. The percentage and absolute decrease in children suffering from all three types can be reported. The indicator will be reported in 2018.
2.2.3	Length of hungry season (number of months)	RIMS surveys	The number of households with improved food security. In the current RIMS guidelines (2005 version), the number of months for which households suffer food insecurity is listed. The number of households which suffer from a first hungry season is also listed. The decrease in the number of households and the decrease in the average duration of the hungry season can be reported. The indicator will be reported in 2018.
<b>2.3.</b>	<b>Outcome indicators (percentage of projects rated moderately satisfactory or better) at completion</b>		
2.3.1	Effectiveness	PCRs & IOE PCRVs	<p>The extent to which the development intervention's intended effects and objectives were achieved, or are expected to be achieved, taking account of their relative importance. This indicator is obtained from project completion report (PCR) ratings assessed by IFAD, as well as project completion report validation (PCRv) ratings assessed by IOE. Where feasible, actual project achievements are compared with those envisaged at appraisal and in the logical framework.</p> <p>This indicator is obtained from PCR ratings assessed by IFAD and PCRv ratings assessed by IOE. Reporting is based on average ratings of projects completed over a three-year period. The indicator will be reported every year.</p>

Code	Indicator name	Data source	Definition
2.3.2	Efficiency	PCRs & IOE PCRVs	<p>A measure of how economically and timely resources/inputs (funds, expertise, time, etc.) are converted into results. Cost/benefit ratios for key outputs provide an additional measure for assessing efficiency of resource use. Where possible, cost comparisons with other development projects operating in the same area are made. In some cases, such as infrastructure development projects or productivity-oriented interventions, an economic returns analysis is undertaken. If the economic returns cannot be estimated, project efficiency is ascertained through cost-effectiveness proxies or benchmarks.</p> <p>This indicator is obtained from PCR ratings assessed by IFAD and PCRV ratings assessed by IOE. Reporting is based on average ratings of projects completed over a three-year period. The indicator will be reported every year.</p>
2.3.3	Rural poverty impact	PCRs & IOE PCRVs	<p>The changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions. It is a composite indicator that addresses five domains on which IFAD-funded projects are likely to have an impact: household income and assets, human and social capital and empowerment, food security and agricultural productivity, natural resources and the environment, and institutions and policies</p> <p>This indicator is obtained from PCR ratings assessed by IFAD and PCRV ratings assessed by IOE. Reporting is annual and is based on average ratings of projects completed over a three-year period. The indicator will be reported every year.</p>
2.3.4	Gender equality	PCRs & IOE PCRVs	<p>Relevance of design in terms of promoting gender equality and women's empowerment, mainstreaming gender considerations in implementation arrangements (including M&amp;E systems) and changes promoted by the project at the household level (workload, nutrition status, women's influence on decision-making, equitable workload balance).</p> <p>This indicator is obtained from PCR ratings assessed by IFAD and PCRV ratings assessed by IOE. Reporting is based on average ratings of projects completed over a three-year period. The indicator will be reported every year.</p>
2.3.5	Sustainability of benefits	PCRs & IOE PCRVs	<p>The likely continuation of net benefits from a development intervention beyond the phase of external funding support. Also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.</p> <p>This indicator is obtained from PCR ratings assessed by IFAD and PCRV ratings assessed by IOE. Reporting is based on average ratings of projects completed over a three-year period. The indicator will be reported every year.</p>



Code	Indicator name	Data source	Definition
2.3.6	Innovation and scaling up	PCRs & IOE PCRVs	<p>The extent to which IFAD development interventions have: (i) introduced innovative approaches to rural poverty reduction (including engagement strategies, development approaches, technical solutions and managerial aspects); (ii) have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector, other agencies and by the communities themselves; and (iii) have leveraged pro-poor policy changes either through knowledge generated and/or through the empowerment of rural institutions to engage in policy dialogue.</p> <p>This indicator is obtained from PCR ratings assessed by IFAD and PCRV ratings assessed by IOE. Reporting is based on average ratings of projects completed over a three-year period. The indicator will be reported every year.</p>
2.3.7	Environment and natural resource management	PCRs & IOE PCRVs	<p>The extent to which a project contributes to the rehabilitation or protection of natural resources and ecosystem services.</p> <p>This indicator is obtained from PCR ratings assessed by IFAD and PCRV ratings assessed by IOE. Reporting is based on average ratings of projects completed over a three-year period. The indicator will be reported every year.</p>
2.3.8	Support for smallholder adaptation to climate change	PCRs & IOE PCRVs	<p>The extent to which a project contributes to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.</p> <p>This indicator is obtained from PCR ratings assessed by IFAD and PCRV ratings assessed by IOE. Reporting is based on average ratings of projects completed over a three-year period. The indicator will be reported every year.</p>
2.3.9	Government performance	PCRs & IOE PCRVs	<p>The contribution of partners to project design, implementation, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis in relation to their expected roles and responsibilities in the project life cycle.</p> <p>This indicator is obtained from PCR ratings assessed by IFAD and PCRV ratings assessed by IOE. Reporting is based on average ratings of projects completed over a three-year period. The indicator will be reported every year.</p>

### RMF level 3: Country-level development outputs delivered by IFAD-supported projects

Code	Indicator name	Data source	Definition
<b>3.1</b>	<b>Overall outreach</b>		
3.1.1	People receiving services from IFAD-supported projects (million; male/female)	RIMS	<p>The indicator reports the cumulative number of people (gender-disaggregated) receiving services from all ongoing (or active) projects in a given year, i.e. it includes projects at different stages of implementation: recently approved, at or around midterm, or nearing completion.</p> <p>This indicator does not include indirect beneficiaries as such, but includes all members of a household when one or more members of the same household participated in an IFAD activity. The measurement is based on the aggregate for all project financing and extrapolated upwards to take account of projects that have not submitted RIMS reports.</p> <p>Other indicators below report on individual members of the households receiving services of IFAD-supported projects. In some cases, a beneficiary may be included more than once, e.g. received training in crop technologies and also took out a loan. IFAD project staff are aware of the potential for double-counting and adjust the total outreach estimates for indicator 3.1.1 accordingly. The indicator will be reported every year.</p>
<b>3.2</b>	<b>Natural resource management</b>		
3.2.1	Land under improved management practices (million ha)	RIMS	<p>The area of land under more sustainable and resilient management practices (e.g. regarding natural resources, crop diversity, soil and erosion, livestock, agroforestry, water, diversification, weather insurance schemes) promoted by the project.</p> <p>The reported results refer to cumulative achievements over the project lifetime, for all projects that were ongoing in the calendar year. The indicator will be reported every year.</p>
3.2.2	Land under irrigation schemes (ha)	RIMS	<p>The area of land under irrigation systems that have been fully rehabilitated or constructed by the project.</p> <p>The reported results refer to cumulative achievements over the project lifetime, for all projects that were ongoing in the calendar year. The indicator will be reported every year.</p>

Code	Indicator name	Data source	Definition
<b>3.3</b>	<b>Agricultural technologies</b>		
3.3.1	People trained in crop, livestock and fish production practices/technologies (million; male/female)	RIMS	<p>The number of men and women who have been trained in crop production and technologies (e.g. farming practices, application of seeds, fertilizers), in livestock production and technologies (e.g. milking, slaughtering, animal nutrition, disease prevention), and in fish production and technologies (e.g. catching techniques, management of fish sanctuaries).</p> <p>The reported results include the cumulative achievements over the project lifetime, for all projects that were ongoing in the calendar year. The indicator will be reported every year.</p>
<b>3.4</b>	<b>Rural financial services</b>		
3.4.1	Voluntary savers (million; male/female)	RIMS	The total number of men/women who voluntarily have funds on deposit with an IFAD-supported financial institution on a specific date (e.g. 31 December).
3.4.2	Active borrowers (million; male/female)	RIMS	The total number of male and female borrowers with an outstanding balance in an IFAD-supported financial institution at a specific date in the reporting year (e.g. 31 December).
<b>3.5</b>	<b>Marketing</b>		
3.5.1	Roads constructed/rehabilitated (km)	RIMS	<p>Total kilometres (km) of all typologies of roads that have been fully constructed or rehabilitated (upgraded) by the project.</p> <p>The reported results include the cumulative achievements over the project lifetime, for all projects that were ongoing in the calendar year. The indicator will be reported every year.</p>
3.5.2	Processing facilities constructed/rehabilitated	RIMS	<p>The number of processing facilities (e.g. mills, hullers, shellers, extractors) that have been fully constructed or rehabilitated by the project.</p> <p>The reported results include the cumulative achievements over the project lifetime, for all projects that were ongoing in the calendar year. The indicator will be reported every year.</p>
3.5.3	Marketing facilities constructed/rehabilitated	RIMS	<p>The number of market facilities (e.g. marketplaces, shading structures, sanitary systems) that have been fully constructed or rehabilitated by the project.</p> <p>The reported results include the cumulative achievements over the project lifetime, for all projects that were ongoing in the calendar year. The indicator will be reported every year.</p>
<b>3.6</b>	<b>Microenterprise</b>		
3.6.1	Enterprises accessing non-financial services facilitated by the project	RIMS	<p>The number of enterprises that have accessed non-financial services (e.g. business planning, technical advisory, supply chain management) promoted by the project.</p> <p>The reported results include the cumulative achievements over the project lifetime, for all projects that were ongoing in the calendar year. The indicator will be reported every year.</p>

Code	Indicator name	Data source	Definition
<b>3.7</b>	<b>Policies and institutions</b>		
3.7.1	People trained in community management topics (million; male/female)	RIMS	The number of men and women who have been trained in topics related to community-level decision making and management processes (e.g. participatory methods, monitoring and evaluation, financial management and accounting).  The reported results include the cumulative achievements over the project lifetime, for all projects that were ongoing in the calendar year. The indicator will be reported every year.
<b>3.8</b>	<b>Climate change adaptation</b>		
3.8.1	Poor smallholder household members supported in coping with the effects of climate change	RIMS	The number of men and women who benefit from climate change adaptation measures under IFAD's Adaptation for Smallholder Agriculture Programme (ASAP). This is aggregated from the results frameworks in ASAP-supported projects on an annual basis

#### RMF level 4: Operational effectiveness of IFAD-supported country programmes and projects

Code	Indicator name	Data source	Definition
<b>4.1</b>	<b>Percentage of country programmes rated moderately satisfactory or better during implementation for:</b>		
4.1.1	Contribution to increased incomes, improved food security and empowerment of poor rural women and men	Client survey	Client rating (governments, partners, civil society) of IFAD country programmes for achieving impact on income, food security and empowerment of poor rural women and men. The result is calculated on a two-year basis, based on results of two annual client surveys. The indicator will be reported every year.
4.1.2	Adherence to the development effectiveness agenda	Client survey	Client rating (governments, partners, civil society) of IFAD country programmes for its adherence to the five mutually reinforcing principles (ownership, alignment, harmonization, managing for results, mutual accountability) of the development effectiveness agenda. The result is calculated on a two-year basis, based on results of two annual client surveys. The indicator will be reported every year.
4.1.3	Engagement in national policy dialogue	Client survey	Client rating (governments, partners, civil society) of IFAD country programmes for its contribution to national policy dialogue and for its support to enable for participation of civil society in policy dialogue. The result is calculated on a two-year basis, based on results of two annual client surveys. The indicator will be reported every year.
4.1.4	Partnership-building	Client survey	Client rating (governments, partners, civil society) of IFAD country programmes for their effectiveness in partnership building with key national and international stakeholders in the country. The result is calculated on a two-year basis, based on results of two annual client surveys. The indicator will be reported every year.

Code	Indicator name	Data source	Definition
<b>4.2</b>	<b>Percentage of projects rated moderately satisfactory or better at entry</b>		
4.2.1	Overall rating for quality of design	QA	A summary rating across several dimensions, including alignment with country context, institutional capacities, implementation readiness, likelihood of achieving development objectives and extent to which quality enhancement (QE) recommendations have been addressed. The ratings are reported on a 24-month average basis. The indicator will be reported every year.
4.2.2	Overall rating for quality of design in fragile states only	QA	Same as 4.2.1, but for IFAD's list of fragile states, which combines a harmonized list agreed on by multilateral development banks and a list compiled by OECD. The ratings are calculated on a 24-month average basis. The indicator will be reported every year.
4.2.3	Gender	QA	A summary rating across several aspects of gender mainstreaming, including analysing the project's thematic focus from a gender perspective, describing what the project will deliver from a gender perspective (economic empowerment, decision-making and workload balance), and detailing the main elements of the gender strategy and implementation arrangements. The ratings are calculated on a 24-month average basis. The indicator will be reported every year.
4.2.4	M&E	QA	A summary rating across several M&E dimensions, including provisions for sex- and age-disaggregated baseline, midterm and completion surveys, impact evaluations with defined poverty line at baseline, and arrangements for monitoring outreach and other key objectives over the life of the project. The ratings are calculated on a 24-month average basis. The indicator will be reported every year.
4.2.5	Scaling up	QA	<p>A summary rating across several scaling up dimensions, including identification of the specific models/interventions to be scaled up and provision of evidence that they are effective and efficient, and articulation of the pathway for scaling up.</p> <p>This includes the extent to which the design defines the operational dimensions to be reached and the extent to which it has assessed the main pathways and the key drivers that will provide scalability and sustainability beyond the project life. Scaling up can be horizontal (an expansion in the geographical reach of the investment from one district/region to others) and/or vertical (an expansion of the investment between organizational tiers, i.e. from one level of public administration to another, or from local to provincial to national). Additionally, the indicator captures the extent to which the project identifies the areas and approaches for innovation and accumulation of knowledge during implementation to guide future decisions on scaling up. The ratings are calculated on a 24-month average basis. The indicator will be reported every year.</p>
4.2.6	Environment and climate change	QA	A summary rating across several environment and climate change dimensions, including degree of awareness, relevance of the proposed investments, likely impact on vulnerability reduction, and capacity-building of institutions and communities to manage environmental and climate-related risks. The ratings are calculated on a 24-month average basis. The indicator will be reported every year.
4.2.7	Loan-financed projects have a published and verifiable economic analysis	QA	The share of projects with a published and verifiable economic analysis (yearly). The indicator will be reported every year.
<b>4.3</b>	<b>Portfolio management</b>		

Code	Indicator name	Data source	Definition
4.3.1	Time from project approval to first disbursement (months)	GRIPS	The time elapsed between first disbursement date of loans (excl. supplementary) or Debt Sustainability Framework (DSF) grants (excl. supplementary) and respective date of approval by the Executive Board for projects that had such first disbursement in the last 36 months. The indicator will be reported every year.
4.3.2	Percentage disbursement ratio – overall	Flexcube	Disbursements in the review period of loans/grants divided by the value of loans/grants available for disbursement to financial closure as at the end of the one-year reporting period minus cumulative disbursement to date. The indicator will be reported every year.
4.3.3	Percentage disbursement ratio – fragile situations	Flexcube	Same as 4.3.2, except only for IFAD’s list of fragile states which combines a harmonized list agreed on by multilateral development banks and a list compiled by OECD. The indicator will be reported every year.
4.3.4	Gender focus in implementation	PSR/GRIPS	Relevance of design in terms of promoting gender equality and women’s empowerment by mainstreaming gender considerations in implementation arrangements, including support of project management, implementing partners, and relevant operational measures, e.g. through financial and human resource allocations, and use of sex-disaggregated indicators for monitoring, analysis of data and use of findings to correct project implementation and disseminate lessons learned. The result is calculated on a one-year basis. The indicator will be reported every year.
4.3.5	Percentage of projects rated moderately satisfactory or better with acceptable disbursement rate (against approved annual workplan and budget)	PSR	Projects with disbursement rates that are greater than or equal to 70 per cent of the annual workplan and budget estimates for the comparable point in time (in the year of the reporting period). The indicator will be reported every year.
4.3.6	Percentage of grants rated moderately satisfactory for overall implementation progress	GSR	Grants that are expected to achieve at least most major outputs and at least partially meet the development objectives at completion. The overall rating should be consistent with the ratings given for specific indicators, taking into account the performance and relative importance of components. The result is calculated on a one-year basis. The indicator will be reported every year.
<b>4.4</b>	<b>Cofinancing</b>		
4.4.1	Cofinancing ratio	GRIPS	The amount of current cofinancing from domestic and international sources divided by the approved amount of IFAD financing for projects approved in a given three-year period. The ratio indicates the US\$ amount of cofinancing per US\$ of IFAD financing (36-month average). The indicator will be reported every year.

**RMF level 5: IFAD's institutional effectiveness and efficiency**

Code	Indicator name	Data source	Definition
<b>5.1</b>	<b>Improved resource mobilization and management</b>		
5.1.1	Percentage of pledges over IFAD10 target	PeopleSoft (contribution module)	The value of pledges received divided by the related target level for IFAD10 at time of reporting. The indicator will be reported every year.
<b>5.2</b>	<b>Improved human resources management</b>		
5.2.1	Staff engagement index: percentage of staff positively engaged in IFAD objectives	Global Staff Survey	The percentage of favourable responses of IFAD staff to six questions in the annual staff survey. The indicator will be reported every year.
5.2.2	Percentage of workforce from Lists B and C Member States	PeopleSoft (HR module)	The full-time equivalents (FTEs) of IFAD staff and consultants from List B or C Member States divided by the total number of IFAD's FTEs (only for workforce under IFAD's administrative budget). The indicator will be reported every year.
5.2.3	Percentage of women in P-5 posts and above	PeopleSoft (HR module)	The number of P5 and above posts that are held by women divided by all men and women in P-5 and above posts (excluding staff on short-term contracts and only for staff under IFAD's administrative budget). The indicator will be reported every year.
5.2.4	Average time (in days) to finalize recruitments against Professional vacancies	Office records	Average number of days from vacancy announcement closing date to the date on which the selection decision is made (i.e. Appointments and Promotions Board) for all finalized recruitment processes in a given one-year period (12-month rolling average). The indicator will be reported every year.
<b>5.3</b>	<b>Improved administrative efficiency</b>		
5.3.1	Share of budget allocations to: Cluster 1, Cluster 2, Cluster 3 and Cluster 4	IFAD's results-based programme of work and regular and capital budgets	Share of IFAD's administrative budget (excluding the corporate cost centre) allocated to each results cluster.
5.3.2	Ratio of budgeted staff positions in IFAD country offices	PeopleSoft (Budget Module)	Number of planned ICO staff divided by the total number of planned staff in regional divisions (administrative budget only). The indicator will be reported every year.
5.3.3	Loan and grant commitments in US\$ per US\$1 of administrative expenditure	PeopleSoft (General Ledger)	Programme funds committed by IFAD inclusive of loans, DSF grants, grants, ASAP and other (supplementary) funds managed by IFAD, divided by actual expenditures incurred under the administrative budget and other resources under IFAD's management (excluding IOE) (36-month rolling average). The indicator will be reported every year.

Code	Indicator name	Data source	Definition
5.3.4	Loan and grant commitments and project cofinancing in US\$ per US\$1 of administrative expenditure	PeopleSoft (General Ledger)	Programme funds committed by IFAD inclusive of loans, DSF grants, grants, ASAP, other (supplementary) funds managed by IFAD, and international and domestic cofinancing, divided by actual expenditures incurred under the administrative budget and other resources under IFAD's management (excluding IOE) (36-month rolling average). The indicator will be reported every year.
5.3.5	Disbursements in US\$ per US\$1 of administrative expenditure	PeopleSoft (General Ledger)/ Flexcube	Programme funds disbursed by IFAD inclusive of loans, DSF grants, grants, ASAP, and other (supplementary) funds managed by IFAD, divided by actual expenditures incurred under the administrative budget and other resources under IFAD's management (excluding IOE) (36-month rolling average). The indicator will be reported every year.



## Implementation status of IFAD9 commitments

Status indicator description:

**Green = implementation on track**

**Yellow = on track with minor issues**

**Red = major issues**

Aid Effectiveness	1. Strengthen country leadership and ownership.	Ongoing - RIDE annually - IFAD9 MTR - Busan commitments*	<b>Yellow</b>	COSOP preparation teams and country programme management teams (CPMTs) include participation by the countries themselves (government and non-government). Governments are increasingly participating in project supervision missions, and are taking responsibility for project completion reports. Issues arise in fragile states, primarily due to weak institutional capacity.
	2. Strengthen, and where feasible, increase reliance on country systems and implementation structures.	Ongoing - RIDE annually - IFAD9 MTR - Busan	<b>Green</b>	IFAD projects are all run by country institutions, largely government.
	3. Raise the level of IFAD technical cooperation implemented through coordinated programmes.	Ongoing - RIDE annually - IFAD9 MTR - Busan	<b>Green</b>	Programmes and projects are now coordinated through cofinancing agreements. Over 60 per cent of IFAD-financed projects are cofinanced with other donors, and all projects now have government contributions. Increasingly these projects are part of larger government-inspired agricultural programmes.
Scaling up	4. Strengthen country programme development, monitoring and management processes to ensure systematic attention to scaling up, broader partnership-building, more rigorous policy analysis, and active engagement in national policy dialogue on agriculture and rural development.	Ongoing - RIDE annually - IFAD9 MTR	<b>Yellow</b>	Capacity is being built within the Policy and Technical Advisory Division (PTA) to assist country programme managers (CPMs) to engage, where appropriate, in policy dialogue with Member governments, which is a key element in scaling up. PTA has developed an approach paper to support that process. The Programme Management Department (PMD) is upgrading IFAD's results measurement system to enable assessment of IFAD's performance and impact at the time of project completion. The constraints are IFAD's capacity to engage in significant policy dialogue, and the technical capacity within IFAD to help local institutions achieve these goals.  A programme funded by a grant under the Innovation Mainstreaming Initiative (IMI) has been launched to support systematic operationalization of scaling up across IFAD country programmes. The programme supports CPMs and CPMTs in mobilizing technical and policy expertise to develop country-level frameworks for scaling up (including theme-specific focus on areas such as gender, targeting, markets, fragile states, LICs and MICs).

\* Busan Partnership for Effective Development Cooperation

		-		Review of scaling up has been strengthened at the Operational Strategy and Policy Guidance Committee (OSC) stage, and effective integration of scaling up approaches in project design is measured by QA and reported on through an RMF indicator.
	5. Strengthen knowledge management processes to enhance IFAD's capacity to better capture and harness evidence-based knowledge for scaling up.	Ongoing - RIDE annually - IFAD9 MTR	Green	Knowledge management processes have been strengthened within IFAD (including through the IMI-programme mentioned above), with a continuous stream of learning and knowledge-sharing events, and QE/QA. This is being supported by a further focused iteration of the Knowledge Management Framework and plan, linked review of key operational procedures with regard to the adequacy of provisions for knowledge management (KM), strengthening of project M&E systems, and execution of 30 impact evaluation studies by 2015. Responsibility for strengthening the integration of scaling up perspectives into IFAD's operations has been reassigned to the group managing the programme quality enhancement process (PTA).
Private sector	6. Increase engagement in policy dialogue for more conducive rural business environments that enable smallholders and the rural poor to gain better access to markets and value chains.	Ongoing - RIDE annually - IFAD9 MTR	Green	Since 2012, 9 of the 17 COSOPs approved have either explicitly included policy dialogue for improved rural business environments as part of their specific objectives and/or have included multi-stakeholder platforms for policy dialogue including the private sector. Since 2013, about half of the 24 projects designed with the private sector as a partner or recipient have included policy dialogue for a better rural business environment.
	7. Engage private-sector actors more systematically in country and project-level programming to raise their pro-poor and sustainable investments in rural areas.	Ongoing - RIDE annually - IFAD9 MTR	Green	More than 50 per cent of loans and grants approved by IFAD since 2013 (of a total of 45) are to finance projects that include the private sector as a partner or recipient. Typically this involves facilitating the engagement of private value chain actors with IFAD target groups, to leverage the expertise and resources of private agribusiness companies and the local private financial sector.
	8. Increase information and communications technology activities in IFAD-supported programmes.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	This has been achieved in a few projects (First Mile Project in the United Republic of Tanzania; use of cell phones in Kenya). Design of an ICT regional grant programme using US\$1.6 million of supplementary funds provided by the Republic of Korea is under way. IFAD's new partnership with Intel, using its agricultural extension software tools, is now active in projects in Cambodia and Nepal, and expanding to sub-Saharan Africa. Progress is slow because this is a relatively new area for IFAD, in which it lacks expertise.
Gender equality and women's empowerment	9. Strengthen analysis of gender equality and women's empowerment issues in IFAD's operations for stronger and more even performance in this regard, and to promote expanded economic opportunities for rural women.	Ongoing - RIDE annually - IFAD9 MTR	Green	Evidence from supervision reporting, portfolio review and IOE evaluations suggests that IFAD is doing well in terms of its gender impact. Weaknesses were highlighted in reporting on allocation by gender-related activities in IFAD's budget. This has now been corrected and IFAD will present information disaggregated by gender in the 2014 IFAD budget and lending programme.
	10. Enhance indicators to measure impact and results in gender equality and women's empowerment.	Ongoing - RIDE annually - IFAD9 MTR	Green	The RIMS, IOE evaluations and the Results Measurement Framework all have gender indicators, which are measured and reported at various points during project cycle – at entry, every year during implementation and at completion. Generally IFAD performs well on these indicators. Although gender indicators have not yet been enhanced – for example by measuring impact through rigorous impact evaluation – the 2013 RIDE finds gender impact to be positive. Work is ongoing towards the development of a core module to measure women's empowerment. This module includes a set of key questions that will be included in the second version (v2) of the RIMS impact survey guidelines. These questions will

				be piloted in the 24 ex post impact evaluations.
	11. Enhance IFAD's capacity to document and disseminate field experience on gender equality and women's empowerment, and strengthen its advocacy efforts in this area.	Ongoing - RIDE annually - IFAD9 MTR	Green	Efforts are under way to enhance IFAD's ability to document and disseminate field experience, with some encouraging examples. In terms of advocacy at the international level, IFAD is constrained, largely due to limited resources, although some progress has been made (for example the recent meeting on gender issues in agriculture at WFP).
Climate change and sustainable management of environmental resources	12. Strengthen analysis of climate change and environmental issues in IFAD's operations to support innovative approaches to climate resilience and sustainable use of natural resources.	Ongoing - RIDE annually - IFAD9 MTR	Green	Since the publication of the IFAD environment policy and the climate change strategy, IFAD has developed, and is now implementing, a major climate change adaptation initiative. IFAD continues to manage GEF projects, and reviews all projects against environmental impact. IFAD is now receiving better ratings from IOE on these efforts. Also, IFAD's RMF is being upgraded in order to assess results in this area.  Work is under way towards methodological development of a resilience index. The questions forming the basis of the index will be part of supplementary questionnaires within the RIMS v2 impact survey guidelines. This supplementary module will be piloted as part of the 24 ex post impact evaluations as well as the Adaptation for Smallholder Agriculture Programme (ASAP) RCTs.
	13. Assist smallholder producers in benefiting from climate finance and other adaptation and mitigation incentives, including through the IFAD-managed ASAP.	Ongoing - RIDE annually - IFAD9 MTR	Green	ASAP is up and running. Work is under way towards identifying measurable outcomes of its success. In Mali, ex ante evaluation design, aimed at differentiating overall project impact and ASAP impact has been put in place.
	14. Ensure that complementary contributions to support the implementation of the ASAP are employed for that purpose.	Ongoing - RIDE annually - IFAD9 MTR	Green	Ongoing.
	15. Enhance IFAD's capacity for knowledge management, advocacy and partnerships on climate change and environment and natural resource management.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	Capacity has been enhanced, but is still shallow given the magnitude of the ASAP, and the GEF programme to which IFAD has signed up. This capacity must be expanded.
Project Efficiency	16. Strengthen assessments of economic returns on investment during project design, recognizing the need to ensure that social and environmental objectives are also met.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	A major effort was undertaken by PTA to train staff in economic and financial analysis. A staff member was recruited in PTA to provide project teams with assistance in this regard and to manage the training. All projects are now required to have an economic analysis at design. Social and environmental impacts are also evaluated as a requirement in project preparation. Expert understanding of economic and financial analysis more broadly throughout PMD remains an issue.
	17. Implement the scaling-up agenda.	Ongoing - RIDE annually - IFAD9 MTR	Green	See comments above for commitment number 4.
	18. Reduce delays in the project cycle.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	Delays from project approval to start-up are being reduced and staff are working to reduce them further. Mobilizing additional funding for detailed project design and implementation remains a challenge.
Country-Level Decentralization	19. Open additional country offices in line with the IFAD Country Presence Policy	Ongoing - RIDE annually	Green	Country offices are established, and are largely staffed. The cost is manageable, and the impact already felt, according to IFAD's portfolio report and IOE's country

n	and Strategy, ensuring adequate delegation of authority at the country level, and cost-efficiency in the set-up and operation of country offices.	- IFAD9 MTR		programme evaluations. The IFAD Country Presence Strategy (2014-2015) was presented to the Executive Board in December 2013, and the Board approved the establishment of 10 additional country offices.  Incentives for outposting of internationally recruited staff are now in place. Some administrative processes have been delegated to IFAD country offices (ICOs) (e.g. travel process delegated to ICOs in the Latin America and Caribbean region and Viet Nam; and opening of an ICO bank account in Viet Nam). An ICO Administrative Handbook has been promulgated to the country offices.
	20. Strengthen country office management and coordination, including implementation of incentives for out posting of internationally recruited staff, and adequate delegation of decision-making authority to operate effectively and efficiently.	Ongoing - RIDE annually - IFAD9 MTR	Green	Incentives for out posting have been improved. Delegation of authority (DoA) in the field is currently being reviewed within IFAD as part of a general review of DoA. The Field Support Unit (FSU) has been established in the Corporate Services Department (CSD), strengthening the support mechanism for ICOs. FSU is working with the regional divisions on the establishment of the additional 10 ICOs. FSU has also outposted a regional administrative officer to East and Southern Africa with the aim of streamlining administrative processes.
Fragile States	21. Adopt a flexible approach to programme design and implementation support in fragile states, with a strong focus on building the capacity of community and government institutions, including through appropriate country presence arrangements, and close collaboration with other multilateral and bilateral partners.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	IFAD-supported programmes are less effective, and sometimes ineffective in fragile states. An instrument that can help build capacity and manage projects in fragile states will be piloted with the Food and Agriculture Organization of the United Nations (FAO) in a project to build capacity of agriculture project units and government policy in fragile states. Additional efforts are needed to help with project design, implementation support, capacity-building and analysis.
	22. Enhance the quality of programme design and implementation support in fragile states by performing deeper analysis of the causes of fragility.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	An assessment was undertaken in 2013, which together with an IOE corporate-level evaluation on fragile states scheduled for 2014, will determine revisions to IFAD's business model in fragile states.
	23. Ensure simplicity of objectives and activities of projects in fragile states.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	See comments above for commitment number 22.-
	24. Strengthen application of risk management in the context of programmes in fragile states, including for security of the workforce.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	IFAD now undertakes more sophisticated risk management assessment in fragile states, but it is not as robust as needed. Partnerships with other organizations will need to be explored. For security of the workforce, IFAD is adhering to the guidance provided by the United Nations system.
National monitoring and evaluation systems	25. Strengthen national monitoring and evaluation systems by enhancing the capacity of project management staff and implementing partners, particularly at start-up and early project implementation through the systematic engagement of M&E experts during design and supervision missions.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	Initial progress has been made, but too little given the magnitude of the problem. In-house capacity on M&E and impact evaluation has been established and expert advice is available on M&E and impact evaluation at different stages of the project cycle in selected projects. Impact evaluation guidelines have been developed and place a strong premium on the integration of IFAD project M&E systems within broader national M&E systems.
South-South and Triangular Cooperation	26. Establish an adequately resourced corporate coordination function to ensure South-South and Triangular Cooperation	2013 - RIDE annually - IFAD9 MTR	Green	Using IMI financing, information on IFAD's strategy and experience in SSTC is disseminated on the IFAD intranet and Internet. IFAD has established a strong position in global STTC forums, including through linkage of SSTC with the scaling

	is pursued in a strategic manner, is widely mainstreamed across country programmes, and is grounded in a robust evidence base.			up agenda and mobilization of project staff for sharing and learning. Regional divisions are taking initiative, including through mobilization of grants in support of SSTC, and collaboration with national centres for promotion of bilateral and multilateral SSTC.
	27. Develop staff incentives to proactively pursue and promote South-South and Triangular Cooperation.	2013 - RIDE 2013 - IFAD9 MTR	Green	See comments above for commitment number 26.
Partnership and Advocacy	28. Increase focus on strategic long-term partnerships, in particular with FAO and WFP in order to contribute to the success of the Committee on World Food Security, strengthen country programming, and raise efficiency through joint servicing initiatives.	Ongoing - RIDE annually - IFAD9 MTR	Green	Together with FAO and WFP, IFAD supports the CFS Secretariat, and IFAD senior and technical staff are consistently engaged in working on CFS. One staff member allocates 50 per cent of their time to the CFS, and links this to work on monitoring policies and evaluating their impact.  A framework agreement was signed between IFAD and FAO in February 2013 to facilitate the hosting of ICOs by FAO.
	29. Strengthen partnerships with multilateral development banks, the Consultative Group on International Agricultural Research, bilateral development agencies, the Global Donor Platform for Rural Development, foundations, NGOs, farmers' associations and the private sector.	Ongoing - RIDE annually - IFAD9 MTR	Green	Strong partnerships exist with the World Bank, African Development Bank, Asian Development Bank, OPEC Fund for International Development, and Consultative Group on International Agricultural Research (CGIAR) to support rural development projects. IFAD is an active member of the global donor platform, and is a major promoter and advocate for farmers' organizations and NGOs. For example, IFAD is actively engaged in CGIAR governance, specifically working on models for closer alignment of IFAD grants with CGIAR and for knowledge input from CGIAR. A special window – Agricultural Research for Development (AR4D) – has been established within the IFAD grants programme to support long-term partnerships for strategic research.  The IFAD Partnership Strategy was approved in September 2012. Focal points have been established in regional divisions. A number of strategic partnership agreements and statements of intent have been signed this year. An assessment of all partnership agreements was conducted to improve partnership management and a report was submitted to the Executive board in September 2013. Partnership efforts with private-sector companies such as Intel and Unilever, the MasterCard Foundation and the Bill & Melinda Gates Foundation are moving forward.
	30. Intensify engagement in global policymaking and advocacy forums, such as the G-20, that have a key role in shaping the international development architecture.	Ongoing - RIDE annually - IFAD9 MTR	Green	A corporate international policy engagement plan was developed and approved by the Executive Management Committee (EMC) in August 2013. A community of practice was set up to support efforts in this area. IFAD is actively engaged in post-2015 processes (forums for both post-Millennium Development Goals and Sustainable Development Goals); a task force on post-2015 was set up and an engagement strategy was endorsed by Senior Management. IFAD has participated consistently in the G20 Development Working Group throughout the year, resulting in increasing support to the platform for agricultural risk management (PARM). IFAD also engages actively in major global platforms such as the fifth Tokyo International Conference on African Development (TICAD V), the Global Compact, the United Nations General Assembly, IFI's replenishment processes, etc.
	31. Intensify identification of and engagement in relevant new high-potential global advocacy initiatives.	Ongoing - RIDE annually - IFAD9 MTR	Green	Efforts are under way to identify and engage in new global advocacy initiatives to complement those listed in number 30 above.

	32. Support efforts to bring broader perspectives to global and national policy dialogue on smallholder agriculture, food and nutrition security and rural poverty reduction, particularly those of the rural poor and farmers' organizations.	Ongoing - RIDE annually - IFAD9 MTR	Green	Efforts are under way through various processes, e.g. the post-2015 agenda discussions, the High-Level Task Force on the Global Food Security Crises (HLTF), the CFS, etc.. A horizon-scanning process for identification and elucidation of new global development trends and issues relevant to IFAD was launched by the Strategic Planning Division in the third quarter (Q3) of 2013, linked to ongoing work by the Statistics and Studies for Development Division on rural transformation.
Institutional Efficiency	33. Introduce a fit-for-purpose and efficient-to-use staff time-recording system to measure the full costs of performing key business processes and activities.	2013 - RIDE 2013 - IFAD9 MTR	Yellow	IFAD is currently exploring options for an appropriate time-recording system, which would provide the necessary data on workload distribution and actual cost of key business processes and activities, particularly those related to delivering the programme of loans and grants. This information will provide key input for the annual strategic workforce planning exercise and resource allocation.  The new director of the Budget and Organizational Development unit (BOD) took up responsibilities in April 2014. A number of options have been discussed but are yet to be fully examined and piloted. These include creating links to the existing performance evaluation system, and embedding the use of activity tree and gender-related activity reporting. Interdepartmental coordination of these options is being led by BOD in the second half of 2014. The benefits of a small-scale pilot with some operational divisions of a time-recording capability existing in the current system has been discussed and will be assessed. BOD plans to outline key next steps in September 2014 with a view to possible delivery by the end of the year.
	34. Develop key business process efficiency indicators and benchmarks to facilitate identification of opportunities for process streamlining and cost-saving.	2013 - RIDE 2013 - IFAD9 MTR	Yellow	Consultation with key process participants and managers is under way with the objective of economical multivariate tracking of costs and performance in key processes. Preliminary discussions are being held with other IFIs about the possibility of establishing a common matrix of processes and efficiency measures.
	35. Liaise with the Executive Board to explore opportunities to reduce costs associated with the operations of IFAD's governing bodies.	2013 - RIDE 2013 - IFAD9 MTR	Green	At its 107 <sup>th</sup> session, the Board approved the introduction of word limits on document length as set out in paragraph 7(a), sub-points (i) to (x) of document EB 2012/107/R.4. In 2013 this measure achieved a reduction of 25 per cent in the length of Board documents subject to the word limits, in comparison to previous years and a reduction in the associated production costs to the institution. At the 110 <sup>th</sup> session of the Board, Management presented a review of the status of the measures implemented, to enable the Executive Board to decide on further actions as appropriate.
	36. Integrate recommendations of the corporate-level evaluation of the Fund's efficiency into IFAD's Change and Reform Agenda, and strengthen indicators used to measure performance with respect to efficiency, including IFAD's efficiency ratios, accordingly.	2013 - RIDE 2013 - IFAD9 MTR	Green	IFAD responded to the corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations (CLEE) through the development of a consolidated action plan which was presented to the Executive Board in September 2013 (EB 2013/109/R.12). The action plan addresses both the commitments made under the IFAD9 Consultation and the CLEE recommendations. A number of actions following up on the CLEE recommendations were taken to give continuity to and further reinforce the ongoing Change and Reform Agenda agreed under IFAD9. The implementation status of the consolidated action plan is being monitored through the President's Report on Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and the results achieved will be reported to the Evaluation Committee and the Executive Board through the RIDE.  In addition, IFAD Management set up an interdepartmental working group to review existing efficiency indicators and propose a revised set for IFAD's key

				processes. This task is at the final stage of completion. The revised RMF for IFAD10, which builds on this work, will be submitted to the third session of the IFAD10 Consultation.
	37. Streamline the Fund's processes and workflows through adoption of improved information communication technologies.	2013 - RIDE 2013 - IFAD9 MTR	Yellow	The ICT division continues to support and guide initiatives aimed at streamlining the Fund's processes and workflows. During the first half of 2014, the division, in partnership with relevant business owners, made progress in a number of key areas: it partnered with PMD to finalize the data migration of all investment project data from the Project Portfolio Management System (PPMS) to GRIPS. For the first time, the complete portfolio of grant and investment project data is maintained in a single corporate repository. In continuing support for HR reform, the ICT division has worked together with HRD to streamline and enhance a number of processes and workflows. This includes automation of the paper-based staff separation workflow, pay-for-performance, and enhancements to the eRCs module which allows managers to provide online performance evaluations for consultants. One of the few remaining obsolete legacy applications, the Leave Management System, was retired when the Absence Management module was delivered early in 2014. The Client Workstation Renewal project was successfully completed in Q2 2014 where more than 700 old and obsolete devices were replaced at headquarters with minimum disruption to the end users. Finally, a number of changes to streamline corporate travel processes were introduced during the first half of 2014, including a streamlined approval process for expense reports. Further integration has been built between PeopleSoft and the United Nations Department of Safety and Security (UNDSS) so that the data entered in PeopleSoft will pre-fill data on the UNDSS website, eliminating duplicate data entry.
	38. Assess value added of business processes, and the potential for adopting more cost-effective alternative delivery modalities, including through joint servicing initiatives with other Rome-based agencies.	2013 - RIDE 2013 - IFAD9 MTR	Green	<p>The IFAD travel policy and related travel processing have been reviewed and recommendations yielding efficiency gains have been implemented. These include a single sign-on that enables users to log into a single corporate travel module and the automated creation of expense reports. Further integration has been built between PeopleSoft and UNDSS so that data entered in PeopleSoft will pre-populate data fields on the UNDSS website.</p> <p>In addition, the travel policy and processes, and the travel agency contracts are under continuous review in close consultation with the other Rome-based agencies and the members of the Inter-Agency Travel Network.</p> <p>Following a joint tendering exercise, the Rome-based agencies successfully implemented fuel cards to replace the previously used paper-based system. This has generated administrative efficiencies by reducing the need for manual processing of the paper coupons. In addition, the fuel cards have significantly reduced any risk of misuse of privileges granted to IFAD staff.</p> <p>In line with the practice in some other international organizations, a shipment lump sum has been introduced for entitlement travel thereby reducing the need for soliciting offers for shipments on a case-by-case basis.</p> <p>Sub-delegation of authority to division directors to conduct low-value procurement of up to EUR 10,000, as well as further streamlining of the corporate procurement guidelines will increase administrative efficiency by eliminating transactional steps for low-value and low-risk purchases. The decentralization of low-value procurement is currently being tested in a pilot project and will be rolled out to all IFAD divisions upon completion of the pilot. A thorough business process review was conducted of the records management, archives and library functions in Q2</p>

				2013. An action plan has been developed to respond to key recommendations. Building on the successes of the common procurement team of the Rome-based agencies, this initiative has been elevated to a more strategic level by adopting a lead agency concept for joint tenders.
	39. Report progress against IFAD9 efficiency targets, including cost savings, to governing bodies through the annual Report on IFAD's Development Effectiveness.	2013 onwards	Green	Data on RMF indicators included in 2013 RIDE.
Human Resources Reform	40. Consolidate and deepen reforms completed in IFAD8.	Ongoing - RIDE annually - IFAD9 MTR	Green	It was acknowledged that although the major IFAD8 reform commitments had been accomplished (including the job audit and the SWP, updating of staff rules and procedures, strengthening of the HR platform for ICOs, review of the PES system, orientation of the learning and development programme to strategic needs, establishment of an Ethics Office, better rotation of staff, automation of HR processes, and improved communication with staff), the work was not over, for two reasons: (a) efforts to strengthen and deepen these reforms would necessarily be ongoing as part of the continuous improvement process, and (b) it was now necessary to ensure that these reforms were fully consolidated into IFAD's daily operations. Work is therefore ongoing in these areas. A thorough corporate-wide follow up to the results of the 2012 global staff survey (GSS) is close to finalization and has been an essential part of this commitment; similar work will flow from the 2014 GSS, which will take place in October 2014.
	41. Equip IFAD with instruments and resources to promote gender competence and gender equality in its human resources management policies as well as gender balance and equitable geographical distribution in its staffing.	Ongoing - RIDE annually - IFAD9 MTR	Green	Training has been developed and is being delivered, both at headquarters and in the field, in coordination with the IFAD thematic group on gender (TG-Gender) to foster greater awareness of the role of gender and relationships in successful rural development, and to encourage workplace recognition and appreciation of gender issues and best practices.  Pilot course on women's leadership delivered successfully and with the participation of the IFAD gender senior adviser. Participants agreed to establish a network of women leaders and to work together to promote gender equality and women's empowerment. HRD will review the pilot and replicate.  Gender balance and geographic distribution requirements are being mainstreamed into HR policy whenever they are being revised.  A revised competency framework has been developed in close consultation with the TG-Gender and includes gender equality and women's empowerment. The staff selection process in particular has been reviewed and changes have been implemented to encourage greater focus on equitable gender distribution.
	42. While maintaining alignment with the United Nations common system, continue to explore opportunities for flexibility in IFAD's compensation and benefits system so as to ensure, as a way to achieve institutional efficiency goals, that appropriate levels of compensation and performance-based reward systems are in place for all IFAD staff. This would include such efforts as participating	Ongoing - RIDE annually - IFAD9 MTR	Green	The GS local salary survey was completed and results implemented. The GS salary scale was lowered by 9.2 per cent for new staff, and existing GS salaries were frozen until new salary scale catches up, over time, with the former scale.  A reward and recognition framework has been implemented and the first annual rewards were announced in July 2014.  The ICSC launched a comprehensive review of the United Nations common system compensation package in 2013, with final results to be presented to the General Assembly in late 2015. IFAD is actively participating in this work, including hosting the seventy-ninth session of the ICSC on IFAD premises in July 2014. IFAD is also represented in ICSC working groups, in the strategic group of the High-Level



	actively in the 2011-2012 ICSC Rome Local Salary Survey Committee with respect to GS salary levels, urging the ICSC to ensure appropriate compensation levels at the Professional level, and piloting a pay-for-performance model in collaboration with the ICSC.			Committee on Management of the Chief Executives Board for Coordination (HLCM/CEB) and in the HR Network.
IFAD's financial model	43. Deploy an enhanced financial model based on a sustainable cash flow approach on 1 January 2013. Towards this, the capacity of the Treasury Services Division will be strengthened, and a review of the current financial model will be undertaken to improve its flexibility, robustness and alignment with the financial projection models used by other IFIs.	2013 - Audit Committee - Executive Board in April 2013 - IFAD9 MTR	Green	The SCF model has been developed. The model has been audited (by external auditors) and related procedures have been documented.
	44. Present a proposal to the Executive Board regarding the future use of the advance commitment authority, once the sustainable cash flow approach has been fully implemented. Until then, current use, reporting and approval of the advance commitment authority will continue.	2013 - Proposal to Audit Committee - Executive Board in 2013	Green	SCF methodology developed and approved by the Executive Board in April 2013.
	45. Present a proposal to the Executive Board on how responsibility for forgone principal arising from adoption of the Debt Sustainability Framework will be managed, starting in IFAD10.	2013 - Proposal to Audit Committee - Executive Board in 2013	Green	DSF methodology developed, paper written and updated version reviewed by the Audit Committee in November 2013 and endorsed by the Board in December 2013 for submission to the IFAD10 Consultation in October 2014 and the Governing Council session in February 2015.
Internal resource mobilization	46. Increase internal resources available to support IFAD's programme of loans and grants in the IFAD9 period in line with the decision taken at the 104 <sup>th</sup> session of the Executive Board to carry out a comprehensive review of IFAD's Lending Policies and Criteria in 2012, and to align IFAD's lending terms as much as possible with those of the International Development Association and the International Bank for Reconstruction and Development, taking into account IFAD's specificity as outlined in the Agreement Establishing IFAD.	2013 onwards - Proposal to Executive Board in 2012	Green	Comprehensive review undertaken, paper written and endorsed by the Board in December 2012, and approved by the Governing Council in February 2013.
	47. Enhance IFAD's internal resources by soliciting payment of loan and	Ongoing - Proposal to	Yellow	Loan prepayment has been explored with a number of borrowers, but it has not been largely pursued as the advantage would not be very significant to internal

	contribution arrears, and exploring the possibility of loan prepayments with interested borrowing Member States.	Audit Committee and Executive Board as appropriate		resources. Prompt follow up taken of arrears of loan and contributions. Outstanding arrears over total reflows at minimum level in recent years, also due to active debt-rescheduling with three borrowers.
New sovereign donors and alternative financing modalities	48. Engage non-Member States and groupings of States to contribute to and/or join the Fund.	Ongoing - Proposal to Governing Council and Executive Board as appropriate	Green	Vanuatu, Tuvalu and Nauru joined IFAD in 2013 and the Russian Federation joined IFAD in 2014. Australia's decision to rejoin IFAD has been put on hold by the new government.. New Zealand re-engaged by contributing to IFAD9. Other countries have approached IFAD or been approached: Belarus, Micronesia, Montenegro, Singapore, Slovakia and Ukraine.
	49. Explore the scope for raising financing from other sources to be submitted to the Executive Board, provided that any related agreements have no consequences for the governance of the Fund.	Ongoing - Proposal to Executive Board as appropriate	Green	Extensive work has taken place on the Additional Resource Mobilization Initiative in terms of contacts with potential sources of resources, liaison with other agencies with similar goals and in internal conceptualization of viable modalities. Negotiations and studies are ongoing. A paper with concrete proposals will be submitted to the third IFAD10 Consultation session in October 2014. Negotiations with KfW are on track and have served as an enriching learning process for all departments involved. Management expects to submit the loan for Board approval in September 2014. IFAD continues to build upon its new partnerships designed for resource mobilization; greater funds are being leveraged for rural poverty reduction, including memorandums of understanding signed with the Bill & Melinda Gates Foundation, Unilever and the Intel corporation; and new partnerships are being explored with several multinational agribusinesses interested in sourcing more from smallholder farmers.
Impact Evaluation	50. Raise the level of compliance with the requirement for projects to have a baseline survey by the end of their first year of implementation.	Ongoing - RIDE annually - IFAD9 MTR	Green	About 150 out of 260 ongoing projects now have baseline surveys. IFAD is projected to meet the target set for the submission of baselines (40 per cent of all projects), and completion surveys (95 per cent of baseline surveys). The main challenge is the inadequacy of the design budget to support baseline surveys. In-house capacity on M&E and impact evaluation has been established and has started providing expert advice on M&E and impact evaluation at different stages of the project cycle to selected projects.
	51. Actively pursue partnerships with institutions specialized in impact evaluation, and mobilize resources to develop adequate internal capacity to conduct/manage impact evaluation work.	Ongoing - RIDE annually - IFAD9 MTR	Green	Ongoing partnerships include: the M&E Harmonization Group; 3ie; the International Food Policy Research Institute (IFPRI); Wageningen University; Royal Tropical Institute (KIT); Center for Development Innovation (CDI); ICF International; University of East Anglia (UEA); Partnership for Economic Policy (PEP); and the International Institute for Applied System Analysis (IIASA). New partnerships are in the process of being established with the Center for Effective Global Action (CEGA), University of California; Oxfam; BRAC; and the Agency for Technical Cooperation and Development (ACTED).
	52. Present an information paper to the Executive Board on the methodologies IFAD will employ in carrying out impact assessments and in measuring the new impact-level indicators introduced in the RMF 2013-2015.	December 2012 - Paper to Executive Board in December 2012	Green	Complete.
	53. Conduct, synthesize and report on approximately 30 impact surveys over	2013 onwards - IFAD outcome	Green	A RIMS survey inventory analysis was carried out to select the 24 projects to undergo ex post impact evaluation. Six projects were identified for randomized

	the IFAD9 period. Three to six of these will use randomized control trials or other similarly rigorous methodology, depending on cost-sharing opportunities, and interest and availability of institutions specialized in impact evaluation to support this work.	report to Executive Board from 2014 onwards		control trials (RCTs) in the context of the 3ie Agricultural Innovation Thematic Window (supported with US\$10 million in funding from the Department for International Development (DIFD) and the Bill & Melinda Gates Foundation). These projects have been matched with internationally renowned research institutions (including IFPRI, Wageningen University and University of California) which will carry out the impact studies. Support for the design of RCTs in the context of the ASAP is also being provided.
Results Reporting	54. Review and consolidate mechanisms for results reporting to governing bodies, towards more succinct accounts that are focused on impact and outcomes achieved.	April 2013 - Proposal to Executive Board in April 2013	Green	This IFAD9 commitment was completed ahead of plan. Management proposals to consolidate results reporting to the governing bodies were endorsed by the Board in September 2012.
	55. Report annually to the Executive Board and Evaluation Committee on performance against RMF 2013-2015 indicators and targets through the Report on IFAD's Development Effectiveness.	2013 onwards - RIDE annually - IFAD9 MTR	Green	Streamlined RIDE on performance against RMF was submitted to the Board in December 2013.
	56. Report annually to the Executive Board through the Audit Committee on enterprise risk management activities in IFAD.	Annual - Reporting to Audit Committee annually - Annual Report on IFAD's ERM Activities to Executive Board	Green	In the context of the Board's endorsement (in September 2012) of Management's proposal to consolidate results reporting to the governing bodies (see commitment number 54), the annual report on enterprise risk management (ERM) activities will cease to be prepared. In line with IFAD's ERM policy, through the ERM Committee, chaired by the Vice-President, IFAD maintains a proactive approach to ERM, with corporate risks being assessed and reported to Management every quarter in the context of the corporate quarterly performance review process.

**DRAFT****Ad hoc Working Group on governance issues: Terms of Reference****Background**

1. IFAD's Executive Board considered the findings of the corporate-level evaluation on IFAD replenishments (CLER) at its 111<sup>th</sup> session in April 2014. During discussions on IFAD's governance structure and on participation and representation of IFAD's Member States in governance processes and replenishment consultations, it was agreed that it would be opportune to review the List system, particularly with respect to effective representation of Member States in IFAD's governing bodies. The length of replenishment cycles was also considered as an issue for review.
2. The CLER was also considered by the IFAD10 Consultation at its second session in June 2014 and both the Executive Board and the IFAD10 Consultation members expressed their broad support for the proposal of setting up an inter-Consultation working group of members to address these governance issues.
3. It was agreed at the second session of the IFAD10 Consultation that Management would prepare the draft terms of reference for the working group, and that these would be discussed at the third session of the IFAD10 Consultation in October. On this basis, the following draft terms of reference, mode of operation and composition are proposed:

**Establishment and responsibilities**

4. An inter-Consultation working group will be established to consider governance issues. In particular, the working group will:
  - (a) review and assess the governance-related recommendations arising from the CLER, particularly with regard to the structure, appropriateness and relevance of the IFAD List system. The group will also review and assess the implications and potential impact on all IFAD governing bodies with regard to any changes to the List system as well as Member State representation;
  - (b) review and assess the composition and representation of the replenishment consultation and the length of replenishment cycles in IFAD11 and beyond; and
  - (c) make proposals on (a) and (b) above for consideration by the Executive Board for submission to the Governing Council, as appropriate.
5. In so doing, the working group may also review current practices of other international financial institutions (IFIs) and consult with relevant experts, with respect to governance structure, replenishment procedures and composition.

**Composition**

6. The working group shall be composed of nine Members as follows:  
List A: 4 Members: Denmark, Italy, United Kingdom and the United States;  
List B: 2 Members: Indonesia and the Bolivarian Republic of Venezuela; and  
List C: 3 Members: Sub-List C1 – Angola; Sub-List C2 – Pakistan; Sub-List C3 - Argentina.
7. IFAD Members who are not Members of the working group may also participate in meetings as observers with the right to speak.

8. In the event that a Member should withdraw from participation in the working group, the List to which the Member belongs will nominate a replacement from that List and communicate the new Member to the Secretary of IFAD.

**Decision-making**

9. The group will make decisions on the basis of consensus.

**Mode of operation and time frame**

10. At its first meeting, the working group will elect ad personam one chairperson from List C and two vice-chairpersons, one from List A and one from List B. Management shall provide support to the working group, including with respect to interpretation and translation.
11. The working group, thus established, will brief the Executive Board regularly on progress. It will submit a report on the results of its deliberations and any recommendations thereon to the Executive Board in December 2016 for submission to the fortieth session of the Governing Council in February 2017 for endorsement, and with a view to adopting such resolutions as may be appropriate. Upon adoption by the Governing Council, any changes to the List system would come into force and effect after the IFAD10 period.

## IFAD's agenda for improved nutrition

1. At IFAD, nutrition has always been a concern. In 1977, the Agreement Establishing IFAD called for an improvement in the nutritional status of the poorest populations; under IFAD10, IFAD lending will continue to underscore improved nutrition as key to achieving its institutional objectives.

### IFAD moving forward

2. IFAD's approach draws on a broad understanding of other ways in which agriculture can improve nutrition, beyond increased production and productivity.
3. IFAD seeks to mainstream nutrition into agricultural and rural development activities, rather than design stand-alone interventions.
4. The specific adjustments to policies, investments and programmes needed to improve nutrition will depend on the dynamics and context of the nutrition problem at hand. But the main nutritional objective will remain constant: to improve the diet of all individuals throughout their lives and to create more supportive, nutrition-sensitive agriculture and food systems.
5. Mainstreaming nutrition calls for a nutrition lens to be applied from the outset of a project and at each subsequent stage to ensure that it is designed, implemented, managed, monitored and measured to maximize impact on nutrition. In this way, IFAD also ensures that the project has no unintended negative effects on nutrition (for example, an agricultural intervention that increases the burden on women). Specific nutrition objectives and actions can be incorporated into projects and country strategies, as is the practice for gender and environmental sustainability. IFAD will work closely with local partners to ensure that design and operational modalities are coherent with the country context.
6. IFAD has already taken significant steps in advancing its commitment to nutrition-sensitive agriculture and rural development:
  - (a) **Investments.** IFAD loans and grants support specific actions that can reshape agriculture and food systems to improve nutrition. Working with country partners, IFAD supports the process from concept and design to implementation, supervision and evaluation.
  - (b) **Partnership and policy engagement.** IFAD promotes dialogue and engagement among concerned partners, including ministries of agriculture and health as well as other parts of government and society. This can strengthen understanding, broker collaboration and convergence, and promote operational links for nutrition-sensitive agriculture. Partnerships are an essential part of IFAD's scaling up strategy. By working with partners, IFAD leverages the impact of its investments and enhances their sustainability.
  - (c) **Knowledge.** IFAD is building the knowledge base around policies and programmes for nutrition-sensitive agriculture, including learning from monitoring and evaluation of its own investments. IFAD uses this evidence to improve project design and management, policy dialogue and results. IFAD is also tapping other reservoirs of knowledge and commissions; it collaborates with other institutions with specialized research skills, such as national agricultural research centres or international institutes, including those of the CGIAR. With funding from the Government of Germany, IFAD is developing a tool for the design of nutrition-sensitive value chains in two middle-income countries - expanding its expertise and enhancing South-South Cooperation.
  - (d) **Advocacy.** By participating in the Scaling Up Nutrition (SUN) Movement and other initiatives and through collaboration with other organizations, IFAD connects global advocacy, strategic alignment and partnerships to country action, and takes an active role in the issue of nutrition-sensitive agriculture at

global and local levels. IFAD participated in the ground-breaking Nutrition for Growth Summit in 2013 and has collaborated with the Rome-based agencies to develop technical recommendations on targets and indicators around food, nutrition and sustainability for the post-2015 development agenda.

### **Measuring results and enabling actions on nutrition**

7. IFAD is serious about delivering results: it requires every project to apply a common assessment framework – its Results and Impact Management System (RIMS) – which uses chronic malnutrition as an anchor indicator. Work is under way to revise RIMS to measure household dietary diversity as well: a contributor to good nutrition that reflects IFAD’s work in agriculture and food systems. Many projects carry out additional studies and evaluations that provide further insights into how to improve project design, management and impact.
8. An increased commitment to nutrition requires a corresponding increase in capacity. Supported by a multi-year grant from the Government of Canada, IFAD is strengthening its technical capacity to support integration of nutrition into design and supervision of operations. With this grant IFAD can provide additional resources and support to country programme managers and others in the organization to integrate nutrition into their work more effectively.
9. Additional resources will be needed to support country actions at national and local levels to make agriculture more nutrition-sensitive, to improve capacity for analysis, design, coordination, implementation and evaluation, and to fund the investments themselves.
10. In its renewed focus on nutrition, IFAD is deepening its commitment to its mission while building on its own experience, expertise and areas of comparative advantage. The challenges are great, but the benefits are greater. Making agriculture and food systems more nutrition-sensitive will contribute to improving the livelihoods and nutrition of smallholder farmers and the rural poor, and thus to the achievement of IFAD’s core mission. But this effort has ramifications that go far beyond the smallholder farms of the developing world: investment in nutrition-sensitive agriculture pays dividends for all of society, whether in urban or rural areas, and contributes to the stability, health, and social and economic growth and development of all countries.

## List of documents provided to the Consultation and other reference documents made available

IFAD10/1/R.2	Midterm Review of the Ninth Replenishment Annual Report on Results and Impact of IFAD Operations (ARRI)
IFAD10/1/R.3	Report on the status of contributions to the Ninth Replenishment of IFAD's Resources and financial outlook for IFAD9
IFAD10/1/R.4	Sessions, workplan and themes of the Consultation on the Tenth Replenishment of IFAD's Resources
IFAD10/2/R.2	A Strategic Vision for IFAD, 2016-2025: Enabling inclusive and sustainable rural transformation
EB 2014/111/R.3 + Add.1	Corporate-level evaluation on the achievements of IFAD replenishments
EC 2014/83/W.P.3	Evaluation synthesis on IFAD's engagement in middle-income countries
IFAD10/2/R.3	Enhancing IFAD's business model for inclusive and sustainable rural transformation
IFAD10/2/R.4	IFAD10 programme of work
IFAD10/2/R.5	Financial framework for IFAD10
IFAD10/2/R.6	Draft resolution on the Tenth Replenishment of IFAD's Resources
IFAD10/3/R.2	Scaling up results for impact
IFAD10/3/R.3	IFAD10 results management framework 2016 - 2018
IFAD10/3/R.4	Review of the status of the debt sustainability framework
IFAD10/3/R.5	Financing options for IFAD beyond 2015
IFAD10/3/R.6	Draft report of the Consultation on the Tenth Replenishment of IFAD's Resources
IFAD10/3/R.6/Add.2	IFAD10 Consultation Intersessional Paper - Revised IFAD10 Results Measurement Framework (2016-2018)
IFAD10/3/R.6/Add.3	IFAD10 Consultation Intersessional Paper – Issues arising from the third session
IFAD10/3/R.6/Add.4	IFAD10 Consultation Intersessional Paper – Trends in replenishment contributions and cofinancing
IFAD10/3/R.7	Revised draft resolution on the Tenth Replenishment of IFAD's Resources
IFAD10/3/R.8	Exchange rates for the Tenth Replenishment of IFAD's resources
IFAD10/4/R.2	Draft Report of the Consultation on the Tenth Replenishment of IFAD's Resources
IFAD10/4/R.3	Draft Resolution on the Tenth Replenishment of IFAD's Resources



## Draft Resolution \_\_\_\_/XXXVIII

### Tenth Replenishment of IFAD's Resources

#### The Governing Council of IFAD,

**Recalling** the relevant provisions of the Agreement Establishing the International Fund for Agricultural Development (the Agreement), in particular articles 2 (Objective and Functions), 4.1 (Resources of the Fund), 4.3 (Additional Contributions), 4.4 (Increases in Contributions), 4.5 (Conditions Governing Contributions), 4.6 (Special Contributions), and 7 (Operations), as well as Governing Council Resolution 77/2 (1977), as amended by Resolution 86/XVIII (1995) (Delegation of Powers to the Executive Board);

**Further recalling** Governing Council Resolution 180/XXXVII (2014) on the establishment of the Consultation on the Tenth Replenishment of IFAD's Resources, whereby the thirty-seventh session of the Governing Council, in accordance with article 4.3 of the Agreement, set the Consultation the task of reviewing the adequacy of the Fund's resources and reporting to the Governing Council, and, recalling in particular, the requirement for the Consultation to submit a report on the results of its deliberations and any recommendations thereon to the thirty-eighth 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 increase the flow of external resources to implement IFAD's mandate of addressing rural poverty eradication, food security, and sustainable agriculture, particularly on concessional terms, as well as the Fund's special mandate and operational capacity to effectively channel additional resources to eligible Members;

**Having further considered** the announcements of Members' intentions to make additional contributions to the resources of the Fund, including contributions to compensate the Fund for its debt forgiveness commitments under the Debt Sustainability Framework (DSF);

**Having noted** the request of the Governing Council "to continue to explore the scope for increasing financing from non-donor resources, including market-based mechanisms, and to submit any proposals that may result from such exploration to the Executive Board for approval" (Governing Council Resolution 122/XXIV);

**Having taken into account and agreed on** the conclusions and recommendations of the Report of the Consultation on the Tenth Replenishment of IFAD's Resources (GC 38/ L.4) (the Tenth Replenishment Report) regarding the need and desirability of additional resources for the operations of the Fund; and

**Acting in accordance with** article 4.3 of the Agreement,

**Hereby decides:**

#### **I. The level of replenishment and call for additional contributions**

- (a) **Available resources.** The Fund's available resources at the end of the Ninth Replenishment period, together with the funds to be derived from operations or otherwise accruing to the Fund during the three-year period commencing 1 January 2016 (the Replenishment Period), are estimated at US\$2.16 billion.

- (b) **Call for additional contributions.** Taking into account the conclusions and recommendations of the Tenth Replenishment Report regarding the need and desirability of additional resources for the operations of the Fund, Members are hereby invited to make additional contributions to the resources of the Fund as defined in article 4.3 of the Agreement (Additional Contributions) in accordance with the terms set forth below. Additional contributions shall consist of core contributions (as defined in subsection II(a)(i) of this Resolution), DSF compensation contributions (as defined in subsection II(a)(ii) of this Resolution), and complementary contributions (as defined in subsection II(a)(iii) of this Resolution).
- (c) **Target for additional contributions.** The target for additional contributions including core, and unrestricted complementary, contributions during the Tenth Replenishment (the Replenishment) is set at the amount of US\$1.44 billion in order to support a target Programme of Loans and Grants of at least US\$3 billion and, provided it is on an administrative budget-neutral basis, up to US\$3.5 billion (in all cases, the allocation being determined through the performance-based allocation system).
- (d) **Pledges.** The Fund acknowledges the announcements of the Members' intentions to make additional contributions as set out in annex VIII to the Tenth Replenishment Report. Members who have not yet formally announced their contributions are invited to do so, preferably no later than the last day of the six-month period following the adoption of this Resolution. The President shall communicate a revised annex VIII to the Tenth Replenishment Report to all Members of the Fund no later than 15 days after the above-mentioned date.
- (e) **Structural gap.** While maintaining the target level for additional contributions as specified in subsection (c) above, the structural gap may not exceed 15 per cent of such target level. In the event that the structural gap exceeds 15 per cent at the end of the six-month period for the creation of new votes specified in subsection VIII(a) of this Resolution, the target level for additional contributions specified in subsection (c) above shall be adjusted so that the total amount of the pledges received at that date represents at least 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 (c) above shall be deemed to have been amended accordingly. The Fund's Programme of Loans and Grants will be adjusted to reflect the shortfall from the Replenishment target unless other sources of funds are identified during the Replenishment Period.

## II. Contributions

- (a) **Additional contributions.** During the Replenishment period, the Fund shall accept additional contributions from Members as follows:
  - (i) **Core contributions** to the resources of the Fund (core contributions);
  - (ii) **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 compensation contributions); and
  - (iii) **Complementary contributions** in addition to their core contributions and DSF compensation contributions (complementary contributions).

(b) **Conditions governing additional contributions**

- (i) Members shall receive commensurate contribution votes with respect to core contributions and DSF compensation contributions in accordance with article 6.3 of the Agreement, but shall not receive such votes with respect to their complementary contributions;
- (ii) Core contributions and DSF compensation contributions shall be made without restriction as to their use;
- (iii) The Executive Board shall have the authority to approve the use of complementary contributions when the Governing Council is not in session;
- (iv) During the Replenishment period, the Fund shall accept unrestricted complementary contributions in order to support thematic operations including mainstreaming climate change, nutrition-sensitive agriculture, South-South and Triangular Cooperation and public-private-producer partnership; and
- (v) In conformity with article 4.5(a) of the Agreement, additional contributions shall be refunded to contributing Members only in accordance with article 9.4 of the Agreement.

(c) **Special contributions**

- (i) During the Replenishment period, the Executive Board may accept on behalf of the Fund unrestricted contributions to the resources of the Fund from non-member States or other sources (special contributions).
- (ii) The Executive Board may consider adopting measures to enable the participation of the contributors of special contributions in its meetings on an ad hoc basis, provided that these measures have no consequences for the governance of the Fund.

(d) **Denomination of contributions.** Members shall denominate their contributions in: (i) special drawing rights (SDR); (ii) a currency used for the valuation of the SDR; or (iii) the currency of the contributing Member if such currency is freely convertible and the Member did not experience, in the period from 1 January 2012 to 31 December 2013, a rate of inflation in excess of 10 per cent per annum on average, as determined by the Fund.

(e) **Exchange rates.** For the purposes of subsection I(d) of this Resolution, commitments and pledges made under this Resolution shall be valued on the basis of the average month-end exchange rate of the International Monetary Fund over the six-month period preceding the adoption of this Resolution between the currencies to be converted into United States dollars (1 April – 30 September 2014), rounded to the fourth decimal point.

(f) **Unpaid contributions.** Those Members who have not yet completed payment of their previous contributions to the resources of the Fund and who have not yet deposited an instrument of contribution or paid their contribution for the Ninth 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.

(g) **Increase of contribution.** A Member may increase the amount of any of its contributions at any time.

### III. 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 this 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 contributions.** Except as specified in subsection (c) below, such instrument of contribution shall constitute an unqualified commitment by the concerned Member to pay its contribution in the manner and on the terms set forth in this Resolution, or as otherwise approved by the Executive Board. For the purpose of this Resolution, such contribution shall be called an “unqualified contribution”.
- (c) **Qualified contributions.** As an exceptional case, where an unqualified commitment cannot be given by a Member due to its legislative practice, the Fund may accept from that Member an instrument of contribution that expressly contains the qualification that payment of all instalments of its payable contribution, except for the first one, is subject to subsequent budgetary appropriation. Such an instrument of contribution shall, however, include an undertaking by the Member to exercise its best efforts to: (i) arrange such appropriation for the full amount specified by the payment dates indicated in section VI of this Resolution, and (ii) notify the Fund as soon as the appropriation relative to each instalment is obtained. For the purpose of this Resolution, a contribution in this form shall be called a “qualified contribution”, but shall be deemed to be unqualified to the extent that appropriation has been obtained and notified to the Fund.

### IV. Effectiveness

- (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 from Members referred to in section II 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 subsection I(d) of this Resolution.
- (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) **Availability for commitment.** As of the effective date of the Replenishment, all additional contributions paid to the resources of the Fund shall be considered available for operational commitment under article 7.2(b) of the Agreement and other relevant policies of the Fund.

## V. Advance contribution

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

## VI. Payment of contributions

### (a) Unqualified contributions

- (i) **Payment of instalments.** Each contributing Member shall, at its option, pay its unqualified contribution in a single sum or in two or a maximum of 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 sixtieth day after the Member's instrument of contribution enters into effect.

#### Instalment payments

Payments in instalments shall be made according to the following schedule:

The first instalment shall be due on the sixtieth day after the Member's instrument of contribution enters into effect. The second instalment shall be due on the first anniversary of the effective date of the Replenishment. Any further instalment 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 on dates earlier 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 payment dates specified in subsection (a)(ii) above. A Member who has deposited an instrument of contribution for a qualified contribution shall inform the Fund of the status of the qualified instalment of its contribution no later than 30 days after the annual payment date specified in subsection (a)(ii) above.

- (c) **Currency of payment**
- (i) Contributions shall be made in freely convertible currencies, subject to subsection II(d)(iii) of this Resolution.
  - (ii) In accordance with article 5.2(b) of the Agreement, the value of the currency of payment in terms of SDR shall be determined on the basis of the rate of exchange used by the Fund for translation purposes in its books of account at the time of payment.
- (d) **Mode of payment.** In conformity with article 4.5(c) of the Agreement, payments in respect of contributions shall be made in cash or, at the option of the Member, by the deposit of non-negotiable, irrevocable and non-interest bearing promissory notes or similar obligations of the Member, payable on demand by the Fund at their par value in accordance with the terms of 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.

## VII. Allocation of Replenishment Votes

- (a) **Creation of Replenishment Votes.** New Replenishment Votes shall be created in respect of core contributions and DSF compensation contributions provided under the Tenth Replenishment (Tenth Replenishment Votes). The total amount of Tenth Replenishment Votes shall be calculated by dividing by US\$1,580,000 the total amount of pledges of core contributions and DSF compensation contributions received as of six months after the date of adoption of this Resolution.
- (b) **Distribution of Replenishment Votes.** The Tenth Replenishment Votes thus created shall be distributed in accordance with article 6.3(a)(ii) and (iii) of the Agreement as follows:
- (i) **Membership votes.** Membership votes shall be distributed equally among all Members in conformity with article 6.3(a)(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 core contribution and DSF compensation contribution bears to the aggregate of the paid core contributions and DSF compensation contributions specified in section II of this Resolution.
  - (iii) The allocation and distribution of the original, Fourth Replenishment, Fifth Replenishment, Sixth Replenishment, Seventh Replenishment, Eighth Replenishment and Ninth Replenishment Votes shall continue irrespective of the entry into force of this Resolution.
- (c) **Effectiveness of Replenishment Votes.** The distribution of the Tenth Replenishment Votes, as specified above, shall enter into effect six months after the adoption of this Resolution. The President shall communicate the fact of the

distribution of the Tenth Replenishment membership and contribution votes to all Members of the Fund no later than 15 days after such date, and shall report such information to the Governing Council at its thirty-ninth session.

## **VIII. Additional Resource Mobilization**

### **(a) Borrowing by the Fund**

- (i) **Purpose of borrowing.** Whereas replenishment contributions are, and should remain, the basic source of the Fund's financing, it is recognized that sovereign borrowing by the Fund during the Replenishment period could provide an important way to further its objective "to mobilize additional resources to be made available on concessional terms for agricultural development in developing Member States", as specified in article 2 of the Agreement.
- (ii) **Borrowing framework.** The Executive Board shall establish a general framework for sovereign borrowing, which shall govern the arrangements for borrowing by the Fund during the Replenishment Period. Within the scope of such framework, the President shall have the authority to enter into negotiations with eligible lenders in order to fulfil the target of the Programme of Loans and Grants set forth in subsection I(c) of this Resolution and shall bring any resulting borrowing proposals to the Executive Board for approval.

### **(b) 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.

## **IX. Reporting to the Governing Council**

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

## **X. Review by the Executive Board**

- (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 180/XXXVII (2014) to review the situation and consider ways of fulfilling the conditions necessary for the continuation of the Fund's lending operations or for the substantial attainment of those goals.

## **XI. Mid-term review**

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



**Contributions of Member States at 19 December 2014**

<b>Member State</b>	<i>DSF contributions in US\$<sup>1</sup></i>	<i>Core contributions in US\$<sup>1</sup></i>	<i>Complementary contributions in US\$<sup>1</sup></i>	<i>Total amount in US\$<sup>1</sup></i>	<i>Unit of obligation<sup>2</sup></i>	<i>Total contribution in unit of obligation</i>	<i>Equivalent in SDR<sup>3</sup></i>
Afghanistan					US\$		
Albania					US\$		
Algeria					US\$		
Angola					US\$		
Antigua and Barbuda					US\$		
Argentina					US\$		
Armenia					US\$		
Austria	60 706	21 321 093 <sup>5</sup>		21 381 799	EUR	16 000 000	13 996 525
Azerbaijan					US\$		
Bahamas (The)					US\$		
Bangladesh		650 000		650 000	US\$	650 000	425 490
Barbados					US\$		
Belgium					EUR		
Belize					US\$		
Benin					US\$		
Bhutan					US\$		
Bolivia (Plurinational State of)					US\$		
Bosnia and Herzegovina					US\$		
Botswana					US\$		
Brazil	44 497	16 655 503		16 700 000	US\$	16 700 000	10 931 820
Burkina Faso					US\$		
Burundi					US\$		
Cambodia					US\$		
Cameroon					US\$		
Canada					CAD		
Cabo Verde					US\$		
Central African Republic					US\$		
Chad					EUR		
Chile					US\$		
China	89 935	35 910 065 <sup>5</sup>		36 000 000	US\$	36 000 000	23 565 600
Colombia					US\$		
Comoros					US\$		
Congo					US\$		
Cook Islands					US\$		
Costa Rica					US\$		
Côte d'Ivoire		6 258 <sup>4</sup>		6 258	US\$	6 258	4 096
Croatia					US\$		
Cuba					US\$		
Cyprus					US\$		
Democratic People's Republic of Korea					US\$		
Democratic Republic of the Congo					US\$		
Denmark	55 556	17 870 089 <sup>5</sup>		17 925 644	DKK	100 000 000	11 734 127
Djibouti		6 000		6 000	US\$	6 000	3 928
Dominica					US\$		
Dominican Republic		1 000 000		1 000 000	US\$	1 000 000	654 600
Ecuador					US\$		
Egypt	16 863	2 983 137		3 000 000	US\$	3 000 000	1 963 800
El Salvador					US\$		
Equatorial Guinea					US\$		
Eritrea					US\$		
Estonia					US\$		
Ethiopia					US\$		
Fiji					US\$		
Finland	44 968	17 327 744		17 372 711	EUR	13 000 000	11 372 177
France	165 626	46 607 058		46 772 685	EUR	35 000 000	30 617 399
Gabon		397 268		397 268	US\$	397 268	260 052
Gambia (The)					US\$		
Georgia					US\$		
Germany	224 838	69 785 853 <sup>5</sup>		70 010 691	EUR	52 389 000	45 828 998
Ghana					US\$		

**Contributions of Member States at 19 December 2014**

<b>Member State</b>	<i>DSF contributions in US\$<sup>1</sup></i>	<i>Core contributions in US\$<sup>1</sup></i>	<i>Complementary contributions in US\$<sup>1</sup></i>	<i>Total amount in US\$<sup>1</sup></i>	<i>Unit of obligation<sup>2</sup></i>	<i>Total contribution in unit of obligation</i>	<i>Equivalent in SDR<sup>3</sup></i>
Greece		62 300		62 300	EUR	46 619	40 782
Grenada					US\$		
Guatemala					US\$		
Guinea					US\$		
Guinea-Bissau					US\$		
Guyana					US\$		
Haiti					US\$		
Honduras					US\$		
Hungary					US\$		
Iceland					US\$		
India	95 556	36 904 444		37 000 000	US\$	37 000 000	24 220 200
Indonesia	28 105	9 971 895 <sup>5</sup>		10 000 000	US\$	10 000 000	6 546 000
Iran (Islamic Republic of)					US\$		
Iraq					US\$		
Ireland					EUR		
Israel					US\$		
Italy	286 699	85 000 000 <sup>5</sup>		85 286 699	EUR	63 820 037	55 828 673
Jamaica					US\$		
Japan	185 491	56 814 509		57 000 000	JPY	5 903 108 100	37 312 200
Jordan					US\$		
Kazakhstan					US\$		
Kenya					US\$		
Kiribati					US\$		
Kuwait	44 968	10 955 032		11 000 000	US\$	11 000 000	7 200 600
Kyrgyzstan					US\$		
Lao People's Democratic Republic					US\$		
Lebanon					US\$		
Lesotho					US\$		
Liberia					US\$		
Libya					US\$		
Luxembourg		2 405 452		2 405 452	EUR	1 800 000	1 574 609
Madagascar					US\$		
Malawi					US\$		
Malaysia					US\$		
Maldives					US\$		
Mali					EUR		
Malta					US\$		
Marshall Islands					US\$		
Mauritania					US\$		
Mauritius					US\$		
Mexico	16 863	4 983 137		5 000 000	US\$	5 000 000	3 273 000
Mongolia					US\$		
Morocco					US\$		
Mozambique					US\$		
Myanmar					US\$		
Namibia					US\$		
Nauru					US\$		
Nepal					US\$		
Netherlands	220 835	75 000 000 <sup>6</sup>	53 454 497	128 675 332	EUR	96 287 751	84 086 314
New Zealand					NZD		
Nicaragua					US\$		
Niger					US\$		
Nigeria	28 105	14 971 895		15 000 000	US\$	15 000 000	9 819 000
Niue					US\$		
Norway	182 175	50 869 655 <sup>5</sup>		51 051 830	NOK	315 000 000	33 418 528
Oman					US\$		
Pakistan	22 484	7 977 516		8 000 000	US\$	8 000 000	5 236 800
Panama					US\$		
Papua New Guinea					US\$		
Paraguay					US\$		

**Contributions of Member States at 19 December 2014**

Member State	US\$ contributions in US\$ <sup>1</sup>	Core contributions in US\$ <sup>1</sup>	Complementary contributions in US\$ <sup>1</sup>	Total amount in US\$ <sup>1</sup>	Unit of obligation <sup>2</sup>	Total contribution in unit of obligation	Equivalent in SDR <sup>3</sup>
Peru					US\$		
Philippines					US\$		
Portugal					EUR		
Qatar					US\$		
Republic of Korea					US\$		
Republic of Moldova					US\$		
Romania					US\$		
Russian Federation		6 000 000 <sup>5</sup>		6 000 000	US\$	6 000 000	
Rwanda					US\$		
Saint Kitts and Nevis					US\$		
Saint Lucia					US\$		
Saint Vincent and the Grenadines					US\$		
Samoa					US\$		
Sao Tome and Principe					US\$		
Saudi Arabia					US\$		
Senegal		45 086 <sup>4</sup>		45 086	US\$	45 086	29 513
Seychelles		65 000		65 000	US\$	65 000	42 549
Sierra Leone					US\$		
Solomon Islands					US\$		
Somalia					US\$		
South Africa					US\$		
South Sudan					US\$		
Spain					EUR		
Sri Lanka					US\$		
Sudan					US\$		
Suriname					US\$		
Swaziland					US\$		
Sweden	186 445	72 422 358		72 608 804	SEK	497 000 000	47 529 723
Switzerland	94 997	49 532 196 <sup>5</sup>		49 627 193	CHF	45 086 305	32 485 960
Syrian Arab Republic					US\$		
Tajikistan					US\$		
Thailand					US\$		
The former Yugoslav Republic of Macedonia					US\$		
Timor-Leste		50 000		50 000	US\$	50 000	32 730
Togo					US\$		
Tonga					US\$		
Trinidad and Tobago					US\$		
Tunisia					US\$		
Turkey					US\$		
Tuvalu					US\$		
Uganda					US\$		
United Arab Emirates					US\$		
United Kingdom					GBP		
United Republic of Tanzania		108 495 <sup>4</sup>		108 495	US\$	108 495	71 021
United States	303 531	89 696 469 <sup>7</sup>	12 000 000	102 000 000	US\$	102 000 000	66 769 200
Uruguay					US\$		
Uzbekistan					US\$		
Vanuatu					US\$		
Venezuela (Bolivarian Republic of)					US\$		
Viet Nam					US\$		
Yemen					US\$		
Zambia					US\$		
Zimbabwe					US\$		
<b>Total Replenishment*</b>	<b>2 399 242*</b>	<b>804 355 509*</b>	<b>65 454 497*</b>	<b>872 209 248*</b>			<b>566 876 015*</b>

<sup>1</sup> Converted to US\$ amount by applying the average exchange rate as described in Section II (e) of resolution .....

<sup>2</sup> The following abbreviations are used for currencies:

CAD: Canadian dollar	GBP: pound sterling	SDR: Special Drawing Right
CHF: Swiss franc	JPY: Japanese yen	SEK: Swedish krona
DKK: Danish krone	NOK: Norwegian krone	US\$: United States dollar
EUR: euro	NZD: New Zealand dollar	

<sup>3</sup> Converted from US\$ amount by applying the average International Monetary Fund (IMF) US\$/SDR exchange rate for the period 21 April to 30 September 2014

<sup>4</sup> Advance payment.

<sup>5</sup> Subject to appropriate approval.

<sup>6</sup> The precise modalities of the Netherland's contribution will be confirmed at a later date.

<sup>7</sup> Subject to approval through the budget process and congressional appropriation.

\* The totals for the Tenth Replenishment reflect the pledges made to date. However, a number of countries have yet to announce their pledges. A number of countries also gave indications of their pledges pending formal confirmation of their precise contribution. This table will be updated periodically to reflect the additional pledges.

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**E**



## **Review of the status of the Debt Sustainability Framework**

## Preamble

As one of its key commitments during the Consultation on the Ninth Replenishment of IFAD's Resources, Management committed to 'Present[ing] a proposal to the Executive Board on how responsibility for compensation for forgone principal arising from adoption of the Debt Sustainability Framework will be managed, starting in IFAD10.<sup>1</sup> This document is an enhancement of the Debt Sustainability Framework (DSF) paper presented to the Audit Committee at its 128<sup>th</sup> meeting in September 2013. At that meeting, Management presented a revised version of the original June 2013 paper to respond to requests made by the Committee. That paper included options open to the Fund in establishing a mechanism for Member State contributions to compensate the Fund for principal repayments forgone as a result of providing grants under the DSF, and recommended an option for adoption. Following the Board's review at the September session, Management was again requested to revisit the paper and make it more streamlined and focused.

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<sup>1</sup> REPL.IX/4/R.2/Rev.2

## Recommendation

The Executive Board is invited to review the document and proposed contribution modalities and to endorse the recommendations contained in paragraph 41 and its submission to the Consultation on the Tenth Replenishment of IFAD's Resources.

## Review of the status of the Debt Sustainability Framework

### I. Introduction and background

1. Since 1996, IFAD and its Member States have demonstrated their commitment to global initiatives aimed at ensuring that the debt of poor countries does not become an obstacle to their development. As part of this commitment, IFAD has joined other international financial institutions (IFIs) – the World Bank, Asian Development Bank (ADB) and African Development Bank (AfDB) – in implementing specific debt relief initiatives. This effort started with the implementation of the Heavily Indebted Poor Countries (HIPC) Debt Initiative in 1996, which had the goal of reducing the historical debt stock of poor countries to sustainable levels. IFAD is the seventh largest provider of such relief worldwide and the fifth largest in Africa.
2. Following the HIPC Initiative, donor countries agreed to implement a Debt Sustainability Framework (DSF) in 2005 to ensure that the poorest countries' development efforts are not compromised by the re-emergence of unsustainable levels of debt. To this end, and based on a country by country debt sustainability analysis carried out by the International Monetary Fund (IMF), donors agreed to provide grants or a combination of grants and concessional loans under the DSF for countries deemed unable to sustain even concessional loans. The DSF has been implemented by the World Bank, AfDB and ADB, as well as by most donor countries providing assistance to these countries.
3. In 2006, following the Governing Council's adoption of the Report of the Consultation on the Seventh Replenishment of IFAD's Resources (IFAD7), the Fund decided to implement the provisions of the DSF. In line with the decision of the Governing Council, the Executive Board approved the recommendation contained in document EB 2007/90/R.2 (see annex III for the executive summary), at its ninetieth session in April 2007, that IFAD begin implementing a DSF modelled on the framework adopted by International Development Association (IDA).
4. In addition, at its ninetieth session, the Executive Board agreed that Member States would compensate the Fund for grants provided under the DSF. As with other IFIs, the Board approved the principle of compensation on a pay-as-you-go basis. This meant that Member States would compensate the Fund for the principal repayments that would have been due had the Fund provided the financial resources to these countries on highly concessional terms rather than on a grant basis under the DSF. As IFAD's highly concessional loans are repaid over a 40-year period, compensation by Member States would likewise be effected over such periods. "Pay-as-you-go" therefore means payments being made by Member States as and when the principal repayments forgone fall due.
5. Table 1 sets out the amounts of principal and service charges forgone as a result of the commencement of the DSF initiative in 2007. The estimates for IFAD9 are also included. These forgone flows will start materializing in 2018 and continue until 2055. The Board has been provided with an annual report setting out the amount of principal and net service charge payments forgone in relation to DSF grants. The cumulative amount of principal is estimated at US\$1.446 billion, and service charges at US\$219 million.

6. According to projections, DSF grants will account for approximately 21 per cent of the overall annual programme of loans and grants over the medium term. However, DSF compensation will average 6 per cent of the total projected inflows over the same period. This is attributable to the timing difference between DSF disbursements and the underlying repayment schedule. The ratio of DSF compensation to overall forecast inflows will increase over time. Towards the end of the IFAD18 period, DSF compensation as a percentage of total projected reflows is expected to stabilize at between 9 per cent and 10 per cent.

Table 1

**Forgone reflows by corresponding replenishment**

(Millions of United States dollars)

<i>Replenishment period</i>	<i>Years</i>	<i>Principal repayments forgone</i>	<i>Forgone service charge</i>	<i>Total forgone reflows from DSF</i>
IFAD7	2007	101.7	15.4	117.1
IFAD7	2008	112.9	17.1	130.0
IFAD7	2009	196.6	29.8	226.4
<b>Subtotal IFAD7</b>		<b>411.2</b>	<b>62.4</b>	<b>473.5</b>
IFAD8	2010	154.8	23.5	178.2
IFAD8	2011	211.3	32.0	243.3
IFAD8	2012	231.3	35.1	266.4
<b>Subtotal IFAD8</b>		<b>597.4</b>	<b>90.6</b>	<b>688.0</b>
IFAD9	2013	142.2	21.6	163.8
IFAD9	2014	145.8	22.1	167.9
IFAD9	2015	149.4	22.7	172.1
<b>Subtotal IFAD9</b>		<b>437.4</b>	<b>66.3</b>	<b>503.7</b>
<b>Total</b>		<b>1 445.9</b>	<b>219.3</b>	<b>1 665.2</b>

## II. Methodologies applied by IDA, the African Development Fund (AfDF) and the Asian Development Fund (ADF) in determining DSF compensation shares and compensation approaches used

7. This section describes the methodologies used by IDA, the African Development Fund (AfDF) and the Asian Development Fund (ADF) to determine shares to fund principal repayments and compensation contributions. Management conducted this comparison in order to harmonize and adopt best practice to the extent applicable to IFAD's circumstances.

### International Development Association

8. At IDA, donor contributions for debt relief and grant compensation are considered additional to regular contributions. Donors are expected to cover 100 per cent of principal repayments forgone as a result of grants by making additional contributions to future replenishments on a pay-as-you-go basis.
9. For IDA16, donors will provide regular contributions as well as additional contributions to cover costs related to the Heavily Indebted Poor Countries (HIPC) Debt Initiative and compensation for principal forgone on grants. Donors' burden share percentages were originally based on IDA13 basic burden shares. At the time of the Multilateral Debt Relief Initiative (MDRI), donors were asked to scale up their burden share to fully eliminate the financing gap in respect of debt relief. Many donors have individually scaled up their burden share over the IDA14 to IDA16 period.

10. Encashments for HIPC contributions. Under the current compensation arrangements, partner financing of HIPC costs occurs on a pay-as-you-go basis, over the three-year commitment period of IDA replenishments. For IDA16, financing contributions to cover IDA's HIPC-related costs are encashed in three equal annual amounts.
11. Compensation for principal forgone on grants. Under IDA14, donors committed to replace forgone principal reflows of grants provided by IDA, on a pay-as-you-go basis. As with the pay-as-you-go approach to HIPC contributions, donors were asked to provide compensation for forgone reflows during the three year replenishment period (i.e. IDA16 – fiscal years 2012 through 2014). As described above, HIPC contributions will be encashed in three equal instalments over the three-year commitment period of IDA16. IDA will apply this same process to compensation for forgone principal from grants.

#### **African Development Fund**

12. At the AfDF, the contribution of each donor country is computed by normalizing its burden share for the replenishment for which grants are being compensated. To ensure that AfDF is fully compensated for grants extended under a specific replenishment, the sum of all donors' subscriptions must be 100 per cent. Donor subscriptions refer to replenishment pledges corresponding to the period in which the grants were made, as a basis for determining burden shares. For example, grant compensation for AfDF-9 is based on the normalized burden share of all donors that participated in the AfDF-9 replenishment.
13. Donors compensate the forgone principal reflows on a pay-as-you-go basis. Each year, based on their normalized burden share, they pay into AfDF what would have been the amount of the reflow had the grant been provided as a loan. When donors do not wish to make a separate pledge for DSF grants compensation, their part of the compensation is subtracted from their total pledge – lowering their basic replenishment contribution and burden share. Donors receive voting rights for all payments made to AfDF for grants compensation.
14. At AfDF, donor compensation for forgone principal repayments on grants was applied for AfDF-12, as this was the first replenishment cycle under which forgone principal repayments on DSF grants would have fallen due. During the AfDF-9 negotiations, the AfDF deputies had agreed to finance the forgone principal on a pay-as-you-go basis. In addition, the deputies had agreed that the burden share used during the replenishment cycle in which the DSF grants were made would be used to calculate the burden share of member states for DSF compensation. For AfDB, this meant that as the first DSF grants were provided in the AfDF-9 cycle and the forgone reflows for these began to arise in AfDF-12, the first compensation payments under AfDF-12 would be based on AfDF-9 burden shares.

#### **Asian Development Fund**

15. The ADF offers donors a choice of two burden-sharing frameworks for the ADF XI replenishment:
  - (i) Adjusted ADF X burden share; or
  - (ii) ADF X burden share.
16. The adjusted burden share of ADF X was determined based on total ADF X contributions net of the ADF X financing gap, which resulted in a scaled-up burden share to enable ADF to receive full compensation from these two items.
17. However, while most donors opted for the adjusted ADF X burden share, a few opted for their respective ADF X burden shares for both basic contributions and the two compensation items. The burden share is linked to the ADF X, the replenishment immediately prior to ADF XI, rather than the replenishment when grants were approved (ADF IX), since the compensation in future replenishments will involve multiple replenishments. The burden-sharing framework to be adopted for



compensation items in the next replenishment (ADF XII) will be subject to donors' agreement during replenishment negotiations. At ADF, donors have also agreed to compensate the institution for forgone principal on a pay-as-you-go basis. Compensation for forgone principal was agreed among donors when the DSF grant provision was introduced under the ninth replenishment of the Asian Development Fund (ADF IX), which started in 2005. This agreement was included in the ADF IX donors' report and the grant framework paper approved by ADB's board of directors. The compensation is part of donors' total contributions for ADF XI, 2013-2016.

#### **Determination of DSF compensation shares at IFAD**

18. IDA's membership composition is different from IFAD's and the basis used for determining the percentages is IDA-specific; this is also the case with ADB. Given that IFAD's financing system does not use burden shares,<sup>2</sup> these approaches are considered not entirely applicable to IFAD's system and membership circumstances. Management therefore does not recommend that IFAD adopt the burden-sharing methodology used by IDA and ADB for DSF principal forgone.
19. Management has found the AfDB approach to be simple and readily adoptable under IFAD's circumstances and therefore recommends the adoption of this approach for calculating the compensation shares for contributing Member States. This methodology uses the total pledges for the replenishment period in which the grants were committed to calculate the percentage shares. This is the normalized burden share approach used by the AfDB.
20. Annexes I and II show the share of each Member State's contribution to compensate for the principal repayments forgone falling due in the IFAD10 and IFAD11 cycles.

#### **Compensation schemes towards DSF contributions**

21. IDA (in 2005) and AfDF (in 2004), under their respective replenishments (IDA14 and AfDF-9), agreed on full compensation by member states for forgone principal repayments on a pay-as-you-go basis. Their member states pledged to make additional contributions over and above core replenishment support, equivalent to the forgone reflows caused by application of the DSF.
22. The decision taken during IDA14 guided IDA member states during the IDA16 replenishment discussions (concluded in December 2010) when donors started to compensate for grants extended in IDA13. IDA member states agreed that an additional SDR 56.44 million to finance the forgone principal reflows should be included as part of IDA's overall financing commitments during IDA16 based on fair burden share.
23. At AfDF, donor compensation for the forgone principal repayments on grants was applied in AfDF-12, as this was the first replenishment cycle under which the compensation for forgone principal repayments on DSF grants fell due. During AfDF-9 negotiations, the AfDF deputies had agreed to finance the forgone principal on a pay-as-you-go basis. In addition, the deputies had agreed that the burden share used during the replenishment cycle in which the DSF grants were made would be used to calculate the burden share of member states for the DSF compensation. For AfDB, this meant that as the first DSF grants were provided in the AfDF-9 cycle and the forgone reflows for these began to arise in AfDF-12, the first compensation payments under AfDF-12 would use the AfDF-9 burden shares.
24. At ADF, donors have also agreed to compensate the institution for forgone principal on a pay-as-you-go basis. Compensation for forgone principal was agreed among donors when the DSF grant provision was introduced under the ninth replenishment of the Asian Development Fund (ADF IX), which started in 2005. This agreement was

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<sup>2</sup> Indeed, replenishment contributions are voluntary and the resolution does not create obligations for Member States to contribute to the replenishment. An obligation to contribute will only arise upon the deposit of an instrument of contribution for the amount stated therein.

incorporated into the ADF IX donors' report and into the grant framework paper approved by ADB's board of directors. The compensation is expected to be additional to donors' contributions for ADF XI, 2013-2016. ADF XI is the first replenishment in which DSF forgone principal repayments will be compensated.

25. The treatment of forgone income from interest and service charges varies across IFIs. Both IDA and AfDF were authorized to use a "complex" scheme for compensation for lost service charges, based on using a retained element of the modified volume approach discount in blended loan operations. IDA finances this with the volume discount and with International Bank for Reconstruction and Development transfers. The practice at AfDF is to offset an upfront charge on grants in order to ensure a neutral effect on the AfDF's financing capacity. At ADF, forgone interest from grants has been financed through additional donor contributions computed since ADF IX on the basis of the total grant envelope. IFAD's position is to continue to implement the April 2007 decision of the Executive Board on forgone interest and service charges – that as they are relatively modest they are not compensated.

### **III. Effect of DSF compensation contributions on voting rights**

26. In accordance with article 6.3(a)(ii)(B) of the Agreement Establishing IFAD, contribution votes shall be distributed among all Members in the proportion that each Member's paid contribution to the resources contributed to the Fund by Members for each replenishment bears to the aggregate of the total contributions paid by all Members to the said replenishment.
27. Donors receive voting rights according to their contributions towards regular replenishments. In the case of contributions towards DSF compensation, the policy at the World Bank is that this increase in resources available for debt relief costs is recognized for voting rights purposes. Such voting rights are normally recorded during the general adjustment of votes for the next regular replenishment cycle. In light of the relatively small adjustment necessary for the IDA14 period, voting rights for contributions during IDA14 were to be recorded at the time of the IDA15 replenishment.
28. At AfDF, donors contribute additional resources equivalent to the forgone principal repayments for each replenishment period by submitting pledges over the life of the DSF initiative. The compensatory financing arrangements take the form of a general increase in the contribution of member states over and above regular contributions. The contributions received from member states under the compensatory financing arrangements are not counted as part of the burden share for the replenishment period in which such resources are received, but do carry voting rights in the same manner as normal subscriptions.
29. Since DSF compensation will be part of the replenishment and will constitute core contribution, contribution votes corresponding to DSF compensation will be distributed among all Members in conformity with the methodology described in article 6.3(a)(ii)(B) of the Agreement.

Table 2  
**IFI compensation mechanisms**

<i>IFI</i>	<i>First DSF commitment</i>	<i>First principal repayments due</i>	<i>Basis for contribution shares for DSF compensation</i>	<i>Mechanism for contributing towards DSF compensation</i>
IDA (World Bank)	2005	IDA16 (2012)	Predetermined and preassigned burden shares assigned to donors at time of replenishment	Additional replenishment contribution, separate from regular contributions
African Development Bank	2004	AfDF-12 (2011)	DSF compensation shares based on proportions determined from pledged contributions in year grants were committed	Additional replenishment contribution
Asian Development Bank	2005	ADF XI (2013)	Predetermined and preassigned burden shares applied to donors at time of replenishment	Additional replenishment contribution, separate from regular contributions
IFAD	2007	IFAD10 (2018)	To be determined	In addition to regular replenishment contributions, either separate or as part of regular contributions

#### **IV. Proposed IFAD approach to compensation for DSF grants provided**

30. As noted in paragraph 4 above, IFAD's membership has agreed to compensate the Fund for forgone principal for grants provided under the DSF, and the Board, at its ninetieth session, endorsed the pay-as-you-go principle. At its thirty-fifth session in 2012, the Governing Council decided that a key deliverable under IFAD9 would be a proposal from Management to the Executive Board on how Member States would share the burden of compensating the Fund for forgone reflows arising from the adoption of the DSF, which would start falling due during IFAD10 period.
31. In response to the above decision, and following an analysis of the comparative review of methodologies in part II above, it has been determined that the AfDB approach is most applicable to IFAD's circumstances. Management therefore recommends that this approach be adopted to calculate compensation shares for contributing Member States. This methodology – the normalized burden share approach – uses total pledges for the replenishment period in which the grants were committed to calculate the percentage shares.
32. Annexes I and II show each Member State's contribution to compensation for principal repayments forgone during the IFAD10 and IFAD11 cycles.
33. Management proposes that IFAD continue to follow the April 2007 decision of the Executive Board not to compensate forgone interest and service charges in view of their relatively modest size.
34. As described in paragraph 28 above, member states will receive commensurate votes for contributions corresponding to DSF compensation.
35. Moreover, it is recommended that the overall IFAD compensation criteria be based on the following considerations:
  - (a) Donors be expected to contribute towards compensation for the forgone principal reflows as was originally agreed in April 2007 when the DSF was introduced ("IFAD Member States, and particularly those that are major contributors of official development assistance, should agree to compensate IFAD fully for principal repayments forgone as a result of application of the debt

sustainability framework within a pay-as-you-go mechanism as adopted in IDA14”).

- (b) That a threshold be established as a minimum expected compensation for efficiency purposes, below which member countries will not be expected to contribute, and that this be an absolute amount of US\$10,000 (an illustration of the impact on IFAD10 and IFAD11 is set out in annex I and annex II). In order to avoid the administrative burden of liaising with contributing member countries whose compensation shares are considered too low, Management set a threshold of US\$10,000 as the minimum compensation share amount. All amounts below this threshold are to be aggregated and distributed among countries with higher compensation shares on a proportional basis to ensure 100 per cent contribution towards principle repayments forgone. This is in line with practice at other IFIs, where contributions are adjusted upwards to address structural financing gaps.
- (c) In the spirit of maintaining development assistance and not overburdening countries that are DSF beneficiaries, which are often the poorest and most vulnerable, it is recommended that DSF beneficiary countries be excluded from the responsibility of contributing towards compensation for the principal repayments forgone on a pay-as-you-go basis.

## **V. Proposed modalities for compensation of principal repayments forgone under IFAD10**

- 36. As IFAD10 will be the first replenishment cycle during which the forgone reflows arise, it is proposed that IFAD membership make pledges during the IFAD10 Consultation to pay for forgone DSF principal repayments, in addition to its regular replenishment pledges for IFAD10.
- 37. The procedure for the compensation process would be to include the amounts to be compensated on a pay-as-you-go basis in a financial framework paper for presentation to the IFAD10 Consultation, in accordance with the practice at other IFIs. Donors may opt to make a single pledge of a fixed amount from which their assessed DSF compensation contribution is taken, or they may pledge two separate amounts in respect of DSF compensation and the regular replenishment contribution. If donors choose to make a single pledge, or if the separate DSF pledge is less than the assessed DSF compensation, then their obligation towards DSF should take precedence and only the amount remaining after covering the DSF contribution will be regarded as the regular replenishment contribution.<sup>3</sup>
- 38. To avoid any loss of principal to the Fund, Member States must compensate IFAD fully each year for DSF principal falling due during the year. For IFAD10, Member States would need to pay their share of the forgone principal prior to the last year of the IFAD10 period, that is, 2018, the first year in which forgone principal becomes due. For IFAD11, Member States will be requested to compensate the Fund for each of the three years of the IFAD11 period (2019, 2020 and 2021) and subsequent replenishments during which DSF repayments will fall due. The total amount of principal forgone in each replenishment cycle is shown in table 3.

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<sup>3</sup> This will be reflected in the replenishment resolution, which will set forth the drawdown schedule and payment instalments.

Table 3

**Impact of DSF grant approvals in IFAD7, IFAD8 and IFAD9 on future replenishments**  
(Millions of United States dollars)

<i>Replenishment period</i>	<i>Years</i>	<i>Annual impact of DSF approved up to 2015</i>	<i>Cumulative impact</i>
		<i>Principal repayments forgone</i>	<i>Cumulative principal forgone</i>
7	2007-2009	-	-
8	2010-2012	-	-
9	2013-2015	-	-
10	2016-2018	3.4	3.4
11	2019-2021	39.5	42.9
12	2022-2024	97.9	141.0
13	2025-2027	139.6	280.6
14	2028-2030	144.6	425.2
15	2031-2033	144.6	569.8
16	2034-2036	144.6	714.4
17	2037-2039	144.6	859.0
18	2040-2042	144.6	1 003.6
19	2043-2045	144.6	1 148.2
20	2046-2048	141.2	1 289.4
21	2049-2051	104.9	1 394.3
22	2052-2054	46.7	1 441.0
23	2055	5.0	<b>1 446.0</b>

39. Table 3 illustrates the level of compensation required as a result of IFAD's implementation of the DSF, estimated at US\$1.446 billion for principal repayments forgone until 2055. Without compensation of the forgone principal amounts on a pay-as-you-go basis, the resources available for the programme of loans and grants will be reduced by an amount much higher than the compensation shortfall in principal repayments, in terms of both future lending forgone and the opportunity cost of investment income.

## VI. Proposed contribution modalities

40. To compensate IFAD for the reflows forgone as a result of DSF grants, the Governing Council may consider and adopt in its replenishment resolution the following approach to structure Member States' compensation commitments to IFAD:

Member States make a contribution commitment for grant compensation falling due during that specific replenishment period in order to compensate the Fund for forgone principal repayments of DSF grants. They may choose to make payments of such contributions outright or in line with IFAD10 standard or alternative payment schedules. This is the procedure followed by IDA (IDA16), AfDB (AfDB/AfDF-12) and ADB (ADB/ADF XI).

## VII. Recommendations

41. In an effort to ensure as equitable a mechanism as possible, while bearing in mind the need to meet the obligation to maintain IFAD's long-term financial viability, IFAD Management recommends that:
- (a) Member States reaffirm their commitment to compensate the Fund for principal forgone as a result of DSF implementation. In line with the practice at other IFIs, this would mean applying the pay-as-you-go principle approved by the Executive Board in April 2007. Adopting this approach would also ensure alignment of IFAD's practice with those of other IFIs;

- (b) IFAD adopt the methodology used by AfDF to calculate the share of each Member State to compensate IFAD for DSF implementation, as this is considered the most viable and relevant option for IFAD;
- (c) DSF beneficiary countries be excluded from the requirement to contribute to compensation for forgone principal repayments in addition to regular contributions on a pay-as-you-go basis;
- (d) A threshold be set below which compensation shares are not required if the amounts payable are deemed too low; Management proposes a minimum threshold of US\$10,000 to be applied to List C Member States;
- (e) Adjustments made as a result of items (c) and (d) be redistributed to other contributors to finance the gap;
- (f) New members or countries that did not pledge in the relevant replenishment period be encouraged to volunteer to contribute even when not legally bound by the above; such contributions should nonetheless not be taken into account in determining compensation shares;
- (g) Voting rights be considered for DSF compensation share contributions;
- (h) Donor contributions made in future replenishments be used to cover DSF obligations first, with any residual balance being considered as regular replenishment contributions; and
- (i) The decision of the Executive Board in April 2007 – that forgone interest and service charges not be compensated – be maintained.

**Annex I****PROPORTIONATE CONTRIBUTION SHARES BASED ON REPLENISHMENT PLEDGES FOR IFAD7 and IFAD8**

(United States dollars)

	<i>Principal repayments due during IFAD10 (US\$10,000 minimum)</i>		<i>Principal repayments due during IFAD11 (US\$10,000 minimum)</i>	
	<i>(Based on percentage of IFAD7 pledges)</i>		<i>(Based on percentage of IFAD8 pledges)</i>	
<b>List A</b>				
Austria	1.7%	60 706.21	1.7%	658 360.98
Belgium	2.6%	90 266.38	3.2%	1 252 970.79
Canada	4.9%	172 000.94	7.2%	2 857 945.84
Denmark	1.6%	55 555.75	1.5%	599 818.66
Finland	1.3%	44 967.57	1.8%	715 983.32
France	4.8%	165 626.39	5.3%	2 088 284.66
Germany	6.5%	224 837.83	6.9%	2 743 170.75
Ireland	1.4%	47 556.90	0.9%	357 991.66
Italy	8.2%	286 699.28	7.9%	3 135 052.28
Japan	5.3%	185 491.21	5.9%	2 351 289.21
Luxembourg	0.1%	-	0.2%	94 051.57
Netherlands	6.3%	220 835.19	7.4%	2 939 111.52
Norway	5.2%	182 174.85	4.5%	1 783 060.99
Portugal	0.2%	-	0.2%	70 538.68
Spain	4.8%	165 626.39	5.7%	2 267 280.51
Sweden	5.4%	186 445.24	5.7%	2 272 069.73
Switzerland	2.7%	94 996.97	2.0%	788 427.01
United Kingdom	8.1%	281 047.28	6.4%	2 547 229.98
United States	8.7%	303 531.07	8.9%	3 526 933.82
<b>Total</b>	<b>80.0%</b>	<b>2 768 365.45</b>	<b>83.5%</b>	<b>33 049 571.94</b>
<b>List B</b>				
Algeria	0.2%		1.0%	391 881.54
Gabon	0.0%		0.0%	13 643.87
Indonesia	0.8%	28 104.73	0.5%	195 940.77
Iraq	0.3%	11 241.89	0.1%	58 782.23
Kuwait	1.3%	44 967.57	1.2%	470 257.84
Nigeria	0.8%	28 104.73	1.5%	587 822.30
Qatar	1.6%	56 209.46	0.0%	-
Saudi Arabia	1.6%	56 209.46	2.0%	783 763.07
United Arab Emirates	0.2%	-	0.1%	39 188.15
Venezuela (Bolivarian Republic of)	2.4%	84 314.18	0.7%	257 422.71
<b>Total</b>	<b>9.2%</b>	<b>309 152.01</b>	<b>7.1%</b>	<b>2 798 702.48</b>
<b>List C</b>				
Albania	0.0%		0.0%	74 457.49
Angola	0.0%		0.2%	97 970.38
Argentina	0.3%	11 241.89	0.2%	-

Bangladesh	0.1%		0.1%	23 512.89
Brazil	1.3%	44 496.88	1.3%	523 553.73
Cameroon	0.1%		0.1%	36 389.73
China	2.6%	89 935.13	2.2%	862 139.38
Congo	0.0%		0.0%	11 756.45
Egypt	0.5%	16 862.84	0.3%	117 564.46
Ghana	0.1%		0.0%	15 675.26
Guyana	0.0%		0.0%	18 913.26
India	2.7%	95 556.08	2.5%	979 703.84
Korea, Republic of	0.5%	16 862.84	0.6%	235 128.92
Lebanon	0.0%		0.0%	11 756.45
Mexico	0.5%	16 862.84	0.0%	-
Morocco	0.0%		0.1%	27 431.71
Pakistan	0.6%	22 483.78	0.8%	313 505.23
Paraguay	0.0%		0.0%	19 628.95
Peru	0.0%		0.0%	11 756.45
South Africa	0.0%		0.1%	35 763.23
Sri Lanka	0.2%		0.1%	39 227.34
Syrian Arab Republic	0.1%		0.0%	19 594.08
Thailand	0.0%		0.0%	11 756.45
Tunisia	0.1%		0.1%	23 512.89
Turkey	0.1%		0.1%	47 025.78
Viet Nam	0.1%		0.0%	19 594.08
Yemen	0.1%		0.1%	39 188.15
<b>Total</b>	<b>10.8%</b>	<b>314 302.28</b>	<b>9.5%</b>	<b>3 616 506.57</b>
<b>Grand total</b>	<b>100%</b>	<b>3 391 819.00</b>	<b>100%</b>	<b>39 464 781.00</b>



**Annex II**

## PROPORTIONATE CONTRIBUTIONS SHARES BASED ON IFAD7 and IFAD8 PLEDGES (WITHOUT US\$10,000 THRESHOLD)

	<i>Principal repayments due during IFAD10 (US\$)</i>		<i>Principal repayments due during IFAD11 (US\$)</i>	
	<i>(Based on percentage of IFAD7 pledges)</i>		<i>(Based on percentage of IFAD8 pledges)</i>	
<b>LIST A</b>				
Austria	1.7%	59 108.80	1.7%	656 182.31
Belgium	2.6%	87 891.12	3.2%	1 248 824.42
Canada	4.9%	167 474.92	7.2%	2 848 488.24
Denmark	1.6%	54 093.86	1.5%	597 833.72
Finland	1.3%	43 784.29	1.8%	713 613.97
France	4.8%	161 268.12	5.3%	2 081 374.05
Germany	6.5%	218 921.47	6.9%	2 734 092.97
Greece	0.2%	6 820.30	0.0%	-
Iceland	0.1%	1 696.64	0.0%	1 367.05
Ireland	1.4%	46 305.49	0.9%	356 806.98
Italy	8.2%	279 155.11	7.9%	3 124 677.68
Japan	5.3%	180 610.21	5.9%	2 343 508.26
Luxembourg	0.1%	4 367.68	0.2%	93 740.33
Netherlands	6.3%	215 024.16	7.4%	2 929 385.33
Norway	5.2%	177 381.12	4.5%	1 777 160.43
Portugal	0.2%	5 863.97	0.2%	70 305.25
Spain	4.8%	161 268.12	5.7%	2 259 777.56
Sweden	5.4%	181 539.14	5.7%	2 264 550.94
Switzerland	2.7%	92 497.23	2.0%	785 817.93
United Kingdom	8.1%	273 651.83	6.4%	2 538 800.62
United States	8.7%	295 543.98	8.9%	3 515 262.39
<b>TOTAL</b>	<b>80.0%</b>	<b>2 714 267.55</b>	<b>83.5%</b>	<b>32 941 570.45</b>
<b>LIST B</b>				
Algeria	0.2%	6 020.34	1.0%	390 584.71
Gabon	0.0%	401.68	0.0%	13 598.71
Indonesia	0.8%	27 365.18	0.5%	195 292.36
Iraq	0.3%	10 946.07	0.1%	58 587.71
Kuwait	1.3%	43 784.29	1.2%	468 701.65
Nigeria	0.8%	27 365.18	1.5%	585 877.07
Qatar	1.6%	54 730.37	0.0%	-
Saudi Arabia	1.6%	54 730.37	2.0%	781 169.42
United Arab Emirates	0.2%	5 473.04	0.1%	39 058.47
Venezuela (Bolivarian Republic of)	2.4%	82 095.55	0.7%	256 570.84
<b>TOTAL</b>	<b>9.2%</b>	<b>312 912.07</b>	<b>7.1%</b>	<b>2 789 440.94</b>
<b>LIST C</b>				
Albania	0.0%	54.73	0.0%	390.58

Angola	0.0%	1 094.61	0.2%	74 211.09
Argentina	0.3%	10 946.07	0.2%	97 646.18
Armenia	0.0%	61.30	0.0%	497.29
Azerbaijan	0.0%	-	0.0%	3 905.85
Bangladesh	0.1%	3 283.82	0.1%	23 435.08
Benin	0.0%	-	0.0%	4 882.31
Bhutan	0.0%	164.19	0.0%	1 171.75
Bolivia (Plurinational State of)	0.0%	1 641.91	0.0%	-
Boznia and Herzegovina	0.0%	410.48	0.0%	3 515.26
Botswana	0.0%	410.48	0.0%	5 858.77
Brazil	1.3%	43 326.00	1.3%	521 821.17
Burkina Faso	0.0%	547.30	0.0%	3 905.85
Burundi	0.0%	54.73	0.0%	390.58
Cambodia	0.0%	1 149.34	0.0%	8 202.28
Cameroon	0.1%	4 344.02	0.1%	36 269.31
Central African Republic	0.0%	-	0.0%	-
Chad	0.0%	164.19	0.0%	-
Chile	0.0%	547.30	0.0%	2 343.51
China	2.6%	87 568.59	2.2%	859 286.36
Columbia	0.0%	932.50	0.0%	7 811.69
Congo	0.0%	1 641.91	0.0%	11 717.54
Congo, Democratic Republic of	0.0%	1 094.61	0.0%	7 811.69
Cote d'Ivoire	0.0%	-	0.0%	-
Cyprus	0.0%	164.19	0.0%	2 343.51
Ecuador	0.0%	-	0.0%	1 952.92
Egypt	0.5%	16 419.11	0.3%	117 175.41
Eritrea	0.0%	54.73	0.0%	390.58
Ethiopia	0.0%	164.19	0.0%	1 171.75
Fiji	0.0%	54.73	0.0%	-
Gambia (The)	0.0%	82.10	0.0%	585.88
Ghana	0.1%	2 189.21	0.0%	15 623.39
Guatemala	0.0%	1 368.26	0.0%	-
Guinea	0.0%	383.11	0.0%	3 124.68
Guyana	0.0%	-	0.0%	18 850.67
India	2.7%	93 041.62	2.5%	976 461.78
Israel	0.0%	-	0.0%	-
Jordan	0.0%	547.30	0.0%	3 905.85
Kenya	0.0%	547.30	0.0%	3 905.85
Korea, Democratic People's Republic of	0.0%	109.46	0.0%	-
Korea, Republic of	0.5%	16 419.11	0.6%	234 350.83
Lao, People's Democratic Republic	0.0%	279.12	0.0%	1 991.98
Lebanon	0.0%	437.84	0.0%	11 717.54
Lesotho	0.0%	547.30	0.0%	3 905.85
Madagascar	0.0%	531.08	0.0%	7 811.69
Malawi	0.0%	-	0.0%	1 952.92

Malaysia	0.0%	684.13	0.0%	1 952.92
<b>Mali</b>	<b>0.0%</b>	<b>695.25</b>	<b>0.0%</b>	<b>3 774.26</b>
Mauritius	0.0%	-	0.0%	195.29
Mexico	0.5%	16 419.11	0.0%	-
Moldova (Republic of)	0.0%	71.15	0.0%	1 015.52
Mongolia	0.0%	-	0.0%	390.58
Morocco	0.0%	1 641.91	0.1%	27 340.93
Mozambique	0.0%	437.84	0.0%	3 319.97
Namibia	0.0%	109.46	0.0%	-
<b>Nepal</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>1 952.92</b>
Nicaragua	0.0%	109.46	0.0%	-
<b>Niger</b>	<b>0.0%</b>	<b>273.65</b>	<b>0.0%</b>	<b>1 952.92</b>
Oman	0.0%	273.65	0.0%	1 952.92
Pakistan	0.6%	21 892.15	0.8%	312 467.77
Panama	0.0%	181.70	0.0%	972.56
Paraguay	0.0%	-	0.0%	19 564.00
Peru	0.0%	1 094.61	0.0%	11 717.54
Philippines	0.0%	1 094.61	0.0%	-
Romania	0.0%	547.30	0.0%	-
<b>Rwanda</b>	<b>0.0%</b>	<b>39.95</b>	<b>0.0%</b>	<b>1 952.92</b>
Senegal	0.0%	620.47	0.0%	7 811.69
Seychelles	0.0%	-	0.0%	-
<b>Sierra Leone</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>2 343.51</b>
South Africa	0.0%	-	0.1%	35 644.88
Sri Lanka	0.2%	5 478.51	0.1%	39 097.53
<b>Sudan</b>	<b>0.0%</b>	<b>1 368.26</b>	<b>0.0%</b>	<b>-</b>
Swaziland	0.0%	190.46	0.0%	-
Syrian Arab Republic	0.1%	1 915.56	0.0%	19 529.24
<b>Tajikistan</b>	<b>0.0%</b>	<b>2.19</b>	<b>0.0%</b>	<b>23.44</b>
Tanzania, United Republic of	0.0%	328.38	0.0%	4 687.02
Thailand	0.0%	820.96	0.0%	11 717.54
<b>Togo</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>
Tunisia	0.1%	3 283.82	0.1%	23 435.08
Turkey	0.1%	4 925.73	0.1%	46 870.17
Uganda	0.0%	246.29	0.0%	3 515.26
Uruguay	0.0%	547.30	0.0%	3 905.85
Uzbekistan	0.0%	-	0.0%	390.58
Viet Nam	0.1%	2 736.52	0.0%	19 529.24
<b>Yemen</b>	<b>0.1%</b>	<b>3 283.82</b>	<b>0.1%</b>	<b>39 058.47</b>
Zambia	0.0%	547.30	0.0%	3 389.85
<b>TOTAL</b>	<b>10.8%</b>	<b>364 639.38</b>	<b>9.5%</b>	<b>3 733 769.62</b>
<b>GRAND TOTAL</b>	<b>100%</b>	<b>3 391 819.00</b>	<b>100%</b>	<b>39 464 781.00</b>
<b>Total of amounts US\$10,000 or less (threshold)</b>		<b>89,252</b>		<b>130,598</b>
<b>Percentage of amounts below threshold to Grand Total</b>		<b>2.5%</b>		<b>0.3%</b>

**Notes:**

1. The table above shows countries highlighted in green (darker grey) as being DSF countries *based on the 2013 Debt Sustainability Framework Traffic Lights*.
2. All countries with calculated compensation shares below US\$10,000 are highlighted in grey.
3. All the DSF countries are below the threshold of US\$10,000 except for Ghana and Yemen which exceed the threshold in the IFAD11 compensation shares computation.
4. A few non DSF countries are below the threshold, especially in the IFAD10 shares computation but exceed the threshold in the computation for IFAD11.
5. DSF countries make up 12.5 per cent of the amounts below the threshold under the IFAD10 compensation shares and 28 per cent of the amounts below the threshold under the IFAD11 compensation shares.

**Annex III****Proposed arrangements for implementation of a debt sustainability framework at IFAD (EB 2007/90/R.2)  
(Document extract)****Executive summary**

1. In the context of IFAD's full commitment to the international effort to reduce the impact of unsustainable debt on the pace of poverty reduction (through its participation in the Debt Initiative for Heavily Indebted Poor Countries), and of the global emphasis on the harmonization and alignment of development assistance, the Report of the Consultation on the Seventh Replenishment of IFAD's resources, adopted by the IFAD Governing Council at its twenty-ninth session, recommended that, commencing in 2007, IFAD should adopt the International Development Association (IDA) model of a debt sustainability framework (DSF) to govern the allocation of assistance to countries eligible for highly concessional assistance and with high to moderate debt-distress risk. It was further decided that IFAD management should submit to the Executive Board in September 2006 proposals for the operation of the debt sustainability framework, including provisions for: reporting on progress; the share and implications for IFAD's finances; the implications for IFAD's disbursements to developing countries; the implementation of the appropriate modified volume approach (MVA) for the generation of compensation for service charges forgone; and IFAD's participation in the collaboration among multilateral financial institutions (MFIs) for refining and reviewing methodologies used under the debt sustainability framework, as well as calibration of IFAD's approach with the approaches of other such institutions. Given that the finalization of IFAD's proposals for implementation of the DSF depended upon the outcome of the review of DSF methodology in the midterm review of the fourteenth replenishment of IDA, submission of IFAD's proposals to the Executive Board was deferred to its April 2007 session.
2. It is recommended, inter alia, that:
  - (a) IFAD immediately implement a DSF to govern the form of its financial assistance to countries eligible for highly concessional lending;
  - (b) IFAD use the classification of countries in terms of debt sustainability as produced by the World Bank and the International Monetary Fund in their country debt sustainability analyses;
  - (c) IFAD extend financial support projects and programmes governed by the performance-based allocation system (PBAS) in countries eligible for highly concessional loans on the following basis, in line with IDA and the African Development Fund (AfDF):
    - (i) For countries with low debt sustainability: 100 per cent grant;
    - (ii) For countries with medium debt sustainability: 50 per cent grant and 50 per cent loan;
    - (iii) For countries with high debt sustainability: 100 per cent loan.
3. The implementation of the DSF at IDA and AfDF involves the application of an MVA whereby the part of a country's PBAS allocation delivered in the form of a DSF grant is discounted by 20 per cent. This serves to maintain the performance linkage with the resource allocation system and to generate resources for a mechanism of compensation for service charges forgone. It is proposed that at IFAD a 5 per cent discount level be applied, in order to maintain PBAS principles, but minimize the impact of the DSF on up-front flows of assistance to the poorest and often most-vulnerable countries.

4. Under IDA14 and AfDF-10, the DSF was adopted within the framework of zero impact on the resource position of the participating MFIs. Correspondingly, IFAD would be compensated for principal repayments forgone as a result of extending support on a grant basis under the DSF. As in IDA14 and AfDF-10, this would be on a pay-as-you-go basis, with Member States compensating IFAD in each replenishment for the value of principal repayments forgone in the previous replenishment period through contributions in addition to core replenishment contributions. IFAD would generate compensatory flows for the loss of service charge income through the operation of the MVA. The adequacy of the mechanism relative to the objective of zero overall financial impact of the DSF on IFAD would be assessed in the context of the Consultation on the Eleventh Replenishment of IFAD's Resources.