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Investing in rural people

Report of the Consultation on the Twelfth Replenishment of IFAD’s Resources

Recovery, Rebuilding, Resilience

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Contents

Boxes, figures and tables

Boxes

Figures

Tables

Abbreviations and acronyms

2RP	Rural Resilience Programme
3S Initiative	Initiative for Sustainability, Stability and Security in Africa
AF	Adaptation Fund
ASAP	Adaptation for Smallholder Agriculture Programme
CFS	Committee on World Food Security
COSOP	country strategic opportunities programme
CPL	concessional partner loan
CSN	country strategy note
DSF	Debt Sustainability Framework
ERM	enterprise risk management
FAO	Food and Agriculture Organization of the United Nations
FIES	Food Insecurity Experience Scale
GCF	Green Climate Fund
GEF	Global Environment Facility
GGWI	Great Green Wall Initiative
GIS	geographical information system
GNI	gross national income
LIC	low-income country
LMIC	lower-middle-income country
IBF	Integrated Borrowing Framework
ICT4D	information and communication technology for development
IFAD12	Twelfth Replenishment of IFAD’s Resources
IFI	international financial institution
IMF	International Monetary Fund
IOE	Independent Office of Evaluation of IFAD
M&E	monitoring and evaluation
MDB	multilateral development bank
MIC	middle-income country
MSME	micro, small and medium-sized enterprise
NSO	non-sovereign operations
ODI	Overseas Development Institute
PBAS	performance-based allocation system
PoLG	programme of loans and grants
PoW	programme of work
PSFP	Private Sector Financing Programme
PSS	Private Sector Engagement Strategy
RBAs	Rome-based agencies
RIDE	Report on IFAD’s Development Effectiveness
RMF	Results Management Framework
RPSF	Rural Poor Stimulus Facility
SDG	Sustainable Development Goal
SECAP	Social, Environmental and Climate Assessment Procedures
SFOAP	Support to Farmers’ Organizations in Africa Programme
SH/SEA	sexual harassment, sexual exploitation and abuse
SOFI	State of Food Security and Nutrition in the World
SSTC	South-South and Triangular Cooperation
UMIC	upper-middle-income country
UNCT	United Nations country team
UNDFF	United Nations Decade of Family Farming
UNDS	United Nations development system
UNSDCF	United Nations Sustainable Development Cooperation Framework

Executive summary

1. The Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12) occurs at a significant moment: with only 10 years remaining to achieve the Sustainable Development Goals (SDGs), the impacts of critical shocks – including increased climate volatility and the economic and social effects of the crisis brought on by COVID-19 – threaten progress on the eradication of poverty and hunger. Rural communities are being disproportionately affected. It is clear that, without investing in rural people, the SDGs cannot be achieved.

2. IFAD is stepping up to meet this challenge. IFAD12 proposes an evolution of IFAD's business model towards a more comprehensive financial, policy-oriented and programmatic package that fosters systemic change for rural people. It places an overarching emphasis on expanding and deepening results on the ground. This evolution builds from the platform of recent financial and institutional reforms and requires the full use of all tools at IFAD's disposal to deliver results and scale up impact. It integrates a sharper focus on the needs of historically marginalized populations and on the drivers of fragility. It seeks to augment IFAD's role within the international aid architecture and use strategic partnerships to complement engagement with governments.

3. In a context of increasing global uncertainty and crises, directions taken in IFAD12 can set the institution on course to double its impact by 2030, annually raising the incomes of 40 million rural women and men, while increasing efficiency, sustainability and enhancing value for money.

4. The 10 key messages of the IFAD12 Consultation, as well as the main agreements on targets for increasing IFAD's financing, results and impact over the period 2022-2024, are summarized as follows.

Key message 1: IFAD has a critical role in supporting its Member States to achieve SDGs 1 and 2, which cannot be met without a focus on the rural poor.

5. Hunger is on the rise: the State of Food Security and Nutrition in the World (SOFI) 2020 report estimates that the number of people suffering from food insecurity reached nearly 750 million in 2019, with most of this increase linked to fragility, climate variability and extremes, and economic decline. Extreme poverty is increasingly concentrated in a small number of low-income countries (LICs) and in pockets in middle-income countries (MICs), although the bulk of rural poor people are still located in lower-middle-income countries. Across all countries, food insecurity and extreme poverty are most prevalent among highly vulnerable rural people, including women, youth, indigenous peoples and persons with disabilities. Rural people account for approximately three quarters of the world's poorest and most food-insecure.

6. The COVID-19 pandemic has triggered the largest global economic shock in decades and could lead to a "lost decade" for developing countries. The impact of this pandemic threatens to plunge an additional estimated 100 million people into extreme poverty and add up to 132 million people to the total number of undernourished in the world in 2020 alone. This pandemic has exposed weaknesses in food systems, including through disrupted supply chains. This situation is compounded by rising fragility and rapidly increasing climate-related shocks, whose effects are most severe for poor and marginalized rural people with less capacity to respond.

7. Increased and sustained investment in rural people is required to meet SDGs 1 and 2 and to deliver on the promise of the 2030 Agenda for Sustainable Development to "leave no one behind". As a specialized global development organization and fund exclusively dedicated to transforming agriculture, rural economies and food systems, IFAD has a pivotal role to play in ensuring that global development

financing – and developing countries' own resources – reach the rural poor. Through an inclusive approach, IFAD's investments target multiple priorities, helping poor rural communities adapt to increasing climate shocks and manage natural resources. They also improve rural women's economic empowerment, advance the nutritional status of rural people and create opportunities for rural youth. IFAD is a leader in the international agriculture and rural development architecture and complements the interventions of others working in the agricultural and rural space, filling a niche to serve those who would otherwise not be reached.

Key message 2: In the face of COVID-19 and other urgent global challenges, IFAD must double and deepen its impact.

8. The emerging impacts of the COVID-19 pandemic, together with more frequent climatic and socio-economic shocks, highlight the need for increased financial investment in recovery, rebuilding and resilience. This increased investment must urgently look beyond emergency assistance to address the escalating negative socio-economic impacts on the world's poorest and most vulnerable. Demand for official development assistance, particularly in the rural sector, is expected to significantly increase due to the current pandemic, while projections show a widening financing gap to reach SDGs 1 and 2, with the latest estimates indicating that donor governments need to double their current spending on food security, accompanied by an additional US$19 billion per year from low- and middle-income countries' own budgets, to end hunger by 2030.[1]

9. IFAD is poised to contribute more to building the resilience of rural communities and strengthening food systems, with a focus on protecting livelihoods and development gains. Based on high demand from its Member States, IFAD's response to the COVID-19 pandemic provides critical financial, technical, knowledge and policy support to protect the livelihoods of IFAD's target groups. This has demonstrated the Fund's relevance in enhancing the resilience of the rural poor.

10. The challenging global environment calls for significantly increased efforts to end extreme poverty and hunger and build resilience to future crises. By expanding and deepening its impact, IFAD can play a major role in these efforts. As governments enact their long-term recovery plans, IFAD can help ensure that efforts are inclusive and address the needs of those most at risk of being left behind, particularly marginalized groups in rural areas, and that structural weaknesses in food systems are addressed so that when the next crisis strikes, food systems and rural livelihoods are protected. IFAD draws on its experience from working in fragile and post-emergency situations and its extensive network of valued partners at the country level – governments, farmers' organizations and other rural civil society organizations and the private sector – to provide tailored support to countries in building a more sustainable and inclusive future for rural people.

11. Currently, IFAD's operations are enabling 20 million people to increase their incomes by at least 20 per cent every year.[2] However, with the support of its Member States, IFAD has the potential to double this impact by 2030, reaching 40 million people per year, and to significantly deepen it. Deepening impact means increasing ambition on IFAD's mainstreaming themes; targeting the poorest and most vulnerable rural people, including indigenous peoples and persons with disabilities; focusing on the poorest countries and fragile situations; and ensuring that each beneficiary experiences greater and more sustainable improvements in production, income, nutrition and resilience. This can be accomplished by incrementally increasing the Fund's impact over the coming three replenishment

[1] Ceres2030: Sustainable Solutions to End Hunger, https://ceres2030.org/
[2] Based on the IFAD10 impact assessments which took into consideration a programme of loans and grants of US$3.2 billion and programme of work of US$7 billion.

cycles, with a target of approximately 28 million people per year with increased income during IFAD12. It will require more diversified resources, enhanced focus on systemic change, and working with an expanded set of partners.

12. To deliver on expanded and deepened impact and maximize the Fund's contributions to the SDGs, the IFAD12 business model aims to deliver a more comprehensive financial, policy-oriented and programmatic package that works in a synergistic manner to foster systemic change. This involves consolidating IFAD's country-level programmatic approach, while strengthening its ability to assemble and deploy finance through different instruments, with country strategic opportunities programmes (COSOPs) playing a critical integrating role, ensuring synergies and coordination.

Key message 3: IFAD has a leadership role in ensuring that global climate finance reaches small-scale producers and rural poor people, and that its focus on gender, nutrition, youth, indigenous peoples and persons with disabilities drives deeper impact.

13. IFAD's mainstreaming of priority themes will be central to its programmatic country approach during IFAD12 and will deepen its sustainable impact. Efforts will also be made to enhance the strategy, initiated in IFAD11, of strengthening linkages between the mainstreaming themes of environment and climate, gender, youth and nutrition.

14. Climate is critically interrelated with agriculture. Increasing climate variability threatens the lives and livelihoods of rural people, the majority of whom are dependent on natural resources. With IFAD's strong targeting of the poorest people, particularly small-scale producers, in the hardest to reach areas, based on its experience, the Fund is uniquely placed to ensure that rural communities receive the support and financing they need to adapt to the threats posed by climate change. At the same time, rural people are often stewards of natural resources, therefore investments in their livelihoods offer opportunities to mitigate climate change and preserve biodiversity. During IFAD12 the Fund will support Member States in their efforts to implement their national climate-related actions plans, including their nationally determined contributions (NDCs), in their follow up to international climate agreements, including principally the Paris Agreement.

15. In IFAD12, efforts to address environment and climate issues and to facilitate social inclusion will be expanded. There will be an enhanced focus on climate finance in IFAD's investment projects, an increased target for climate finance to constitute 40 per cent of the IFAD12 programme of loans and grants (PoLG), and 90 per cent of projects will aim to include activities that build climate-related adaptive capacity across multiple dimensions (e.g. increasing incomes, improved access to productive resources, empowerment of vulnerable groups). This will contribute to increasing the resilience of 28 million people. The enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) financing will be in addition to this, and will constitute 100 per cent climate finance. ASAP+ will make it possible to direct targeted resources towards building climate resilience among small-scale producers in the lowest-income countries. IFAD will also increasingly partner with climate finance vehicles such as the Global Environment Facility (GEF), Green Climate Fund (GCF) and Adaptation Fund (AF) to complement other IFAD investments. The Fund will also embed biodiversity considerations into its operations as part of its environmental and climate assessment, and help small-scale producers leverage agrobiodiversity for development gains (e.g. improved nutrition), while contributing to global conservation efforts. Specific initiatives focused on promoting agrobiodiversity will be developed to improve management and restoration of water or land ecosystems, leveraging ASAP+ to increase resources and strengthen partnership. This will be part of IFAD's broader efforts to enhance its focus on agrobiodiversity as an important means to increase the

productivity of small-scale farmers and improve the nutritional value and climate resilience of crops.

16. IFAD will continue to advance social inclusion through its investments, focusing on transformative change for gender equality and women's empowerment, nutrition, youth and youth employment, indigenous peoples and persons with disabilities. During IFAD12, IFAD will ensure that 35 per cent of the projects it finances are gender-transformative at design, addressing the root causes of inequalities. The Fund will continue to measure its impact on the nutritional status of rural people at an institutional level, and will ramp up its focus on rural youth, ensuring that 60 per cent of new investment projects explicitly prioritize youth and youth employment. It will update its targeting policy, renew its indigenous peoples strategy, and ensure that at least 10 new projects during IFAD12 include indigenous peoples as a priority target group. IFAD will integrate explicit targeting of persons with disabilities within its portfolio, developing a strategy to prioritize and inform interventions and ensure that at least five projects designed during IFAD12 include persons with disabilities as a priority target group.

Key message 4: IFAD will enhance its focus on addressing the drivers of fragility.

17. An estimated 80 per cent of the world's extremely poor people will live in fragile situations by 2030. Fragile situations disproportionately affect the most vulnerable people and communities, including women and girls, and persons with disabilities, and are a major driver of migration and humanitarian crises. They can have severe consequences for agricultural production and livelihoods, as populations lose access to the resources needed for production.

18. IFAD fills a particular niche in fragile situations, complementing relief efforts with a focus on longer-term recovery and resilience of rural populations, helping to protect and restore their livelihoods. Its particular focus areas build on its expertise in ensuring climate adaptation and mitigation support to small-scale producers, addressing gender equality and women's empowerment and strengthening rural institutions, food security, and natural resource management.

19. IFAD's ability to address the underlying causes of extreme poverty and food insecurity in fragile and conflict-affected areas requires refinement during IFAD12. This will be informed by a review of engagement in fragile situations in IFAD12, building on emerging lessons from the implementation of the Strategy for Engagement in Countries with Fragile Situations and the Special Programme for Countries with Fragile Situations, and with a view to improving IFAD's performance in building resilience, reducing humanitarian needs, and engaging effectively in conflict-affected situations. Priority areas for action include the expanded use of fragility assessments in fragile contexts as well as the use of existing and new tools to adapt to the needs of countries in fragile situations and ensure availability of resources to support stronger IFAD engagement. Interventions will be tailored to the specific conditions in fragile and conflict-afflicted countries and regions, and initiatives for enhanced engagement in the Sahel and Horn of Africa will be developed, with a view to increasing resources and strengthening collaboration with partners. During IFAD12, the Fund will also ensure that at least 25 per cent of core resources continue to be dedicated to fragile situations.[3] A new strategy will also be developed to guide IFAD's engagement in Small Island Developing States.

Key message 5: Investments through IFAD's core resources will focus on the poorest countries.

20. In line with IFAD's special mandate to leave no one behind, its resources must continue to prioritize the poorest. During IFAD12, 100 per cent of IFAD's core

[3] This will be measured against the World Bank harmonized list: "FY20 List of Fragile and Conflict-affected Situations", http://pubdocs.worldbank.org/en/179011582771134576/FCS-FY20.pdf.

resources, which enable IFAD to provide financing at the most concessional terms, will be devoted to meeting the needs of the poorest countries – LICs and lower-middle-income countries (LMICs). In line with their critical importance as Members of IFAD and development partners, and to extend benefits for the rural poor, upper-middle-income countries (UMICs) will receive from 11 to 20 per cent of IFAD’s PoLG through access to borrowed resources.

21. In IFAD12, the approach for allocating financing will be adjusted to better support countries’ development needs. While the allocation of core resources will continue to be governed by IFAD’s performance-based allocation system (PBAS), access to borrowed resources is proposed to be governed by a new mechanism, with principles and eligibility criteria to be agreed by the Executive Board . The combination of these two mechanisms would ensure provision of diversified support for countries’ changing needs.[4] IFAD will ensure that 55 per cent of core resources are allocated to Africa, including 50 per cent to sub-Saharan Africa, which is an increase over the historical allocation shares.

Key message 6: Stronger policy engagement and strategic partnerships will underpin IFAD’s efforts to expand and deepen impact

22. With the right policies and investments, agriculture could unlock an extra US$2 trillion in rural growth. Much of this growth could benefit small-scale producers in developing countries. To realize the opportunities agriculture has to offer, the sector needs to be transformed to enable it to operate sustainably and ensure that small-scale producers can access markets and become successful and profitable while also delivering food and nutrition security. IFAD has a key role.

23. Strategic partnerships – those aligned with achieving development results – underlie all of IFAD’s efforts and enable it to achieve catalytic impact. IFAD’s partnership approach begins with the close alignment of its country programmes with national priorities, which requires strong partnerships with government and other development actors in-country, including other multilateral, bilateral and non-state actors.

24. IFAD plays a crucial role in assembling development finance for agriculture and rural development, and its strategic partnerships in-country have proved critical for leveraging cofinancing that brings additional financing for the benefit of IFAD’s target group. Despite constraints in global development financing, IFAD will continue to focus on mobilizing cofinancing to expand impact for the rural poor, increasing the cofinancing target to 1:1.5 for the IFAD12 period.

25. IFAD also benefits from the generation and sharing of knowledge, innovation and strengthened policy engagement at the global and country level through partnerships with a variety of strategic actors. This includes other United Nations organizations, multilateral development banks (MDBs) and bilateral donors, as well as with farmers’ organizations, with whom IFAD has a long history of joint advocacy and policy engagement, and key private sector actors, with whom IFAD can now partner directly through a range of tools. IFAD’s approach to South-South and Triangular Cooperation (SSTC) will also be mainstreamed as a key tool across the portfolio during IFAD12, with fresh approaches articulated in a new SSTC strategy.

Key message 7: Transformational country programmes will be the core vehicle to deliver results for the rural poor in IFAD12.

26. During IFAD12, IFAD will strengthen its support to countries in meeting their most pressing challenges related to food insecurity, rural poverty, climate shocks and fragility. This will entail enhancing its country presence and offering tailored

[4] While the new access mechanism is subject to approval by the Executive Board, delivering on the commitment that UMICs will receive from 11 to 20 per cent of the IFAD12 PoLG through access to borrowed resources, and other elements of the agreed way forward on graduation, are not dependent on the approval of the new mechanism.

programmes that help countries deliver on their development priorities, and respond to specific needs and opportunities.

27. Underlying this tailored, programmatic approach will be the application of more adaptive management practices, focused on learning, which will respond and evolve as risks or shocks emerge that could undermine development objectives and outcomes. To maximize impact for beneficiaries, IFAD will also improve portfolio management, prioritizing action on areas where progress has stalled, notably through a focus on project-level efficiency, project-level monitoring and evaluation (M&E) and sustainability of benefits, and will develop action plans that set out a course for improvements in each area, and identify appropriate indicators for monitoring and reporting on such improvements.

28. IFAD will also focus on areas that can bring about catalytic impact in IFAD12. For example, it will increase the emphasis on policy engagement as a means of promoting systemic change for IFAD's target groups, and on facilitating and integrating innovations in approaches and technologies throughout the portfolio. Concretely, IFAD will explore innovative approaches to scale up policy engagement and consolidate outcome-level data on policy at the country programme level. It will also develop an operating model and guidelines for innovation, and ensure that 50 per cent of COSOPs and country strategy notes (CSNs) approved in IFAD12 identify information and communication technology for development (ICT4D) opportunities and that at least five projects integrate ICT4D or digital agricultural approaches.

29. While results on the ground are still primarily achieved through the PoLG, significant additional funds are required to meet SDGs 1 and 2 and the evolving needs of Member States. IFAD is therefore leveraging its core resources to crowd in additional financing and capabilities in support of its development objectives during IFAD12. A Private Sector Financing Programme (PSFP) will offer a new instrument to catalyse private funding for rural micro, small and medium-sized enterprises (MSMEs), focusing on generating employment for youth and women, and working directly with a new suite of private sector actors. ASAP+[5] will scale up IFAD's ability to channel critical additional climate financing to small-scale producers, allowing IFAD to complement its PoLG through additional high-impact interventions. A refocusing of the IFAD regular grants programme will provide catalytic complementary financing for non-lending activities that create an enabling environment for scaling up, including through policy engagement, knowledge and partnerships, particularly with rural civil society organizations. A new grant financing policy will be brought to the Executive Board for approval prior to the initiation of IFAD12.

Key message 8: Transformational country programmes will be delivered through enhanced institutional capacity and appropriate financing.

30. IFAD12 will focus on consolidating recent institutional changes to enhance the delivery of transformational results and on ensuring the right capacities to deliver the services, products and expertise required by Member States. Concretely, IFAD will extend its level of decentralization to around 45 per cent as a necessary measure to improve country-level delivery, while at the same time optimizing its efficiency ratio. It will also strengthen its technical expertise, ensuring that it remains a partner of choice for excellence in the domain of agriculture and rural development. IFAD will continue its efforts to prevent and respond to sexual harassment, sexual exploitation and abuse (SH/SEA), including through the

[5] ASAP+ is one of three key pillars forming the Rural Resilience Programme (2RP), a global umbrella programme that will focus on alleviating the climate change drivers of food insecurity, irregular migration and land degradation. The 2RP is composed of: ASAP+; the Initiative for Sustainability, Stability and Security in Africa (3S Initiative), and the GCF-supported Great Green Wall Initiative (GGWI).

development of biennial IFAD action plans, in line with efforts across the United Nations system. Finally, IFAD will strengthen anti-racism efforts in response to the United Nations Secretary-General's call, and in line with the recent joint statement by the three heads of the Rome-based agencies to "work together to root out racism and discrimination within our own organizations and beyond".[6]

Key message 9: IFAD will consolidate its financial reforms to continue strengthening its financial architecture and maximize financing to all clients.

31. Recent financial reforms – including the reform of the Debt Sustainability Framework (DSF), Capital Adequacy Policy, Liquidity Policy, resources available for commitment approach and Asset and Liability Management Framework – along with the Integrated Borrowing Framework (IBF) will be fully effective in IFAD12. These form the basis of a more comprehensive institutional financial structure and risk framework, oriented at both maintaining long-term financial sustainability and contributing to international efforts to consolidate sustainable development financing for borrowers.

32. As in previous replenishment cycles, core replenishment resources will remain the bedrock of IFAD's financing: only replenishment resources allow IFAD to finance the poorest, most indebted countries that are at the heart of its mandate. In IFAD12, borrowing will play a larger role in order to increase financing to all eligible countries and expand the impact of investments. Achieving the targeted PoLG levels requires diversified funding sources and Members' support for sovereign borrowing. The IBF is key to expanding IFAD's lender base and the borrowing instruments at IFAD's disposal.

Key message 10: IFAD is ready to step up its impact in IFAD12, but this requires increased financial support from Member States.

33. Increasing impact and closing the financing gap to end poverty and achieve zero hunger requires increased financial resources. For IFAD to fulfil its mandate and increase its contribution to the SDGs, a mix of higher core replenishment contributions, leveraging of existing resources through borrowing, additional financing from thematic initiatives such as climate finance and support from non-state actors, including the private sector and foundations, will be necessary.

34. Core replenishment contributions are the foundation of these efforts. Only the achievement of the highest two replenishment scenarios – scenarios D (US$1.55 billion) and E (US$1.75 billion) – will allow IFAD to maintain its level of assistance to the poorest, most indebted countries. Member States' additional contributions to the PSFP and ASAP+ are also critical to expanding IFAD's reach and impact. Only the highest two scenarios, along with strong contributions to the PSFP and ASAP+, are consistent with the objective of doubling IFAD's impact by 2030. This strong, joint effort is necessary to maximize support to the rural poor people served by IFAD's financing and to help deliver on the objectives of the SDGs.

[6] https://www.ifad.org/en/web/latest/speech/asset/42118158.

Table 1
Summary of key IFAD12 commitments and targets

Theme/area	*IFAD12 commitments and targets*
Outreach	127 million people receiving services promoted or supported by the project
Impact[7]	68 million people with increased income 51 million people with improved production 55 million people with improved market access 28 million people with greater resilience 11 million people with improved nutrition
Outcomes and outputs	1.9 million hectares of land brought under climate-resilient management 3.25 million people trained in production practices and/or technologies 19,000km of roads constructed, rehabilitated or upgraded 22.5 million people access financial services 900,000 rural enterprises accessing business development services 3.1 million people trained in income-generating activities/business management Number of beneficiaries with new jobs/employment opportunities (tracked) 6 million people provided with targeted support to improve their nutrition 11,500 groups supported to sustainably manage natural resources and climate-related risks 1 million members of rural producers' organizations supported
Operations	Ensure that at least 10 new projects include indigenous peoples as a priority target group Ensure that at least five new projects include persons with disabilities as a priority target group Develop specific initiatives for enhanced IFAD engagement in the Sahel and Horn of Africa Increase cofinancing ratio to 1:1.5 Expand the SSTC Trust Fund 50% of COSOPs integrating private sector interventions 90% of projects designed to build adaptive capacity Ensure that at least five projects integrate ICT4D or digital agricultural approaches Develop and implement action plans on project-level M&E, project-level efficiency, and sustainability of results
Financing and resource allocation	100% of core resources to LICs and LMICs 11-20% of PoLG to UMICs 40% of PoLG climate-focused 50% of core resources allocated to sub-Saharan Africa 25% of core resources allocated to countries with fragile situations Establish ASAP+ and PSFP and present a proposal for establishment of an access mechanism for borrowed resources
Strategies/polices/approaches	Present a strategy on biodiversity to the Executive Board Present a strategy for persons with disabilities to the Executive Board Develop a new strategy for IFAD's engagement in Small Island Developing States Review IFAD's engagement in fragile situations Update IFAD's scaling-up strategy Present a graduation policy for approval to the Executive Board
Institutional	40% of women in P-5 posts and above Increase decentralization from 32% to 45% of staff Develop biennial IFAD action plans to prevent and respond to SH/SEA aligned with United Nations Sustainable Development Group strategies and best practices

[7] Excluding ASAP+ and PSFP.

Report of the Consultation on the Twelfth Replenishment of IFAD's Resources

Introduction

1. Every three years, IFAD's Member States assemble to review the Fund's performance, agree on future strategic direction and priorities, and replenish its financial resources. This process is known as the replenishment consultation.

2. At its forty-third session in February 2020, the Governing Council established the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12). The Council requested that the Consultation submit a report on the results of its deliberations to the forty-fourth session in February 2021. Representatives of IFAD's Member States met during 2020, including in virtual sessions, and finalized and endorsed this report on 11 December 2020.

3. Members of the IFAD12 Consultation acknowledged that IFAD is making a unique and critical contribution to the 2030 Agenda and its SDGs through its strong focus on promoting rural transformation and empowering extremely poor and food-insecure rural people. They noted that IFAD's investments achieve impact, reaching 132 million beneficiaries in 2019, and leading to an annual estimated increase in production for 15 million small-scale producers and significantly increased incomes for 20 million rural women and men.[8]

4. With 10 years until the completion date of the SDGs, it was agreed that IFAD's ambition must be to double its impact by 2030 while increasing efficiency and sustainability to enhance value for money. This means placing IFAD on a course to ensure that, by 2030, its investments increase the incomes of 40 million rural people annually. This requires a robust IFAD12 replenishment as set out in the financial scenarios in section VI of this report.

5. Consultation members acknowledged the important steps taken by IFAD in recent years to evolve from an organization that was predominantly project-focused to one that offers Member States comprehensive and tailored support to address food insecurity and rural poverty and to transform food systems so that they are inclusive, productive, resilient and sustainable. This evolution is captured in the proposed IFAD12 business model, which aims to deliver a more comprehensive financial, policy-oriented and programmatic package that fosters systemic change.

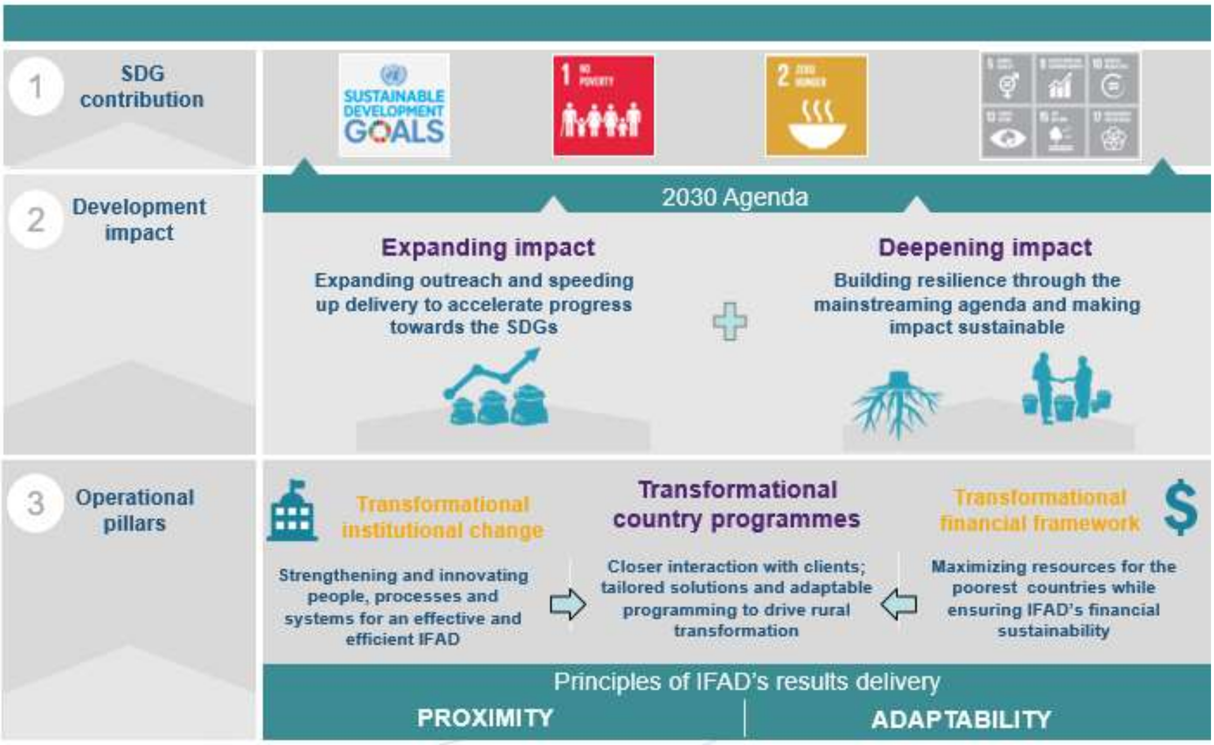
6. The organization and objectives of the proposed IFAD12 business model are captured in the theory of change depicted in figure 1. At the highest level – tier 1 – IFAD will maintain its ambition of making a significant contribution to SDGs 1 and 2 and supporting the achievement of other SDGs such as those focused on gender equality and women's empowerment (SDG 5), decent work and economic growth (SDG 8), and climate (SDG 13). In the second tier, IFAD's development impact for the 2030 Agenda is focused on expanding and deepening impact, accelerating delivery and building resilience.

7. In the third pillar, operational results, IFAD12 prioritizes transformational country programmes. This envisages closer partnership with an array of clients, a deepened approach to mainstreaming, and a wider menu of solutions, including the introduction of new innovative financing instruments such as ASAP+ (within the overall Rural Resilience Programme framework) and PSFP. To ensure that IFAD is positioned to support transformational country programmes, efforts will continue to consolidate institutional transformation (people, processes and systems) and financial transformation (ensuring financial sustainability while maximizing

[8] IFAD: Report on IFAD's Development Effectiveness 2020.

resources for the poorest countries) to facilitate a deepening and doubling of impact.

Figure 1
Theory of change for IFAD12



8. Two key principles underpin the IFAD12 business model to ensure increased and deeper impact and to support the recovery, rebuilding and resilience of poor and vulnerable rural people. The first is **proximity**. This will include the further decentralization of staff from 32 per cent to up to 45 per cent to regional hubs and stand-alone IFAD Country Offices. The second, facilitated by proximity, is the need for IFAD to adopt an **adaptive approach** to "doing development". Adaptive management approaches emphasize the ability to learn, respond and adapt.

9. Consultation members are confident that IFAD can achieve these ambitious goals based on its strong track record of delivering results. Presently, IFAD operations benefit over 132 million rural people. Annually, IFAD assists over 20 million rural poor people to increase their incomes by at least 20 per cent by improving their productivity, food security and nutrition as well as their climate resilience. As a development fund exclusively dedicated to serving the poorest and most vulnerable rural populations, IFAD has developed a unique wealth of experience and expertise in building resilience, creating socio-economic opportunities and delivering impact in remote geographies where other agencies rarely go.

10. This report summarizes the conclusions of the IFAD12 Consultation process and reflects guidance provided by its members. The report is divided into the following sections: (i) the overall context for the IFAD12 Consultation; (ii) IFAD's comparative advantage; (iii) and (iv) the main elements of the IFAD12 operational business model; (v) the agreed institutional framework; (vi) the agreed financial framework; (vii) the IFAD12 Results Management Framework and matrix of commitments and monitorable actions; and (viii) arrangements for the midterm review of IFAD12 and the IFAD13 Consultation.

I. Context

11. **In recent years, economic slowdowns, conflicts and climate-related shocks have set back the work to end poverty and hunger by 2030.** Significant progress in reducing extreme poverty and food insecurity has been made in recent decades, however, this trend began to reverse some years ago.[9] The SOFI 2020 report estimates that the number of people suffering from food insecurity reached nearly 750 million in 2019, while the number of hungry people increased by nearly 60 million in 2019 with respect to 2014.[10] Most of this increase occurred in LICs and LMICs and is linked to fragility, climate variability and extremes, and economic decline. Extreme poverty is also increasingly concentrated in a number of LICs (just over 30 countries) and in pockets of extreme poverty in MICs.

12. **Progress is further threatened by the emergence of the COVID-19 pandemic.** The social and economic impacts of this latest shock and the subsequent restrictions of movement are substantial and likely to continue in the medium term, with devastating consequences for the poorest and hardest to reach. Already over-represented among the poorest population, rural people located far from the reach of government interventions are likely to suffer most.

13. **Achieving the SDGs by 2030 depends on increased and sustained investment in rural areas, where extreme poverty and hunger are concentrated**. Rural people account for approximately three quarters of the world's poorest and most food-insecure people. Across all countries, food insecurity and extreme poverty are most prevalent among highly vulnerable groups in rural areas (including women, youth, indigenous peoples and persons with disabilities).

Emerging impact of COVID-19

14. **The COVID-19 pandemic has triggered the largest global economic shock in decades.** The latest International Monetary Fund (IMF) and World Bank estimates indicate that the COVID-19 pandemic and related restrictions have already plunged many countries into deep recession.[11] With more than 90 per cent of developing economies projected to register negative per capita income growth in 2020, the repercussions will be particularly acute for the poorest and most vulnerable populations living in extreme poverty.[12] The IMF indicates that "without help, low-income developing countries risk a lost decade" as a result of the multiple shocks triggered by the pandemic.[13]

15. **Global poverty is likely to substantially increase.** The World Bank estimates that the effects of the pandemic could shift an additional 100 million people into extreme poverty (see figure 2),[14] of whom 39 million will likely be in sub-Saharan Africa and 42 million in South Asia (see figure 3). These estimates are particularly concerning for the Democratic Republic of the Congo, India and Nigeria – three countries that together are home to more than a third of the world's poor and where IFAD has significant country programmes.

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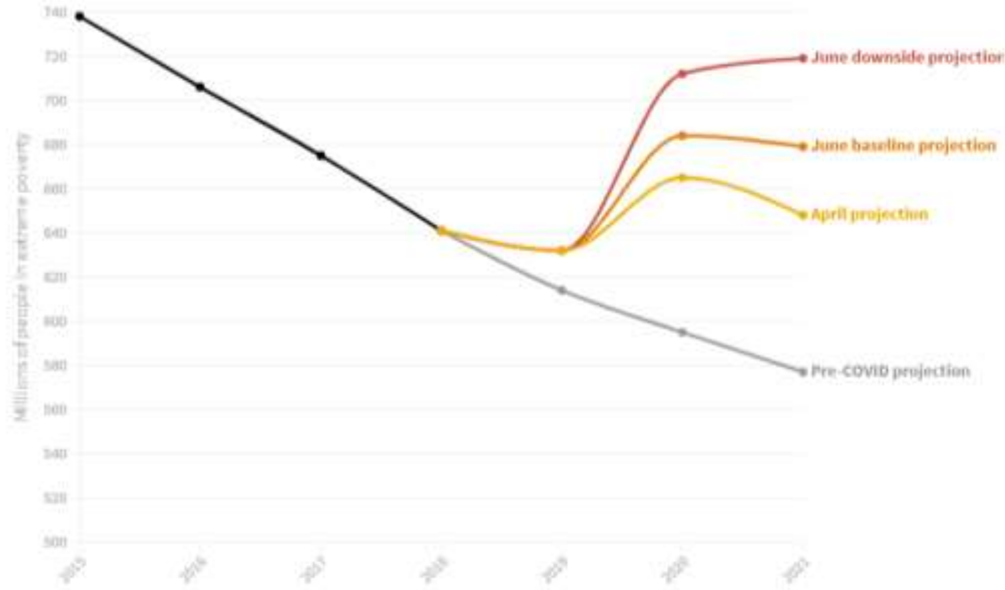
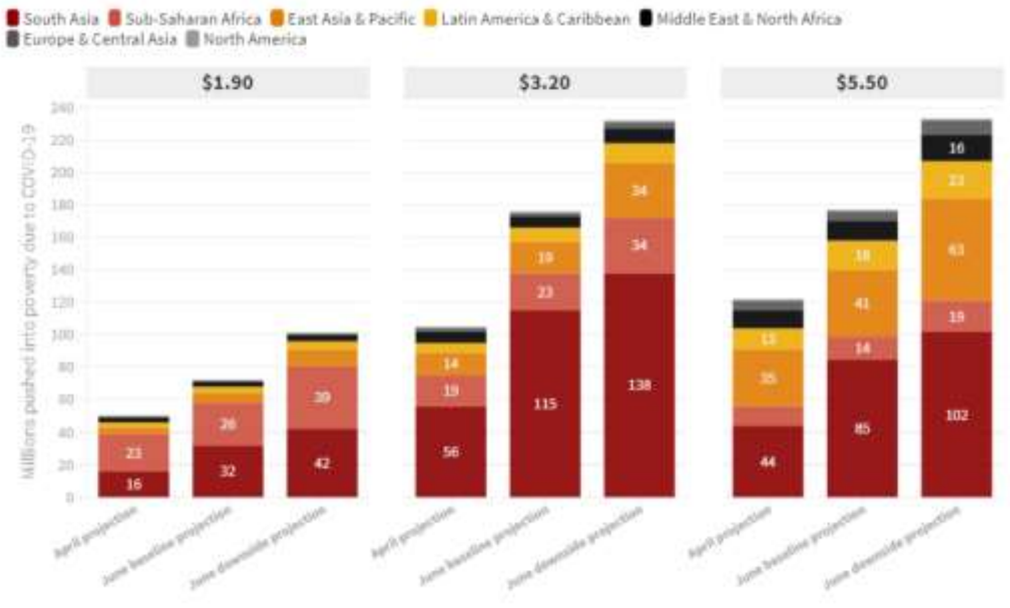
[9] The State of Food Security and Nutrition in the World 2017.
[10] The State of Food Security and Nutrition in the World 2020.
[11] A World Bank Group Flagship Report, Global Economic Prospects, June 2020: https://www.worldbank.org/en/publication/global-economic-prospects.
[12] IMF, Word Economic Outlook Update, June 2020.
[13] IMF, https://blogs.imf.org/2020/08/27/covid-19-without-help-low-income-developing-countries-risk-a-lost-decade/
[14] Updated estimates of the impact of COVID-19 on global poverty: https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty.

Figure 2
The potential impact of COVID-19 on global poverty



Source: Lakner et al (2020), PovcalNet, Global Economic Prospects. • Extreme poverty is measured as the number of people living on less than $1.90 per day.

Figure 3
Regional distribution of COVID-19 impact on poverty levels



Source: Lakner et al. (2020), PovcalNet, Global Economic Prospects

16. **Constraints related to COVID-19 are likely to increase debt sustainability risks in LICs, further constraining governments' ability to respond**. Prior to the onset of the COVID-19 pandemic, 48 per cent of LICs were assessed as being at high risk of external debt distress or in debt distress in 2019 – double the number of 2013.[15] As global growth slows or contracts, the knock-on effects for debt sustainability in countries with high or moderate debt distress could be significant. The World Bank and IMF have asked bilateral creditors to suspend debt payments for International Development Association countries who request it;

[15] IFAD11 Midterm Review.

ministers of African governments have voiced the need for an emergency economic stimulus of US$100 billion, US$44 billion of which they suggest come from suspension of interest payments on debt.[16]

17. **Small-scale producers and other vulnerable populations face disproportionate risks from the COVID-19 pandemic.** Experience from other health-related crises – for example, the recent Ebola outbreak in Africa – suggests that poor and vulnerable people, such as rural women and children, will be disproportionately affected by the pandemic. Poor and vulnerable rural people have less capacity to deal with shocks. For example, small-scale producers have limited assets and savings to cope with disruptions to incomes. Small-scale farming households increasingly rely on diverse sources of income such as labouring and remittances. These income streams are now at risk, which leaves households with insufficient income to cover basic needs and to invest in farming inputs. Small-scale farmers are highly dependent on MSMEs as intermediaries for marketing and input supply and often credit; if this network of food system business is disrupted there will be significant flow-on effects for small-scale famers and rural economies.

18. **The social and economic impacts of COVID-19 further threaten efforts to eradicate hunger.** The outbreak of COVID-19 is compounding the effects of conflicts, climate and natural disasters and the arrivals of pests and plagues, posing even greater threats to global food security. The SOFI 2020 report estimates that the pandemic may add between 83 million and 132 million people to the total number of undernourished in the world in 2020, with potential devastating impacts for vulnerable population groups and rural communities in particular. The report also reveals that more than 3 billion people globally are unable to afford healthy diets. This is a challenge in rural areas where incomes are often lower than in urban centres and seasonal availability of food is more pronounced.[17]

19. **At the heart of this impending food security crisis are failing food systems.** The pandemic has exposed the fragility of food systems. In many countries, food availability is being constrained due to supply chain disruptions, resulting in sharply reduced earnings for agriculture and food workers, leaving them with fewer resources to prepare for the next season.[18] In line with the 2030 Agenda, the 2021 Food Systems Summit will be a turning point in efforts to transform global food systems, as it focuses on the entire range of actors involved in feeding a population and the sectors that shape food systems to build resilience and sustainability along the value chains.

20. **There is a profound connection between the well-being of rural households, urban food security and food systems.** The livelihoods of a vast majority of rural people still rely on agricultural production or jobs in the food and agriculture sector. In parallel, the food security of urban populations largely depends on the work of small-scale farmers and rural communities. Keeping food available for both rural and urban populations and ensuring access to income to purchase food must be a key priority in responding to shocks and crises.

21. **At a global level, demand for development assistance will increase as a result of COVID-19**. Given the scale and economic repercussions of the current crisis, many governments are constrained in their ability to invest in long-term recovery efforts. They must triage their activities as they deal with over-burdened health systems and alternative ways of working. This often entails shifting the focus away from the very marginalized and vulnerable populations. External assistance beyond emergency support is necessary to avoid worsening the effects

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[16] https://www.uneca.org/stories/african-finance-ministers-call-coordinated-covid-19-response-mitigate-adverse-impact.
[17] Food and Agriculture Organization of the United Nations (FAO), IFAD, United Nations Children's Fund, World Food Programme, and World Health Organization, The State of Food Security and Nutrition in the World 2020: Transforming Food Systems for Affordable Healthy Diets (FAO, 2020).
[18] United Nations Secretary-General, Policy Brief: The impact of COVID-19 on Food Security and Nutrition, June 2020: https://www.un.org/sites/un2.un.org/files/sg_policy_brief_on_covid_impact_on_food_security.pdf.

of the crisis. Findings from the extensive three-year research project, *Ceres2030: Sustainable Solutions to End Hunger*, show that donor governments need to contribute an additional US$14 billion per year until 2030, accompanied by an additional US$19 billion investment from low- and middle-income countries every year to end hunger and double the incomes of small-scale producers in low- and middle-income countries.[19] At the same time, the preliminary findings from an ongoing study conducted by the Overseas Development Institute (ODI)[20] indicate growing demand for external assistance in agricultural and rural sectors in developing countries, particularly for concessional development finance.

22. **Agriculture and rural development remain critical pathways to deliver on sustainability and poverty reduction targets in a post-COVID scenario.** It is estimated that by 2030, with the right policies and investments, agriculture could unlock an extra US$2 trillion in rural growth.[21] Much of the growth could benefit small-scale producers in developing countries where agriculture is likely to be the main source of people's livelihoods for the next several decades. Here, agriculture has the potential to become a thriving and successful sector that creates jobs and provides economic and livelihood benefits; a resilient sector that can successfully manage the climate risks of today and tomorrow; and a sustainable sector that minimizes its environmental impacts. Ceres2030[22] recommends focusing interventions on empowering farmers, including by training and developing climate-resilient crops, ensuring food can get from farm to market, and protecting excluded social groups: all areas of direct relevance to IFAD's work.

Rebuilding, Recovery, Resilience – IFAD's coordinated COVID-19 response

23. **Beyond emergency: reinforcing the importance of investing in resilience.** The pandemic has highlighted the interconnectedness of economic, climatic and health shocks. It has reinforced the need to focus on the most vulnerable and marginalized people in rural areas and the importance of building resilience through sustained longer-term investment. Over the past months, the impact of COVID-19 on rural economies has required IFAD to respond with immediate financial, technical, policy and knowledge support to mitigate the worsening socio-economic impacts of the pandemic. This has again highlighted the need to ensure both the provision of necessary critical emergency support and investment in recovery, rebuilding and resilience efforts.

24. **Coordination and sequencing of IFAD's COVID-19 response.** In line with the United Nations Secretary-General's call for solidarity and the United Nations socio-economic response framework, IFAD's strategic response to COVID-19 brings together a coordinated range of activities to address immediate impacts of the pandemic on rural people, prevent the erosion of results and put in place the building blocks to support post-crisis recovery and long-term resilience. Based on demand from Member States as well as partners representing small-scale farmers at grass-roots levels, IFAD has coordinated a range of activities to mitigate the negative socio-economic impacts on rural people. In 2020/2021, under IFAD11, this has involved the provision of immediate recovery support through: (i) repurposing ongoing investments; (ii) establishing a rapid-response Rural Poor Stimulus Facility (RPSF) to address the immediate challenges faced by small-scale farmers; and (iii) providing policy and knowledge support. The escalating pandemic has changed the context for IFAD12 (2022–2024), necessitating a stronger focus on fragility, shocks, resilience and adaptive approaches to facilitate sustainable rural transformation.

[19] Ceres2030: Sustainable Solutions to End Hunger, https://ceres2030.org//.
[20] ODI 2020: Assessing external demand for public investment in inclusive and sustainable rural development.
[21] EIU research: US$2 trillion of new growth from rural economies possible by 2030.
[22] Ceres2030: Sustainable Solutions to End Hunger, https://ceres2030.org/.

25. **Urgent and increased financial investment is needed to avert a potential COVID-19-induced food crisis.** As indicated above, despite recognition of the large financing gap to achieve zero hunger by 2030, the financial resources available to help developing countries are a fraction of what is needed. COVID-19 has increased demand for concessional financing to support more public investment in inclusive and sustainable rural development.[23] COVID-19 accentuates this investment gap with billions of dollars of additional financing urgently needed to help prevent millions more people from becoming food-insecure.

26. **IFAD12 provides a framework for scaling up investment in response to COVID-19.** IFAD has a unique focus and experience in investing in inclusive and sustainable rural transformation. As a specialized organization established to address the food crisis of the early 1970s, IFAD can contribute to better recovery, building the resilience of rural communities and strengthening food systems, with a focus on protecting livelihoods and development gains within the context of the COVID-19 crisis.

27. **IFAD can amplify its impact, but this requires increased support from Member States.** This increased support must include higher replenishment contributions, but also leveraging existing resources by borrowing, by mobilizing financing from thematic funds (i.e. GEF, GCF, AF) and by sourcing funds from non-state actors, such as the private sector and foundations. With its expertise, IFAD is in the best position to assemble this finance and create synergies in efforts among national and international development partners to address food insecurity and rural poverty.

[23] ODI 2020: Assessing external demand for public investment in inclusive and sustainable rural development.

Box 1
COVID-19's impact on IFAD programmes and how IFAD is responding

In line with the United Nations Comprehensive Response to COVID-19, the RPSF aims to improve the food security and resilience of rural poor people by supporting production, market access and employment. The ultimate goal is to accelerate their recovery from the COVID-19 crisis.

Activities financed by the Facility must fall under one or more of the following pillars: (i) providing inputs and basic assets for production; (ii) facilitating access to markets; (iii) targeting funds for rural financial services; and (iv) promoting the use of digital services.

Financing may be provided in the form of additional components and activities for existing IFAD-financed projects or through stand-alone country or regional initiatives. Implementing partners can be existing project management units or other state and non-state institutions.

Examples of the ongoing and planned projects financed by this Facility, currently three regional and eight country-level initiatives covering 43 countries across Asia and sub-Saharan Africa, are provided below.

Multi-country financing (innovative or strategic regional initiatives

Asia Pacific
An innovative project is being implemented in the Asia and the Pacific region to support Asian farmers' organizations in mitigating the impact of COVID-19 on the livelihoods and food security of their members. It does so by providing agricultural inputs and supporting marketing through public-private-producer partnerships brokered or implemented by the farmers' organizations and equipping farmers' organizations to distribute food packages to highly vulnerable households.

Sub-Saharan Africa
In sub-Saharan Africa, a project will support African farmers' organizations in protecting local food systems. It aims to help adapt and restore food production through timely access to inputs, information, markets and liquidity, and ensure food security by disseminating information on food availability and safety.

Latin America and the Caribbean
In Latin America and the Caribbean, a project is being set up to simultaneously provide short-term COVID-19 support and promote longer-term rural development in the Plurinational State of Bolivia, Guatemala, Haiti, Honduras and Peru. It will do so by developing infrastructure, capacity and partnerships for digital training and advice, e-finance and e-commerce. The project will help ensure business continuity during the pandemic and accelerate the adoption of digital technologies across the region.

Country-level financing

Palestine (implemented through the Resilient Land and Resource Management Project)
This project aims to ensure that producers can meet requirements for the upcoming planting season and facilitate sales. It does so by focusing on bulk procurement and distribution of short-term inputs (seeds and fertilizers) to small-scale producers and supporting market access by facilitating clustering of agricultural products at village level and connecting farmers with market actors.

Rwanda (stand-alone project implemented by the Rwanda Agriculture and Animal Resources Development Board)
In Rwanda, the RPSF will finance a stand-alone project to protect crop production and income during and after lockdown, by providing seeds and fertilizer for maize, beans and potatoes. It will also support market access by purchasing grains to provide a guaranteed market and purchasing silos to be used for storage.

II. IFAD12 strategic direction and value proposition

IFAD's comparative advantage

28. **Amid a global pandemic and with economic, climate and food crises looming, IFAD plays a critical role in reaching the people at greatest risk of being left behind.** IFAD's mission is to transform rural economies and food systems by making them more inclusive, productive, resilient and sustainable. To do this, IFAD targets and invests in "the last mile" so as to reach the remotest areas and help millions of rural people increase their productivity and incomes, access markets, find jobs and build resilience to climate and other shocks. The Fund also supports them in developing improved coping mechanisms in fragile and conflict-affected environments, in strengthening their capacities and organizations, and in making sure their voices are heard. IFAD's special focus is on small-scale producers, including subsistence farmers, landless workers, women and youth, marginalized ethnic groups and victims of disaster and conflict. Particular attention is paid to sustainability and to safeguarding the natural resource base.[24] As the

[24] IFAD Strategic Framework 2016-2025.

effects of the pandemic threaten to increase the exclusion and vulnerability of rural communities, IFAD's mission has never been as important as it is today.

Box 2
Why IFAD?

SDG 2 requires more investment. For donors wanting to take the most direct route to ending hunger by 2030 the Fund plays a critical role because it focuses exclusively on investing in rural poor people **–** the populations who face the greatest risk of being left behind. It provides one clear channel to make long-term sustainable contributions to food security, rural poverty reduction, and inclusive and resilient food systems, while delivering significant co-benefits for gender, nutrition, youth and climate. IFAD has a compelling and unique value proposition based on its relevance, reach, results and returns on investment.

- **Relevance – Most of the world's poor and hungry live in rural areas and most of them work in agriculture.** IFAD's particular focus on agriculture and its decades of experience in targeting "the last mile" have helped millions of the world's poorest to increase their productivity, incomes and access to markets, create jobs, and strengthen their resilience to climate and other shocks, including those related to climate change. IFAD's target groups reflect the intersecting inequalities that make the pathway out of poverty particularly steep for socially excluded and disadvantaged groups such as the indigenous population, ethnic minorities, women, youth and persons with disabilities. In the context of COVID-19 and disruptions to food systems, investing in small-scale producers and targeting the most marginalized populations is more important than ever.
- **Reach – IFAD's investments benefit more small-scale producers than any other organization**.* IFAD's special long-term relationships with partner governments and rural civil society organizations, its predictable financing and deep reach into remote areas, its expertise and global portfolio all represent a unique contribution to achieving the SDGs. IFAD works in the most fragile and remote areas, with the most marginalized and vulnerable people, implementing innovative community-driven approaches to engage citizens in its operations. By investing in IFAD, Member States can help change the lives of those millions. The Fund's focus on inclusiveness complements the work of governments, the private sector and development-focused organizations.
- **Results – IFAD systematically measures impact and aggregates results across its entire portfolio**. Every year, IFAD-supported projects boost the production of 15 million small-scale producers and increase the sales revenues of another 16 million. At the same time, the Fund helps improve the resilience of 9 million project participants and raise the income of 20 million rural women and men by at least 20 per cent. IFAD catalyses public and private investment, helps strengthen policies and promotes innovation, thus producing sustainable benefits for countries and lasting rural and food system transformation. IFAD also adopts a unique approach to reporting impact at the corporate level, building on rigorous project-level evaluations
- **Return on investment – IFAD assembles finance to ensure that each Member State dollar translates into more than US$8 of investment on the ground.** As a development fund, IFAD leverages its capital base to ensure that Member States' financial contributions go much further. For every US$1 provided to IFAD, it invests, on average, US$3 in the world's poorest rural people. This multiplier effect enables IFAD to step up its role in the global effort to end extreme poverty and achieve zero hunger by doubling its impact by 2030. By helping to mobilize domestic financing, including in the form of loan repayments and cofinancing, IFAD bolsters and helps to direct countries' own investments where they are most needed.

* Based on analysis of results targets and reporting of other IFIs, United Nations agencies, and international organizations that target at least some of their investment towards small-scale producers in developing countries.

29. **IFAD is the world's global fund for investment in food and agriculture. It is exclusively devoted to transforming agriculture, rural economies and food systems**. Decades of experience have given IFAD profound expertise in facilitating rural development and fostering inclusive and sustainable economic and social transformation. Three quarters of the world's poorest and most food-insecure people live in rural areas, and agricultural growth is two to three times more effective than growth in any other sector against extreme poverty and food insecurity. IFAD stands out for its focus on financing inclusive growth through investments targeted at increasing the productive capacity of the poorest and most rural population. IFAD focuses on the development needs of the rural poor, with a long-standing emphasis on small-scale agriculture as a means to reducing rural poverty.[25] This means IFAD's efforts are critical to achieving the SDGs.

30. **IFAD is distinctive in its privileged, long-term relationship with its Member States. This enables the Fund to invest directly with small-scale producers and to involve poor rural women and men in their own development.** IFAD is an assembler of finance with strong financial leverage. IFAD funding attracts

[25] Scott Morris, Jessie Lu, 2019. "Lending Terms and Demand for IFAD Projects" CGD Policy Paper 160. Washington, D.C.: Center for Global Development. https://www.cgdev.org/publication/lending-terms-ifad-projects.

significant domestic cofinancing, while the Fund helps channel borrowing countries' own resources to the most vulnerable rural populations in places where investment is most needed.

31. **IFAD's reach far into remote areas, its expertise and its global portfolio contribute to multiple development results, including on climate, gender equality, youth, and nutrition.** For example, through ASAP, IFAD has directly supported small-scale producers adapt to climate variability and is now enhancing its focus on mitigation. It is also increasing its climate financing throughout its operations by obtaining further funds from the GEF, GCF and AF. In terms of gender equality, youth employment and nutrition, IFAD ensures that interventions reach the most vulnerable and marginalized.

IFAD's role in the international aid architecture

32. **IFAD recognizes that the current global aid architecture for food security and rural development can be strengthened, and that IFAD, given its mandate, must play a leadership role both globally and at the country level.** More can be gained if the various actors working in food security and rural development band together. Heterogeneity and fragmentation in the international aid architecture is a particular problem. While actors occasionally join forces, coordination mechanisms are frequently disjointed and ineffective in guiding progress towards the SDG poverty and food security targets. IFAD has a key role to play in resolving this coordination deficit.

    (i) **At the global level**, IFAD will do more to fill the coordination gap, using the SDG indicators as a common monitoring framework. IFAD already hosts the Global Donor Platform for Rural Development, the Farmers' Forum and the Indigenous Peoples' Forum, as well as other global organizations and initiatives.[26] During IFAD12, the Fund will leverage its partnerships and convening power to bring together key stakeholders to close the financing gap for SDG 2, building on recent success in increasing cofinancing, and establishing larger multi-donor programmes such as the RPSF and the 2RP, including ASAP+. Building on the Food Systems Summit, IFAD will champion efforts to translate outcomes of the Summit into coordinated action, particularly on SDG 2 financing. This will draw on the findings of recent SOFI reports and the Ceres2030 report, and aim to mobilize the funding required to end hunger by 2030 – leveraging traditional ODA, domestic funding and private sector resources, and ensuring that financing is delivered effectively and sustainably using evidence-based approaches, maximizing value-for-money and integrating relevant expertise across the system. IFAD also has a particular role to play in ensuring that climate finance reaches small-scale producers. Learning from the response to COVID-19, IFAD will support efforts to build sustainable, inclusive and resilient food systems that: (i) deliver decent work and livelihoods for farmers and food workers; (ii) secure high quality nutritious food for consumers; and (iii) contribute to addressing environmental and climate challenges. By aligning Results Management Framework (RMF) indicators with the SDGs and supporting common metrics, IFAD will further contribute to addressing the coordination deficit.

    (ii) **At the country level,** IFAD can leverage its unique hybrid institutional nature, broad network of partnerships, expanded toolkit and greater country presence to improve coordination of investments in food systems and food security by IFIs and United Nations system partners. IFAD's COSOPs and engagement in country-level donor coordination mechanisms – from agricultural sector working groups to the United Nations country team – provide opportunities for IFAD to act as an integrator, bringing partners

[26] Including the International Land Coalition, the Smallholder and Agri-SME Finance and Investment Network, and the Platform for Agricultural Risk Management.

together to finance national agricultural strategies and development plans, ensuring close engagement with farmers' organizations, other civil society partners and the private sector.

33. **IFAD's targeted investments complement the work of other development partners and make a unique contribution to the global aid architecture.** Large development institutions such as the World Bank and regional development banks also channel resources into agricultural and rural development. But agriculture accounts for only a small fraction of their global portfolios (5 to 10 per cent for the World Bank).[27] IFAD's focused mandate means that it is second only to the World Bank among international financial institutions (IFIs) in terms of investments in food security, reaches more vulnerable small-scale producers than any other international organization, and invests in agriculture in every country where it has an active country programme – for many Member States, IFAD is the largest and most consistent source of multilateral funding in this sector.[28] It stands out because of its particular focus on remote rural areas, grass-roots institution-building, bottom-up participatory resource allocation methods and targeting of marginalized populations. At the same time, the policy support, data collection, technical assistance, and normative work undertaken by multilateral and regional development banks, FAO, World Food Programme and others, complement IFAD's investments and strengthen IFAD's own unique value proposition. Building on its partnerships such as that with the CGIAR network, IFAD has an important role in scaling up agricultural research results and innovative science-based and evidence-based approaches relevant to its target groups, while using its global engagement to build international support for research relevant to the needs of small-scale producers, and the contexts in which they work.[29]

34. **In the area of climate adaptation, IFAD has a long-standing role in channelling adaptation finance to people and places otherwise neglected**, with 34 per cent of its entire 2019 programming focusing on climate finance, and having established the world's first dedicated fund for smallholder climate adaptation – the Adaptation for Smallholder Agriculture Programme. Through both its sovereign and its non-sovereign operations, IFAD facilitates private sector investment in rural areas while empowering rural people, helping to create more dynamic rural economies. As highlighted in a recent external assessment,[30] IFAD has a unique role to play in country-level policy engagement, bringing expertise on questions about the policy enabling environment and a unique voice in global debates. The recent reforms to its financing model – combined with its overarching mandate to target the rural poor – puts the Fund in a strong position to shape national agendas for the often-neglected populations.

35. **IFAD has a strong track record in mobilizing cofinancing to enhance coordination and expand impact.** To date in IFAD11, IFAD has mobilized US$1.8 billion in international cofinancing, and US$1.8 billion in domestic cofinancing, against US$2.0 billion in IFAD's own approved financing (as at 30 October 2020). This cofinancing ratio of almost 2 dollars in cofinancing for every dollar of IFAD financing shows how effective IFAD has become in working with different partners and financiers and driving coordinated investments at the country level. IFAD brings its comparative advantage to these investment partnerships: partners focus on the agriculture sector as a means of promoting development and reducing poverty, IFAD focuses on the development needs of the

[27] Kharas, H. et al., *Ending Rural Hunger: Mapping Needs and Actions for Food and Nutrition Security* (Washington, D.C., Brookings Institution, 2015).
[28] Based on analysis of results targets and reporting of other IFIs, United Nations agencies, and international organizations that target at least some of their investment towards small-scale producers in developing countries.
[29] IFAD's approach in this regard in IFAD12 will be determined taking into consideration the new grant policy.
[30] Scott Morris, Jessie Lu, 2019. "Lending Terms and Demand for IFAD Projects" GGD Policy Paper 160. Washington, D.C.: Center for Global Development. https://www.cgdev.org/publication/lending-terms-ifad-projects

rural poor, with a long-standing emphasis on small-scale agriculture as a means to reducing rural poverty.[31] The World Bank, African Development Bank and Asian Development Bank account for US$1.18 billion of the international cofinancing, highlighting strong complementarity between IFAD and the major multilateral development banks. However, IFAD has also partnered with a wide range of other organizations from the OPEC Fund for International Development (OFID) and the European Investment Bank (EIB) to GEF, GCF, and the Adaptation Fund, as well as United Nations agencies such as WFP, UNDP and FAO, and bilateral partners, demonstrating IFAD's central role within the global SDG 2 financing architecture.

36. **IFAD contributes to the realization of SDG 2 beyond its operational activities**. IFAD’s Strategic Framework 2016-2025 indicates that “IFAD’s role at the country level will be complemented by a stronger, yet focused, role at the global level”. IFAD’s proactive engagement in global policy processes is key in advancing inclusive rural transformation.

37. **IFAD has stepped up its global advocacy and policy engagement.** It has forged public-private strategic alliances such as the Smallholder and Agri-SME Finance and Investment Network and the Platform for Agriculture Risk Management. It is hosting the Secretariats of the International Land Coalition and the Global Donor Platform for Rural Development. Tapping into these critical alliances helps IFAD produce relevant analytical work, network with decision makers and enable rural people to make their voices heard in global policy discussions including the G7, G20, the United Nations Climate Change Conference of Parties and the United Nations High-Level Political Forum on Sustainable Development. IFAD12 will continue building on these initiatives to enhance synergies among actors working for food security and rural development.

38. **While much is being done, IFAD can do yet more by building on its deep experience and by leveraging and assembling finance, thereby enhancing its role in the global aid architecture and expanding its development impact.** This will be pursued during IFAD12, with a sharper strategic focus on: global engagement; making greater impact and filling the financing gap to end poverty and achieve zero hunger with increased and diversified resources; and strengthening partnerships and development cooperation.

Figure 4
IFAD’s unique role in the international aid architecture

Strategic direction in IFAD12

39. **Meeting the SDGs by 2030 depends on action in rural areas, where extreme poverty and hunger are concentrated.** Agriculture remains a key

[31] Scott Morris, Jessie Lu, 2019. “Lending Terms and Demand for IFAD Projects” CGD Policy Paper 160. Washington, D.C.: Center for Global Development. https://www.cgdev.org/publication/lending-terms-ifad-projects.

entry point to the economic advancement of extremely poor and marginalized groups, both as a direct employer and as a driver of job creation. IFAD plays a central role in the fight against extreme rural poverty and food insecurity, targeting the hundreds of millions of people who are most at risk of being left behind. They include poor small-scale producers, women, young people and other vulnerable groups. IFAD’s investments are designed to generate a productive pathway towards prosperity for rural people while building their resilience to climate change and fragility.

40. **Recognizing that IFAD must significantly step up its contribution to achieving the SDGs, IFAD has undertaken a dialogue with Member States to identify mechanisms to double its impact by 2030.** IFAD’s operations currently help 20 million people a year raise their incomes by 20 per cent (based on IFAD10 estimates). Doubling this impact would help 40 million people a year to increase their incomes by 2030. This can be accomplished by incrementally increasing the Fund’s impact over the coming three replenishment cycles, with a target of approximately 28 million people per year with increased income during IFAD12. It will be achieved through an expansion of IFAD’s programme of work and enhancing IFAD’s development effectiveness and value for money, complemented by the two new programmes being introduced – ASAP+ and PSFP – which deliver additional impact directly through their own investments, as well as through their synergies with the PoLG.

41. **IFAD12 will capitalize on recent reforms to strengthen its country-level programme approach and its impact on the ground.** The changes ensure that PoLG will remain the staple of IFAD’s support to countries, but introduce complementary actions to expand IFAD’s overall programme of work (PoW) and strengthen its impact. Actions include: greater leveraging of core resources to increase the availability of financing to all borrowers; a PSFP to accelerate rural growth and create jobs for youth and women; and an ASAP+ building on IFAD’s experience with the original ASAP to better mobilize and use climate finance to enhance resilience. These actions will expand IFAD’s resource base, provide new channels of support and build synergies between different sectors.

42. **IFAD12 represents a shift in IFAD’s business model towards a more comprehensive financial, policy-oriented and programmatic package that fosters systemic change for rural people.** Overarching emphasis is placed on results on the ground. This stems from recent financial and institutional reform and requires the full use of all tools at IFAD’s disposal to deliver results and scale up impact. Close attention will be given to the needs of historically marginalized populations as well as to the drivers of fragility and on partnerships with the private sector and others: all accompanied by closer engagement with governments.

III. Deeper and wider impact through IFAD12 – leaving no one behind

43. **Building on its unique mandate amid urgent challenges, IFAD must intensify its efforts to end extreme poverty and hunger, and double its impact by 2030.** This means that over the next three replenishment cycles,[32] IFAD’s investments must progressively increase the Fund’s impact, with a target of 28 million people per year with higher incomes during IFAD12, and of 40 million people per year with higher incomes by 2030. Expanding IFAD’s impact in this way requires reaching more of the rural poor through additional, more diversified resources, and working with a wider range of partners. Making a deeper impact on the lives of the rural poor means ensuring that every beneficiary obtains greater and more sustainable improvements in terms of income, nutrition and resilience.

[32] IFAD12 (2022-2024), IFAD13 (2025-2027), and IFAD14 (2028-2030).

44. **These results will be delivered through the consolidation of IFAD's country-level programme approach and a close focus on increased sustainability, efficiency, and value for money.** The changes in IFAD's business model in recent years have increased the Fund's ability to deliver on its mandate at country level. Fewer and typically larger operations are being deployed, together with more cofinancing, greater recognition of the need to tailor approaches to countries in transition and stronger efforts to target extreme poverty and food insecurity. Other priorities include addressing mainstreaming themes (environment and climate, gender, youth and nutrition), and expanding IFAD's in-country presence, enabling more effective country-level policy engagement and partnerships.

45. **The following section underlines the core priorities that will guide IFAD's transformational country programmes in achieving deeper, wider impact.** It also addresses how IFAD will operationalize these focus areas and accelerate results.

A. Deeper impact through strengthened mainstreaming

46. **The mainstreaming of climate, gender, youth and nutrition will be key drivers for achieving deeper impact during IFAD12.** The reason for strengthening IFAD's four mainstreaming themes, i.e. environment and climate, gender, youth and nutrition, is to reinforce IFAD's sustainable impact and focus on leaving no one behind. Targeted actions to overcome barriers faced by the rural poor and other vulnerable groups are critical to achieving the SDGs.

IFAD's mainstreaming priorities

47. **Over previous replenishment cycles IFAD has significantly strengthened its focus on mainstreaming themes.** During IFAD11, the Fund, in close dialogue with Membership, made major strides on each theme, with a strong focus on transformational approaches tackling the root causes of challenges, and on horizontal mainstreaming to take advantage of synergies across themes. These are discussed below and detailed in the action plans for each theme, which provide direction for continued focus in IFAD12.

48. **IFAD has a unique offer on climate and environment.** Climate, environment and agriculture are critically interrelated. Agriculture is highly vulnerable to climate. The sensitivity of crops, livestock and fisheries to temperature, water availability, and extreme weather events puts yields at risk, jeopardizes historical productivity gains and exposes farmers to significant losses. Agriculture also contributes to climate change – it accounts for 19 to 29 per cent of total greenhouse gas emissions and produces the largest share of non-CO_2 greenhouses gases. Farmers and other actors across the world food system thus have a crucial role to play in acting on climate change and agri-environmental systems. Environmental and climate considerations are currently embedded in all COSOPs and IFAD investments. IFAD can utilize its experience and gather data and lessons from its country programmes to contribute more to the global climate policy discourse on climate mitigation and adaption for small-scale farmers.

49. **Gender equality and women's empowerment remains a priority and a strength.** Work in this area has intensified, with an increased use of gender-transformative approaches across IFAD-financed projects and programmes. Such approaches go beyond traditional gender mainstreaming as they actively seek to transform gender power dynamics by addressing social norms, practices, attitudes, beliefs and value systems that represent structural barriers to women's and girls' inclusion and empowerment. They aim to ensure equal access for women to productive assets and services, employment and market opportunities, as well as supportive national policies and laws. IFAD is also leading partnerships and advocacy for poor rural women within the United Nations system, among IFIs, and

within the broader donor community, including through its leadership of the Inter-Agency Network on Women and Gender Equality.

50. **IFAD has stepped up action on nutrition.** Its approach is based on agriculture's potential to shape food systems to improve nutrition and diets, with particular emphasis on gender. IFAD helps ensure that beneficiaries are supported in producing, accessing and consuming a variety of nutritious foods to improve their health and well-being. IFAD is progressing towards a target of raising the nutritional status of 12 million people in IFAD11. The Fund also strongly engages in global advocacy through initiatives such as the United Nations System Standing Committee on Nutrition as well as through the Committee on World Food Security (CFS).

51. **IFAD11 marked a turning point for IFAD's engagement with rural youth.** As concerns programmes, this has meant focusing on: (i) critical productive factors and assets (e.g. land, water); (ii) services (including financial services); and (iii) skills ranging from financial literacy to entrepreneurship. A key cross-cutting element is access to affordable energy and new technologies. Project-level action is being complemented by efforts to promote youth-related innovation and to enhance knowledge management and partnership-building.

52. **IFAD has championed the rights of indigenous peoples and is promoting their policy engagement.** IFAD has partnered with indigenous peoples for more than 30 years, placing high priority on empowering them and reducing their vulnerability. Efforts have also focused on indigenous peoples' culture and knowledge, and their stewardship of natural resources and biodiversity. Every two years, IFAD hosts the Indigenous Peoples' Forum, which institutionalizes IFAD's partnership with indigenous peoples and represents an opportunity for consultation on critical development issues. The Indigenous Peoples Assistance Facility provides critical support for innovation, while IFAD's current portfolio provides support to more than 6 million indigenous recipients in 37 countries.

53. **IFAD has laid the groundwork for stronger engagement with persons with disabilities.** A recent IFAD study shows that rural persons with disabilities are economically active and are capable of earning incomes and escaping extreme poverty. This argues that persons with disabilities can and should be more systematic partners for IFAD. The starting point for the study was achieving a better understanding of the different needs of persons with disabilities and of the constraints and barriers they face. Persons with disabilities are a highly heterogeneous group, requiring tailored approaches and solutions. IFAD is continuing to learn about engaging with this important target group, a significant element in IFAD's mandate to ensure that no one is left behind.

54. **The expansion of the mainstreaming agenda has led to increased focus on synergies between mainstreaming themes.** This new emphasis is supported by IFAD's recently formulated transformational mainstreaming framework and facilitated by the creation of a dedicated Environment, Climate, Gender and Social Inclusion Division. IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) have also been strengthened to reinforce safeguards and standards and integrate new areas of focus. At present, all IFAD COSOPs – key entry points for synergies – address environment and climate, gender, nutrition and youth.

Working to further mainstreaming ambitions in IFAD12

55. **Building on experience gained over the past decade, Members have underlined the need to further consolidate and strengthen mainstreaming during IFAD12.** Efforts must also address the identified challenges in implementation, such as inconsistency in the measurement of mainstreaming priorities and results. The Fund will therefore raise ambitions within and across mainstreaming areas in IFAD12 to deliver deeper impact.

56. **Increased ambition begins with effectively incorporating mainstreaming at project design, implementation and completion.** Quality ratings will be used to measure performance on each theme more systematically. While performance on environment, climate and gender has always been measured, targets related to nutrition and youth have so far only focused on whether projects are nutrition- or youth-sensitive. During IFAD12, IFAD will raise the bar on quality for environment and climate, and gender, and introduce targets for quality ratings for nutrition and youth at design and supervision.

57. **Mainstreaming targets will be suitably increased for all themes.** On environment and climate, IFAD will aim to increase the amount of climate finance for projects approved under IFAD12 to 40 per cent, up from 25 per cent in IFAD11. This is higher than most IFIs, which are generally at about 30 per cent. IFAD will also continue to integrate gender-transformative approaches, aiming for 35 per cent of projects in IFAD12 to be gender-transformative, up from 25 per cent in IFAD11. For nutrition and youth, the use of quality ratings for the first time will advance the integration of each theme within IFAD's portfolio, while ensuring that, over the course of IFAD12, 60 per cent of new investment projects explicitly prioritize youth and youth employment.

58. **IFAD will more systematically mainstream biodiversity, including agrobiodiversity, in its operations**. Biodiversity is a critical enabler of sustainable development as agriculture is globally the biggest driver of biodiversity loss through habitat change and unsustainable agricultural practices.[33] Small-scale producers depend on the continued health of ecosystems and natural resources for their livelihoods. At the same time, agricultural ecosystems contribute to conservation and the sustainable use of agrobiodiversity. Such diversity is also a powerful climate adaptation tool, as it facilitates the acclimatization of crops to higher temperatures and soil salinity. While analysis shows that biodiversity is already well integrated into many IFAD-financed projects,[34] a strategic, purposeful approach is needed to ensure more systematic integration. This will be set out in a biodiversity strategy in IFAD12 and realized in specific agrobiodiversity initiatives.

59. **IFAD will strengthen the inclusion of indigenous peoples in IFAD12.** During IFAD12, the Fund will renew its indigenous peoples strategy, building on knowledge gained to define how IFAD can best address the specific needs of indigenous peoples within a changing global environment. IFAD will also ensure that at least 10 new projects include indigenous peoples as a priority target group and that the Indigenous Peoples Assistance Facility – which supports innovative solutions to strengthen indigenous peoples' communities and their organizations – is replenished.

60. **During IFAD12, the Fund will advance its inclusion of persons with disabilities throughout its portfolio**. This priority will be spelled out through a separate strategy, and, during IFAD12, the Fund will ensure that at least five projects include persons with disabilities as a target group. A specific focus on persons with disabilities will be included in revisions of IFAD's targeting policy, detailed below, and efforts will be made to monitor and report on IFAD's support to persons with disabilities in more detail.

61. **IFAD will continue to exploit synergies across mainstreaming themes and ensure that related benefits reach IFAD's target groups.** In IFAD12, targets for quality ratings on integration of mainstreaming themes will be established. At the country level, COSOPs will highlight existing linkages across themes and identify potential additional benefits.

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[33] Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), *Global Assessment Report on Biodiversity and Ecosystem Services*. E. S. Brondizio, J. Settele, S. Díaz, and H. T. Ngo (editors), Bonn, Germany: IPBES secretariat, 2019.
[34] *IFAD12: Deepening Impact and Building Resilience through Mainstreaming* (Rev.2).

62. **In IFAD12, the four mainstreaming themes will be an integral part of a comprehensive country-level approach combining the PoLG, ASAP+ and PSFP.** IFAD will continue to build partnerships, pursue policy engagement and generate knowledge related to the mainstreaming themes, leveraging on decentralization to further emphasize the country dimensions. These efforts will also be enhanced through setting mainstreaming priorities within the new IFAD12 SSTC strategy (see section D).

63. **IFAD will update its targeting policy to emphasize social inclusion and integration of the mainstreaming themes.** IFAD has long prioritized the poorest and most vulnerable. However, recent independent evaluations have noted that IFAD's current targeting policy, approved in 2006, defines IFAD's target group too broadly, leading to inconsistencies in the quality of targeting across its global portfolio.[35] Opportunities for improvement in the Fund's treatment of social inclusion and integration of gender, youth, indigenous peoples and persons with disabilities (a new area of focus) have also been identified. IFAD's targeting guidelines were accordingly updated in 2019 as an interim measure, reflecting a strengthened focus on youth, among other things. A new targeting policy is now required to consolidate new and emerging areas of focus (e.g. on persons with disabilities), and to facilitate more inclusive, innovative targeting throughout IFAD's portfolio.

64. **Reporting on progress on IFAD's mainstreaming priorities will be strengthened.** In order to ensure comprehensive, streamlined reporting, IFAD will record progress on mainstreaming themes through a stand-alone annual report, complementing the yearly Report on IFAD's Development Effectiveness (RIDE). This will ensure that the full set of commitments made in IFAD12 are reported on, including those highlighted through a paper on enhancing mainstreaming presented to the second session of the Consultation.

B. A strategic focus on fragility and resilience

65. **Situations of fragility and conflict contribute significantly to extreme poverty and food insecurity.** The Organisation for Economic Co-operation and Development estimates that 80 per cent of the world's extremely poor people will be living in fragile situations by 2030. Fragile situations disproportionately affect the most vulnerable persons and communities, including women and girls, and are a primary driver of migration and humanitarian crises. Fragility and conflict have also been identified as significant factors in the recent rise in food insecurity. They are also linked to weak institutions, which can diminish the impact of humanitarian policies and programmes.

66. **The quality of governance in fragile situations is deteriorating, with increasingly poor performance by democratic institutions, public policies and public sector management systems**. Expected climate shocks will disproportionately affect agricultural productivity in fragile situations, given scant resilience and dearth of natural resources. Many government programmes in fragile conditions try to address many of these constraints, but they need to adopt a more inclusive and transformational approach to help engineer and deliver policies that effectively change rural people's lives.

67. **Violent conflicts in fragile situations have more than doubled in the last decade.**[36] The number of displaced persons escaping fragility has also risen sharply, accounting for nearly 75 per cent of displaced people in 2018.[37] Action is urgently needed as fragility reinforces exclusion and poverty loops stemming,

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[35] 2018 Annual Report on Results and Impact of IFAD Operations.

[36] Conflict is measured through one-sided violence conflict data. Source – Uppsala conflict data program (Uppsala Conflict Data Program), https://ucdp.uu.se/downloads/.

[37] Displacements is measured through refugees and internally displaced individuals. Source – United Nations High Commissioner for Refugees.

among other drivers, from weak policies and institutions, lack of economic opportunities for youth and increased vulnerability to climate shocks,.

68. **Fragility is often accompanied by a demographic shift towards younger populations.** The number of young people in fragile situations has increased by 20 per cent in the last decade (144 million young people in 2018). Lack of opportunities for youth in fragile areas can exacerbate social discontent and erode human capital. This not only leaves a potential demographic dividend untapped but also risks losing youth to crime and violence.

69. **IFAD has a niche role in addressing fragile and conflict-affected situations.** It has a comparative advantage in fragile situations, laid out in its Strategy for Engagement in Countries with Fragile Situations and the Special Programme for Countries with Fragile Situations. IFAD leads in fostering engagement with rural communities, promoting inclusive approaches that target the needs of women and focus on livelihoods and longer-term resilience.

70. **SIDS are also uniquely fragile environments.** SIDS are a distinct group of developing countries with specific social, economic, environmental, food- and nutrition-related vulnerabilities directly linked to their small size and island geographies. They are especially distinguished by their vulnerability to climate change and persistent exposure to disasters and weather-related risks. SIDS face difficulties promoting equitable and inclusive economic transformation particularly for marginalized groups such as women and youth. Graduation from least developed towards middle income country status often masks the persistence of deep pockets of poverty, vulnerability, inequality compounded by migration. In recognition of the specific challenges of SIDS and the need to consolidate and strengthen IFAD's global approach, a new approach to IFAD’s engagement in SIDS will be developed in IFAD12.

71. **Ensuring that no one is left behind requires a keen focus on countries in fragile situations and transition.** During IFAD12, the Fund will review its engagement in fragile situations, building on the lessons emerging from implementation of the Strategy for Engagement in Countries with Fragile Situations and the Special Programme for Countries with Fragile Situations, as well as from its work with other partners.[38] The accent will be on strengthening performance in building resilience, reducing humanitarian needs and engaging effectively in situations of conflict. During IFAD12, the Fund will also continue to ensure that 25 per cent of core resources are allocated to countries in fragile situations (see section C). Emerging lessons, summarized in box 3, provide an early basis for the IFAD12 review exercise.

[38] The recently issued World Bank Group Strategy for Fragility, Conflict and Violence 2020-2025 provides considerable information on the topic.

Box 3
Lessons to strengthen IFAD's approach to fragility

Ten important lessons are emerging from IFAD's engagement in fragile situations.

Better planning

1. **Reliable financing** ensures that engagement in fragile situations takes a long-term perspective. This includes making sure that the level of IFAD's PoLG devoted to most fragile situations remains adequate in IFAD12.
2. **Better data**. In line with IFAD's ICT strategy, investing in data sources and tools such as remote sensing, predictive models and data science techniques can better target the rural poor, track development dynamics, understand policy implications and enable beneficiary feedback in conditions of fragility.
3. **More robust planning**. Country strategies for fragile situations are opportunities to show how IFAD can help chart a path away from fragility. This implies examining how the transition scenarios introduced in IFAD11 can be taken to a different level, developing IFAD's strategy for tackling one or two root causes of fragility in the rural sector over time.

Tailored tools

4. **Smarter approach**. Long-term country strategies should embody a three-step approach aimed at: (i) enabling the right institutional and policy environment to produce more effective and integrated rural development interventions; (ii) steering public policy and programmes to direct public and private sector investments towards rural transformation; and (iii) sustaining private sector-led growth offering increased and inclusive economic opportunities.
5. **Better partnerships**. In order to steer and implement conflict-sensitive policy and interventions in specific regions, there is room to strengthen existing partnerships, reflecting IFAD's comparative advantage in fragile situations, including complementarities with other United Nations agencies, MDBs and non-state actors (including those supporting IFAD in analysis and policy engagement).
6. **More synergies**. Explicitly referencing the linkages between the proposed intervention and existing humanitarian strategies helps increase synergies.
7. **Better instruments**. To achieve lasting impact in fragile situations, IFAD should seek to incorporate multinational, cross-border approaches. For example, multinational policy dialogue in countries facing fragility can help achieve a shared understanding on common issues such as regional connectivity (essential in landlocked countries), agricultural and food trade, and management of shared natural resources.
8. **Smarter alliances**. ASAP+ and PSFP create opportunities for further mobilization of resources for climate resilience action among IFAD target groups, with a particular focus on low-income countries and fragile situations. The new features of ASAP+ have been designed to fit the needs of fragile countries and to overcome the delays experienced during the original ASAP.

Focusing on delivery

9. **Smarter investment**. Fragility is often related to weak delivery capacity. When implementing transformational strategies, combining country-wide, capacity-building programmes with continuous support from development agencies would strengthen effectiveness.
10. **Greater presence**. Upgrading IFAD's field presence will help to manage bigger portfolios. Embedding training and capacity-building in performance agreements and supporting staff health, safety and well-being would all help strengthen delivery in fragile situations.

72. **Tools to address the underlying causes of extreme poverty and food insecurity require refinement during IFAD12.** In fragile and conflict areas, IFAD will expand the use of fragility assessments, of existing mechanisms and of new tools that are being developed. For example, the Rural Resilience Programme (2RP) is a global umbrella initiative targeting the climate drivers of fragility (see box 5). Where conflict and climate are interlinked, the 2RP (including ASAP+) can help overcome governance weaknesses since it allows for partnering more easily with civil society when public institutions are weak. Interventions will also be tailored to the specific needs of fragile and conflict-afflicted countries and regions, as in the Sahel region (box 4).

Box 4
Transforming IFAD's engagement in the Sahel

The Sahel is an example of IFAD's new approach to engagement in fragile situations. The region has faced unprecedented challenges in recent years. Beginning in 2011 it suffered a sharp increase in violence, both cross-border and internal. It is afflicted by some of the world's harshest climatic conditions, which strongly impede day-to-day economic development, restricting access to water, food security, health, viable ecosystems and livelihoods. A rapidly increasing population exacerbates pressure on resources from rising demand and climate change. The demographic surge, combined with rapidly declining child mortality, has resulted in a huge youth bulge, with roughly 65 per cent of the population aged below 25.

The lack of meaningful employment opportunities for youth in rural areas makes them vulnerable to radicalization and religious extremism. This in turn generates social upheaval and conflicts leading to massive irregular migration, both within the region and externally. Resource constraints also increase the risk of food insecurity. The most recent data from the Food Security Information Network shows that more than 4 million people in the Sahel are currently food-insecure and almost 18 million are experiencing stress. Many current IFAD-funded programmes in the G5 Sahel countries are attempting to address many of these constraints with more effective, inclusive and sustainable efforts.

Given the nature of the challenges in the Sahel, in IFAD12 the Fund will adopt a five-change-drivers strategy with the following pillars: (i) creation of jobs; (ii) focus on climate change; (iii) cross-border investments; (iv) focus on conflict-affected areas; and (v) co-leadership with actors such as the G5 Sahel.

73. The 2RP represents a strategic addition to the Fund's intervention capacity in fragile and conflict-affected situations.

Box 5
The Rural Resilience Programme

The 2RP is a global umbrella programme focused on alleviating climate-change-related drivers of food insecurity, irregular migration and land degradation. The programme will equip small-scale producers, together with the landless poor and their communities, with the resources they need to implement locally appropriate, proactive resilience strategies. It is has three pillars:

- **ASAP+** is a global programme focusing on addressing the impacts of climate change on food security. ASAP+ will work in countries experiencing growing food insecurity as a result of climate change. It will concentrate on LICs while also engaging in other vulnerable countries such as Small Island Developing States, including through regional projects.
- **The Initiative for Sustainability, Stability and Security in Africa (3S Initiative)** is an African-led programme addressing the root causes of instability in Africa, particularly migration from rural areas and conflict stemming from the degradation of natural resources. It emerged from the United Nations Framework Convention on Climate Change and United Nations Convention to Combat Desertification processes and has initially been joined by 14 countries, with a view to a pan-African expansion.
- **The GCF-supported Great Green Wall Initiative (GGWI)** aims to restore 100 million hectares of degraded land, sequester 250 million tons of carbon and create 10 million jobs. While still under development, it is foreseen that IFAD will have a lead role in coordinating the GGWI programmes alongside its own programmed interventions.

C. Prioritizing IFAD's core resources for the poorest countries while also supporting poor rural populations elsewhere

74. **To make a deeper impact, IFAD's resources must continue to prioritize the poorest.** At the heart of IFAD's mission lies the principle of universality: that while IFAD funding is available to all borrowers, it prioritizes the poorest countries and people. The Agreement Establishing IFAD stipulates that the allocation of its resources should lay special emphasis on the needs of lower-income countries, i.e. those facing continued exposure to external shocks and with limited creditworthiness. The call of the SDGs to leave no one behind further requires a special focus on the countries that have the least resources to eradicate hunger and poverty.

75. **In IFAD12, 100 per cent of IFAD's core resources[39] will be devoted to meeting the needs of the poorest countries – LICs and LMICs – that face the greatest challenges in achieving the SDGs.** This means allocating more of IFAD's core resources to countries that receive all or most of their funding in the form of DSF grants as well as super highly concessional and concessional loans. It

[39] Defined as replenishment contributions, reflows of loans financed through replenishments, and concessional partner loans.

ensures that IFAD financing targets the poorest countries while safeguarding IFAD's financial sustainability, as discussed further in section IV.

76. **At the same time, significant support to UMICs continues.** Many UMICs still face challenges in tackling significant pockets of rural poverty. This makes IFAD's continuing support crucial. At the same time, UMICs play a crucial role in IFAD by: (i) contributing to the activities and operations of the Fund, including through core replenishment contributions; (ii) enhancing the quality of IFAD's capital adequacy ratios and the creditworthiness of the loan portfolio, facilitating leveraging; and (iii) disseminating knowledge and expertise, including through SSTC. However, a higher level of development and creditworthiness allows many of these countries to access financial resources from other sources, including private investors and financial markets. Therefore, it is appropriate that UMICs access resources leveraged by the Fund (i.e. borrowed resources[40]) at less concessional rates.

77. **In recognition of UMICs' unique development pathway, at least 11 per cent and up to 20 per cent of the agreed IFAD12 PoLG will be allocated to them, all from borrowed resources.** This will ensure that their share of funding remains at least equal to that of IFAD11. At the same time, IFAD will further develop its offer to UMICs through appropriate financing and other support and services.

78. **While the allocation of core resources will continue to be governed by IFAD's PBAS, eligibility for, and access to, borrowed resources is proposed to be determined through a new mechanism.** The proposed mechanism, to be reviewed by IFAD's Executive Board,[41] will take into account development effectiveness, demand and creditworthiness and include a series of criteria and principles to determine the eligibility of countries, projects and programmes. It will ensure that IFAD is still able to serve rural poor people living in UMICs and to progressively enhance support to those in eligible LICs and LMICs, while also safeguarding the Fund's financial sustainability. Generally, considering the increased risk of debt distress faced by many of IFAD's Member States, borrowed resources will be allocated only to countries that can sustain them financially. Active risk management measures will be put in place to ensure this. IFAD will also continue to tailor its financing terms and instruments to countries' economic conditions,[42] adapting to any intervening changes.

79. **The combination of PBAS and this new mechanism would ensure that diversified support for countries' changing needs, based on their development trajectory, can be achieved and that wider and deeper impact can be made.** Following the principle of universality in ensuring that IFAD's support is available to all its developing Member States while prioritizing the poorest countries and people, the PBAS will continue to make certain that IFAD's core resources benefit the poorest and the most vulnerable countries according to their performance. At the same time, a new access mechanism for borrowed resources would allow countries from various income groups to access additional resources to scale up promising ideas for rural transformation while strengthening the Fund's financial sustainability, in line with the practices in other development finance institutions and recommendation of the Independent Office of Evaluation of IFAD's corporate-level evaluation of IFAD's financial architecture. It would also provide LICs and LMICs that have the capacity to absorb additional funds with the opportunity to benefit from further IFAD support. These changes will be reflected in

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[40] Funds borrowed under any agreement other than concessional partner loans.

[41] While the new access mechanism is subject to approval by the Executive Board, delivering on the commitment that UMICs will receive 11 to 20 per cent of the IFAD12 PoLG through access to borrowed resources, and other elements of the agreed way forward on graduation, are not dependent on the approval of the new mechanism.

[42] In so doing, it adheres to the Fundamental Principles of Operation of the IMF, which, as regards uniformity of treatment, require taking account of unequal circumstances among members.

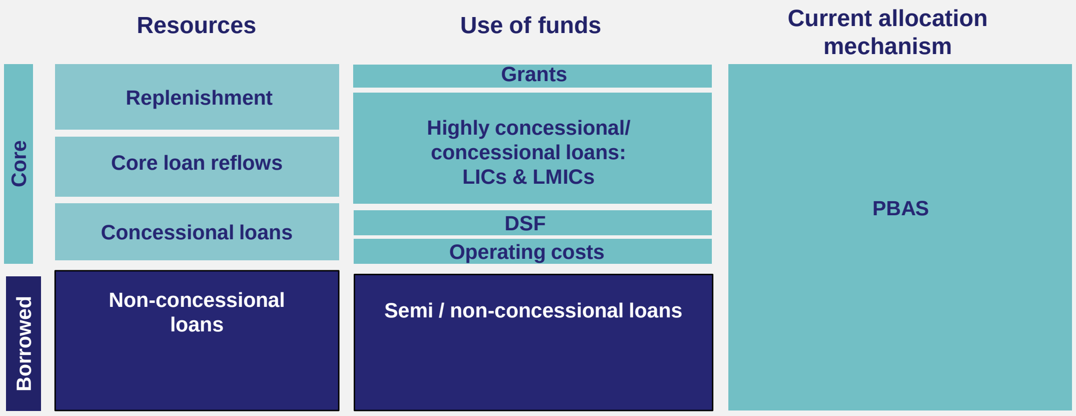
a graduation policy to be presented to IFAD's Executive Board for approval prior to the beginning of IFAD12.

Box 6
Allocation of resources in IFAD12

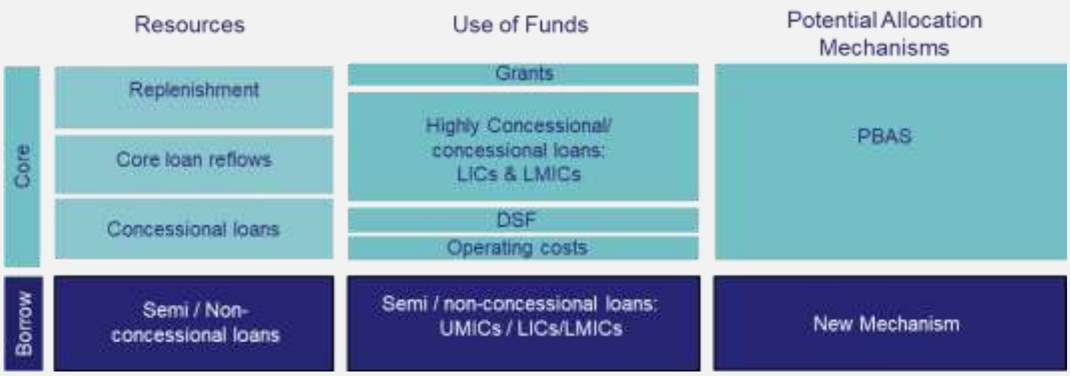
Core resources. IFAD12 financial scenarios assume that all of IFAD's core resources will be allocated to LICs and LMICs (with special provisions currently in place for small states eligible for concessional resources).
Country-specific allocations will be calculated through the existing PBAS. The financing terms applied will follow the current Policies and Criteria for IFAD Financing. In line with the concept of a sustainable replenishment baseline, replenishment contributions, after covering operational costs, will be devoted to funding DSF grants, regular grants and new loans.

Borrowed resources. IFAD's borrowed resources will be available to UMICs and such LICs and LMICs that can benefit from enhanced financing without compromising debt sustainability. Core principles for allocation include: alignment with IFAD's mandate and development effectiveness, demand from governments and financial safeguards. These principles, along with eligibility and approval mechanisms, will be proposed to the Executive Board.

IFAD11 allocation mechanism, sources and uses of funds



Proposed IFAD12 allocation by sources and uses of funds



80. **IFAD will continue to ensure adequate prioritization within its core resources.** Building on IFAD11's allocation approach, IFAD will increase its target for financing to Africa, ensuring that 55 per cent of core resources are allocated to Africa, of which 50 per cent to sub-Saharan Africa, and will continue to ensure that 25 per cent of core resources are allocated to fragile situations.[43]

D. Continuing to enhance IFAD's impact through strategic partnerships

81. **Strategic partnerships must underpin IFAD's efforts to expand and deepen impact, particularly in the context of COVID-19 recovery.** IFAD's business

[43] Based on the World Bank Harmonized List: World Bank "FY20 List of Fragile and Conflict-affected Situations", http://pubdocs.worldbank.org/en/179011582771134576/FCS-FY20.pdf.

model recognizes that, due to its limited resources, it must pursue strategic partnerships in order to achieve catalytic impact.

82. **Delivering on IFAD's mission requires diverse partnerships at the global, regional and country levels.** In line with the IFAD Partnership Framework approved in IFAD11, IFAD will continue to be selective in its cultivation of partnerships in IFAD12, prioritizing those that maximize results for IFAD's target groups at the country level and best contribute to the SDGs. In the context of food insecurity and poverty rising amid a global pandemic, partnerships with governments, United Nations organizations and other development actors are critical for sharing knowledge, coordinating action, leveraging appropriate financing and ensuring that issues affecting target groups are raised at the highest level.

Partnerships for financing

83. **IFAD's strong focus on cofinancing will continue in IFAD12**. The IFAD11 business model emphasizes IFAD as an assembler of development finance. To realize this ambition, IFAD institutionalized a cofinancing strategy and action plan for the mobilization of domestic and international financing to complement IFAD's own investments. Through strong commitment to domestic and international partnerships, high levels of cofinancing were achieved in 2019, the first year of IFAD11. This raised the cofinancing ratio at the end of that year to 1:2.05, far exceeding the target of 1:1.4 and reflecting IFAD's success in leveraging and blending development finance.

84. **During IFAD12, the Fund will continue to mobilize domestic and international cofinancing and increase its overall targets.** While the economic impact of COVID-19 may reduce the availability of domestic and international cofinancing in the foreseeable future, the strong cofinancing performance in IFAD11 provides a platform to increase targets in IFAD12. The Fund will continue its efforts to mobilize domestic cofinancing at the same level as IFAD11 (1:0.8) – as this is a strong determinant of country ownership, efficiency and sustainability. It will also pursue increased international cofinancing (1:0.7) through mutually beneficial partnerships with other MDBs, bilateral partners and development funds. In doing so, IFAD will capitalize on its stronger country presence and close relationships with governments and other development actors on the ground. IFAD will increase the overall cofinancing target to 1:1.5.

Partnerships for knowledge and policy

85. **IFAD recognizes the critical role of partnerships beyond cofinancing.** For IFAD, partnerships are critical to generating and sharing knowledge, innovation and policy engagement. They also help create pathways for scaling up and improving coordination at country level. In so doing, partnerships contribute to the SDGs, including through key mechanisms such as SSTC.

86. **IFAD will engage with selected partners to mutually leverage knowledge and policy engagement from country to global level.** Such partners include United Nations country teams (UNCTs), governments, bilateral agencies and other critical non-government actors such as civil society and farmers' and indigenous peoples' organizations. For example, the Indigenous Peoples Forum and Farmers' Forum will continue as a core vehicle for global strategic dialogue, advocacy and policy engagement. Enhanced partnerships with beneficiaries and other stakeholders, which IFAD has strengthened through measures such as the stakeholder feedback framework, will also continue in IFAD12.

87. **IFAD will work closely with multilateral partners such as sister United Nations agencies and MDBs.** The Fund will work to ensure that policy issues affecting vulnerable rural populations are identified and included in the United Nations Sustainable Development Cooperation Framework (UNSDCF) (see box 7). IFAD will also continue to work closely with MDBs – key partners for IFAD in terms of policy engagement, knowledge and learning at the operational and institutional

levels. Country programmes and COSOPs will continue to be critical entry points for identifying, engaging and delivering through partnership activities.

88. **In IFAD12, partnership with the Rome-based agencies (RBAs) will be strengthened, building on lessons learned**. Coordination with the RBAs on COVID-19 response and recovery will be enhanced to ensure complementarity, as well as continued engagement in and support to the CFS. IFAD will seek to contribute to a more harmonized approach for SDG reporting across the United Nations system and beyond. Finally, IFAD will work closely with the RBAs on the organization of the Food Systems Summit planned for 2021. The summit is expected to yield actionable global commitments from a range of actors for inclusive, sustainable and resilient food systems. Responsible for coordinating work on equitable livelihoods at the summit, IFAD will ensure alignment and complementarity with actions undertaken in IFAD12.

Box 7

IFAD's engagement with United Nations development system (UNDS) reform

The year 2020 marks the first year of implementation of the UNDS reform process as well as the start of the last decade of the 2030 Agenda. Accordingly, the United Nations Secretary-General has called for a "Decade of Action" to accelerate progress on the SDGs. The decade will catalyse the efforts of all UNDS entities to leverage new and innovative partnerships and focus on results and efficiencies, with the overall goal of avoiding duplication and enhancing coordination. This will require transformational shifts from everyone concerned, including IFAD.

The Fund, jointly with FAO, was appointed by the United Nations General Assembly to lead the implementation of the United Nations Decade of Family Farming (UNDFF). This will help build synergies with other international bodies and promote mutual benefits between the UNDFF (2019-2028), the United Nations Decade of Action on Nutrition (2016-2025), the United Nations Decade of Water (2018-2028), and the United Nations Decade of Ecosystem Restoration (2021-2030).

IFAD's role in the implementation of reforms

The UNDS reform is essentially about the United Nations system repositioning itself to be agile and responsive to national development plans for SDG delivery. IFAD strongly supports efforts to help the system better respond to unforeseen shocks such as COVID-19.

In 2019 and 2020, IFAD has actively engaged with UNDS entities in developing new instruments to ensure integration and results on the ground. These include a system-wide strategic document, a new regional approach, new multi-country offices and business operations strategies at country level.

In particular, IFAD has actively participated in the roll-out of two key United Nations reform products:

(i) Starting in January 2020, IFAD is joining the UNDS (and the UNCTs) in every country and engaging in partnerships with other agencies and programmes through the UNSDCF. Under new IFAD guidelines, COSOPs will be fully aligned with that framework. This will ensure that the Fund's projects and programmes are more closely tailored to national development priorities. Mutually supporting links with the UNDS and its partners will also contribute to reinforcing the impact of IFAD-financed loans.

(ii) IFAD has developed corporate procedures for the sign-off on business operations strategies to be in place by 2021. The strategies are intended to improve cost-efficiency and enable IFAD to leverage collective purchasing power while maximizing economies of scale in a number of pooled services with other UNCT members, on a cost-sharing basis (e.g. a common United Nations consultant roster, learning systems, banking and financial transfers, warehousing and distribution, and building maintenance).

IFAD's partnerships with non-state actors and the private sector

89. **IFAD has long pursued private sector partnerships**. For example, over the past 15 years the Fund has given prominence to value chain solutions across its portfolio. Partnerships between value chain actors and small-scale producers have been promoted through the Fund's public-private-producer partnerships. However, IFAD's capacity to engage directly with private sector actors was limited, mainly due to a lack of relevant instruments as well as by a lack of internal human resources to broker increasingly complex private sector partnerships.

90. **IFAD12 offers an opportunity to significantly step up engagement with the private sector**. In IFAD11, the Fund approved a 2019-2024 Private Sector Engagement Strategy (PSS) enabling direct partnerships with private sector actors. It permits, among other innovations, IFAD to receive financing from and to private enterprises. The objective of the PSS is to: (i) mobilize private funding and investments for MSMEs and small-scale agriculture; and (ii) expand markets and increase incomes and job opportunities for IFAD's target groups. The strategy, and an accompanying framework for non-sovereign operations (NSOs), has paved the way for direct support to key actors in the Fund's work, including producer organizations and female and youth-run MSMEs. Building on the PSS, the PSFP will be established for IFAD12 (see section IV). It will help to systematize IFAD's direct engagement with the private sector, providing important avenues for learning and expanded impact in line with IFAD's mandate.

Expanding South-South and Triangular Cooperation

91. **IFAD will mainstream SSTC as a key approach in IFAD12.** The global SSTC landscape is changing. SSTC is recognized by Member States as an important instrument in advancing the objectives of the 2030 Agenda and achieving the SDGs. As evidenced during the IFAD12 Consultation, there is growing interest among many Members to increase the Fund's use of SSTC. Members have shown interest in learning about the impact of IFAD-funded SSTC activities on the livelihoods of small-scale farmers and its contribution to IFAD's mainstreaming themes.

92. **Building on existing efforts, IFAD will update its SSTC strategy in IFAD12, focusing on a strengthened role for IFAD as an innovator and knowledge broker.** This will include learning from: (i) implementation of the 2016 SSTC strategy; (ii) activities under the China-IFAD SSTC Facility, currently financing 15 projects across all five regions; (iii) operations of the SSTC and Knowledge Management Centres established in Brazil, China and Ethiopia; and (iv) the Rural Solutions Portal, which is showcasing a growing number of initiatives from IFAD and other partners. The new strategy will focus on promoting the exchange of knowledge, technologies and solutions addressing rural poverty and rural transformation. It will ensure the promotion of SSTC as a key development tool in IFAD's transformational country programmes. The following principles of IFAD engagement in SSTC have been identified: (i) country demand should drive identification of SSTC interventions; (ii) the thematic focus of the activities should be strongly linked to IFAD's priority work streams (such as gender, youth, nutrition and climate, resilience, and employment); (iii) each planned activity should be complementary to those already being implemented through the PoLG and other IFAD-financed activities. The strategy will be supported by establishing a multi-donor financing facility to secure supplementary funds and build a common, IFAD-specific SSTC conceptual framework shared by contributors. This will allow IFAD to consolidate its use of SSTC in IFAD12 to better promote the recovery, rebuilding and resilience of rural livelihoods.

IV. Operationalizing transformational country programmes

93. **A transformational country programme approach is fundamental for delivering expanded and deepened impact in IFAD12.** A transformational country programme approach allows IFAD to support countries in meeting their most pressing challenges related to food insecurity, rural poverty, climate change and fragility. It builds upon IFAD's evolution towards a country-level programmatic model that supports efforts to end rural poverty and hunger by 2030. This approach involves tailored support to countries depending on: (i) their stage of development; (ii) the challenges they face in achieving food security and reducing rural poverty (climate change, fragility, inclusion of marginalized populations, etc.); and (iii) their capacity to obtain resources. This section provides an overview of how IFAD will employ coordinated efforts and instruments to ensure deepened and expanded impact.

A. Supporting recovery, rebuilding and resilience through enhanced portfolio management

94. **During IFAD12, the Fund will leverage its country presence to enhance adaptability for improved results.** Adaptive management comprises the ability to learn, respond and evolve quickly and proactively. It is based on robust design that allows for change when necessary and is delivered across investment project cycles, integrating rapid course corrections to ensure achievement of development objectives. It is a key enabler of IFAD's support for rural communities' recovery, rebuilding and resilience to shocks. Through a series of recent reforms, improvements to portfolio management across a range of indicators have been achieved, as noted in the IFAD11 Midterm Review and 2020 RIDE. Nonetheless, certain aspects of portfolio management need to be strengthened in order to maximize impact.

Quality of project design

95. **The quality of project design is critical to achieve development results.** During IFAD11, a new design process was put in place, with a new review procedure, revised guidelines and an upgraded responsibility framework. Overall, projects at the design stage were found to deliver on IFAD11 commitments through: integration of the mainstreaming themes; strong targeting of poor people; good country context analysis, alignment and ownership; and effective mobilization of cofinancing. Nonetheless, several areas for improvement have emerged, as detailed below. These will be the focus of Management discussions during IFAD12.

96. **First, there are opportunities to strengthen IFAD's programmatic approaches.** Ensuring that IFAD-supported interventions are developed as part of programmatic country-level approaches is fundamental to delivering results at scale by linking programmes with governments' long-term development objectives. Along with results-based lending, phased approaches embedded in instruments such as multi-phased programmatic approaches (box 8) are known to generate strong government ownership and contribute to policy objectives. These will continue to be piloted and scaled up in IFAD's portfolio during IFAD12. Country-level policy engagement, facilitated by decentralization, is also a critical entry point for expanding results beyond a limited number of project beneficiaries and bringing about systemic change (see section B).

Box 8
Multi-phased programmatic approaches

Programmatic approaches have positive operational impact and encourage private sector engagement. They foster lasting partnerships and government ownership. The experience of other IFIs that have introduced variations of multi-phase programmatic approaches shows that the enhanced policy dialogue and partnership-building inherent in such approaches is useful in attracting private sector participation.

A flexible multi-phased programmatic approach addresses demand arising from IFAD's operations. In some countries, IFAD is already following a phased approach, whereby projects are designed drawing on previous experiences and embedding lessons learned. The introduction of a multi-phased programmatic approach would facilitate the current practice and allow for a smoother start-up of subsequent phases. IFAD will learn from its experience in implementing similar instruments in the past, such as the Flexible Lending Mechanism of the early 2000s, and from that of other institutions in piloting a multi-phased programmatic approach during IFAD12.

97. **Second, deeper more robust assessments of countries' institutional needs are required.** Analysis of problem projects demonstrates that unrealistic expectations at the design stage contribute to implementation delays and other issues. Project designs must take into account country-level institutional capacity and factor in appropriate support. A focus on country-level capacity, including results-based management, financial management and M&E, is particularly important for efficient implementation. During IFAD12, IFAD will improve its country-level capacity assessments as part of broader measures to enhance efficiency, as detailed in box 10.

98. **Third, the gradual increase in average project size – from US$28 million to US$40 million in IFAD11 – is helping to improve results, cofinancing and beneficiary outreach** (see box 9). During IFAD12, the Fund will continue to track average project size as an important indicator of its relevance and expanded impact. In response to increasing demand, these larger projects are facilitating investments in critical rural infrastructure, including water supply and sanitation, small-scale irrigation, small- to medium-scale processing facilities, market infrastructure and rural feeder roads enabling market access. Such infrastructure, designed based on the needs of IFAD's target groups and with their participation, is a core element of IFAD's added value and is increasingly requested by Member States. A forthcoming evaluation synthesis report on IFAD's support to infrastructure will include recommendations to guide these efforts during IFAD12.

Box 9
The Goldilocks of IFAD project size

IFAD has increased its average project size so that it is not too large, not too small, but just right for the types of support best suited to achieving rural transformation for the world's poorest and most vulnerable people. Average IFAD financing for projects has increased from US$28 million in IFAD9 to US$31 million in IFAD10 and US$40 million in IFAD11. Beyond allowing IFAD to become more selective and targeted in its support, larger operations tend to achieve better development outcomes (World Bank Group, 2016; African Development Bank, 2010), benefit from economies of scale, reach proportionally more beneficiaries, facilitate cofinancing and investment in rural infrastructure, and provide a more substantial seat at the policy table to advance the cause of rural small-scale producers.

Since IFAD9, the effects of this shift have begun to surface. During IFAD10, the Fund targeted a total average cofinancing ratio of 1:1.2. By the end of 2019, it had reached 1:2.05 (international and domestic). This means that IFAD managed three times the impact it financed – reaching a total of US$3 for every US$1 of IFAD financing.

Larger projects facilitate the achievement of more tangible, sustainable impacts on the lives of IFAD's beneficiaries. In Nigeria, IFAD has built on an initial US$90 million loan during IFAD11. One programme in the country, the Value Chain Development Programme, targets poverty reduction and improved food security through agricultural production, processing and marketing. The programme has reached US$300 million in total financing since its inception, and has received the highest possible rating for likelihood to achieve its development objectives. The programme has been successful in enhancing the productivity and incomes of women and youth involved in rice and cassava value chains – increasing sustainable employment opportunities for youth (40 per cent of beneficiaries) and women (42 per cent). The programme has also leveraged its significant presence to build partnerships and establish the Commodity Alliance Forum, an instrument to replicate and scale up best practices in commodity value chain development.

IFAD is not sacrificing tailored support for increased project size. While its investments may still be smaller than those of other development partners and IFIs financing sector-wide or large infrastructure reforms, IFAD remains focused on its role of reaching those most at risk of being left behind. It is understood that every country has individual needs and requires tailored responses. Even IFAD's smallest projects have important impacts, including policy engagement, technical support and engagement for raising supplementary funds. In IFAD12, while Management will aim to maintain the larger average project size achieved over recent years across the whole portfolio, attention will be given at design to ensuring that the size is appropriate to the context and objectives of each project, with flexibility to pursue smaller projects (in United States dollar terms) where warranted.

Adaptive management at implementation

99. **Through IFAD's decentralization, country teams are now closer to clients and provide stronger and timelier implementation support.** During IFAD11, the Fund updated its guidelines for supervision and implementation support. In addition, the roll-out of IFAD's Operational Results Management System has enabled stronger project monitoring and supervision, allowing access to real-time data and closer follow-up on agreed actions. As a result, problem projects have been reduced from 20 per cent in 2016 to 13 per cent in 2019.[44] It is important to recognize that IFAD is mandated to work in some of the world's most difficult areas. Given the Fund's often difficult implementation context, problem projects will likely persist.

100. **IFAD has demonstrated its adaptability during the COVID-19 crisis in response to demand from Member States; however, further action is needed to facilitate timely response.** In the months since the onset of the COVID-19 pandemic, the Fund has demonstrated its ability to repurpose over US$200 million from its ongoing portfolio to support recovery and rebuilding efforts in rural areas affected by COVID-19. Within the same time frame, it has been able to establish, fund and execute a new instrument, the RPSF. In order to improve its adaptability, IFAD will focus on five key issues during IFAD12.

101. **First, IFAD will continue to utilize project restructuring to improve project performance and inform future design.** Potential problem projects that are proactively restructured before their midterm reviews are more likely to deliver results. Clearly, the timeliness of restructuring matters and Management will seek to ensure that projects are restructured as needed before reaching the midterm point. IFAD will track its proactivity in addressing problem projects in the IFAD12 Results Management Framework (RMF).

[44] IFAD11 Midterm Review.

102. **Second, IFAD will focus on more efficient project delivery.** While the Fund has historically lagged in its performance on project-level efficiency (distinct from IFAD's own efficiency), project efficiency is critical to deliver results more quickly and maximize the number of beneficiaries reached per dollar spent. Analysis of problem projects has demonstrated that project performance is susceptible to several challenges, including high staff turnover, inadequate local capacity, weak disbursement, poor financial management and procurement issues. In IFAD12, there will be a focus on ensuring timelier implementation support, increasing local presence and technical support, and exploring how to support government capacity more directly.

Box 10
Increasing efficiency – an action plan for quicker results

Project-level efficiency has been highlighted as a recurrent weakness both by the Independent Office of Evaluation of IFAD (IOE) and Management's self-assessments. Going the last mile is costly, and given IFAD's target groups, some compromise on project-level efficiency is inevitable. Nonetheless, in order to expand impact for rural poor people, IFAD will place special emphasis on project-level efficiency in IFAD12.

What are the factors that contribute to project-level efficiency?

Various factors influence project-level efficiency. At design, for example, it is important to conduct strong institutional analysis to ensure that ambition is realistic in terms of implementation capacity. Staffing of project management units is not only a strong determinant of efficiency, but also of overall delivery. It is important to have a fully functioning and merit-based recruitment process for these units so that they are ready for implementation when funds are available for disbursement. In addition, efficiency and disbursements are related: it is therefore important that a robust procurement plan is in place, that withdrawal applications are processed according to that plan, and that the project has an effective monitoring and evaluation framework.

How can improvements in project-level efficiency be assessed?

Gains in project-level efficiency are measured against a set of unique indicators during implementation. IFAD uses a number of indicators to assess project efficiency, starting with a composite indicator of overall implementation progress. This key performance indicator includes several sub-indicators, some of which are auto-calculated (like disbursement progress), and others that are assessed during implementation (such as coherence among the annual workplan and budget, and implementation, financial management, procurement and M&E. Taken together, these sub-indicators give a good indication of project-level efficiency and can be used to assess progress.

Does project-level efficiency affect project impact?

Projects completed during IFAD10 showed strong impact as measured by the IFAD10 impact assessment initiative. However, performance on project-level efficiency at completion was below target. Other indicators, including effectiveness, environment and natural resource management, climate change adaptation and gender, were more positive. This shows that while IFAD-supported projects delivered strong impact during IFAD10, they did not do so as efficiently as possible. While this finding is not entirely surprising given IFAD's operating context, sub-indicators of project-level efficiency are important determinants of a project's success. For example, the capacity of the project management unit is a critical to the delivery of project results.

An action plan for improved efficiency

In order to address recurrent challenges in project-level efficiency, IFAD will build on evidence and experience to date to develop an efficiency action plan for IFAD12 to support its ambition of doubling impact by ensuring more efficient use of scarce resources.

103. **Third, Management will ensure that chronic problem projects – those with "problem project" status for the previous three supervision missions – are minimized.** While a portfolio without problem projects is not realistic given the Fund's challenging operating environment, Management's ambition for IFAD12 is to address problem projects more proactively before they become chronic problem projects. If implemented systematically, this should drastically reduce the number of chronic problem projects. For those chronic problem projects that do persist, stricter measures for restructuring and project cancellation will be pursued.

104. **Fourth, there will be a greater focus during project implementation on mainstreaming themes in IFAD12.** As discussed in section III, this will ensure that the priority placed on mainstreaming themes during design carries through to implementation and that challenges are promptly identified and addressed as projects progress.

105. **Finally, learning and accountability during implementation, and at project completion, will continue to be strengthened in IFAD12, with a focus on project-level M&E.** While IFAD has a corporate-level results culture, M&E at the project level still presents weaknesses – with particular gaps in project-level tracking systems and staff capacity. The Fund will take measures during IFAD12 to strengthen project-level M&E through training, capacity-building and information-tracking systems. This will be captured through an M&E action plan that will address specific constraints, building on the Fund's ongoing work through initiatives such as the grant-financed Advancing Knowledge for Agricultural Impact project. Dedicated M&E staffing will be added at the corporate level to support implementation of the action plan and systematically strengthen M&E performance in operations.

Driving innovation through transformational country programmes

106. **Facing multiple challenges in meeting the SDGs, innovation is critical for IFAD to bring about sustainable, inclusive rural transformation.** Innovation spurs new actions to improve performance and address problems, including novel practices, approaches, methods, processes, tools and guidelines.[45] Both IFAD's Strategic Framework 2016-2025 and the strategic directions set out for IFAD11 recognize innovation as necessary for results and impact. IFAD has since pursued organizational changes, including the establishment of a Change, Delivery and Innovation Unit to facilitate innovation across the organization.

107. **IFAD has been particularly strong in social innovation to address socio-economic challenges.[46]** A recent corporate-level evaluation found that IFAD performs well on innovations around natural resource management, building social capital (e.g. land rights management) and human capital (e.g. capacity-building), especially for farmers and their organizations. This is facilitated by the Fund's experience with participatory approaches (e.g. participatory budgeting). However, opportunities for improvement were recognized for women, youth and indigenous peoples.[47] IFAD is responding with a conducive operating model and guidelines on innovation to systematically identify and encourage innovations beyond technology at the project level, with implications for IFAD12 and beyond. IFAD's people-centred approach to development creates a particular opportunity for behavioural-science-driven innovations, which could increase the efficiency and effectiveness of the Fund's interventions.

108. **During IFAD12, the Fund will continue to place a strong emphasis on innovating for development results, in line with IFAD12 priorities.** For example, IFAD will pursue responsible investment and sustainable agricultural practices in line with sustainability objectives, leveraging science, technology and sustainable agricultural approaches, including agroecology and other approaches,[48] to support small-scale producers and vulnerable rural people. By continuing to focus on gender-transformative approaches and integrating innovations stemming from IFAD's youth action plan, IFAD will also leverage innovations to meet challenges within its mainstreaming themes.

109. **IFAD is leveraging ICT4D to accelerate development results.** The Fund will identify and capitalize on opportunities for integrating digital technologies at the country level. To this end, it will ensure that by the end of IFAD12, 50 per cent of new COSOPs and CSNs will have identified ICT4D opportunities to advance development results and impact, and that at least five projects designed over the course of IFAD12 will integrate digital agriculture approaches. This will include promising practices related to precision agriculture, aimed at helping farmers to

[45] IOE. Corporate-level Evaluation on IFAD's Support to Innovations for Inclusive and Sustainable Smallholder Agriculture. 2020
[46] Ibid.
[47] IOE. Technical Innovations for Rural Poverty Reduction, Evaluation Synthesis. 2019.
[48] FAO Conference 22-29 June 2019, http://www.fao.org/3/mz712en/mz712en.pdf.

increase production sustainably and efficiently, fintech supporting greater access by beneficiaries to financial services, and data collection and analysis to inform decision-making at the project and country levels (see box 11).

110. **Digital technologies will have a special focus in IFAD12.** The application of digital technology in agriculture has the potential to increase farmers' productivity and incomes, improve access to markets and strengthen resilience to climate change – especially for the most vulnerable groups such as women and youth. For example, ICTs for agriculture can extend the reach of services and expertise to remote areas at lower cost, generate high-quality data to inform decision-making and link producers to markets through the provision of pricing information. ICT applications have proven indispensable for IFAD's response to the COVID-19 pandemic by enabling communication in the context of social distancing.

Box 11
Priorities for leveraging innovation through ICTs in IFAD12 and beyond

ICTs can provide catalytic support to small-scale producers, improving production, access to markets and resilience to climate change. The areas below offer particularly promising avenues for accelerating results.

Precision agriculture

IFAD is increasing its focus on precision agriculture, which aims to assist small-scale producers in minimizing costs and improving sustainability by making agricultural practices more accurate and controlled. While it involves the application of advanced technologies, including geographical information system (GIS) tools, sensors and drones, precision agriculture is increasingly accessible to small-scale farmers in LICs through mobile-based information, sensors and soil mapping. IFAD is in the early stages of a pilot partnership with Precision Agriculture for Development to deliver personalized agricultural advice to farmers through mobile phones.

Fintech

Improvements in fintech offer a unique opportunity to engage small farmers, connect them to needed resources and help them to develop new business models for sourcing and service delivery. IFAD will support emerging fintech solutions to deliver financial services in faster, cheaper and easier ways.

Geospatial data

The use of geospatial data holds particular promise for enhancing data collection and analysis in support of better decision-making for small-scale producers, and contributes to improved resilience to climate change. IFAD has already employed geospatial initiatives to this end. For example in Yemen, IFAD invested in a combination of GIS modelling, earth observations and social vulnerability assessments for climate vulnerability mapping. This mapping enabled IFAD to target areas and communities according to their vulnerability to climate, and tailor infrastructure adaptation plans to local risk levels and needs.

Enhanced management of programmatic risk and strengthened safeguards

111. **Active management of programme delivery risk is a critical enabler of development results.** Adequate risk management ensures that as risks materialize, IFAD is ready to respond and adjust country programmes accordingly. In its move towards an enterprise risk management (ERM) approach (detailed in section V), IFAD is focusing on identifying and mitigating programme delivery risk – one of the Fund's most significant risks. Programme delivery risk comprises subdomains such as sector strategies and policies, financial management, project procurement, safeguards and stakeholder risks, as well as risks related to the environment and climate, people, institutional capacity and sustainability of interventions. An integrated project risk matrix is being elaborated for all new and ongoing projects to identify, assess, mitigate, manage and monitor risks to programme delivery. The matrix will also help IFAD to avoid exceeding the established risk appetite in its country programmes.

112. **Adopting business continuity processes should not compromise IFAD's effectiveness and efficiency.** These measures provide IFAD with flexibility in responding to countries' urgent needs, such as those related to COVID-19. However, the risks of operating amid the pandemic are high (including those arising from economic impacts and restrictions on public gatherings and travel to reduce virus transmission). Since IFAD's ability to mitigate these risks is fairly limited, operating in COVID-19-affected countries inevitably involves heightened residual risk exposure.

113. **Enhanced safeguards includes stronger linkages between procurement and IFAD's SECAP.** The changes in IFAD's business model, its new financial architecture and the focus in IFAD12 on larger projects – along with potential demand for more rural infrastructure – require strengthening the links between SECAP and procurement. This is especially important since procurement processes forge new relationships with suppliers, providing an opportunity to address associated risks and monitor compliance through safeguards. MDBs are already developing measures to close the gap between safeguards and procurement by integrating sustainable socio-economic and environmental objectives into procurement, supported by expertise. IFAD will review the steps needed to ensure an adequate focus on safeguards, including through a review of its capacity in this area.

114. **IFAD will continue to strengthen national grievance redress mechanisms as part of its evolving safeguards.** The implementation of IFAD's transparency action plan in IFAD11 included a stakeholder feedback framework to ensure that the voices of those IFAD serves are heard and increase its accountability to them. In IFAD12, Management will embed new core indicators on citizens' engagement in country strategies and project designs, and ensure that national grievance redress mechanisms, as reflected in IFAD's safeguard policy, are reported on as part of the stakeholder feedback framework.

B. Sustainable, scaled-up results for lasting impact

115. **In order to deepen impact, the results of IFAD-financed projects on target beneficiary groups must be sustained over time and must be maintained in the face of shocks.** Recent evaluations have shown that IFAD consistently performs below its aspirations on sustainability. Lack of long-term exit strategies, insufficient synergies with complementary projects and stakeholders in-country, limited learning from previous projects, and lack of strong government commitment have been highlighted as important obstacles to progress.[49]

116. **In IFAD12, the Fund will aim to turn a corner on sustainability to enhance the resilience of its target groups.** Actions will focus on: testing tools to enhance government ownership of results; ensuring closer stakeholder engagement; better measuring the sustainability of benefits; and a more purposeful focus on scaling up and exit strategies, including through policy engagement towards systemic change (see figure 5).

[49] 2020 Annual Report on Results and Impact of IFAD's Operations.

Box 12
Building resilience and making impacts sustainable over time

While achieving more sustainable results is central to deepening impact, IFAD has not always performed well in this area according both to the Fund's self-evaluations and IOE. IFAD is therefore undertaking four concrete actions to improve the sustainability of its results during IFAD12, to be compiled in a sustainability action plan.

1) **Fostering sustainability through lending instruments that generate ownership.** Sustainability improves when government partners and beneficiaries are given the opportunity to assume greater ownership of projects from the outset. These partners can then assist IFAD in establishing pathways for either scaling up projects or pursuing exit strategies. Working towards IFAD12, the Fund will roll out pilot and expand instruments that generate strong government ownership. This will include extending the results-based lending pilot and introducing multi-phased programmatic approaches – facilitating the integration of lessons learned from previous projects.
2) **Generating sustainability through closer engagement with stakeholders.** IFAD will ensure closer collaboration with a diversity of partners in-country, facilitated through decentralization. Building on its stakeholder feedback framework and the revised SECAP approved during IFAD11, IFAD will double its efforts to ensure early, meaningful and continuing engagement with, and feedback from, stakeholders – especially the populations it serves.
3) **Thinking more deeply about scaling up and exit strategies.** IFAD has played a leading role in development debates about scaling up impact. In IFAD12, the Fund will continue to emphasize pathways for scaling up project results to ensure greater sustainability, with a focus on policy engagement, as well as its own role in scaling up research results generated by the CGIAR system and others. Prior to IFAD12, its scaling-up strategy will be reviewed to ensure alignment with IFAD's new business model. While all project designs are required to include an exit strategy, the Fund's quality assurance process will ensure that they are adequate, and project teams will ensure that they form an integral part of project supervision.
4) **Improving IFAD's ability to measure sustainability.** Sustainability over time refers to the likely continuation of net benefits from a development intervention after it ceases receiving external funding support. In order to gain a better understanding of whether IFAD's programmes are making a sustainable impact on the lives of small-scale producers and rural poor people, Management will explore with IOE the possibility of undertaking ex post evaluations three to five years after project completion in order to determine whether the results measured at project closure have been maintained.

117. **In order to produce more sustainable results for beneficiaries, IFAD will enhance its role in country-level policy engagement during IFAD12.** IFAD's enhanced proximity to governments through decentralization offers opportunities to heighten its impact through policy engagement – a critical way to ensure that results extend beyond the targeted beneficiaries of IFAD-financed projects.

118. **This builds on existing efforts across IFAD's portfolio.** IFAD's theory of change for policy engagement, articulated during IFAD10, aims to support the design and implementation of national policies that enable rural poor people to increase production, access to markets and resilience.

119. **Several core indicators** are used to track policy-related outcomes within IFAD projects, along with ratings on the extent to which institutional and policy objectives are being met. To date, approximately 50 projects in the Fund's portfolio are tracking policy-related outcome indicators. Results suggest that: more than 500 policy-relevant knowledge products have been completed; nearly 40 multi-stakeholder platforms have been created; and 15 policies have been proposed for approval, ratification or amendment. Performance data on policy engagement during supervision also indicate that the large majority of projects are striving to do well in this area – 87 per cent of projects have scores of "moderately satisfactory" or above.

120. **Nonetheless, the metrics available at the country programme level continue to show a great deal of room for improvement in policy engagement.** The stakeholder survey, COSOP completion reviews and IOE's country strategy and programme evaluations show policy engagement as the weakest performer among all areas tracked. The disconnect between project-level performance and country programme-level performance is mirrored in external data, which suggest that while IFAD is perceived as "helpful" it is not perceived as "influential" in the policy space.

121. **IFAD12 will build on IFAD's comparative advantage of supporting the participation and inclusion of rural poor people in the policy space to achieve better results at the country level.** A unification of approaches, tools and methods for measuring policy engagement will: support policy engagement as a critical pathway for scaling up; and contribute to the sustainability of project outcomes. During IFAD12, IFAD will seek to make an impact – and to measure it – in three specific areas mapped to IFAD's strategic objectives (see figure 5 below):

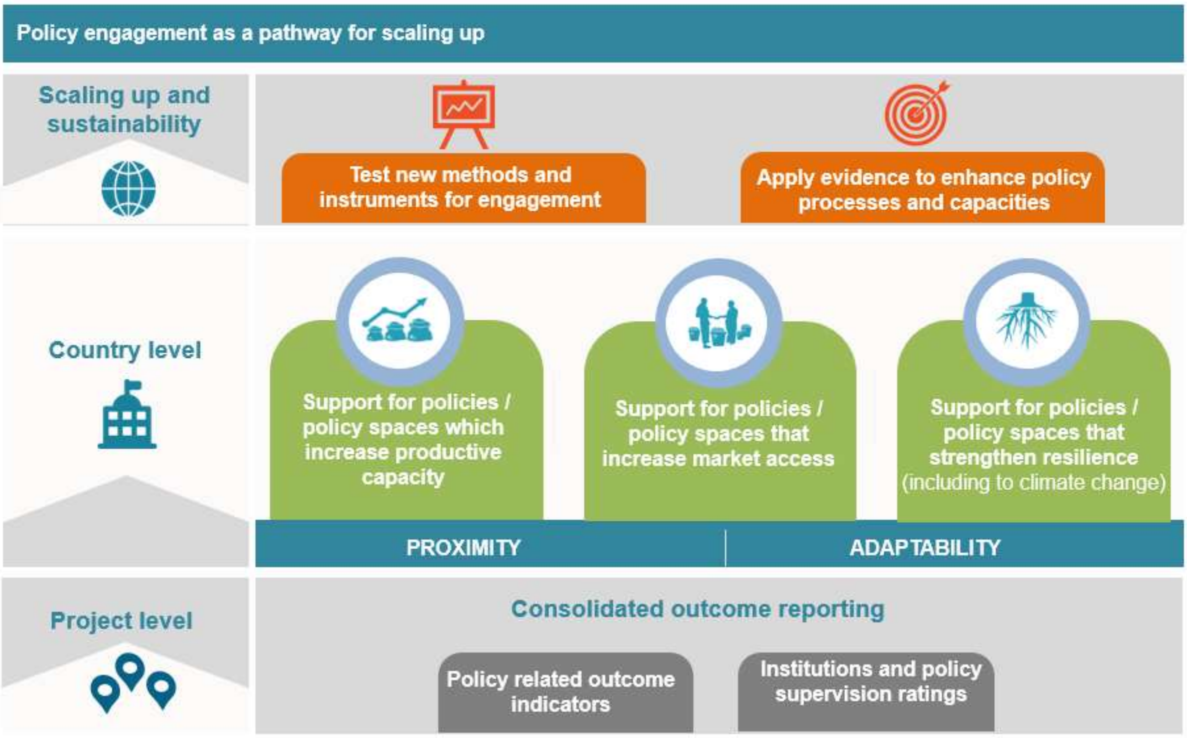
(i) Supporting policies or policy dialogues aimed at enhancing rural poor people's productive capacity;

(ii) Supporting policies or policy spaces that enhance rural poor people's market access; and

(iii) Supporting policies and policy spaces focused on strengthening the resilience of rural poor people, including policies related to climate change and increasing climate finance for small-scale producers.

122. **In any of the areas listed above, IFAD's support could include participation in – and leadership of – agriculture sector working groups and collaborating with governments to ensure that new or updated sector strategies reflect IFAD's mandate.** While IFAD will continue to be opportunistic in its policy engagement – providing support to governments upon request – it will also seek to streamline its engagement to areas in which it can have the most concrete impact in order to ensure that ambitions are aligned with resources and that country teams are not overburdened.

Figure 5
Enhancing and measuring policy engagement as a pathway for scaling up in IFAD12

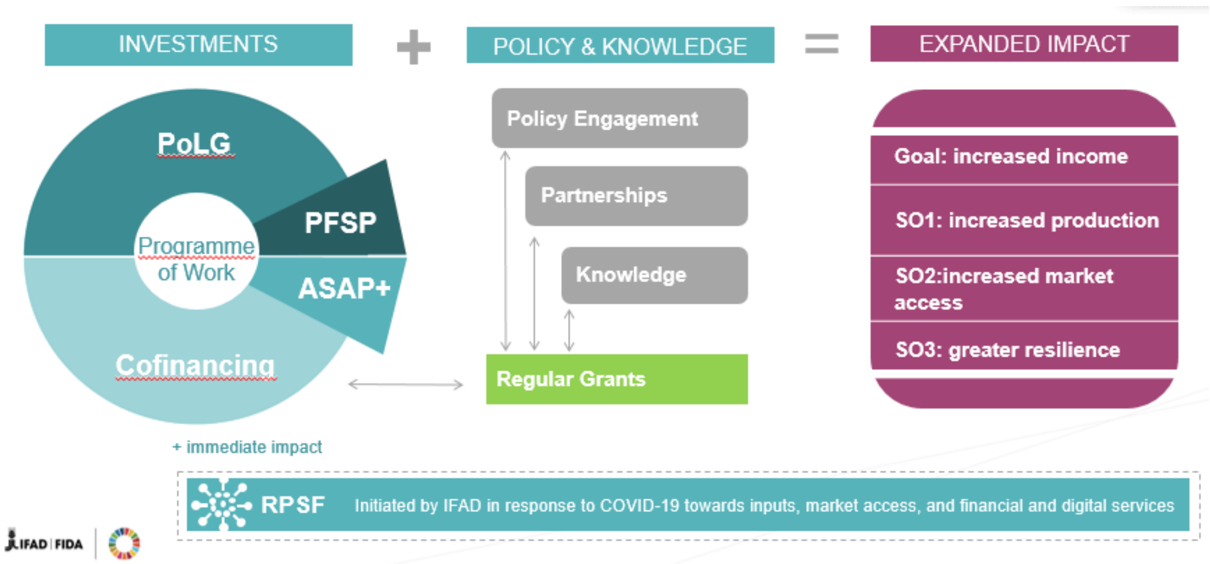


123. **Monitoring policy impact will be simplified by tracking results in the three areas listed above at the country programme level.** This will allow IFAD to test new tools and methods for policy engagement, including instruments to: facilitate rural people's participation in policy processes; utilize existing evidence in policy processes; and enhance governments' policy capacity. This will also facilitate monitoring of IFAD's effectiveness in enhancing coordination between different development actors at country level.

C. An expanded country toolkit responding to the evolving needs of rural poor people

124. **IFAD12 presents an opportunity to provide a broader suite of tools to respond to countries' changing needs and leverage the synergies between them.** In IFAD12, IFAD's PoLG and core replenishment resources will remain the primary means of IFAD's engagement with countries. However, they will be complemented by actions to expand IFAD's work and amplify its impact. Leveraging of IFAD's core resources will be increased to allow all eligible borrowing countries to obtain additional resources and achieve greater impact. The PSFP is a new instrument to catalyse private funding for rural MSMEs, focused on employment generation for youth and women. A new phase of the ASAP+ will scale up efforts to provide critical climate financing. A refocusing of IFAD's regular grant programme will provide catalytic complimentary financing in the areas of policy, knowledge and partnerships. The COSOP will serve as the main tool for ensuring coordination and complementarity between these different tools at country level. Based on a holistic approach to assessing challenges and opportunities, synergistic portfolios of interventions will be defined, tailored to the country context, and fully integrated with national strategies and priorities and with the work of other development partners.

Figure 6
IFAD12 country programmes – alignment and complementarity



Private Sector Financing Programme

125. **The PSFP will be an important vehicle for increasing private sector investment in IFAD12.** With the goal of raising US$200 million in financing, the PSFP is designed to crowd in private sector investments and leverage private sector know-how and innovation for the benefit of small-scale producers and rural communities. It will have a special focus on youth, women and climate resilience. Through the PSFP, IFAD aims to focus on areas where it can play the most catalytic role, directly supporting under-served market segments. PSFP projects are expected to be impactful, commercially viable, adhere to strict environmental and climate standards, and promote good governance and coordination between public and private sector efforts.

126. **The PSFP expands IFAD's instruments for country-level operations, helping the Fund's target groups to grow their businesses, generate income and access more commercial funding sources.** PSFP support will be provided through debt, equity and risk mitigation (e.g. guarantees). It will deliver

targeted technical assistance to private sector partners. This will provide country programmes with a new tool to address critical investment gaps and deliver on core programmatic and country-level objectives.

127. **IFAD is leveraging its expertise and strengthening its private sector capacity and risk management capacity.** Investment potential for PSFP-financed investments is enhanced by IFAD's strong sectoral expertise, extensive network and alignment with its ongoing loan portfolio. Through a combination of recruitment, secondments, consultancies and training, IFAD is strengthening its in-house capacity to meet the demands of – and manage risks associated with – increasingly complex private sector operations. IFAD has also developed guidelines for review of NSOs to ensure early identification and mitigation of risk. IFAD's NSOs are complementary with those of other IFIs, but respond to a specific niche targeting smaller investment opportunities and tailored to the needs of rural poor people. The Fund will also partner with other IFIs whenever possible, tapping into their risk management and structural expertise.

128. **PSFP will be fully aligned with IFAD's country programme strategic objectives and complement its loans and grants**. Ensuring complementarity is a core underlying principle of IFAD's private sector NSOs. This means that investment opportunities may be generated by building on IFAD's existing portfolio. NSOs that do not directly originate from IFAD's PoLG must demonstrate complementarity and alignment with COSOPs in order to secure approval.[50]

Adaptation for Smallholder Agriculture Programme +

129. **ASAP+ offers an additional tool for building resilience at the country level.** A key pillar of the 2RP, ASAP+ aims to raise US$500 million and increase the climate resilience of 10 million vulnerable rural people, with a focus on women and youth. It addresses an important gap in climate finance by aligning with poverty reduction and food security objectives,[51] and targeting rural poor people, who are often the most vulnerable to climate impacts.

130. **ASAP+ will enhance resilience by targeting the underlying climate and social drivers of food insecurity.** It will increase the resilience of vulnerable populations, especially rural women, youth, indigenous peoples and other marginalized groups by increasing production of diverse foods under adverse climate conditions. It will ensure continuous access to foods through improved infrastructure, introduce risk-sharing instruments to protect livelihoods and assets, and facilitate the development and management of storage facilities and other measures. Finally, ASAP+ activities aim to reduce greenhouse gases while simultaneously driving development impact, such as by rehabilitating degraded soils and reducing emissions from agricultural practices.

131. **IFAD will strengthen the mainstreaming of climate through its operations using diversified instruments.** During IFAD12 the Fund will support Member States in their efforts to implement their national climate-related actions plans, including their nationally determined contributions (NDCs), in their follow up to international climate agreements, including principally the Paris Agreement. Recent analysis[52] has shown that the poorest countries struggle to prioritize borrowing for climate-related activities. ASAP+ presents an important instrument to assist member countries in achieving their stated climate objectives, and implementing national climate, environment and biodiversity-related action plans and commitments. By building on IFAD's experience implementing ASAP – with an enhanced focus on mitigation, capacity-building and policy engagement for systemic change – ASAP+ will strengthen resilience and increase IFAD's impact on poverty, food insecurity, and fragility.

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[50] EB 2020/129/R.11/Rev.1.
[51] See: Oxfam. Climate finance shadow report: Assessing progress towards the US$100 billion commitment. 2018.
[52] ODI. Assessing external demand for public investment in inclusive and sustainable rural development.

132. **ASAP+ will complement IFAD's PoLG.** It will focus on countries where IFAD has an active portfolio and ensure alignment with IFAD country strategies in the absence of ongoing investment operations. ASAP+ will prioritize areas where climate vulnerability is especially high and where IFAD could greatly contribute to preventing further crises.

IFAD's catalytic grant programme

133. **The IFAD12 consultation recognized the importance of IFAD's regular grant programme and the need to ensure its use for catalytic purposes.** IFAD has employed regular grants since its inception in 1977. These grants are used to support activities that cannot be funded through IFAD's core programme of loans or any other instrument, but that are critical for IFAD to fulfil its mandate. While recent independent evaluations[53] have shown that regular grants are indeed critical, several improvements have been made, including better integration of outcomes into IFAD country programmes, stronger knowledge management and improved monitoring, reporting and learning.

134. **It was recognized that IFAD's regular grant programme and the DSF are substantially different.** The DSF provides highly indebted countries with grant support that would normally be funded through loans. The grant programme finances non-lending activities – including global and regional public goods, policy engagement, innovations and partnerships – that cannot be financed through IFAD's lending programme. This includes support to initiatives like the Farmer's Forum, CFS, seed funding for partnerships that leverage additional financing and support for global mechanisms such as the Food Systems Summit (see box 13). Without grant financing, these activities could not take place. Therefore, the discontinuation of the regular grants programme risks being inconsistent with the Agreement Establishing IFAD and could potentially deprive the Fund of an indispensable instrument for pursuing its mandate. Nevertheless, in line with the sustainable replenishment baseline approach, and given the need to prioritize DSF funding, the previous approach of allocating 6.5 per cent of the PoLG will be discontinued in IFAD12, and across all scenarios the regular grants allocation will be more than halved to a flat rate of US$100 million.[54]

135. **To address challenges and ensure that the grant programme is catalytic and financially sustainable, a new grant policy is being devised to guide the strategic focus and allocation of grants.** The policy, to be approved by the Executive Board, will apply three principles to the approval of grant proposals: (i) robust justification for why funding can only come from grant resources; (ii) demonstrated leveraging potential; and (iii) rigorous assessment to prioritize among other projects. While the overall envelope for the grant programme will be determined by the replenishment consultation, the revised policy and implementation procedures will include allocation and approval mechanisms, including steps to guide the prioritization of grants proposals according to the priorities set out during each replenishment cycle. In IFAD12, the regular grant allocation will be used for five main priorities, namely: (i) capacity-building for governments and other implementing partners to improve weaker areas of portfolio performance; (ii) enhancing integration of new mainstreaming and social inclusion priorities in the PoLG; (iii) targeted support to activities addressing fragility, building resilience, and responding to and preventing crises; (iv) financing research and innovation where IFAD's contributions are catalytic, support global public goods, and have clear linkages to IFAD's investment programmes; and (v) supporting policy engagement, knowledge sharing and partnerships, particularly those aimed at enhancing scaling-up and sustainability of IFAD-financed

[53] IOE, 2020, Corporate-level Evaluation on IFAD's Support to Innovations for Inclusive and Sustainable Smallholder Agriculture,
[54] The flat rate of US$100 million equates to a share of between 2.4 and 2.9 per cent.

operations. Together these priorities will ensure that the regular grants programme contributes to the delivery of sustainable results through IFAD's core PoLG.

Box 13
IFAD's catalytic grants programme

IFAD's regular grants programme has unique characteristics that distinguish it from IFAD's other instruments. Critically, the regular grants programme is often the only avenue for IFAD to:

(i) **Strengthen the results of IFAD operations –** including through support to amplify the results of IFAD-funded loan operations;

(ii) **Pilot innovations –** allowing safe experimentation with innovative approaches that can be scaled up for wider impact;

(iii) **Establish or strengthen partnerships –** with multiple organizations at different levels in order to leverage cofinancing opportunities;

(iv) **Respond rapidly –** particularly in situations of unforeseen crisis, including in countries with limited or no PBAS allocations;

(v) **Promote non-lending activities –** including critical activities such as policy engagement and knowledge management;

(vi) **Support engagement in key forums –** global initiatives, platforms and networks; and

(vii) **Address regional and global challenges –** including subregional, regional and global policies and public goods.

Examples of successful grant-funded initiatives include the following:

- **Rural Youth, Territories and Opportunities: A Policy Engagement Strategy.** This knowledge-sharing and policy dialogue project covered Colombia, Ecuador, Mexico and Peru, where it established national rural development groups. It also facilitated the drafting of 14 project documents and seven policy briefs, and greatly influenced all four countries' national youth and rural development policies.
- **Scale Up Empowerment through Household Methodologies: from Thousands to Millions**. Covering multiple countries in sub-Saharan Africa, this grant-funded programme contributes to the gender-transformative impact of IFAD's activities through piloting and scaling up household methodologies, which position marginalized rural women, men and youth as drivers of change. As of March 2020, 3,230 households – 6,490 individuals (55 per cent women and 45 per cent men) – had been reached.
- **Support to Farmers' Organizations in Africa Programme (SFOAP).** Through SFOAP (2013-2017), an IFAD-funded grant of EUR 1.9 million helped to attract a total investment of almost EUR 20 million to strengthen farmers' organizations in Africa. Among its most notable results, SFOAP increased farmers' productivity and incomes: SFOAP-supported farmers' organizations were able to mobilize EUR 12 million from public sources and over EUR 4 million through partnership agreements or contract sales during implementation.

V. Transformational institutional change

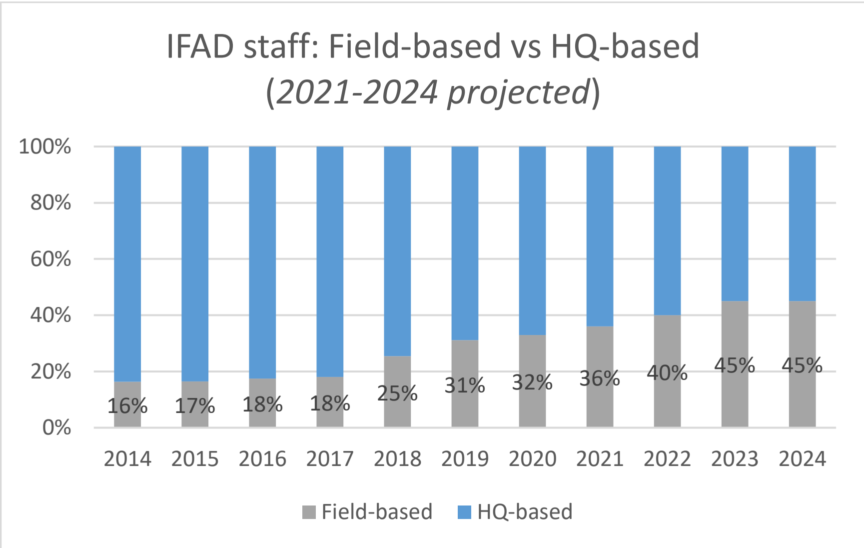
136. **Building on recent institutional reforms, efforts will continue to ensure that the Fund has the capacity to deliver on IFAD12 ambitions.** IFAD is now building on the changes implemented in recent years and investing in people, processes and technology to: become more efficient and agile; deliver more effectively on its mandate; and meet client demand, including in the most challenging environments. During IFAD12, previous improvements will be reinforced by strengthening decentralization and technical expertise, fully embedding new ERM approaches and continued diligence in preventing and responding to SH/SEA. These actions provide the enabling institutional environment underpinning the IFAD12 theory of change.

137. **Decentralization will continue in the lead-up to and during IFAD12, with the aim of having 45 per cent of staff based in ICOs by 2024.** Since IFAD9, the proportion of staff in field offices has risen from 16 per cent to 32 per cent (see figure 7). Greater proximity to projects, governments and other partners has improved IFAD's delivery capacity, policy engagement and partnerships, and established a strong foundation for the transformational country programmatic approach envisioned in IFAD12. This next phase of decentralization will include existing headquarters-based functions and newly established technical and programme management positions, including increased capacity in the areas of the

mainstreaming themes. ICOs will be strengthened, reflecting lessons learned on the importance of in-country presence for policy engagement and partnerships, and agile country programme management. ICO strengthening will focus on fragile or challenging situations, and countries with large and complex portfolios, where there is the greatest potential for in-country staff to increase impact.

138. **Ensuring effective and efficient management of greater decentralization.** Most multilateral and bilateral development partners are already highly decentralized and have adapted their business process and budgets accordingly. In IFAD, decentralization is a recent and ongoing process. Based on lessons learned to date and using a COVID-19 lens, IFAD is conducting a comprehensive analysis of its increased field presence and capability. The aim is to determine an appropriate organizational configuration for the next two to three years, underpinned by a clear delegation of authority, strong fiduciary and safeguard mechanisms, and an emphasis on enhancing staff satisfaction and well-being. In the short term, it is recognized that decentralization could bring additional costs; however, these may be offset by reductions in travel and some headquarters costs. Such changes are expected to bring about significant measurable improvements in the results and impact of IFAD's operations.

Figure 7
Presence of IFAD staff in the field versus headquarters: 2014-2024



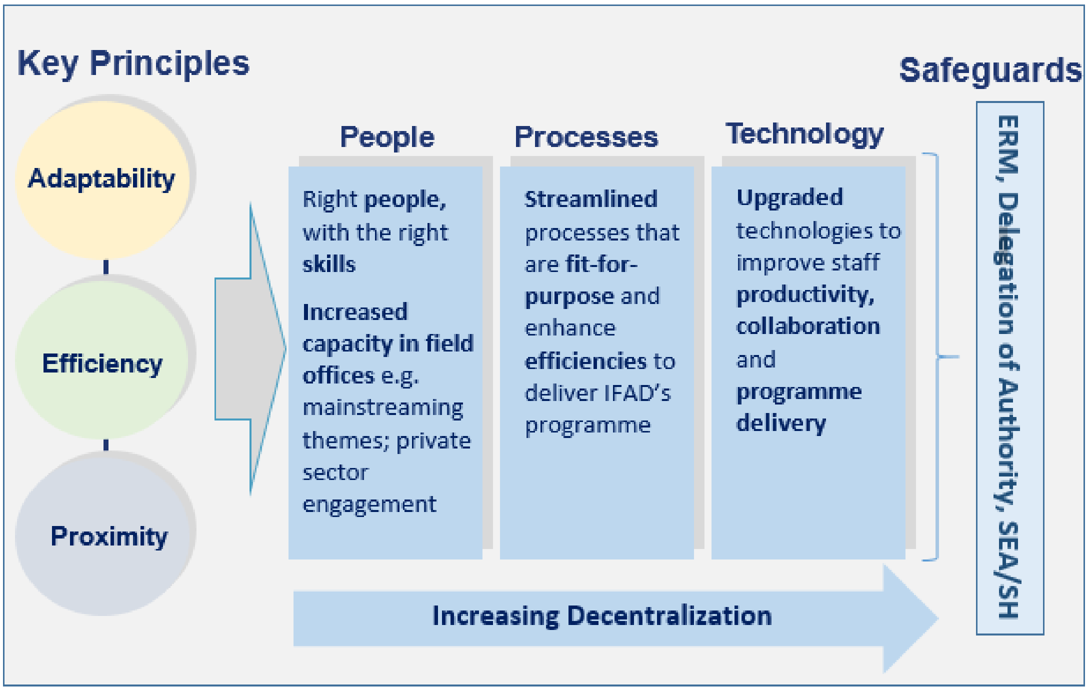
139. **The People, Processes and Technology Plan is an additional element of transformational institutional change and enabler of the IFAD12 business model**. Replenishment consultations have highlighted that continued efforts are needed to reinforce IFAD's workforce capacity and skill set. The plan, approved by IFAD's Executive Board in April 2020, seeks to bridge the gap in workforce and corporate processes in order to help IFAD to deliver its PoW and navigate the global challenges ahead. It responds to external assessments, which identified gaps in human capital, inefficient processes and the need for enhanced technology solutions to support change. Implementation of the plan will continue throughout IFAD12 and beyond.

(i) **People.** The objective of the "people" work stream is to ensure that IFAD has the right people, with the right skills, in the right roles and at the right times and places. Divisional strategic workforce plans are being created to propose targeted training for skills development and performance management. As part of IFAD's decentralization, Management will ensure that the requisite technical and managerial capacity is present in regional hubs and ICOs to deliver on IFAD's mandate, including in mainstreaming areas, portfolio performance in fragile situations, private sector engagement and policy dialogue. Management will increase the share of women in P-5 and higher positions, raising the current target of 35 per cent to a minimum of 40 per cent for IFAD12, aiming at reaching gender parity at all levels of IFAD's staffing, in line with United Nations targets, and implementing relevant provisions of the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women (UN-SWAP) 2.0. IFAD will also continue to ensure geographic representation within its human resources across job categories and levels, appropriate to a global multilateral organization.

(ii) **Processes.** The objectives of the "processes" work stream are to ensure that IFAD's underlying business processes are fit for purpose and provide IFAD with the operational capacity to meet its objectives, manage risks and enhance its efficiency. Solutions currently being rolled out will allow cost savings and other benefits to be realized during IFAD12. Management will conduct reviews of other business processes during IFAD12 as required.

(iii) **Technology.** To support the "people" and "processes" work streams, IFAD is: upgrading its systems; piloting automation for efficiency gains; improving technologies, including for performance management; and enhancing the digital fluency and data analysis skills of its personnel. The aim is to maximize the use of workplace technologies that improve productivity, collaboration and delivery. The impacts of COVID-19 have accelerated this transformation.

Figure 8
Institutional change: Contribution to the IFAD12 business model



140. **IFAD will further strengthen ERM to improve risk governance in line with its evolving business model and financial framework.** Greater decentralization, increased engagement with the private sector and a more sophisticated financial architecture are essential elements of the IFAD12 business model, but also impact IFAD's risk profile. The recent establishment of the Office of Enterprise Risk Management will enable IFAD to measure its risk profile against its risk appetite more accurately, integrate risk management capacity into its operations and take better-informed risks to support rural transformation. It will also ensure regular risk reporting to IFAD's governing bodies during IFAD12. In recognition of the recent successful credit rating, which will allow IFAD to

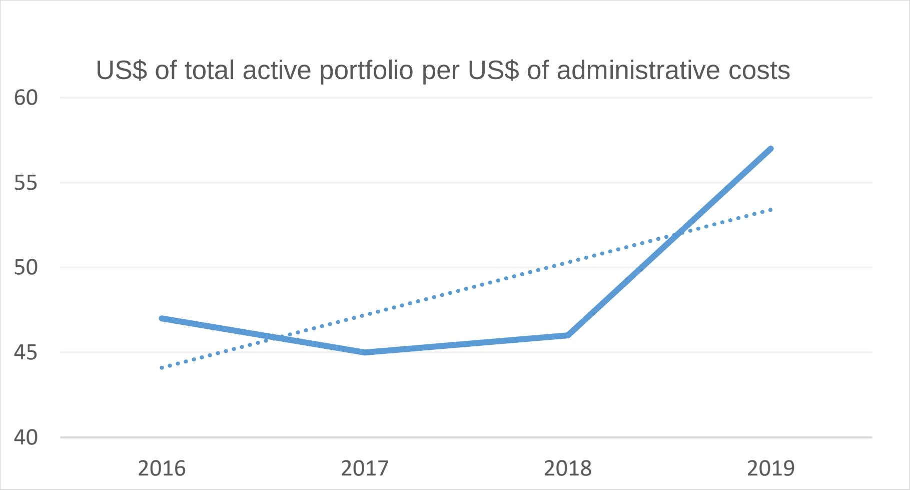
strengthen and diversify its resource base, Management commits to further strengthening the risk management function, and ensuring that this function is elevated within IFAD's organizational structure.

141. **During IFAD12, IFAD will continue its SH/SEA prevention efforts and outreach to raise awareness internally and externally.** In the replenishment consultations, Members reiterated their support for IFAD's Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, and welcomed the concrete actions and alignment with the United Nations Secretary-General's strategy in the report Special Measures for Protection from Sexual Exploitation and Abuse: A New Approach (A/71/818). Management affirmed its commitment to work with all partners in order to promote IFAD's zero-tolerance policy at all levels. Management informs the Executive Board at each session on SH/SEA allegations received and has joined the United Nations Secretary-General quarterly reports on SEA and "Clear Check" screening database. During IFAD12, the Fund will continue to develop biennial IFAD action plans to prevent and respond to SH/SEA, aligned with United Nations Sustainable Development Group strategies and best practices, and provide regular updates to the Executive Board. IFAD will also strengthen anti-racism efforts in response the United Nations Secretary-General's call, and in line with the recent joint statement by the three heads of the Rome-based agencies to "work together to root out racism and discrimination within our own organizations and beyond".[55] Building on IFAD's anti-hate speech action plan, an IFAD-wide survey will be undertaken in advance of IFAD12, including questions on racism, and the findings will be reported to the Executive Board as a basis for strengthening efforts in this area.

142. **During IFAD12, Management will focus on optimizing institutional efficiency and investing in capacity improvements.** IFAD11 is on track to become the first replenishment period in IFAD's recent history with a PoLG delivered entirely under zero-real-growth budget principles. Budget restraint, combined with growth of the Fund's portfolio, enabled IFAD to improve the ratio of the total active portfolio to the organization's administrative costs over the past three years. As shown in figure 9, for each US$1 of administrative costs, IFAD is currently managing US$57 in investments – a 20 per cent increase from 2016. In IFAD12, the goal is to maintain stable efficiency ratios between IFAD's administrative budget and level of operations, as measured by the ratio of administrative budget to total active portfolio. Efficiency savings will be invested in improving IFAD's effectiveness and impact, enhancing the Fund's value for money. Going forward, Management intends to better align its reporting of efficiency with the approaches of other IFIs.

[55] https://www.ifad.org/en/web/latest/speech/asset/42118158.

Figure 9
IFAD efficiency ratio: 2016-2019



VI. Transformational financial framework for IFAD12

143. **IFAD12 is a critical juncture for IFAD's financial sustainability**. As recognized by its Member States, several dynamics built up in the past decade will converge during IFAD12. A growing PoLG, a larger share of DSF grants and increasing – and faster – disbursements are exerting pressure on IFAD's capital and liquidity.

144. **The financial framework for IFAD12 consolidates financial reforms and reflects IFAD's evolution as a development finance institution.** Recent reforms constitute the main pillars of IFAD's future financial architecture. The new DSF mechanism, the sustainable replenishment baseline, the Capital Adequacy Policy, the revised Liquidity Policy, the IBF and the revised approach to determining the resources available for commitment strengthen IFAD's sustainability and financial discipline in a synergistic manner. The updated internal control framework and controllership function, new guidelines on financial crime and an updated ERM Framework also reinforce the Fund's governance for enhanced financial discipline. These enhancements to IFAD financial architecture have been recognized by the successful credit rating and are aimed at building resilience to future shocks. In order to consolidate these achievements and to bolster and diversify IFAD's resource base, Management commits to further strengthening the risk management function.

145. **The economic effects of the global pandemic increase the need to ensure a robust financial profile**. The unprecedented current crisis is affecting both donor and recipient countries. While the full impact of the crisis is still uncertain, IFAD's financial profile is exposed to increased risks. This could present trade-offs between the Fund's long-term financial sustainability and the need to respond to growing operational needs.

146. **Adaptability and agility will underpin IFAD's financial strategy.** As IFAD evolves into a more financially sophisticated institution, it will strengthen its capacity to adapt to changes within a single replenishment cycle. The link between finance and operations will become more dynamic, and increases or decreases in resource availability will be reflected in adjustments to planned delivery. Management will regularly review the key determinants of its commitment capacity in line with revised principles for assessing available resources, and make adjustments as needed in consultation with the Executive Board. Active portfolio

management, integration of potential buffers and early warning indicators of key financial metrics will support this adaptive management of finance and operations.

147. **Member State replenishment contributions will remain the bedrock of IFAD's capitalization and financial commitment capacity.** They represent the main strength of IFAD's balance sheet, underpin the Fund's financial sustainability and serve as the most important source of financing for IFAD's mission. They are essential to support those countries most in need, and will be deployed at maximum levels of concessionality consistent with IFAD's financial sustainability – including through DSF grants to the poorest and most vulnerable indebted countries.

148. **Borrowing through the IBF will be crucial to secure increased funding for all eligible countries.** Borrowed funds will be channelled to UMICs as well as to eligible LICs and LMICs. Through this framework, IFAD aims to introduce a broader pool of eligible lenders and additional borrowing instruments in the form of bilateral private placements to ensure efficient access to the levels of funding required.

149. **Leverage will increase gradually and prudently.** IFAD's leverage as at 30 June 2020 is 10.4 per cent,[56] with US$791 million of borrowing liabilities. During IFAD12, the leverage ratio will remain below 35 per cent – IFAD's current limit approved by the Executive Board.

150. **Maintaining a strong credit rating will be key to increasing borrowing and the PoLG, and broadening IFAD's financial offering**. With a strong credit rating, IFAD will be able to increase funding from a broader range of counterparts, achieve greater funding predictability to support its mission and ensure appropriate liquidity levels at competitive prices. The support of Member States through replenishment contributions sends a strong signal of the importance of the Fund to its shareholders. This support will continue to be a key determinant of IFAD's credit rating.

Replenishment and DSF grants

151. **New DSF grants will be pre-financed through new replenishment contributions.** The prefunded DSF mechanism and the establishment of the sustainable replenishment baseline will ensure that IFAD commitments for new DSF grants do not further erode the Fund's liquidity and capital. Limited DSF grants will be redirected exclusively to countries in debt distress or at high risk of debt distress. In IFAD12, countries at moderate risk of debt distress will no longer receive grants, but will be eligible for loans on super or highly concessional terms.

152. **A strong replenishment is the prerequisite for more DSF support to the most indebted countries.** The higher the replenishment, the greater IFAD's capacity to finance indebted LICs and other countries in debt distress that are eligible for grants – and the higher the overall concessionality offered in IFAD's portfolio.

Replenishment and borrowing

153. **Member States have recognized that IFAD's ambitious PoLG cannot be sustained solely by replenishment contributions.** In line with the Addis Ababa Action Agenda, IFAD will further optimize and leverage its balance sheet to increase support to all countries. But without a significant increase in IFAD's equity and access to other sources of financing – particularly in the form of additional borrowing – the PoLG is bound to shrink over time.

154. **The success of IFAD's leveraging strategy is highly dependent on the success of the replenishment.** Ultimately, IFAD's leverage is constrained by the

[56] This percentage is calculated in line with the definition of the Capital Adequacy Policy, i.e. the principal portion of outstanding debt to total equity. Total equity is defined as total contributions + retained earnings (general reserve + accumulated deficit).

capacity of its capital to support an increase in borrowing. A strong capital base, sustained by increased new replenishment contributions, is a prerequisite for IFAD to increase leverage in a safe manner. A strong replenishment is also important for maintaining a positive credit rating since it gives a clear signal of significant Member State support.

155. **IFAD will ensure that it covers its cost of borrowing.** The Fund will ensure that the financing terms of onlending exceed its borrowing costs and generate a marginal positive income. IFAD's Asset and Liability Management Framework and other financial policies will determine the most appropriate borrowing terms.

156. Recalling Governing Council resolution 204/XLI, which called upon the IFAD12 Consultation to consider progress made by IFAD in preparing for the possibility of market borrowing, and to decide on its readiness to proceed with, and the appropriateness of, market borrowing, Members of the Consultation recognized the significant enhancements that have been made to IFAD's financial architecture, as well as the positive outcome of the credit rating process. These should enhance the Fund's ability to borrow at competitive rates from a diversified range of sources, in line with the Integrated Borrowing Framework. While some Members still felt that the Fund should move ahead with preparations for market borrowing in the near future, others urged for a more cautious approach or discouraged consideration of market borrowing. Going forward, this matter falls under the purview of the Governing Council as duly advised by the Executive Board.

157. IFAD12 provides an opportunity for the Fund to build its experience and capacity in managing greater volumes of diversified borrowing based on its recent positive credit ratings.

A. IFAD12 financial scenarios and impact

158. **During IFAD12, the Fund is committed to maximizing its concessional support to the poorest countries, within prudential limits, to maintain its own financial sustainability.** The level of concessionality of IFAD's financing depends on the interplay among: (i) the level of replenishment; (ii) the use of capital and the level of borrowing; and (iii) the composition of the overall PoLG among groups of countries with different financing terms.

159. **IFAD will manage the trade-offs between the financial variables.** The main variables mentioned in the previous paragraph – notably the replenishment level and the level of borrowing – are projected at ambitious and realistic levels in the replenishment scenario of consensus presented in table 2: scenario D. Should any of these variables not materialize at the targeted levels, IFAD will need to adjust the others to ensure its financial sustainability. For example, a lower replenishment would not only have a direct impact on IFAD's ability to provide grants, but would also impact its leverage capacity, thereby reducing its PoLG.

160. **Three financially sustainable IFAD12 scenarios are presented and the consensus option – scenario D – is highlighted.** Scenario D is based on Member State contributions resulting in a new replenishment target of US$1.55 billion. In addition to these replenishment levels, IFAD aims to mobilize US$500 million for ASAP+ and US$200 million for PSFP. These important complements to the PoLG allow for stronger and sustainable impact in IFAD's country programmes. All scenarios also assume that Member States will support IFAD through US$225 million in new concessional partner loans (CPLs).[57]

161. **The IFAD12 scenarios have been adjusted to account for updated IFAD11 expectations**. As IFAD's operations generate financial flows (i.e. encashments,

[57] The CPL Framework for IFAD12 is unchanged compared to IFAD11. The updated CPL discount rates for IFAD12 are presented in annex III.

disbursements and repayments) over several years,[58] any change in one replenishment cycle has natural repercussions in subsequent years. The estimated effects of the COVID-19 economic shock on the remainder of IFAD11,[59] as well as adjustments due to gaps between actual replenishment payments received and replenishment targets, impact the determination of a sustainable PoLG size in IFAD12. IFAD's future cash flows are projected on a conservative basis to avoid endangering future sustainability or overestimating future resources.[60]

162. **The scenarios assumed an efficient utilization of the available capital base, with some degree of frontloading in the use of IFAD's current capital.[61]** The aim is to maximize IFAD's contribution to achieving the SDGs while increasing the leverage ratio prudently and gradually, and remaining within the levels approved by the Executive Board. This is consistent with the proposed pattern of capital utilization and current levels of liquidity.

IFAD12 scenario of consensus and key financial variables

163. Table 2 presents the sustainable level of IFAD's PoLG under the IFAD12 replenishment scenario of consensus, scenario D, which ensures a financially sustainable trajectory.[62]

Table 2
Replenishment scenarios and PoLG for IFAD12
(Millions of United States dollars)

	End IFAD11	Scenario C	Scenario D	Scenario E
Replenishment target *	1 100	1 350	1 550	1 750
Total PoLG	**3 500**	**3 400**	**3 800**	**4 200**
Sustainable total grants	790	600	750	840
DSF grants	*595*	*450*	*600*	*690*
DSF reserve		*50*	*50*	*50*
Regular grants	*190*[63]	*100*	*100*	*100*
Level of concessionality (end of IFAD12)	52%	47%	49%	50%
Leverage ratio IFAD12 (debt/equity)	17%	29%	28%	27%
Total new IFAD12 debt **	-	1 275	1 225	1 200
Deployable capital (end of IFAD12)	30%	19%	19%	19%

* IFAD12 amounts include the cash component of the IFAD12 new replenishment amounts, and an assumed CPL grant element of US$50 million, derived from the US$225 million forecast for CPLs in IFAD12 across all scenarios, with current estimated discount rates. Note that the IFAD11 amount reflects the predicted actual level of contributions at the end of IFAD11, not the original target of US$1.2 billion.

** Includes US$225 million forecast for CPLs to be secured in IFAD12 across all scenarios.

[58] For example, disbursements made during IFAD11 correspond mainly to approvals from IFAD9 and IFAD10, and only a limited portion pertain to projects approved in IFAD11.
[59] As detailed in document IFAD12/2/R.4, approximately US$300 million of inflows from contributions, reflows and borrowing could be forgone in IFAD11.
[60] These assumptions will need to be revised regularly in response to dynamics that could affect capital structure, required liquidity and the key variables affecting financing capacity. For example, the level of new commitments and IFAD's disbursement capacity could be subject to adjustments depending on encashments of contributions, availability of funding and changing disbursement patterns.
[61] A portion of IFAD's current deployable capital is required to support loans and grants that have already been approved but not yet disbursed to cover past commitments. In addition, capital generation during IFAD12 after operating expenses and grants exceeds the projected requirement to support new loans, causing a decrease in deployable capital; this is characteristic of IFAD's business model.
[62] IFAD's financial trajectory is deemed to be unsustainable when, in the absence of sufficient new capital, current and future liquidity projections are depleted (e.g. less borrowing, reflows or contributions, or higher-than-expected outflows) so that the Fund is not able to disburse according to existing targets, or deployable capital is forecast to fall below zero.
[63] The originally approved IFAD11 financial framework included an allocation for regular grants of 6.5 per cent of the PoLG, equivalent to US$227.5 million, this was revised to US$190 million in March 2020 to avoid an unsustainable level of grant allocations. This reduced amount, in addition to being utilized for regular global/regional and country grants, provided an important source of flexible funding that enabled IFAD to respond quickly to the COVID-19 crisis when the Executive Board approved the allocation of US$40 million towards the COVID-19 Rural Poor Stimulus Facility and to catalyse innovative initiatives such as the Private Sector Financing Programme and other new initiatives for which the Executive Board approved the utilization of US$25 million.

- **The replenishment target in scenario D is US$1.55 billion.** The target accounts for new Member State cash contributions and the grant element of CPLs. The latter component counts towards reaching the replenishment target but does not represent a new cash inflow. These levels exclude contributions to ASAP+ and PSFP and the Fund calls upon Member States to make every effort to maximize their core contributions before contributing to the ASAP+ and PSFP.
- **Total PoLG represents the maximum sustainable programme that IFAD can provide under each scenario of core replenishment contributions paid in cash, level of additional debt assumed and use of capital.** In assessing the new PoLG size, IFAD commits to disburse previously approved funds while maintaining an appropriate liquidity level.[64]
- **Sustainable total grants are directly related to the level of new core replenishment contributions and cover both DSF grants and regular grants.** The amount shown in table 2 is the sum of the maximum sustainable size of new DSF grants and a proposed allocation to regular grants. All three scenarios propose a DSF reserve of US$50 million in case additional funding is required during IFAD12 for DSF eligible countries falling into debt distress, particularly those affected by conflict or a major crisis. This DSF reserve will not be drawn upon to increase the overall agreed level of regular grants. The regular grant envelope amounts to US$100 million, representing a reduction of approximately 50 per cent with respect to the originally allocated amount in IFAD11.[65] Maintaining the same level of regular grants across the scenarios, with higher replenishment levels, would allow more contributions to be directed to loans. New loans funded by new replenishment funds generate reflows that form part of IFAD's core resources, thereby multiplying the use of core contributions.
- **Level of concessionality is calculated from the overall PoLG, assuming current financing terms, PBAS allocations and level of borrowed resources.** The levels of concessionality reached in IFAD11, driven by an unsustainable share of DSF grants, cannot be maintained in IFAD12. However, IFAD is committed to maximizing the concessionality of its loans while preserving its financial sustainability.
- **The Fund's leverage is expressed both by the debt-to-equity ratio target for end of IFAD12 and the total amount of new debt expected.** Borrowing is needed to deliver on: existing commitments (i.e. the disbursement of loans approved in previous cycles)[66] and new disbursements in line with the target for IFAD12. IFAD's level of debt in IFAD12 will remain within the current 35 per cent debt-to-equity ratio. This conservative strategy is in line with current economic uncertainty. If IFAD is unable to secure the needed borrowing amount, the PoLG level will either need to decrease substantially or replenishment contributions will need to cover the funding

[64] Disbursements expected to materialize pertaining to loans and grants approved during past replenishment periods are estimated at approximately US$2.6 billion.
[65] In the past, regular grants were fixed at 6.5 per cent of the PoLG. Together with increased levels of DSF grants, this contributed to an unsustainable trajectory. An upper limit to the level of grants based on replenishment and capital availability is therefore a necessary change to past practice. The originally approved IFAD11 financial framework included an allocation for regular grants of 6.5 per cent of the PoLG, equivalent to US$227.5 million, this was revised to US$190 million in March 2020 to avoid an unsustainable level of grant allocations. This reduced amount, in addition to being utilized for regular global/regional and country grants, provided an important source of flexible funding that enabled IFAD to respond quickly to the COVID-19 crisis when the Executive Board approved the allocation of US$40 million towards the COVID-19 Rural Poor Stimulus Facility and to catalyse innovative initiatives such as the Private Sector Financing Programme and other new initiatives for which the Executive Board approved the utilization of US$25 million.
[66] This is explained by the lag between approvals and disbursement. IFAD12 will represent a peak in disbursement commitments, making it necessary to ensure adequate liquidity levels through the new Liquidity Policy and calibrate future approvals with existing commitments. For reference, cumulative approvals during IFAD8, IFAD9 and IFAD10 amounted to almost US$10 billion, doubling cumulative approvals from IFAD5, IFAD6 and IFAD7.

gap. With borrowing limits regulated by the IBF, going forward, the cap on borrowing is governed thereunder, including the limits set for IFAD11.

- **The deployable capital at the end of IFAD12 is determined by projected PoLG approvals and reflects IFAD's capital base at the end of the cycle.** In all scenarios, the capital base will be positive given IFAD's strong capital position. Two additional considerations demonstrate the evolution of deployable capital during IFAD12. First, most of the reduction in IFAD's deployable capital is a result of past decisions – notably unsustainable DSF levels and regular grant financing, which negatively affected IFAD's equity position. Second, there was a decision to frontload resources in order to deliver on past commitments and sustain ambitious PoLG targets. In assessing the deployable capital dynamic for IFAD12 and beyond, it is important to understand that IFAD provides high levels of grant and concessional financing, which are not entirely offset by the sustainable replenishment baseline.

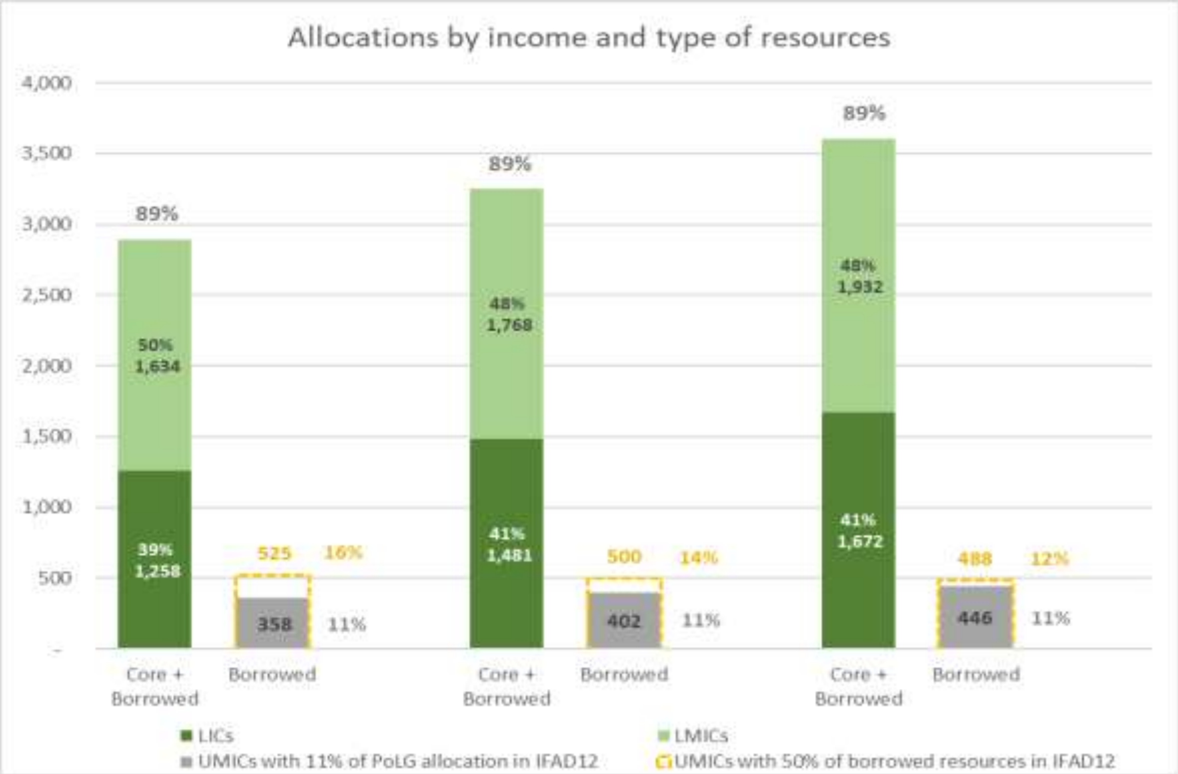
164. The following sections compare the different scenarios, presenting scenario D as the scenario of consensus. The graphs present each scenario by type of resource and income category allocation. Because of the interconnections between replenishment levels and borrowing, differences among the scenarios are not fully proportionate. However, in each of the scenarios, there is a strict correlation between the level of replenishment and IFAD's financial support through core resources to the poorest countries – especially LICs with the highest levels of debt distress.

IFAD12 scenarios by type of resources (core and borrowed funds)

165. **IFAD will focus its core resources on LICs and LMICs.** Figure 10 provides a breakdown of the scenarios by country income category. Consistent with the first pillar of IFAD's Revised Approach to Graduation (annex V), 100 per cent of core resources will be allocated to LICs and LMICs, directing the funding with the highest concessionality to these countries. Borrowed funds will finance eligible LICs and LMICs, and all UMICs.

166. **UMICs are expected to receive a minimum share of 11 per cent of total resources.** UMICs are expected to receive at least 11 per cent of PoLG – the same share as in IFAD11 – and up to a maximum of 20 per cent. Higher replenishment levels provide additional resources to countries in all income categories. Figure 10 shows two alternative views of allocation to UMICs: the minimum allocation of 11 per cent and the allocation derived from assuming that 50 per cent of borrowed resources will be channelled to UMICs. The latter assumption leads to an allocation to UMICs ranging from 12 per cent to 16 per cent under current assumptions of demand for borrowed resources. It should be noted that within this range, the overall PoLG in IFAD12 will not be impacted by the UMIC allocation.

Figure 10
PoLG composition for IFAD12
(Millions of United States dollars)

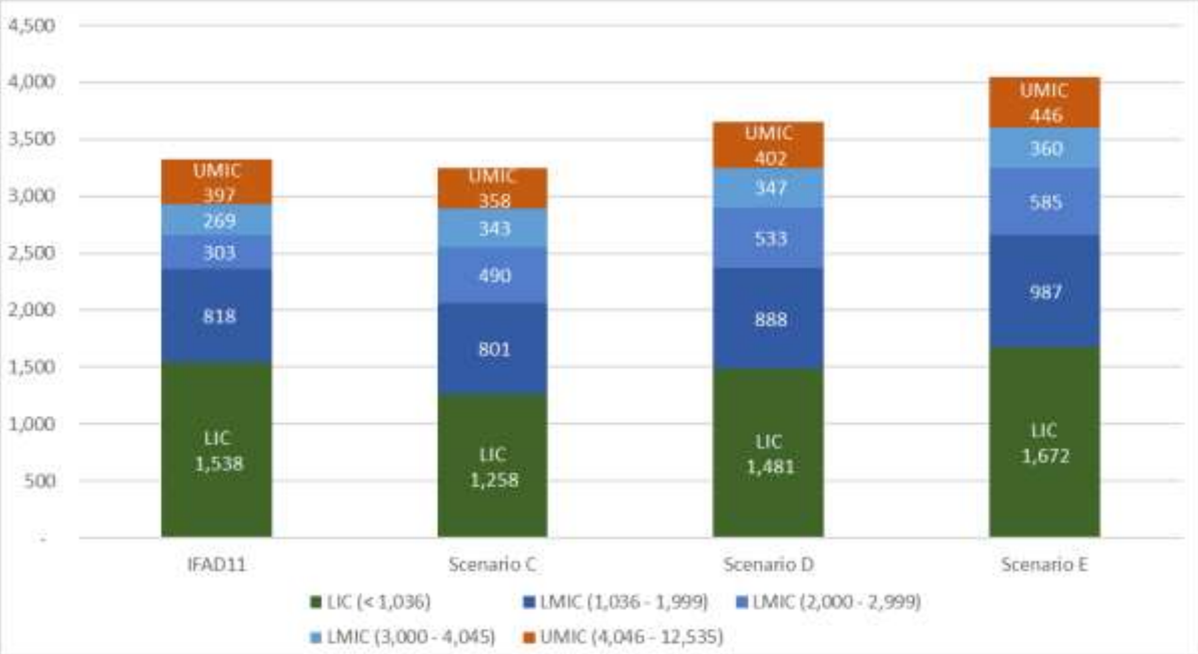


IFAD12 scenarios by income category allocation

167. Figure 11 compares the three scenarios with the IFAD11 PoLG and details their composition by income category. In scenario C, the PoLG would be just below the IFAD11 level of US$3.5 billion. In this case, IFAD would need to scale down its support, hampering already limited progress on SDGs 1 and 2, whereas in the scenario of consensus, scenario D, the PoLG would go beyond the IFAD11 baseline.

168. An analysis of LMICs by gross national income (GNI) levels allows for deeper insights into the Fund’s projected resource allocation. The resources projected for LICs and LMICs with a GNI below US$3,000 in scenario C represent 96 per cent of the total volume provided in IFAD11. This proportion rises by 10 per cent in scenario D and by 22 per cent in scenario E, including a US$60 million increase in the DSF envelope for eligible LICs, as compared to IFAD11.

Figure 11
PoLG scenarios for IFAD12 by income category[67]
(Millions of United States dollars)



169. **Scenario D would allow a PoLG of up to US$3.8 billion.** This is the minimum level allowing IFAD to provide countries in the highest debt distress with the same level of DSF grant financing as in IFAD11 (US$595 million compared to the proposed US$600 million). This scenario also would allow for a US$ 321 million increase in resources for LICs and LMICs compared to IFAD11. Up to US$1.225 billion in borrowed funds would be needed to address existing commitments and sustain the PoLG.

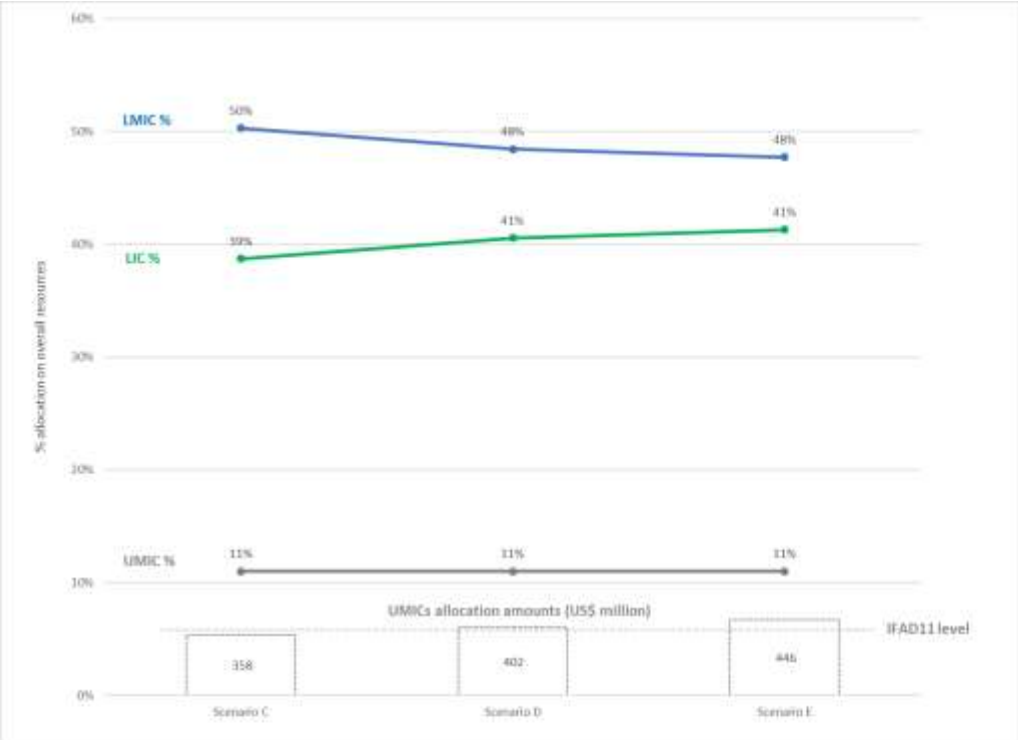
170. **Scenario E would enable a PoLG of up to US$4.2 billion.** With new IFAD12 cash contributions of US$1.7 billion, IFAD could provide record levels of new loan and grant approvals. This scenario would increase IFAD's support to the most indebted LICs in IFAD12 through a maximum sustainable DSF grant financing level of US$690 million. Scenario E clearly shows how a higher replenishment would enable IFAD to increase its focus on LICs and LMICs. IFAD's total financing to LICs would increase significantly to US$1.7 billion (from US$1.5 billion in IFAD11), including an increase in DSF funding of nearly US$90 million from IFAD11 for eligible indebted LICs. In scenario E, for each US$1 in contributions, IFAD would be able to provide US$2.64 per rural population capita for LICs and the lowest-income LMICs.

IFAD12 scenarios by share of financing by income category

171. Figure 12 compares the relative share of total resources by income category across scenarios. It highlights how a higher replenishment allows for a shift of resources to LICs in both absolute and relative terms, while maintaining a minimum allocation to UMICs. While the dynamics among income categories are illustrated clearly, due to variables like funding source, liquidity and capital, these relationships are not linear.

[67] The graph breaks down LMICs into three GNI ranges: US$1,036-US$1,999; US$2,000-US$2,999; and US$3,000-US$4,045.

Figure 12
IFAD12 scenarios: Relative allocations by income category and absolute allocation amounts to UMICs
(Percentages and millions of United States dollars)



172. By analysing the dynamics described above, the following conclusions can be drawn:

(i) **Support to indebted LICs, which are at the heart of IFAD's mission, can only be maintained if a replenishment of at least US$1.55 billion (scenario D) is secured.** The only way for IFAD to provide substantial funding to LICs, which have access to the greatest proportion of the DSF envelope, is through greater replenishment contributions from Member States. Only scenarios D and E allow for IFAD to provide indebted LICs with at least the same level of DSF grants as in IFAD11 (US$595 million). IFAD aims to increase its support to highly indebted LICs, which could also increase in number due to the pandemic.

(ii) **The higher the replenishment, the higher the shift in resources to the countries most in need**. A higher replenishment would allow for a relative and absolute shift in the volume of IFAD's resources towards LICs. Overall, a higher replenishment would produce more benefits for the poorest countries (with GNI less than US$2,000).

(iii) **In each scenario, a minimum of 11 per cent and a maximum of 20 per cent of total resources are allocated to UMICs**. Since UMICs can be financed sustainably almost exclusively through borrowed funds, these countries' dependence on higher replenishments is less pronounced than with LICs and LMICs.

(iv) **Borrowing is key for all scenarios and underpins a transformational financial framework to expand and deepen IFAD's impact**. Member States' support for an expanded borrowing framework and consequent lender base is crucial to the evolution of IFAD's business model. Borrowing finances UMICs as well as eligible LICs and LMICs, providing more resources for all income categories of countries.

IFAD12 impact and expanded investment for greater reach

173. **IFAD aims to double its impact by 2030 (i.e. by IFAD14).** Doubling impact means doubling the number of people with increased income from 20 million per year (based on IFAD10 impact assessments) to 40 million per year by 2030 (i.e. over IFAD12, 13 and 14). Assuming a linear progression, the Fund would need to achieve one third of this increase during IFAD12. This equals approximately 8 million more people per year from the current level, resulting in 28 million people per year with increased incomes. As shown in table 3, this target can be reached by combining scenario D of the PoLG (68 million total or 23 million per year) with the ASAP+ and PSFP.

174. **Table 3 presents the impact levels to be reached during IFAD12 for each of the three scenarios. Assuming a cofinancing ratio of 1.5, the PoW will total US$9.275 billion in scenario D (US$11.125 billion including ASAP+ and PSFP).** The IFAD10 corporate impact assessments indicated that IFAD10 increased the incomes of 62 million people, the agricultural production of 47 million people and the value of market access for 50 million people, while building greater resilience for 26 million. Since IFAD11 impact assessments have not been completed, IFAD10 data were used to estimate IFAD12 impacts.

175. **The distribution of impact across countries depends on resource allocation across country income categories, which is in turn sensitive to the level of DSF funding.** The distribution of estimated impact of the PoLG on the number of people with increased income across income categories is integrated in table 3. From scenario C to E, impact increases from 60 million to 75 million people; these gains are primarily in LICs. In fact, nearly two thirds of the additional impacts accrue to LICs, with the other third in LMICs.

176. **The introduction of ASAP+ and PSFP would lead to additional impact.** Estimates of impact for ASAP+, and for PSFP are also included in table 3. Using the IFAD10 impact assessments as a baseline, it is expected that these two programmes would increase the total number of people with higher incomes by 6 million and 9 million, respectively.

177. All together the PoLG, ASAP+ and PSFP are expected to lead to a total of 83 million people with increased incomes in IFAD12. This is subject to achieving at least scenario D, and strong support for ASAP+ and PSFP. This equates to approximately 27 million to 28 million people per year, in line with the trajectory required to double impact by 2030.

Table 3
Scenarios and IFAD12 impact

	IFAD12		
1. **PoLG Impact**	**Scenario C**	**Scenario D**	**Scenario E**
Total PoLG (maximum level)	3 400	3 800	4 200
Cofinancing ratio	1.5	1.5	1.5
PoW[68]	8 275	9 275	10 275
Goal: increased income	60	68	75
Strategic objective 1: increased production	46	51	57
Strategic objective 2: increased market access	49	55	61
Strategic objective 3: greater resilience	25	28	32
Increased income by country group (millions of people)			
LICs – DSF	7	9	11
LICs – other	16	18	20
LICs – subtotal	**23**	**28**	**31**
LMICs	30	33	36
LICs + LMICs subtotal	**54**	**60**	**67**
UMICs	**7**	**7**	**8**
Total	**60**	**68**	**75**
2. ASAP+ Impact			
Initial resources (US$ million)	500	500	500
Cofinancing ratio	0.3	0.3	0.3
Total resources (US$ million)	650	650	650
Goal: increased income	**5.8**	**5.8**	**5.8**
3. PSFP Impact			
Initial resources (US$ million)	200	200	200
Cofinancing ratio	5.0	5.0	5.0
Total resources (US$ million)	1 200	1 200	1 200
Goal: increased income	**8.9**	**8.9**	**8.9**
4. Summary Impact			
PoW including ASAP+ and PSFP (US$ million)	**10 125**	**11 125**	**12 125**
Goal: increase income (millions of people – IFAD12)	**75**	**83**	**90**
Goal: increase income (millions of people - annually)	**25**	**28**	**30**

Note: Maximum total PoLG and the PoW are measured in millions of United States dollars. Targets for increased income and the strategic objectives of increased production, greater market access and stronger resilience are measured in millions of people.

178. As mentioned above, in order to double impact by 2030, IFAD would need to almost double the PoW with respect to IFAD10 levels. However improvements in value for money and impact per dollar should mean that doubling impact from 20 million to 40 million people with increased incomes per year, can be achieved without doubling the PoW from US$7 billion to US$14 billion. Plans to prudently increase borrowing and increase cofinancing, and the expected increased reflows over the coming replenishment cycles, should enable achievement of a higher PoW without further significant increases in contributions after IFAD12. By increasing the PoW from US$7 billion in IFAD10, to US$8.4 billion or higher in IFAD11, and approximately US$11 billion to US$12 billion in IFAD12 (including ASAP+ and PSFP), significant progress is already being made. The IFAD11 impact

[68] This PoW was calculated by applying the cofinancing ratio of 1.5 to the PoLG excluding regular grants (since these grants do not necessarily leverage cofinancing) and excluding the DSF reserve. The total PoW including ASAP+ and PSFP is presented separately at the bottom of the table.

assessments, expected to be completed in 2022, will provide an opportunity to take stock of progress and fine-tune plans for doubling impact by 2030. At the same time, Management will also report on the future use of the Food Insecurity Experience Scale (FIES) based on the experience of including FIES questions in the IFAD11 project impact assessments. These impact assessments will be carried out in innovative ways because of restrictions on conducting face-to-face survey interviews.

VII. Reporting on results and progress in IFAD12

179. **IFAD12 objectives will be measured and reported on systematically and transparently.** The two key vehicles for articulating and measuring the Fund's ambitions during IFAD12 are the IFAD12 matrix of commitments and monitorable actions (annex I), and the IFAD12 RMF (annex II).

180. **The IFAD12 matrix of commitments and monitorable actions (annex I) reflects the key commitments made during the Consultation.** Each commitment reflects high-priority areas for action agreed upon during the Consultation and is linked to a set of time-bound, monitorable actions to be taken towards honouring those commitments. The matrix also identifies the RMF indicators that will be influenced by each commitment. This format continues the practices from IFAD11 of providing an integrated accountability framework, distinguishing higher-level commitments from monitorable actions, and clarifying the theory of change by linking to specific RMF indicators.

181. **The IFAD12 RMF provides the basis for demonstrating IFAD's performance in relation to its theory of change.** The RMF is an integral part of the Fund's Development Effectiveness Framework and a critical tool for demonstrating and managing performance at the institutional level. It reflects key priority areas identified and agreed upon during a replenishment, and includes core indictors to track progress.

182. **The proposed RMF (annex II) builds on the approach pursued over previous replenishment cycles, and is updated in line with the principles of refining the framework and aligning commitments with global objectives.** The refined IFAD12 RMF is built on the structure and approach of previous versions, and is updated to align with current practice in results management at other IFIs. This includes the: use of more real-time data; introduction of new outcome-oriented indicators such as job creation to measure outcomes more accurately; and introduction of a dashboard to illustrate progress against targets in a comprehensive manner. Aligning institutional commitments with global processes entails aligning corporate indicators with those related to the SDGs. This enables a better understanding among international organizations of their contributions towards the 2030 Agenda. New instruments such as the 2RP and the PSFP will have synergies with the RMF but will maintain distinct targets and reporting structures.

183. **The proposed RMF is based on the IFAD12 theory of change and has a three-tiered structure.** Tier I includes SDG indicators that are relevant to IFAD's mandate. Tier II relates to delivering impact and results, and reports on specific measures at the impact, outcome and output levels. New core indicators at this level include job creation and land tenure. Tier III also relates to delivering impact, but reports on organizational and operational performance – underpinning results in tiers I and II.

184. **Progress on the commitment matrix and achievement of IFAD12 RMF targets will be reported annually through the RIDE**. All persons-based indicators will be disaggregated by youth status (youth and not youth) and sex, as well as indigenous person status when relevant to the scope of the project. IFAD will use project-based reporting on the commitment to ensure that at least five

new projects include persons with disabilities as a priority target group. More disaggregated reporting for future use will be addressed in the strategy for persons with disabilities that will be presented to the Executive Board during IFAD12.

185. **As in previous replenishments, IFAD will report on impact indicators during the last year of IFAD12.** A synthesis report on the outcomes of IFAD's impact assessments will be presented to the Executive Board in early 2024. This continues IFAD's practice as one of the only IFIs to systematically measure the impact attributable to the operations it finances. IFAD will continue to undertake impact assessments on approximately 15 per cent of its projects, which is a sufficiently large sample to ensure that the results are statistically robust, though efforts will be made to mobilize resources to increase the share of projects assessed, particularly in light of the ambitious target of doubling impact by 2030**.**

VIII. Arrangements for the IFAD12 Midterm Review and IFAD13 Consultation

186. **IFAD12 Midterm Review**. A midterm review of IFAD12 implementation will be undertaken and its findings presented at an early session of the IFAD13 Consultation. Adequate time will be allocated at that session to finalize the agenda for subsequent sessions of the IFAD13 Consultation.

187. **Selection of the IFAD13 Chairperson**. The Chairperson for the IFAD13 Consultation will be selected through an open process to be completed prior to the first session of the IFAD13 Consultation, in collaboration with the Executive Board.

IX. Recommendation

188. The IFAD12 Consultation recommends to the Governing Council that it adopt the draft resolution attached as annex VIII to this report.

IFAD12 matrix of commitments and monitorable actions

Commitments	*Monitorable actions*	*Time frame*	*Related RMF indicators*
1. Deepening and expanding impact – leaving no one behind			
1.1 Increased ambition on mainstreaming and other priority issues, and enhanced targeting of the most vulnerable rural people	1. Increase target for climate finance to 40 per cent of the IFAD12 PoLG	Q4 2024	2.2.8 Number of beneficiaries with new jobs/employment opportunities – tracked 2.3.7 Gender equality (ratings 4 and above) (percentage) – 90% 2.3.8 Environment and natural resource management (ratings 4 and above at design for new projects) percentage – 90% 2.3.9 Climate change adaptation (ratings 4 and above) (percentage) – 90% 3.2.3 Projects designed to be gender transformative (percentage) – 35% 3.2.4 Climate finance: Climate-focused PoLG (percentage) – 40% 3.2.5 Climate capacity: Projects designed to build adaptive capacity (percentage) – 90% 3.2.6 Appropriateness of targeting approaches in IFAD investment projects (percentage) – 90% All persons-based indicators, will be disaggregated by youth status (youth and not youth), and sex, as well as indigenous person status when relevant to the specific focus of the project. Reporting towards the commitment 1.1.10 (projects include persons with disabilities as a priority target group) will be done on a project basis.
	2. Present a strategy on biodiversity to the Executive Board	Q4 2021	
	3. Develop specific agro-biodiversity initiatives to improve management and restoration of water or land ecosystems	Q4 2022	
	4. Ensure that 60 per cent of new investment projects explicitly prioritize youth and youth employment	Q4 2024	
	5. Ensure that 60 per cent of new investment projects are nutrition sensitive at design	Q4 2024	
	6. Present an updated policy for IFAD's work with indigenous peoples for approval to the Executive Board	Q2 2022	
	7. Ensure that at least 10 new projects include indigenous peoples as a priority target group	Q4 2024	
	8. Replenish the Indigenous Peoples Assistance Facility including through mobilization of additional resources from other partners	Q4 2022	
	9. Present a strategy for persons with disabilities to the Executive Board	Q2 2022	
	10. Ensure that at least five new projects include persons with disabilities as a priority target group	Q4 2024	
	11. Revise IFAD's targeting policy to better reflect mainstreaming and social inclusion priorities (indigenous peoples, persons with disabilities)	Q4 2022	
	12. Strengthen reporting on mainstreaming themes and commitments through a stand-alone annual report to complement the RIDE[69]	Q3 2023	

[69]Reporting will be based on the IFAD12 mainstreaming paper (IFAD12/2/R.3/Rev.2)

Commitments	*Monitorable actions*	*Time frame*	*Related RMF indicators*
1.2 Strategic focus on fragility, conflict and building resilience	13. Review IFAD's engagement in fragile situations, including the special programme on fragility, to improve performance in building resilience, reducing humanitarian need and engaging effectively in conflict-affected situations	Q4 2022	RMF indicators can be disaggregated by fragility status
	14. Develop specific initiatives for enhanced IFAD engagement in the Sahel and Horn of Africa, leveraging 2RP (including the 3S and the GGWI initiatives) to increase resources and strengthen collaboration with partners	Q4 2023	
	15. Allocate at least 25 per cent of core resources to countries with fragile situations	Q4 2021	
	16. Develop a new strategy for IFAD's engagement in Small Island Developing States	Q4 2022	
1.3 Prioritizing IFAD's core resources for the poorest countries	17. Allocate 100 per cent of core resources to LICs and LMICs, ensuring that 55 per cent are allocated to Africa, and 50 per cent to sub-Saharan Africa	Q4 2021	
	18. UMICs access between 11 per cent and 20 per cent of the IFAD12 PoLG through the use of borrowed resources	Q4 2024	
	19. Present a graduation policy for approval to the Executive Board	Q3 2021	
1.4 Strategic partnerships to enhance impact	20. Present a new SSTC strategy to the Executive Board	Q4 2021	3.1.3 Partnership building (ratings of 4 and above)(percentage) – 90% 3.1.6 COSOPs integrating private sector interventions complementing the PoLG (percentage) – 50% 3.4.3 Cofinancing ratio – 1:1.5 3.4.4 Leverage effect of IFAD private sector investments[70] (average leverage factor) –5:1
	21. Expand the SSTC Trust Fund and develop new SSTC initiatives in at least ten country programmes	Q4 2024	
2. Operationalizing transformational country programmes			
2.1 Enhancing performance and efficiency	22. Develop an action plan on project-level efficiency	Q4 2021	3.3.1 Disbursement ratio (percentage) – 15% 3.3.2 Overall implementation progress (ratings 4 and above) (percentage) – 85% 3.3.3 Proactivity index (percentage) – 70%
	23. Develop a project-level M&E action plan	Q4 2022	
	24. Review and update IFAD's Development Effectiveness Framework	Q4 2021	

[70] This is defined as the aggregate size of public and private sector resources mobilized thanks to IFAD's own investment and support to non-sovereign projects, across the portfolio.

Commitments	*Monitorable actions*	*Time frame*	*Related RMF indicators*
	25. Update IFAD's value for money scorecard for IFAD12 and continue reporting on it as part of the RIDE	Q3 2023	3.5.2 Ratio of the administrative budget to the ongoing portfolio of loans and grants
	26. Develop an operating model and guidelines for innovation in IFAD	Q3 2021	
	27. Ensure that 50 per cent of COSOPs and CSNs approved in IFAD12 have identified ICT4D opportunities	Q4 2024	
	28. Ensure that at least five projects integrate ICT4D or digital agricultural approaches	Q4 2024	
2.2 Sustainability and scaling up results	29. Enhance tools and approaches to achieve policy impact related to IFAD's strategic objectives	Q4 2022	3.1.4 Country-level policy engagement (ratings of 4 and above) (percentage) – 90% 2.3.6 Scaling up (ratings 4 and above) (percentage) – 95%
	30. Introduce country programme level indicators on measuring policy impact related to IFAD's strategic objectives	Q4 2022	
	31. Develop and implement an action plan on the sustainability of results	Q4 2021	
	32. Update IFAD's scaling-up strategy	Q4 2021	
2.3 Expanding IFAD's toolkit for supporting rural poor people	33. Present a new Policy for Grant Financing for the approval of the Executive Board	Q2 2021	
	34. Develop guidelines and pilot multi-phased programmatic approaches	Q4 2024	
3. Transformational institutional change			
3.1 Increase IFAD's decentralization, while strengthening institutional safeguard mechanisms and risk management	35. Increase decentralization from 32 per cent to 45 per cent of staff	Q4 2023	3.6.1 Ratio of budgeted staff positions in ICOs/regional hubs (percentage) – 45% 3.6.2 Decentralization effectiveness - 80% 3.7.3 Percentage of staff completing SH/SEA online training – 98% 3.7.3 Percentage of PMUs completing training on SH/SEA for new projects – 50%
	36. Develop biennial IFAD action plans to prevent and respond to SH/SEA aligned with United Nations Sustainable Development Group strategies and best practices, and provide regular implementation updates to the Executive Board on progress, challenges and risks, including on victim/survivor-centred approaches and action at HQ and country level	Ongoing	
	37. Building on IFAD's anti-hate speech action plan, undertake an IFAD-wide survey, including questions on racism, and report the results to the Executive Board	Q3 2021	

Commitments	*Monitorable actions*	*Time frame*	*Related RMF indicators*
4. Transformational financial framework			
4.1 Increase resources by integrating borrowing to achieve a target PoLG of US$3.8 billion and introducing two new programmes – ASAP+ and PSFP – with a view to an overall PoW of approximately US$11 billion	38. Establish the PSFP to crowd in private sector investments, know-how and innovation for the benefit of small-scale producers	Q4 2021	3.4.1 Debt-to-equity ratio (percentage) – Tracked 3.4.2 Deployable capital (percentage) - Tracked
	39. Establish ASAP+ to assist in closing the climate finance gap for small-scale producers and strengthening the resilience of vulnerable populations, and mobilize additional resources through 2RP	Q4 2021	
	40. Present a proposal for establishment of an access mechanism for borrowed resources to the Executive Board	Q2 2021	
	41. Participate in MDB debt management working groups and seek to engage with other global forums on debt monitoring, transparency and debt management	Ongoing	

IFAD12 Results Management Framework 2022-2024

I. Overview

1. IFAD's Results Management Framework (RMF) for the Twelfth Replenishment of IFAD's Resources (IFAD12) is designed in light of the urgency and importance of contributing to the Sustainable Development Goals (SDGs), and is informed by IFAD's Development Effectiveness Framework. The use of evidence-based decision-making to improve performance is essential in order to expand and deepen IFAD's impact in support of the rural poor. Improved results management means the Fund can provide more inclusive, effective and sustainable support to the most vulnerable communities.

2. Focusing on clear development objectives, well-articulated blueprints for results and better monitoring allows IFAD to increase accountability and integrate lessons learned into present and future operations. It also sets the basis for the results-based management of IFAD and its programme of loans and grants (PoLG), and allows Members to track institutional progress on an ongoing basis.

3. The RMF evolves from the IFAD11 RMF and reflects the priorities indicated by Member States during the IFAD12 Consultation. It is therefore adapted to the IFAD12 business model, includes new or enhanced indicators on mainstreaming themes, jobs and other areas, and demonstrates ambition to integrate new initiatives like private sector engagement into IFAD's traditional PoLG. Its overarching aim is to support monitoring and reporting of IFAD's contributions to the achievement of IFAD strategic objectives (SOs) and the 2030 Agenda for Sustainable Development.[71]

II. IFAD12 RMF rationale and principles

4. IFAD will follow two main principles as it adapts lessons learned under the IFAD11 RMF and more tightly integrates development impacts into global results reporting.

5. **Refining the improvements started in previous replenishments.** The quality and availability of indicators remain central to the tracking and reporting of development results. As such, IFAD remains committed to following specific, measurable, achievable, relevant and time-bound (SMART) indicators. It will also begin to reduce its reliance on ratings based indicators and to include a balance of situational, strategic and results indicators (impact, outcome and output indicators) to paint a fuller picture of IFAD's specific contributions.

6. IFAD is also working to improve how it relays results to its own Management and to Member States. Following its launch in 2020, the full IFAD12 RMF period will include for the first time a fully operational online dashboard, which Members and Management can consult to monitor IFAD's results more closely. The dashboard will be accessible through IFAD's website, and will provide stakeholders with the most up-to-date results and the progress made towards targets. It will be a valuable tool in directing IFAD's ambition towards more proactive results management.

7. Finally, as only indicators that can be measured and monitored in quantitative terms are included in the RMF, qualitative commitments are instead included in the linked IFAD12 commitments matrix. Time-bound monitorable actions are set for these commitments. To ensure tight linkages, each action identifies RMF indicators that will be influenced by these actions.

Aligning more precisely and closely to the global progress IFAD achieves

8. To become better integrated and to better demonstrate IFAD's contributions to the 2030 Agenda, the IFAD12 RMF will continue to improve the harmonization of IFAD's

[71] For further details, see the IFAD12 Results Management Framework document submitted to the third session (IFAD12/3/R.2/Add.).

reporting practices with those of other MDBs and will report more explicitly on its contribution to the SDGs, using established links to IFAD's core indicators.

9. IFAD is currently undertaking an internal review of its mapping of core indicators, which have already been mapped to specific SDG indicators (as reflected in the reform of IFAD's Results and Impact Management System)[72] to ensure that SDG sub-indicators are best matched with core indicators and accurately reflect IFAD's contributions to the 2030 Agenda.

10. Once the review is completed, IFAD intends to automate the linking of core indicators to SDG indicators / sub-indicators in its online Operational Results Management System (ORMS). This would allow IFAD to track every projects' contribution to the SDGs via the core indicators, and to report this information to the public, and to the Executive Board, marking a significant step forward in assessing the links between IFAD projects' outputs and outcomes, and progress on specific SDGs.

III. The RMF structure

11. The IFAD12 RMF categorizes its indicators by level, or "tier", depending on what is being measured. The three tiers follow a similar pyramid sequence – from top to bottom – of development objectives, development results, to operational and organizational performance, with an increasing number of indicators and increasing attributability to the organization moving down the tiers. Importantly, these three tiers link up to the three tiers reflected in the IFAD12 theory of change, presented earlier in this report.

Tier I: Sustainable Development Goals

12. **Tier I includes SDG indicators that are relevant to IFAD's mandate**. This level includes indicators that are matched with SDG 1 and SDG 2 sub-indicators, as they reflect IFAD's core business and IFAD's value proposition. They are tracked at the global level and included as references in the RMF.

Tier II: Development impact and results

13. **Tier II corresponds to delivering impact and results, and reports on specific IFAD indicators at the impact, outcome and output levels.** It is important to point out that these are country-level development results that are affected by exogenous events, and whose achievement is the joint responsibility of IFAD and national governments. Innovations have been added under Tier II at the level of impact, outcome and output indicators.

(i) **Impact.** Impact indicators for IFAD12 directly relate to IFAD's attributable impact measured through IFAD's rigorous impact assessments. Targets for these reflect the expected impact as determined from the selected IFAD12 financial scenario.

(ii) **Outcomes and outputs.** The indicators in this tier have been organized according to the SDG targets they support as well as the thematic area of focus under IFAD's 2016-2025 Strategic Framework. The targets reflect relevant changes to the business model, such as the proposed financial framework, and the achievement of synergies between the PoLG and new instruments such as the Rural Resilience Programme and the Private Sector Financing Programme. For the core indicators at the outcome level, IFAD has developed a standard measurement methodology to enhance outcome-level results reporting.

(iii) **Outcome ratings.** Tier II also includes results from outcome ratings assessed at completion. The methodology for completion report ratings will

[72] https://webapps.ifad.org/members/ec/96/docs/EC-2017-96-W-P-7.pdf.

be updated jointly by Management and IOE in the context of revising the evaluation manual in 2021.

Tier III. Delivering impact through operational and organizational performance

14. **Tier III corresponds to delivering impact and reports on organizational and operational performance**. At this level, the indicators are organized around the three proposed pillars of the IFAD12 business model: transformational country programmes, transformational institutional change and transformational financial framework. Tier III indicators are those where IFAD has the highest ownership and accountability as they measure the performance of the Fund, rather than the joint performance of the Fund and national governments.

IV. Accountability, revision and reporting

15. As with previous frameworks, the IFAD12 RMF will be reported on through the annual RIDE. The RIDE will be complemented by the Annual Report on Results and Impact, issued by the IOE.

16. To take stock of progress made over IFAD11 and during the first part of IFAD12, an IFAD12 Midterm Review will be presented to Member States in 2023. This Midterm Review will also be an opportunity to reflect on IFAD's ability to expand and deepen its impact and deliver on its country programme approach. Related to the framework itself, it will also provide an opportunity to discuss any necessary revisions to the RMF.

V. IFAD12 Results Management Framework indicators[73]

Table 1
Tier I: Goals and context

		Source	*SDG Sub-indicator*	*Baseline (year)*	*Results (year)*
1.1	**SDG 1: No poverty**				
1.1.1	Proportion of population below the international poverty line of US$1.90 a day (SDG 1.1.1)	UNSD	1.1.1	N/A	
1.2	**SDG 2: Zero hunger**				
1.2.1	Prevalence of food insecurity (SDG 2.1.2)	UNSD	2.1.2	N/A	
1.2.2	Prevalence of malnutrition among children under 5 years of age (SDG 2.2.2)	UNSD	2.2.2	N/A	
1.2.3	Productivity of small-scale food producers (SDG 2.3.1) **(new)**	UNSD	2.3.1	N/A	
1.2.4	Average income of small-scale food producers (SDG 2.3.2)	UNSD	2.3.2	N/A	
1.2.5	Government expenditure on agriculture (index) (SDG 2.a.1)	UNSD	2.A.1	N/A	

[73] Indicators assume achievement of Scenario D. They include only the PoLG and associated cofinancing, not the results for ASAP+ or the PSFP.

Table 2
Tier II – Development impact and results[74]

2.1. Impact							
Strategic objective	*SDG targets*	*IFAD12 RMF code*	*Indicator*	*Source*	*Baseline (IFAD10 2016-2018)*	*IFAD12 target (end-2024)* [75]	*IFAD11 target (end-2021)*
	1.2 and 2.3	2.1.1	Number of people with increased income (millions) (SDGs 2.3 and 1.2)	IFAD impact assessment (IIA)	62	68	44
SO1	2.3.2	2.1.2	Number of people with improved production (millions) (SDG 2.3.2)	IIA	47	51	47
SO2	2.3	2.1.3	Number of people with improved market access (millions) (SDG 2.3)	IIA	50	55	46
SO3	1.5	2.1.4	Number of people with greater resilience (millions) (SDG 1.5)	IIA	26	28	24
	2.1	2.1.5	Number of people with improved nutrition (millions) (SDG 2.1)	IIA	N/A	11	12
2.2. Outreach, outcomes and outputs							
Areas of thematic focus in Strategic Framework 2016 - 2025	*SDG target*	*IFAD12 RMF code*	*Indicator*	*Source*	*Baseline* [76]	*IFAD12 target (end-2024)* [77]	*IFAD11 target (end-2021)*
Outreach	1.4	2.2.1	Number of persons receiving services promoted or supported by the project (millions)	Core indicators	110	127	120
Access to agricultural technologies and production services	1.4, 2.3 and 2.4	2.2.2	Number of hectares of farmland under water-related infrastructure constructed/rehabilitated	Core indicators	450 000	610 000	70 000
		2.2.3	Number of persons trained in production practices and/or technologies (millions)	Core indicators	2.7	3.25	3.5
Inclusive financial services	1.4, 2.3 and 8.3	2.2.4	Number of persons in rural areas accessing financial services (savings, credit, insurance, remittances, etc.) (millions)	Core indicators	18	22.5	23

[74] All persons-based indicators will be disaggregated by sex and youth status (young and not young) and where feasible to include persons with disabilities.
[75] Impact target ranges include the expected impact determined from the IFAD12 financial scenarios D as defined in the business model and financial framework, which use an assumed cofinancing target of 1.5 and create a PoW of between US$8.3 billion and US$10.3 billion.
[76] The IFAD12 RMF baselines are the forecasted results that IFAD is expected to achieve by 2021 (estimated figures of the RIDE 2022). The RIDE reporting is highly sensitive to changes in the sample of projects, and IFAD expects large shifts in its major contributors by the end of IFAD11. Projections can help reduce the variability and increase precision.
[77] The IFAD12 targets reflect financial scenario D, and will ultimately depend upon the scenario chosen by Members.

Diversified rural enterprises and employment opportunities	**8.2, 8.3 and 10.2**	2.2.5	Number of rural enterprises accessing business development services	Core indicators	600 000	900 000	100 000
		2.2.6	Number of persons trained in income-generating activities or business management (millions)	Core indicators	2.7	3.1	3.2
		2.2.7	Number of supported rural producers that are members of a rural producers' organization (millions)	Core indicators	0.7	1.0	1.2
		2.2.8	Number of beneficiaries with new jobs/employment opportunities. **(new)**	Core indicators	N/A	Tracked[78]	N/A
Rural infrastructure	2.3	2.2.9	Number of kilometres of roads constructed, rehabilitated or upgraded	Core indicators	12 000	19 000	20 000
Environmental sustainability and Climate change	2.4, 5.4, 7.2, 13.1-13.3 and 15.1-15.3	2.2.10	Number of hectares of land brought under climate-resilient management (millions)	Core indicators	1.5	1.9	1.5
		2.2.11	Number of groups supported to sustainably manage natural resources and climate-related risks	Core indicators	10 000	11 500	10,000
		2.2.12	Number of households reporting adoption of environmentally sustainable and climate-resilient technologies and practices	Core indicators	300 000	350 000	300,000
		2.2.13	Number of tons of greenhouse gas emissions (carbon dioxide equivalent [CO2e]) avoided and/or sequestered (million tons of CO2e over 20 years)	Core indicators	65	95	65
Nutrition	2.2	2.2.14	Number of persons provided with targeted support to improve their nutrition (millions)	Core indicators	5	6	5
		2.2.15	Percentage of women reporting minimum dietary diversity (MDDW)	Core indicators	20	25	N/A
Access to natural resources	1.4, 5.a	2.2.16	Number of beneficiaries gaining increased secure access to land **(new)**	Core indicators	N/A	Tracked	N/A

[78] This is a new outcome indicator without any historical data and will employ new calculation methodologies.

2.3. Project-level development outcome ratings at completion[79]					
IFAD12 RMF code	*Indicator*	*Source*	*Baseline (2016-2018) (RIDE 2019)*	*IFAD12 Target (end-2024)*	*IFAD11 target (end-2021)*
2.3.1	Overall project achievement (ratings 4 and above) (percentage)	PCR ratings	N/A	90	90
		IOE ratings	N/A	Tracked	N/A
2.3.2	Government performance (ratings 4 and above) (percentage) (new)	PCR ratings	80	80	80
2.3.3	IFAD's performance (ratings 4 and above) (percentage) (new)	PCR ratings	N/A	90	N/A
2.3.4	Efficiency (ratings 4 and above) (percentage)	PCR ratings	67	80	80
2.3.5	Sustainability of benefits (ratings 4 and above) (percentage)	PCR ratings	71	85	85
2.3.6	Scaling up (ratings 4 and above) (percentage)	PCR ratings	88	95	95
2.3.7	Gender equality (ratings 4 and above) (percentage)	PCR ratings	88	90	90
	Gender equality (ratings 5 and above) (percentage)	PCR ratings	N/A	60	60
2.3.8	Environment and natural resource management (ratings 4 and above) percentage	PCR ratings	84	90	90
2.3.9	Climate change adaptation (ratings 4 and above) percentage	PCR ratings	83	90	85

[79] Some of these indicators' definitions may be revised in the context of the revision of the evaluation manual; namely, potential to scale up and likelihood of sustainability of benefits.

Table 3
Tier III – Delivering impact

		Source	Baseline (2019)	IFAD12 Target (end-2024)	IFAD11 target (end-2021)
Transformational country programmes					
3.1	**Performance of country programmes**				
3.1.1	Relevance of IFAD country strategies (ratings of 4 and above) (percentage)	Stakeholder survey	93	90	90
		COSOP completion reviews (CCRs)	N/A	80	80
3.1.2	Effectiveness of IFAD country strategies (ratings of 4 and above) (percentage)	Stakeholder survey	89	90	90
		CCRs	N/A	80	80
3.1.3	Partnership-building (ratings of 4 and above) (percentage)	Stakeholder survey	91	90	90
		CCRs	N/A	80	80
3.1.4	Country-level policy engagement (ratings of 4 and above) (percentage)	Stakeholder survey	83	90	90
		CCRs	N/A	80	80
3.1.5	Knowledge management (ratings of 4 and above) (percentage)	Stakeholder survey	93	90	90
		CCRs	N/A	80	N/A
3.1.6	COSOPs integrating private sector interventions complementing the PoLG (percentage) **(new)**	Quality assurance review	N/A	50	N/A
3.2	**Designing for impact**				
3.2.1	Overall rating for quality of project design (ratings 4 and above) (percentage) [d]	Quality assurance ratings	93	95	95
3.2.2	Overall rating for quality of grant-funded projects at entry (ratings 4 and above) (percentage) **(new)**	Quality assurance ratings	100	95	90
3.2.3	Projects designed to be gender transformative (percentage) **(new)**	Corporate validation	32	35	25
3.2.4	Climate finance: Climate-focused PoLG (percentage) **(new)**	Corporate validation based on *MDB Methodologies for Climate Finance Tracking*	34	40	25
3.2.5	Climate capacity: Projects designed to build adaptive capacity (percentage) **(new)**	Corporate validation	N/A	90	N/A
3.2.6	Appropriateness of targeting approaches in IFAD investment projects (percentage)	Quality assurance ratings	93	90	90
3.2.7	Quality of project target group engagement and feedback (ratings 4 and above) (percentage) **(new)**	Supervision ratings	N/A	80	N/A
3.3	**Proactive portfolio management**				
3.3.1	Disbursement ratio (percentage)	Oracle FLEXCUBE	17.9	15	17
3.3.2	Overall implementation progress (ratings 4 and above) (percentage) **(new)**	Supervision ratings	89	85	N/A

3.3.3	Proactivity index (percentage) **(new)**	Corporate databases	55	70[80]	N/A
Transformational financial framework					
3.4	**Resources**				
3.4.1	Debt-to-equity ratio (percentage)	Corporate databases	8.1	Tracked	Tracked
3.4.2	Deployable capital (percentage) **(new)**	Corporate databases	40.3	Tracked	Tracked
3.4.3	Cofinancing ratio	GRIPS	1:1.37	1:1.5	1:1.4
	Cofinancing ratio (international)	GRIPS	1:0.61	1:0.7	1:0.6
	Cofinancing ratio (domestic)	GRIPS	1:0.76	1:0.8	1:0.8
3.4.4	Leverage effect of IFAD private sector investments[81] (average leverage factor) **(new)**	Corporate databases	N/A	5	N/A
Transformational Institutional Change					
3.5	**Institutional efficiency**				
3.5.1	Ratio of IFAD's administrative expenditure to the PoLG (including IFAD-managed funds) (percentage)	Corporate databases	11.2	12.5	12.9
3.5.2	Ratio of the administrative budget to the ongoing portfolio of loans and grants	Corporate databases	2.1	2.1	2.1
3.6	**Decentralization**				
3.6.1	Ratio of budgeted staff positions in ICOs/regional hubs (percentage)	Corporate databases	32	45	33
3.6.2	Decentralization effectiveness (percentage) **(new)**	ICO Survey	N/A	80	N/A
3.7	**Human resource management**				
3.7.1	Percentage of women in P-5 posts and above	Corporate databases	33.9	40	35
3.7.2	Time to fill Professional vacancies (days)	Corporate databases	94	90	100
3.7.3	Percentage of staff completing SH/SEA online training **(new)**	Corporate databases	N/A	98	N/A
	Percentage of PMUs completing training on SH/SEA for new projects **(new)**	Corporate databases	N/A	50	N/A
3.7.4	Performance management **(new)**	Corporate databases	N/A	50	N/A
3.8	**Transparency**				
3.8.1	Percentage of PCRs submitted within six months of completion, of which the percentage publicly disclosed	PMD	67/74	85/90	85/90
3.8.2	Comprehensiveness of IFAD's publishing to IATI standards (percentage)	IATI	86	75	75

[80] The target reflects a new definition in line with other international financial institutions, which includes restructuring of ongoing projects.
[81] This is defined as the aggregate size of public and private sector resources mobilized thanks to IFAD's own investment and support to non-sovereign projects, across the portfolio.

VI. Definitions and data sources for IFAD12 RMF indicators

Table 4
Tier I – Goals and context

Code	*Indicator name*	*Source*	*Definition*
1.1	**SDG 1: No poverty**		
1.1.1	Proportion of population below the international poverty line of US$1.90 a day (SDG 1.1.1)	UNSD	SDG indicator 1.1.1 – The indicator is defined as the percentage of the population living on less than US$1.90 a day at 2011 international prices. The international poverty line is currently set at US$1.90 a day at 2011 international prices.
1.2	**SDG 2: Zero hunger**		
1.2.1	Prevalence of food insecurity (SDG 2.1.2)	UNSD	SDG indicator 2.1.2 – Prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale.
1.2.2	Prevalence of malnutrition among children under 5 years of age (SDG 2.2.2)	UNSD	SDG indicator 2.2.2 – Prevalence of malnutrition (weight for height >+2 or <-2 standard deviation from the median of the World Health Organization's Child Growth Standards) among children under 5 years of age, by type (wasting and overweight).
1.2.3	Productivity of small-scale food producers (SDG 2.3.1) **(new)**	UNSD	SDG Indicator 2.3.1 – Volume of agricultural production of small-scale food producer in crop, livestock, fisheries and forestry activities per number of days. The indicator is computed as a ratio of annual output to the number of working days in one year.
1.2.4	Average income of small-scale food producers (SDG 2.3.2)	UNSD	SDG indicator 2.3.2 – Average income of small-scale food producers, by sex and indigenous status.
1.2.5	Government expenditure on agriculture (index) (SDG 2.a.1)	UNSD	SDG indicator 2.a.1 – The indicator is defined as the agriculture share of government expenditures, divided by the agriculture share of GDP, where agriculture refers to the agriculture, forestry, fishing and hunting sector. The measure in a currency-free index, calculated as the ratio of these two shares.

Table 5
Tier II – Development impact and results[82]

Code	*Indicator name*	*Source*	*Definition*
2. 1 Impact			
2.1.1	Number of people with increased income (millions) (SDGs 2.3 and 1.2)	IIA	Projection from IFAD impact assessments of the number of rural people with changes in economic status (10 per cent or more) including income, consumption and wealth (depending on COVID and other global shocks). The indicator will be reported in 2025.
2.1.2	Number of people with improved production (millions) (SDG 2.3.2)	IIA	Projection from IFAD impact assessments of the number of people with substantial gains (20 per cent or more) in production of agricultural products (depending on COVID and other global shocks). The indicator will be reported in 2025.
2.1.3	Number of people with improved market access (millions) (SDG 2.3)	IIA	Projection from IFAD impact assessments of the number of people with greater value of product sold (20 per cent or more) in agricultural markets (depending on COVID and other global shocks). The indicator will be reported in 2025.
2.1.4	Number of people with greater resilience (millions) (SDG 1.5)	IIA	Projection from IFAD impact assessments of the number of people with improved resilience (20 per cent or more) (depending on COVID and other global shocks). The indicator will be reported in 2025.
2.1.5	Number of people with improved nutrition (millions) (SDG 2.1)	IIA	Projection from IFAD impact assessments of the number of people with improved nutrition (increase in dietary diversity of 10 per cent or more) (depending on COVID and other global shocks). The indicator will be reported in 2025.
2.2. Outreach, outcomes and outputs			
2.2.1	Number of persons receiving services promoted or supported by the project (millions)	Core indicators	Number of individuals who have directly received or used services promoted or supported by the project.
2.2.2	Number of hectares of farmland under water-related infrastructure constructed/rehabilitated	Core indicators	Water-related infrastructure includes dams and ditches, irrigation and drainage infrastructure; infrastructure for rainwater harvesting; and wells and other water points that have been constructed or rehabilitated with project support.
2.2.3	Number of persons trained in production practices and/or technologies (millions)	Core indicators	Number of persons who have been trained at least once in improved or innovative production practices and technologies. Training topics may concern crop production, livestock production, forestry production or fish production.
2.2.4	Number of persons in rural areas accessing financial services (savings, credit, insurance, remittances, etc.) (millions)	Core indicators	Refers to the number of individuals who have accessed a financial product or service specifically supported by the project and its partner financial service provider. Such services include loans and microloans, savings funds, microinsurance/insurance, remittances, and membership of a community-based financial organization (e.g. a savings and loan group).
2.2.5	Number of rural enterprises accessing business development services	Core indicators	Refers to the number of rural enterprises that have accessed business development services promoted by the project. Rural enterprises are structured businesses that have a well-defined physical location, normally with legal status, a bank account and some employees. They also include pre-entrepreneurial activities such as self-employment initiatives, and microenterprises with semi-structured activities. Both formal and informal enterprises can be considered, but only non-farm upstream and downstream activities (processing and marketing) are to be included. Production activities are excluded. As generally defined, business development services aim to improve the performance of the enterprise, its market access and its ability to compete.
2.2.6	Number of persons trained in income-generating activities or business management (millions)	Core indicators	Refers to the number of persons who have received training in topics related to income-generating activities, including post-production handling, processing and marketing. Such activities include cheese-making; small-scale processing of fruit, and meat and milk products; handicrafts such as weaving, embroidery, knitting, tailoring and woolspinning; conservation of agricultural products and agroprocessing techniques, product handling in compliance with safety standards (use of chemicals, pesticides) and other quality requirements, packaging, and market information and

[82] All people-based indicators will be disaggregated by sex and youth status (young and not young).

			procedures. Vocational training is also included (blacksmithing, carpentry, dressmaking, tailoring, hairstyling, masonry and welding). Business management training includes organizational management, accounting and bookkeeping, cash flow management and marketing.
2.2.7	Number of supported rural producers that are members of a rural producers' organization (millions)	Core indicators	The number of rural producers that belong to a rural producers' organization, whether or not formally registered.
2.2.8	Number of beneficiaries with new jobs/employment opportunities **(new)**	Core indicators	Number of new full-time or recurrent seasonal on-farm and off-farm jobs created since project start-up, either as independent individuals (self-employed) or as employees of micro, small and medium-sized enterprises. Jobs created within farmers' organizations that received project support are also included, but temporary jobs created for a limited period (e.g. for road construction) shall be excluded. The possibility of measuring improvements in job quality for existing jobs will be explored for possible incorporation into the RMF in future.
2.2.9	Number of kilometres of roads constructed, rehabilitated or upgraded	Core indicators	The total length, in kilometres, of all roads that have been fully constructed, rehabilitated or upgraded (e.g. from feeder road to asphalt road) by the project. Includes roads such as feeder, paved, primary, secondary or tertiary roads.
2.2.10	Number of hectares of land brought under climate-resilient management (millions)	Core indicators	Refers to the number of hectares of land in which activities were undertaken to restore the productive and protective functions of the land, water and natural ecosystems and/or reverse degradation processes with a view to building resilience to specific climate vulnerabilities.
2.2.11	Number of groups supported to sustainably manage natural resources and climate-related risks	Core indicators	Refers to the number of groups (whether or not formally registered and including indigenous peoples' communities) involved in the management of natural resources (rangelands, common property resources, water resources, forests, pastures, fishing grounds and other natural resources) for agricultural production that have received project support to improve the sustainability of services provided to the resource base and to manage climate-related risks. Natural resource management groups involved in promoting technologies and practices for environmental protection, combating deforestation and desertification, or promoting soil/water conservation initiatives to prevent or increase resilience to climate-related risks should also be considered. Climate-related risks are those resulting from climate changes that affect natural and human systems and regions. Direct climate change risks are expected especially for productive sectors that rely heavily on natural resources, such as agriculture, fishing and forestry. The aim of such engagement is ultimately to enable these individuals/groups to take better and more resilient decisions that can avoid losses and damage to their livelihoods resulting from climate-related events.
2.2.12	Number of households reporting adoption of environmentally sustainable and climate-resilient technologies and practices	Core indicators	Refers to the percentage of surveyed project beneficiaries who were trained in environmentally sustainable practices and/or the management of climate-related risks, and who claim that: (a) they have fully mastered these practices; and (b) they are now routinely using these technologies and practices.
2.2.13	Number of tons of greenhouse gas emissions (CO_2e) avoided and/or sequestered (million tons of CO_2e over 20 years)	Core indicators	Refers to the potential of projects to avoid or reduce greenhouse gas emissions (CO_2e) over 20 years as a result of the introduction and uptake of technologies and practices promoted by the project. The indicator is measured in tons of carbon dioxide equivalent (CO_2e) using internationally recognized greenhouse gas accounting tools based on Intergovernmental Panel on Climate Change methodologies, in particular the Ex-Ante Carbon Balance Tool (EX-ACT)and the Global Livestock Environmental Assessment Model interactive (GLEAM-i).
2.2.14	Number of persons provided with targeted support to improve their nutrition (millions)	Core indicators	Refers to the number of persons in projects that have been classified as "nutrition-sensitive" who have participated in project-supported activities designed to help improve nutrition.
2.2.15	Percentage of women reporting minimum dietary diversity (MDDW)	Core indicators	Applies to projects classified as "nutrition-sensitive", or projects with specific activities to improve or diversify the diet and nutrition of targeted households, particularly woman-headed households. Refers to the percentage of women surveyed reporting that the quality and diversity of their diet have improved (i.e. they are consuming more varied and more nutritious food) as compared to the previous year.
2.2.16	Number of beneficiaries gaining increased secure access to land **(new)**	Core indicators	Refers to the number of beneficiaries who have been supported in gaining increased tenure security over land (forests, farmland, pasture), water (for livestock, crop, domestic and drinking use) or over water bodies (for capture fisheries or fish farming).

2.3 Project-level development outcome ratings at completion[83]			
2.3.1	Overall project achievement (ratings 4 and above) (percentage)	PCR ratings	Percentage of projects rated moderately satisfactory (4) or better for overall project achievement. The measurement of this indicator is the overarching assessment of the intervention.
		IOE ratings	Percentage of projects rated moderately satisfactory (4) or better for overall project achievement by IOE in their project completion report validation (PCRVs) and project performance evaluations (PPEs). The overarching assessment of the intervention draws upon the analysis of and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation and scaling up, environment and natural resources management, and adaptation to climate change.
2.3.2	Government performance (ratings 4 and above) (percentage) **(new)**	PCR ratings	Percentage of projects rated moderately satisfactory (4) or better on the borrower's overall performance while implementing the project. This relates to the performance of the main implementing agency, the borrower's representative responsible for managing the special account, of the project steering committee and of the national authority in charge of audit.
2.3.3	IFAD's performance (ratings 4 and above) (percentage) **(new)**	PCR ratings	Percentage of projects rated moderately satisfactory (4) or better on the overall IFAD's performance while designing the project, supervising project implementation and providing implementation support.
2.3.4	Efficiency (ratings 4 and above) (percentage)	PCR ratings	Percentage of projects rated moderately satisfactory (4) or better for efficiency. The definition for this indicator is the measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
2.3.5	Sustainability of benefits (ratings 4 and above) (percentage)	PCR ratings	Percentage of projects rated moderately satisfactory (4) or better for sustainability of benefits. The definition for this indicator is the likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.
2.3.6	Scaling up (ratings 4 and above) (percentage)	PCR ratings	Percentage of projects rated moderately satisfactory (4) or better for scaling up. The definition for this indicator is the extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and other agencies.
2.3.7	Gender equality (ratings 4 and above) (percentage)	PCR ratings	Percentage of projects rated moderately satisfactory (4) or better for gender equality. The definition for this indicator is the extent to which IFAD interventions have contributed to gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision-making; workload balance; and impact on women's incomes, nutrition and livelihoods.
	Gender equality (ratings 5 and above) (percentage)	PCR ratings	Percentage of projects rated satisfactory (5) or better for gender equality using the above definition.
2.3.8	Environment and natural resource management (ratings 4 and above) percentage	PCR ratings	Percentage of projects rated moderately satisfactory (4) or better for environment and natural resource management. The definition for this indicator is the extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, specifically natural resources – defined as raw materials used for socioeconomic and cultural purposes – and ecosystems and biodiversity used for the goods and services they provide.
2.3.9	Climate change adaptation (ratings 4 and above) percentage	PCR ratings	Percentage of projects rated moderately satisfactory (4) or better for adaptation to climate change. The definition for this indicator is the project's contribution to reducing the impact of climate change through adaptation or risk reduction measures.

[83] Some of these indicators' definitions may be revised in the context of the revision of the evaluation manual, namely potential to scale up; and likelihood of sustainability of benefits.

Table 6
Tier III – Delivering impact

Code	*Indicator Name*	*Source*	*Definition*
Transformational country programmes			
3.1	**Performance of country programmes**		
3.1.1	Relevance of IFAD country strategies (ratings of 4 and above) (percentage)	Stakeholder survey	Refers to the average of the percentage of responses rated favourably (3+ on a 4 point scale) for all questions specific to relevance of country programmes on the stakeholder survey during the relevant period.
		CCRs	Assessment of the alignment and coherence of the: (i) SOs; (ii) geographic priority; (iii) subsector focus; (iv) main partner institutions; (v) targeting approach used, including emphasis on selected social groups; (vi) mix of instruments in the country programme (loans, grants and non-lending activities); and (vii) the provisions of the country programme and COSOP management. The emphasis is on the strategy pursued by the country programme, whether or not it is clearly outlined in the COSOP.
3.1.2	Effectiveness of IFAD country strategies (ratings of 4 and above) (percentage)	Stakeholder survey	Refers to the average of the percentage of responses rated favourably (3+ on a 4 point scale) for all questions specific to effectiveness of IFAD country strategies on the stakeholder survey for the relevant period.
		CCRs	Determines the extent to which the overall SOs (as per the COSOP) were achieved, whether other significant – but originally unforeseen – results were attained at the programme level, and whether a credible logical nexus can be established between the partners, the IFAD-supported initiatives (lending, non-lending, programme management) and the observed results. Particular attention will be paid to the role played by the government and IFAD in managing the overall country programme to achieve results.
3.1.3	Partnership-building (ratings of 4 and above) (percentage)	Stakeholder survey	Refers to the average of the percentage of responses rated favourably (3+ on a 4 point scale) for all questions specific to partnership-building on the stakeholder survey for the relevant period.
		CCRs	Refers to the ongoing process of strategically exploring, developing, maintaining and strengthening partnerships (as defined in the IFAD Partnership Strategy), and involves a wide range of tangible and less tangible activities. The indicator shows the extent to which partnership-building efficiently and effectively contributed to the achievement of IFAD's goals and objectives.
3.1.4	Country-level policy engagement (ratings of 4 and above) (percentage)	Stakeholder survey	Refers to the average of the percentage of responses rated favourably (3+ on a 4 point scale) for all questions specific to country-level policy engagement on the stakeholder survey for the relevant period.
		CCRs	The extent of IFAD collaboration with partner governments and other country-level stakeholders to influence policy priorities or the design, implementation and assessment of policies that shape the opportunities for inclusive and sustainable rural transformation.
3.1.5	Knowledge management (ratings of 4 and above) (percentage)	Stakeholder survey	Refers to the average of the percentage of responses rated favourably (3+ on a 4 point scale) for all questions specific to knowledge management on the stakeholder survey for the relevant period.
		CCRs	The definition for knowledge management will be provided once the new evaluation manual is agreed with IOE, however, the indicator shows the extent to which knowledge management effectively contributed to the achievement of IFAD's goals and objectives.
3.1.6	COSOPs integrating private sector interventions complementing the PoLG (percentage) **(new)**	Quality assurance review	Share of new approved COSOPs over the IFAD12 cycle including description of private sector opportunities that IFAD could consider to implement over COSOP duration to complement its menu of interventions.

3.2	**Designing for impact**		
3.2.1	Overall rating for quality of project design (ratings 4 and above) (percentage) [d]	Quality assurance ratings	A summary rating provided during the quality assurance process across several dimensions including: (i) alignment with country context; (ii) assessment of national/local institutional capacities; (iii) consistency of the proposed objectives, activities and expected outputs and outcomes; (iv) implementation readiness; (v) likelihood of achieving development objectives; and (vi) extent to which quality enhancement recommendations have been addressed. The ratings are reported on a 12-month average basis.
3.2.2	Overall rating for quality of grant-funding projects at entry (ratings 4 and above) (percentage) **(new)**	Quality assurance ratings	A summary rating provided during the quality assurance process across several dimensions related to relevance, effectiveness and efficiency at entry, including: (i) strategic alignment; (ii) linkages; (iii) relevance of the ToC; (iv) targeting; (v) innovation; (vi) knowledge management; (vii) monitoring and evaluation; (viii) partnerships; and (ix) cofinancing. The ratings are reported on a 12-month average basis.
3.2.3	Projects designed to be gender transformative (percentage) **(new)**	Corporate validation	A percentage of IFAD projects that actively seek to transform gender power dynamics by addressing social norms, practices, attitudes, beliefs and value systems that represent structural barriers to women's and girls' inclusion and empowerment. They seek to ensure equal access for women to productive assets and services, employment and market opportunities, as well as supportive national policies and laws. It is obligatory for gender-transformative projects to report on the IFAD empowerment index, which is based on IFPRI's project level Women's Empowerment in Agriculture Index (pro-WEAI). This indicator is measured at design, based on a range of criteria verified in the project design reports of IFAD operations approved during the cycle.
3.2.4	Climate finance: Climate-focused PoLG (percentage) **(new)**	Corporate validation based on *MDB Methodologies for Climate Finance Tracking*	A United States dollar value reported as a percentage share of total IFAD approvals, calculated based on the internationally recognized *MDB Methodologies for Climate Change Adaption and Mitigation Tracking*. Climate finance is calculated at design, based on the final cost tables and project design reports of approved IFAD operations. Reporting on ASAP+ climate finance will be distinguished from PoLG climate finance, to ensure accurate attribution to donors of core resources and ASAP+ resources.
3.2.5	Climate capacity: Projects designed to build adaptive capacity (percentage) **(new)**	Quality assurance ratings	Percentage of IFAD projects that include activities aiming to build climate-related adaptive capacity across multiple dimensions (e.g. increasing incomes; improved access to productive resources; empowerment of vulnerable groups). This indicator is measured at design, based on the project design reports of IFAD operations approved during the cycle.
3.2.6	Appropriateness of targeting approaches in IFAD investment projects (percentage)	Quality assurance ratings	A rating provided during the quality assurance process based on the following dimensions: (i) alignment of the project's target population with IFAD's target group as described in the targeting policy and corresponding operational guidelines; and (ii) the adequacy of the proposed targeting approach in reaching the identified target group in a given project context. The ratings are reported on a 24-month average basis.
3.2.7	Quality of project target group engagement and feedback (ratings 4 and above) (percentage) **(new)**	Supervision ratings	Percentage of projects rated moderately satisfactory (4) or better for quality of target group engagement and feedback. Elements assessed include, for example, the extent to which planned target group engagement and feedback activities are implemented consistently well and on time, including measures to promote social inclusion and participation of vulnerable, marginalized and disadvantaged groups, and to 'close the feedback loop'; and the extent to which project grievance redress processes are efficient, responsive and are easily accessible to target groups.
3.2.8	Overall quality of SSTC in COSOPs (ratings of 4 and above) (percentage) **(new)**	Quality assurance ratings	A summary rating provided during the quality assurance process across several dimensions, including an assessment of the extent to which the SSTC strategy: (i) is tailored the country context; (ii) contributes to COSOP's SOs, in synergy with other lending and non-lending activities; (iii) is based on a clear identification of needs, opportunities, partnerships, areas, resources and monitoring mechanisms. The ratings are reported on a 12-month average basis.

3.3	**Proactive portfolio management**		
3.3.1	Disbursement ratio (percentage)	Oracle FLEXCUBE	The total amount disbursed over the review period from the PoLG, divided by the undisbursed balance of loans and grants that have been approved and signed, and their entry into force or disbursable status at the beginning of the review period.
3.3.2	Overall implementation progress (ratings 4 and above) (percentage) **(new)**	Supervision ratings	Percentage of projects rated 4 or above for this key supervision and implementation support rating, which is calculated based on progress on a mix of indicators on project management and financial management and execution. Includes scores on quality of project management, quality of financial management, disbursement, procurement, etc.
3.3.3	Proactivity index (percentage) **(new)**	Corporate databases	Percentage of ongoing projects rated as 'actual problem' in the previous approved performance ratings that have been upgraded, restructured, completed/closed, cancelled or suspended in the most recent approved performance ratings.
Transformational financial framework			
3.4	**Resources**		
3.4.1	Debt-to-equity ratio (percentage)	Corporate databases	In line with the Integrated Borrowing Framework (see EB 2020/130/R.31), the ratio is defined as the principal portion of total outstanding debt divided by initial capital available (ICA) expressed in percentage terms. The ICA is defined as: total equity less contributions and promissory notes receivable plus allowance for loan losses. Total equity is defined as: contributions plus general reserves less accumulated deficit. The ratio will be calculated as of 31 December of each year.
3.4.2	Deployable capital (percentage) **(new)**	Corporate databases	In line with the Capital Adequacy Policy (see EB 2019/128/R.43) the deployable capital ratio is defined as ICA plus total resources required plus buffer ICA divided by the ICA. The ICA is defined as: total equity less contributions and promissory notes receivable plus allowance for loan losses. Total equity is defined as: contributions plus general reserves less accumulated deficit. The ratio will be calculated as of 31 December of each year.
3.4.3	Cofinancing ratio	GRIPS	The amount of cofinancing from international and domestic sources (government and beneficiary contributions) divided by the amount of IFAD financing for projects approved in a given three-year period (current United States dollar amounts used). The ratio indicates the US$ amount of cofinancing per US$ of IFAD financing (36-month rolling average).
	Cofinancing ratio (international)	GRIPS	The amount of cofinancing from only international sources divided by the amount of IFAD financing for projects approved in a given three-year period (current United States dollar amounts used). The ratio indicates the US$ amount of cofinancing per US$ of IFAD financing (36-month rolling average).
	Cofinancing ratio (domestic)	GRIPS	The amount of cofinancing from only domestic sources (government and beneficiary contributions) divided by the amount of IFAD financing for projects approved in a given three-year period (current US$ amounts used). The ratio indicates the US$ amount of cofinancing per US$ of IFAD financing (36-month rolling average).
3.4.4	Leverage effect of IFAD private sector investments (average leverage factor) **(new)**	Corporate databases	Value of IFAD investment to a private sector project divided by total cost of the project. For projects entailing support to financial intermediaries, total project cost is defined as follows: For investment funds and vehicles: total resources mobilized by the fund or investment vehicle. At early development stage of such funds/vehicles, target size of the fund or vehicle will be used as proxy. For banks, and other financial institutions: total cost of the projects funded by the financial institution thanks to IFAD financial support.

Transformational institutional change			
3.5	**Institutional efficiency**		
3.5.1	Ratio of IFAD's administrative expenditure to the PoLG (including IFAD-managed funds) (percentage)	Corporate databases	Actual expenses incurred under the administrative budget and other resources under IFAD's management (excluding IOE) divided by PoLG funds committed by IFAD inclusive of loans, Debt Sustainability Framework (DSF) and other grants, and ASAP and other (supplementary) funds managed by IFAD in the reporting period (36-month rolling average).
3.5.2	Ratio of the administrative budget to the ongoing portfolio of loans and grants	Corporate databases	Actual expenses incurred under the administrative budget and other resources under IFAD's management (excluding IOE), divided by the current PoLG (from approval to closing) inclusive of loans, DSF and other grants, and ASAP and other (supplementary) funds managed by IFAD (36-month rolling average).
3.6	**Decentralization**		
3.6.1	Ratio of budgeted staff positions in ICOs/regional hubs (percentage)	Corporate databases	Ratio of total positions in ICOs and regional hubs divided by total number of positions (administrative budget only).
3.6.2	Decentralization effectiveness (percentage) **(new)**	ICO Survey	ICO Survey question on whether IFAD staff and offices in the field are well equipped, able and adequately empowered to deliver the expected results in order to enhance IFAD's impact on the ground (ratings of 4 and above) (percentage).
3.7	**Human resource management**		
3.7.1	Percentage of women in P-5 posts and above	Corporate databases	Number of women in the national and international Professional category holding fixed-term or indefinite appointments from National Professional Officer (NPO) D-level NOD) / P-5 to Vice-President, out of total number of national and international Professional staff holding fixed-term or indefinite appointments in the same grade range. Staff included in the calculation must hold positions under the IFAD administrative budget, IOE budget or Credit Union budget. Exclusions: the President, Director of IOE; short-term staff; locally recruited staff (General Service [GS] staff in headquarters and liaison offices, national GS staff), junior professional officers (JPOs), special programme officers (SPOs), partnership agreements, staff on loan to IFAD, staff on supplementary-funded positions, staff on coterminous positions, individuals hired under a non-staff contract (consultants, fellows, special service agreements [SSAs], interns, etc.) and staff from hosted entities.
3.7.2	Time to fill Professional vacancies (days)	Corporate databases	Average number of days from the closing date of a vacancy announcement to the date on which the selection decision is made (i.e. by the Appointments and Promotions Board) for all finalized recruitment processes for international Professional positions in a given one-year period (12-month rolling average).
3.7.3	Percentage of staff completing SH/SEA online training **(new)**	Corporate databases	Persons completed training organized by the Ethics Office on SH/SEA prevention and reporting.
	Percentage of PMUs completing training on SH/SEA for new projects **(new)**	Corporate databases	Percentage of project management units implementing new projects which receive training organized by the Ethics Office on SH/SEA prevention and reporting.
3.7.4	Performance management **(new)**	Corporate databases	Number of successful performance improvement plan (PIP) outcomes out of total PIPs during one performance evaluation system (PES) cycle.
3.8	**Transparency**		
3.8.1	Percentage of project completion reports submitted within six months of completion, of which the percentage publicly disclosed	PMD	Share of PCRs that were submitted within six months of project completion. Of these, share of PCRs published on IFAD's website.
3.8.2	Comprehensiveness of IFAD's publishing to International Aid Transparency Initiative (IATI) standards (percentage)	IATI	Score assigned by IATI to its publishers on the IATI "Comprehensiveness" tab. Weighted average of "Core", "Financials" and "Value Added" scores [http://dashboard.iatistandard.org/comprehensiveness.html].

Discount rates for IFAD12 concessional partner loans

1. The framework for providing CPLs in support of IFAD12 is unchanged when compared to the IFAD11 Framework.[84] The discount rates applicable to the IFAD12 replenishment period are hereby reported.

2. The resulting discount rates produced by the described methodology are contained in table 1 below. The rates are calculated with values as of 30 September 2020.

Table 1
IFAD12 discount rates
(Percentage)

	Project funding cost/discount rate	
Currency	*25-year CPL*	*40-year CPL*
Special drawing rights (SDR)	**2.08**	**2.60**
United States dollars (US$)	2.54	3.12
Japanese yen (JPY)	0.86	1.26
British pound sterling (GBP)	1.67	2.04
Euro (EUR)	0.99	1.35
Chinese renminbi (RMB)	4.82	5.74

3. The currency-specific discount rates allow the grant element to be calculated in each individual currency.[85] These are shown in the tables below.

Table 2a
Corresponding coupon rates between SDR and the currencies of the SDR basket (25-year CPL)
(Percentage)

25-year CPL with three-year disbursement schedule					
Currency	*Coupon rates*				
SDR	**0.00**	**0.50**	**1.00**	**1.50**	**2.00**
US$	0.38	0.90	1.42	1.94	2.45
JPY	(1.02)	(0.56)	(0.11)	0.34	0.80
GBP	(0.34)	0.14	0.62	1.11	1.59
EUR	(0.91)	(0.45)	0.00	0.46	0.92
RMB	2.23	2.84	3.45	4.06	4.67
Grant element	**24.92**	**18.90**	**12.88**	**6.87**	**0.85**

Table 2b
Corresponding coupon rates between SDR and the currencies of the SDR basket (40-year CPL)
(Percentage)

40-year CPL with three-year disbursement schedule					
Currency	*Coupon rates*				
SDR	**0.00**	**0.50**	**1.00**	**1.50**	**2.00**
US$	0.36	0.89	1.42	1.95	2.48
JPY	(0.94)	(0.51)	(0.09)	0.34	0.76
GBP	(0.38)	0.08	0.55	1.02	1.49
EUR	(0.87)	(0.44)	(0.01)	0.42	0.85
RMB	2.08	2.78	3.47	4.16	4.86
Grant element	**44.96**	**36.25**	**27.53**	**18.81**	**10.10**

[84] EB 2017/S10/R.2/Rev.1.
[85] IFAD will not accept CPLs with coupon rates higher than the discount rate in the corresponding currency and for the corresponding maturity.

4. **Option of an interest rate floor.** An interest rate floor will be required for Member States that contribute in currencies for which the equivalent of 1 per cent of SDR (the maximum interest rate in the CPL Framework) is negative. In this case, Member States would provide a loan at 0 per cent in a CPL currency (this 0 per cent coupon ratio could also be achieved through a combination of a higher coupon rate loan and a supplemental grant). The 0 per cent floor means that the loan coupon rate will be higher than the maximum 1 per cent SDR rate. Fair treatment across Member States will be ensured by using the 0 per cent coupon rate of the CPL to calculate the loan's grant element, and to determine voting rights and compliance with the minimum grant contribution. Using the 0 per cent CPL currency rate will result in a lower grant element associated with the loan, which implies that the Member State would need to provide a larger loan to meet the minimum grant contribution requirement.

5. **Possibility of additional grant payments**. If a Member State elects to make an additional grant payment upfront, the required payment amount will be calculated based on the present value of the difference in future cash flows between the original coupon payments and the targeted coupon payments. The same discount rate used in the CPL Framework will be used in the present value calculation. The Member State can make the additional grant payment over several instalments only if the CPL has the same disbursement schedule and if the present value of the additional grant payment is maintained. Table 3 illustrates the additional grant payments required at different original and targeted coupon rates.

Table 3
Additional grant payments required to bridge the original and target coupon rates
(Percentage)

1 billion 25-year CPL in denomination currency, with three-year disbursement schedule

Currency	*Desired coupon*	*Targeted coupon*	*Difference (original vs. target coupon)*	*Discount rate*	*Additional grant (upfront) in currency*
SDR	2.00	1.00	1.00	2.08	118 million
US$	2.42	1.42	1.00	2.54	113 million
JPY	0.89	(0.11)	1.00	0.86	131 million
GBP	1.79	0.62	1.00	1.67	122 million
EUR	1.00	0.00	1.00	0.99	130 million
RMB	4.45	3.45	1.00	4.82	123 million

6. The grant element of the CPL will entitle lending Member States to vote using the same formula applicable to replenishment contributions, as stipulated in article 6, section 3(a)(ii) of the Agreement Establishing IFAD, which states that: "the votes for each replenishment shall be established in the ratio of one hundred (100) votes for the equivalent of each one hundred and fifty eight million United States dollars (USD 158 000 000) contributed to the total amount of that replenishment, or a fraction thereof".

7. Management assures Member States that all grant contributions received from partners will go directly to IFAD recipients. Concessional loans will be self-contained and will be serviced via reflows from IFAD highly concessional and blend-term loans approved in IFAD12. IFAD CPL grant providers will bear no costs or risk associated with concessional loans.

Exchange rates for IFAD12

1. For each of IFAD's replenishments – from IFAD2 to IFAD11 – the Governing Council adopted a replenishment resolution that included a paragraph establishing the fixed reference exchange rates to be applied to freely convertible currency contributions made in a currency other than the United States dollar. This was implemented to assist Member States in deciding the level at which to pledge their contributions.

2. A similar paragraph will be inserted in the Resolution on the Twelfth Replenishment of IFAD's Resources (IFAD12). Similar to prior replenishments, the six-month exchange rate reference period for IFAD12 is set to be the immediate six months including and prior to 30 September 2020.

3. The month-end exchange rates established by the International Monetary Fund for April to September 2020 against the United States dollar are set out for all relevant, freely convertible currencies in table 1. Table 2 provides the month-end average for the six months April to September 2017 applicable to IFAD11.

4. The fixed reference exchange rates applied to IFAD12 are set out in table 1 and those for IFAD11 are shown in table 2.

Table 1
Fixed reference exchange rates for IFAD12 (April to September 2020)

Currency	*April*	*May*	*June*	*July*	*August*	*September*	*Six-month average*
AUD	1.5230	1.5017	1.4571	1.3864	1.3598	1.4068	**1.4391**
CAD	1.3910	1.3787	1.3628	1.3404	1.3042	1.3339	**1.3518**
CHF	0.9705	0.9616	0.9505	0.9083	0.9048	0.9220	**0.9363**
CNY	7.0543	7.1463	7.0681	6.9855	6.8561	6.8086	**6.9865**
DKK	6.8577	6.6938	6.6553	6.2831	6.2344	6.3599	**6.5140**
EUR	0.9195	0.8980	0.8930	0.8440	0.8375	0.8541	**0.8744**
GBP	0.7994	0.8114	0.8150	0.7612	0.7517	0.7793	**0.7863**
JPY	106.58	107.14	107.72	104.55	105.37	105.79	**106.19**
NOK	10.2832	9.6875	9.7446	9.0583	8.7563	9.4814	**9.5019**
NZD	1.6324	1.6121	1.5562	1.4923	1.4839	1.5145	**1.5486**
SDR	0.7319	0.7289	0.7269	0.7077	0.7048	0.7104	**0.7184**
SEK	9.8463	9.4682	9.3490	8.6536	8.6419	8.9883	**9.1579**

Table 2
Fixed reference exchange rates for IFAD11 (April to September 2017)

Currency	*April*	*May*	*June*	*July*	*August*	*September*	*Six-month average*
AUD	1.3378	1.3423	1.3001	1.2520	1.2661	1.2757	**1.2957**
CAD	1.3662	1.3500	1.2977	1.2485	1.2536	1.2480	**1.2940**
CHF	0.9902	0.9710	0.9588	0.9710	0.9655	0.9694	**0.9710**
CNY	6.8977	6.8289	6.7820	6.7265	6.5957	6.6481	**6.7465**
DKK	6.8054	6.6302	6.5165	6.3413	6.2904	6.3038	**6.4813**
EUR	0.9149	0.8912	0.8763	0.8527	0.8457	0.8470	**0.8713**
GBP	0.7727	0.7789	0.7705	0.7620	0.7766	0.7472	**0.7680**
JPY	111.25	110.95	111.94	110.55	110.50	112.66	**111.31**
NOK	8.5309	8.4117	8.3870	7.9347	7.8469	7.9725	**8.1806**
NZD	1.4541	1.4083	1.3650	1.3298	1.3941	1.3848	**1.3894**
SDR	0.7294	0.7224	0.7187	0.7104	0.7075	0.7076	**0.7160**
SEK	8.8386	8.7160	8.4690	8.1331	7.9725	8.1085	**8.3730**

Note: Month-end exchange rates. Exchange rates rounded to the fourth decimal point.

AUD	Australian dollar
CAD	Canadian dollar
CHF	Swiss franc
CNY	yuan renminbi
DKK	Danish krone
EUR	euro
GBP	pound sterling
JPY	Japanese yen
NOK	Norwegian krone
NZD	New Zealand dollar
SDR	special drawing rights
SEK	Swedish krona

IFAD's Revised Approach to Graduation: the Way Forward

I. Introduction

1. At the first session of the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12), IFAD Management was asked to propose a more comprehensive approach to graduation of borrowing countries, building on the existing IFAD Transition Framework[86]. This note summarizes the discussions and recommendations of the IFAD12 Consultation. It is intended to serve as the basis of a graduation policy to be presented to the Executive Board for approval.

2. The proposed approach follows the principle of universality in ensuring that IFAD's support is available to all its developing Member States, while prioritizing the poorest countries and people. It is aligned with the procedures already utilized at the World Bank, including the application of the Graduation Discussion Income (GDI) as defined by the International Bank for Reconstruction and Development (IBRD) and currently set at a GNIpc of US$7,065[87], to initiate graduation discussions.

II. The Way Forward

3. In line with the principle of universality and IFAD's mandate to serve the needs of its developing Member States, while focusing on the poorest and most vulnerable rural people, the principles of the four pillars below have been defined as the basis of IFAD's graduation policy.

Pillar 1: Distribution of IFAD's financial resources

a) The IFAD12 Consultation notes that Executive Board discussions on the Integrated Borrowing Framework, and IFAD's credit rating process, have progressed to the point that IFAD is likely to be able to reliably access a diversified set of resources, beyond core replenishment and sovereign borrowings, during IFAD12.

b) The IFAD12 Consultation, therefore, agreed that IFAD's core resources[88] will be fully allocated (100 per cent) to LICs and LMICs. Lending to UMICs will be funded solely from borrowed resources. UMICs are expected to receive at least 11 per cent and up to 20 per cent of the agreed IFAD PoLG.[89] IFAD will make all efforts to access diversified borrowed resources, in line with the Integrated Borrowing Framework (IBF), and meet these expectations on the availability of lending to UMICs. Special provisions are in place for small states and/or countries with fragile situations eligible for concessional resources.[90]

c) On an annual basis, IFAD Management will report to the Executive Board on the status of the allocations, the distribution of resources among country groups, and changes in status of Member States in relation to the GDI.

[86] Approved by the Executive Board at its 125th Session in December 2018.
[87] The IBRD GDI is set at a GNIpc of US$7,065 as of 1 July 2020. As of July 2020, IFAD borrowers with a GNIpc above this level are: Argentina, Brazil, China, Cuba (latest data 2016), Dominican Republic, Gabon, Grenada, Lebanon, Maldives, Mexico, Montenegro and Turkey.
[88] Defined as replenishment contributions, reflows of loans financed through replenishments, and concessional partner loans.
[89] A new mechanism to manage access to borrowed resources is currently being discussed by the PBAS Working Group and a proposal will be submitted to the Executive Board in 2021. Eligibility and access to borrowed resources is proposed to be determined based on development effectiveness, demand and creditworthiness criteria, and considering the financial safeguards to ensure the financial sustainability of both IFAD and potential borrowers as well as to avoid concentration risk. Individual country demands will be taken into account when assessing demand for financing.
[90] As defined by the Policies and Criteria for Financing.

d) Countries that graduate from IFAD's financial support remain important partners of the Fund. They will continue to have access to diverse support and services related to the sharing of knowledge, technical expertise and policy engagement, including through instruments such as SSTC and reimbursable technical assistance.

Pillar 2: Financing conditions and pricing of borrowed resources

a) The financing conditions and pricing to be applied for borrowed resources will ensure that IFAD is able to recover the cost of borrowing and differentiate among countries of different income groups, while remaining competitive vis-à-vis countries' market financing options. This will allow IFAD to maintain financial sustainability and avoid subsidization from core resources, as well as ensure IFAD financing is available to all borrowers on competitive terms.

b) Those UMICs above the Graduation Discussion Income (GDI) threshold will be subject to harder financial conditions relative to those UMICs below the GDI level. UMICs below GDI will be subject to harder financial conditions relative to LMICs. The financing conditions for countries that surpass the GDI threshold during a replenishment cycle will be adjusted at the start of the following replenishment cycle.

Pillar 3: Trajectory for UMICs reaching GDI threshold

a) The criterion to determine the start of a graduation process is the achievement of an income level above the GDI, as defined by the IBRD.

b) Member States that achieve the GDI threshold and wish to continue borrowing from IFAD would engage in a structured dialogue with IFAD that will be reflected in a new or updated country strategic opportunities programme (COSOP).

c) The COSOPs for countries achieving the GDI will guide the final phase in the country's borrowing from IFAD, recognising that they may remain important partners of the Fund and have access to the support and services outlined in Pillar 1(d) above.

d) These COSOPs will outline an expected trajectory of the country's development, including benchmarks and triggers for the graduation process, and the variables to be considered when assessing the country's progress. These variables will include those used in the IBRD graduation approach (i.e. the country's ability to access external capital markets on reasonable terms, and the country's progress in establishing key institutions for economic and social development), variables that are consistent with IFAD's Transition Framework[91], and those consistent with the Agreement Establishing IFAD, such as rural poverty and food security status. This will ensure that they are reflective of IFAD's specific mandate and that economic cycles and unexpected shocks that alter a country's development trajectories are taken into account.

e) COSOPs will be submitted to Executive Board for review within 3 years of the country attaining and maintaining the GDI[92]. When available, the COSOPs will be informed by the most recent country strategy and programme evaluations (CSPEs) and their recommendations will be included as an appendix in the COSOPs. Where no CSPE has been performed within the last five years, Management will propose their prioritization during the annual work programme discussions with IOE.

[91] EB 2018/125/R.7/Rev.1.
[92] If a country drops below the GDI again during this period no new COSOP will be required and the deadline for submitting the COSOP will be reset when the country again exceeds the GDI.

f) COSOPs for UMICs which: (i) have already exceeded the GDI threshold for at least three years prior to the beginning of IFAD12; and (ii) wish to continue borrowing from IFAD, will be presented during IFAD12.

g) Graduation is based upon an assessment of a country's capability to manage its own development processes. It is expected that the duration of COSOPs for countries above the GDI will conform to the standard timelines, without unnecessary extensions.[93] At completion of the COSOP, the country's progress towards the criteria to graduate from IFAD's financial support will be assessed and reviewed. If the assessment of the COSOP indicates that a country has made insufficient progress towards the criteria to graduate from IFAD's financial support, as defined in the COSOP guidelines,[94] its COSOP can be extended or renewed, which would then be submitted to the Executive Board for review. If the assessment indicates that sufficient progress has been made for the country to graduate from IFAD's financial support, Management will engage with the country to explore how the partnership can continue in line with pillar 1(d).

Pillar 4: Addressing reversals due to economic shocks

UMICs reverting to below the GDI level after having graduated from IFAD financial support (having met the conditions for graduation determined in the COSOP) may request to initiate a consultative process with IFAD to re-gain access to financial resources in the following replenishment period. IFAD will assess the request, taking into consideration the criteria set out in the graduation policy and the country's last COSOP, and determine whether to initiate the consultative process. The Executive Board will be consulted on these requests prior to the initiation of any consultative process. Following the consultative process, a new COSOP would be prepared and submitted for EB review prior to initiating any new lending to the country.

[93] As per the revised Guidelines and Procedures for Results-based Country Strategic Opportunities Programmes (EB 2018/125/R.24).
[94] EB 2018/125/R.24

Private Sector Financing Programme (PSFP)

I. Background

1. With only 10 years left to achieve the Sustainable Development Goals (SDGs) and progress to end extreme poverty and achieve food security now stalled, IFAD needs to step up its impact. The business model agreed for the Twelfth Replenishment of IFAD's Resources (IFAD12) period seeks to strengthen IFAD's support for those most at risk of being left behind. It will focus on delivering a transformational country programme approach whereby the Private Sector Financing Programme (PSFP) will complement IFAD's regular sovereign lending and grant programme, along with the Rural Resilience Programme (2RP). The aim is to expand IFAD's resources and means of engagement and deepen impact, especially in the countries most vulnerable to climate change, fragility and food insecurity, to create a comprehensive programme of work.

2. Addressing the challenges of attracting private sector investment in agriculture and creating inclusive business models – particularly in low-income countries (LICs), lower-middle-income countries (LMICs) and fragile countries – requires an investor with a deep understanding of the agriculture sector and related needs, ecosystem and de-risking opportunities. IFAD is exclusively dedicated to transforming agriculture, rural economies and food systems to make them more inclusive, productive, resilient and sustainable.

3. Unlike commercial investors, and some larger international financial institutions, IFAD targets the "last mile" and the remotest areas to help millions of rural people increase their productivity and incomes, access markets and create jobs, despite the challenges and risks associated with serving this market segment. As an investor, IFAD has been and continues to be able to leverage on its experience and expertise and is willing to take risks to transform rural economies and food systems.

IFAD is uniquely positioned to deliver its Private Sector Finance Programme:

- Exclusive focus on rural development and deep understanding of rural sector needs;
- Privileged access to data on farmers and agricultural ecosystems;
- Higher-risk appetite with a focus on small-scale producers;
- Reputation as trusted partner with both the private sector and governments;
- Designed portfolio approach to investing with intent to create linkages with public sector projects;
- Patient investment horizon;
- Proven assembler of development financing;
- Transparent and strong impact measurement frameworks.

II. Objectives

4. The objective of the PSFP is to enable IFAD to scale up its impact and contribution to achieving zero rural poverty and hunger (SDG 1 and 2) by complementing and strengthening the results delivered through its sovereign programme of loans and grants (PoLG). This will entail a move from an ad-hoc approach to private sector development and mobilization of private sector funding and know-how for the SDG 1 and 2 agenda to a broader and institutionalized programme that will raise the visibility and scale of IFAD operations. Additionally, the PSFP will contribute to IFAD's long-term financial sustainability by generating income that will contribute to the expansion and diversification of its resource base, in line with the ongoing efforts with the new financial architecture.

III. Outcomes and results targets

5. The PSFP seeks to crowd in private sector investments, know-how and innovation for the benefit of small-scale producers and rural communities, with a focus on job creation for youth, female empowerment and strengthened resilience to climate change.

6. This crowding-in effect will be achieved by de-risking private sector investments in two ways: first, by utilizing IFAD's extensive expertise and know-how in the agricultural sector and working in the poorest areas of developing countries; second, by leveraging the PSFP resources, which IFAD seeks to mobilize from various types of donors and impact investors. IFAD's aim is to achieve a 5x cofinancing/leveraging ratio from funding mobilized for the PSFP.[95] This means that every single dollar provided in support of the PSFP would translate into five dollars directly invested toward the objective of increasing global commitments to agriculture and food security in the poorest regions.

7. Overall, depending on the amount of resources raised, the PSFP will reach between 2.5 and 5 million beneficiaries. The positive impact of successful private sector projects can include creating thriving businesses that offer jobs and livelihoods to lift populations out of poverty and augment human capital through training. Greater use of technology by small and medium-sized enterprises can increase their efficiency and yields and decrease negative environmental impact. The PSFP will also support small-scale producers in building resilience capacities and adapting to climate change through diversified farming and livelihood systems, adopting agro-ecological practices and other approaches, and nature-based solutions enhancing biodiversity, and mitigating greenhouse gas emissions.

IV. Eligible countries and projects

8. All countries where IFAD operates will be eligible for PSFP projects. In line with IFAD's mandate and corporate commitments, PSFP projects and activities will focus in particular on LICs, LMICs and countries in fragile situations, with an indicative target of 90 per cent of PSFP investments targeting these countries in the first three years of operations (IFAD12 period 2022-2024).

9. PSFP resources will not be allocated under the Performance-based Allocation System. Five criteria will be used to ensure a targeted and broad diversification of resources across geographies and Member States with a focus on those most in need: (i) relevance to IFAD's mandate and complementarity with the PoLG; (ii) IFAD's additionality; (iii) expected development results; (iv) risk; and (v) environmental, social and governance standards. Potential for achieving a high catalytic effect and leverage will also be a key consideration in the selection process.

10. The PSFP plans to ramp up its offerings over time with the use of three financial instruments: debt, equity and risk mitigation products. The PSFP also calls for the use of technical assistance to complement and enhance PSFP-sponsored investment projects.

V. Governance and resource mobilization

11. IFAD's ambition is to raise, through the IFAD12 replenishment and other resource mobilization efforts, up to US$200 million in funding to kick-start the PSFP. This capital is needed to de-risk private sector investment projects. PSFP resources are expected to catalyse up to five times their value in investment from the private sector and other investors (equivalent to US$1 billion) for the benefit of poor rural households and small-scale producers. This is particularly important in the current

[95] The 5x leveraging is calculated as the ratio between IFAD's own investment and the total cost of the project being supported.

context where scaled-up action is needed to address the negative effects of COVID-19 and their increasing burden on public finances of several developing Member States.

12. Donors and investors providing resources to the PSTF will be given an opportunity to contribute to its governance. Overall, the governance of PSFP projects will be based on IFAD's non-sovereign operations (NSO) project-level approval process, with ultimate approval by the Executive Board. In addition, a dedicated PSFP advisory committee will be created to provide strategic input and guidance at the programme level. The advisory committee will be comprised of representatives of PSFP contributors, and potentially other relevant stakeholders. The Fund calls upon Member States to make every effort to maximize their core contributions before contributing to the PSFP.

VI. Financial sustainability

13. The PSFP will generate a number of income streams to cover operational costs and grow the pool of funding for future investments and activities**.** Successful projects will generate repayment of principal amounts (in the case of non-equity investments) as well as interest income and fees earned. For equity, value added and dividends are expected. These investment reflows will be used as a source of investment capital and technical assistance funding for the PSFP. In line with document EB 2020/129/R.11/Rev.1, Framework for IFAD non-Sovereign Private Sector Operations and Establishment of a Private Sector Trust Fund, incremental administrative expenditures incurred by IFAD in relation to PSFP shall be paid from the resources of the trust fund.

14. Based on a 10-year model, the PSFP is expected to generate sufficient income to cover costs by the year 2024 with minimum resources mobilized of US$64 million for the investment portfolio. An initial up-front investment of US$3 million will also be required over this period until sufficient income flows are generated to cover costs.

15. After 2024, it is expected that PSFP investments and activities will generate net positive income for IFAD – up to US$16 million in income from interest and fees over 10 years. The PSFP will thus be in a position to replenish itself for further investments over time. The PSFP will seek to finance projects on a commercial basis as a first investment principle, however it will also use the grants mobilized to deploy blended finance solutions when deemed appropriate from an impact and risk perspective, in accordance with best practice principles.[96]

VII. Results framework

16. Contributions to the PSTF, which will host dedicated resources for the PSFP, will be traceable and a reporting mechanism will be put in place to allow for clear and transparent monitoring and reporting on both financial and development impact performance**.** Estimated development impact figures are reported for three different PSFP funding scenarios in table 1.

[96] IFAD adheres to the Development Finance Institutions Enhanced Principles for Blended Concessional Finance in Private Sector Projects.

Table 1
Expected leverage and outreach by EOY 2024

	Break even	*Medium*	*High*
Amount raised	US$67 million mobilized	US$100 million mobilized	US$200 million mobilized
Total amount with leverage (5X)	US$335 million	US$500 million	US$1 billion
NSO projects	18	25	33
Average size of NSO projects	US$4 million	US$6 million	US$10 million
Percentage of NSOs in LICs, LMICs and fragile situations	90	90	90
Small producers reached	1.7 million	2.5 million	5 million
Percentage of women small producers	50	50	50
Total number of beneficiaries	**8.4 million**	**10 million**	**25 million**

VIII. Way forward

17. The first contributions to the PSFP are expected to be received during 2021. The first advisory committee meeting will be held by the second quarter of 2021. Information on the PSFP will be made available on the IFAD website, and an update on the PSFP, including with regard to resource mobilization, implementation and results, will be included in the IFAD12 Midterm Review.

Enhanced Adaptation for Smallholder Agriculture Programme (ASAP+)

I. Background

1. Launched in 2012, the Adaptation for Smallholders Adaptation Programme (ASAP) remains the only programme dedicated to addressing the climate change challenges faced by small-scale producers. Through it – during both the first phase of grant cofinancing for IFAD-funded projects and the second phase focused on technical assistance – IFAD has developed a significant body of expertise and know-how in a largely underserved area.

2. Building on this experience, the enhanced Adaptation for Smallholder Adaptation Programme (ASAP+) aims to direct much needed climate finance to vulnerable rural populations to increase food and nutrition security. It proposes to complement IFAD-financed projects, offering a channel for climate finance to assist partners in achieving their national climate change adaptation and mitigation objectives, including those related to their Nationally Determined Contributions, while building resilience and increasing impact to eradicate poverty, hunger and malnutrition and fragility.

3. ASAP+ is conceived as one of three pillars under the newly established global Rural Resilience Programme (2RP), the first two of which will be financed primarily through the 2RP trust fund:[97] (i) ASAP+ (ii) the Initiative for Sustainability, Stability and Security in Africa, known as the 3S Initiative; and (iii) Green Climate Fund (GCF) support for the Great Green Wall Initiative in the Sahel (GCF-GGWI).

4. Unlike the 3S and GGWI, ASAP+ will be a global programme, and 100 per cent of its resources will be accountable as climate finance. ASAP+ will be fully embedded in the programmatic approach under the Twelfth Replenishment of IFAD's Resources (IFAD12) and will apply IFAD's rules and procedures. Project approvals will be under the oversight of IFAD's Executive Board and the reporting done through IFAD's corporate reporting mechanisms.

5. At its 130th session in September 2020, the Executive Board approved the amendment to the existing instrument establishing the trust fund for ASAP. This amendment allows for receipt and administration of contributions to the multi-donor 2RP trust fund to support the implementation of the 2RP by IFAD Management. The document presented to the Executive Board briefly presented the three pillars under the 2RP and included a link to the zero draft of the 2RP programme description. Below is a summary of the ASAP+ section of this draft programme description.

II. Objectives

6. During the IFAD12 period, the Fund will continue to finance and implement climate change interventions through its programme of loans and grants (PoLG). An ambitious target of 40 per cent of the PoLG is to be tagged as climate focused, as measured through the application of the multilateral development banks methodology for tracking climate finance, both for adaptation and mitigation. ASAP+ aims at channelling US$500 million in additional climate finance to cover the estimated additional cost of mitigation and adaptation to climate change under the PoLG and to scale up much needed climate finance for the most vulnerable.

III. Outcomes and results targets

7. ASAP+ will address the underlying climate change and social drivers of food insecurity through two outcomes: (i) increasing the resilience of vulnerable

[97] https://webapps.ifad.org/members/eb/130/docs/EB-2020-130-R-13.pdf.

communities – with a specific focus on rural women, youth, indigenous peoples and other marginalized groups – to the impact of climate change on food security and nutrition; and (ii) reducing greenhouse gases through win-win interventions that also yield significant development benefits, particularly for poor and marginalized groups. Given the vulnerability of targeted populations, the starting point for ASAP+ mitigation activities will be to identify measures that reduce food insecurity and provide opportunities throughout agricultural value chains.

8. ASAP+ will draw on the lessons of ASAP, and will increase its ambition in particular by: (i) focusing more on mitigation; (ii) building and strengthening technical and institutional capacities and creating a favourable political environment for systemic change; (iii) implementing climate change strategies with specific and concrete benefits for women and youth; (iv) ensuring the stable availability of a diversity of food in local food systems; and (v) providing primarily grants, with the option of providing climate change loans, including to lower middle-income countries.

9. With a resource mobilization target of US$500 million from climate finance and an expected 1:0.3 cofinancing ratio, ASAP+ is expected to increase the climate resilience of 10 million vulnerable people in addition to those impacted under the PoLG, particularly women and youth, enabling an increase in food and nutrition security. Results targets will be adjusted to resources mobilized.

IV. Eligible countries and projects

10. ASAP+ will work primarily in low-income countries, particularly those in debt distress that are highly dependent on agriculture and face the greatest challenges in terms of food insecurity, rural poverty, fragility, institutional capacity and exposure to climate change. Moreover, ASAP+ will prioritize operations where there is clear potential to increase resilience and institutional capacity. A set-aside from 2RP resources of between 8 per cent and 10 per cent of available resources will be used to provide technical assistance and bring innovation across ASAP+ and the 3S.

11. The focus of ASAP+ will be on countries where IFAD has an active portfolio and resources allocated through the Performance-based Allocation System (PBAS). However, ASAP+ could potentially undertake activities in some countries with neither PBAS allocations nor ongoing projects, but where vulnerability to climate change and food insecurity is high and support from IFAD would make a significant contribution to preventing further crises. This would be most appropriate in countries with fragile situations where IFAD investment is envisioned in the future, or Small-Island Developing States. In these cases, resources will be directed to projects that synergize with and complement other activities being carried out by both the public and private sector. In order to ensure the sustainability of such projects, particular attention must be given to building local and community capacities. In some cases ASAP+ will support regional activities, including by blending resources with IFAD’s regional lending to address cross-border climate issues.

12. Projects financed by ASAP+ must include a detailed analysis of historical trends and future climate change projections, a vulnerability analysis, identification of associated impact and a rationale for the selected adaptation strategies. For mitigation activities, projects must quantify the expected reductions in greenhouse gas emissions using credible methodologies. The theory of change and core objectives must introduce climate change as a central driver of food insecurity. The project selection criteria will include: (i) a clear relationship in the theory of change between climate change and food security; (ii) an explicit assessment of historical trends and future climate projections, impact and rationale for adaptation strategy; (iii) clear results logic and impact projections, such as number of households to be made resilient and greenhouse gas reductions achieved; (iv) a clear rationale based on the additionality (financial and non-financial) of the ASAP funding; (v) a

clear demonstration of ownership by the recipients; (vi) stipulation of the degree of leverage and cofinancing ratio; (vii) an indication of degree to which mainstreaming themes have been covered; and (viii) a sustainability and exit strategy.

13. Building on lessons drawn from the first two phases of ASAP, the following approaches will be adopted in project design and implementation: (i) development of a project-specific climate resilience index and scorecards; (ii) greater emphasis on adaptive capacity and systemic change; (iii) a full assessment of the potential for maladaptation; and (iv) strengthened local ownership and exit strategies based on community driven approaches.

V. Governance and resource mobilization

14. ASAP+ will be part of the 2RP. The governance of the 2RP will be inclusive: an advisory committee consisting of both member and non-member donors, farmers' organizations and other stakeholders will be established to provide guidance to IFAD regarding knowledge products, policy and global outreach across the three pillars of the 2RP. The day-to-day management of the 2RP – will be provided by an inter-divisional programme coordination unit comprised of experts across a number of IFAD divisions. Synergies and efficiencies will be maximized across the three pillars and with the PoLG. Decisions on approvals rest with the IFAD Executive Board.

15. Building on the lessons learned around resource mobilization since the establishment of ASAP, ASAP+ will raise climate finance that will be managed under the 2RP trust fund's ASAP account. The Fund calls upon Member States to make every effort to maximize their core contributions before contributing to ASAP+. In addition IFAD will strive to mobilize resources from non-Member States and non-sovereign donors in support of ASAP+. In line with document EB 2020/130/R.13, IFAD's Rural Resilience Programme: Amendments to the Instrument Establishing the Trust Fund for the IFAD Adaptation for Smallholder Agriculture Programme, incremental administrative expenditures incurred by IFAD in relation to ASAP+ shall be paid from the resources of the trust fund.

VI. Results management framework

16. The ASAP+ will have its own results management framework (RMF), setting out a comprehensive results logic that serves the overall programme goal to reduce food and nutrition insecurity by addressing the underlying drivers of climate change. This will be achieved through two overarching outcome areas: 1 – increased resilience of vulnerable households to the impact of climate change on their food security and nutrition; and 2 – reduced greenhouse gas emissions from interventions with significant development benefits. At portfolio level, this results hierarchy reflects the main pathways of change promoted by the programme. Interlinkages and multiple benefits across the two outcome areas on climate change adaptation and mitigation are expected and encouraged. Further dimensions of a crosscutting nature, particularly as relate to social inclusion, will be highlighted through enhanced data disaggregation (multipliers) and geo-referencing efforts.

17. At project level, indicators from the ASAP+ RMF will be selected based on the interventions supported. The quality of a project's results logic will be a key eligibility criterion for project selection. As most ASAP+ projects are expected to be fully blended with IFAD operations, outcome-level indicators related to IFAD's other mainstreaming themes (gender, youth and nutrition) will apply to the full investment in cases where the IFAD investment has been designed to be gender transformative, youth sensitive and/or nutrition sensitive.

18. ASAP+ plans to focus in particular on vulnerable beneficiaries who experience food and nutrition insecurity and whose vulnerability to climate change may be further exacerbated by underlying social and/or economic marginalization (e.g. rural women, youth and indigenous peoples). Therefore, people-centred interventions will specify the key beneficiary groups they are targeting (women/men, youth and indigenous peoples) and project-specific strategies to build their resilience capacities in line with the context and objectives of the project. Accordingly, disaggregated results data will be reported.

VII. Way forward

19. The ASAP+ pillar description, within the full 2RP programme, will be finalized and submitted to the IFAD Executive Board in December 2020, with a view to establishing and holding a first meeting of the advisory committee by the second quarter of 2021. The first contributions to ASAP+ are expected to be received by the end of 2020. Information on ASAP+ will be made available on the IFAD website, and an update on ASAP+, including with regard to resource mobilization, implementation and results, will be included in the IFAD12 Midterm Review.

Draft resolution on the Twelfth Replenishment of IFAD's Resources

Resolution ___/XLIV

Twelfth 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 211/XLIII (2020) on the establishment of the Consultation on the Twelfth Replenishment of IFAD's Resources, whereby the forty-third 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 forty-fourth session and, if required, subsequent sessions of the Governing Council, with a view to adopting such resolutions as may be appropriate;

Noting the importance of the enhanced Adaptation for Smallholder Agriculture Programme (ASAP+), under the Rural Resilience Programme, and the Private Sector Financing Programme (PSFP) to complement the Fund's programme of loans and grants and scale up impact in accordance with the IFAD12 business model, in support of which the Executive Board has created a separate Trust Fund for each programme pursuant to its decisions as set forth in EB 2020/129/R.11/Rev.1 and EB 2020/130/R.13;

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 taken into account and agreed on the conclusions and recommendations of the Report of the Consultation on the Twelfth Replenishment of IFAD's Resources (GC 44/__) (the IFAD12 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

1. **Available resources.** The Fund's available resources at the end of the Eleventh Replenishment period, together with the funds to be derived from operations or otherwise accruing to the Fund, other than borrowed funds, during the three-year period commencing 1 January 2022 (the replenishment period), are estimated at US$ 2.6 billion.

2. **Call for additional contributions.** Taking into account the conclusions and recommendations of the Report of the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12 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:

   (a) Core contributions to support the programme of loans and grants;

   (b) The grant element of any concessional partner loan; and

   (c) The discount or credit generated from early encashment of core contributions.

   each of which is further defined in paragraph 4 of this resolution.

   In this resolution, the term "concessional partner loan" shall mean a loan provided by a Member State or one of its state-supported institutions that includes a grant element for the benefit of the Fund and is otherwise consistent with the Integrated Borrowing Framework approved by the Executive Board; and the term "state-supported institution" shall include any state-owned or state-controlled enterprise or development finance institution of a Member State, with the exception of multilateral institutions.

3. **Replenishment target**. The replenishment target for core contributions, the grant element of any concessional partner loan and the discount or credit generated from early encashment of core contributions during the Twelfth Replenishment is set at the amount of US$1.55 billion in order to support a target programme of loans and grants of up to US$3.8 billion, together with other resources of the Fund, (in all cases, the allocation being determined through the performance-based allocation system).

II. Contributions

4. **Additional contributions.** During the replenishment period, the Fund shall accept additional contributions from any Member State as follows:

   (a) Such Member State's core contribution to the resources of the Fund;

   (b) The grant element of any concessional partner loan from such Member State; and

   (c) The discount or credit generated from early encashment of core contributions from such Member State.

5. **Debt Sustainability Framework (DSF) contribution mechanism**. In relation to paragraph 4(a) of this resolution, IFAD has established a dynamic, pre-funded mechanism under which DSF financing is based on upfront commitments. Member States could contribute to the replenishment with a single pledge as per the sustainable replenishment baseline mechanism, in order to ensure full reimbursement of all approved DSF projects up to the end of IFAD11 and to secure upfront financing for new DSF grants.

6. **Conditions governing additional contributions**

(a) Each Member State shall receive commensurate contribution votes with respect to its core contribution, the grant element of any concessional partner loan and the discount or credit generated from early encashment of core contributions, in accordance with article 6.3 of the Agreement;

(b) Core contributions shall be made without restriction as to their use;

(c) 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.

7. **Special contributions**

(a) During the replenishment period, the Executive Board may accept, on behalf of the Fund, contributions to the resources of the Fund from non-Member States or other sources (special contributions).

(b) 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.

8. **Pledges.** The Fund acknowledges the announcements of the Members' intentions to make additional contributions as set out in annex IX to the IFAD12 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 IX to the IFAD12 Report to all Members of the Fund no later than 15 days after the above-mentioned date.

9. **Denomination of contributions.** Members shall denominate their contributions in:

(a) Special drawing rights (SDR);

(b) A currency used for the valuation of the SDR; or

(c) The currency of the contributing Member if such currency is freely convertible and the Member did not experience, in the period from 1 January 2018 to 31 December 2019, a rate of inflation in excess of 10 per cent per annum on average, as determined by the Fund.

10. **Exchange rates.** For the purposes of paragraph 4 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 to 30 September 2020), rounded to the fourth decimal point.

11. **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 and/or paid their contribution for previous replenishments are urged to make the necessary arrangements.

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

III. Instruments of contribution

13. **General clause.** A Member making contributions under this resolution (other than in respect of the grant element of a concessional partner loan and of the discount or credit generated from early encashment of core contributions) 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 [or equivalent

instrument], formally committing to make additional contributions to the Fund in accordance with the terms of this resolution and specifying the amount of its contribution in the applicable currency of denomination. Any Member State or one of its state-supported institutions providing a concessional partner loan under this resolution shall enter into a concessional partner loan agreement with the Fund, preferably no later than the last day of the [six]-month period following the adoption of this resolution, but in any event not until the relevant Member State has deposited an instrument of contribution or made payment for the amount of its core contribution required under the terms of the Integrated Borrowing Framework approved by the Executive Board.

14. **Unqualified contributions.** Except as specified in paragraph 15 of this resolution, any instrument of contribution deposited in accordance with paragraph 13 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 referred to as an "unqualified contribution".

15. **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 paragraph 20(b) 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 referred to as 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

16. **Effectiveness of the replenishment.** The replenishment shall come into effect on the date upon which instruments of contribution deposited or payments made without an instrument of contribution relating to the additional contributions from Members referred to in section II (Contributions) 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 paragraph 8 of this resolution. The President shall report to the Executive Board nine (9) months after the adoption of this Resolution on the progress of the replenishment; in the event that the replenishment is not yet effective, the Executive Board may decide to declare effectiveness following a recommendation by the President.

17. **Effectiveness of individual contributions.** Instruments of contribution deposited and acknowledged by IFAD as a validly executed instrument on or before the effective date of the replenishment shall take effect on the effective date of the replenishment. Instruments of contribution deposited and/or acknowledged by IFAD as a validly executed instrument subsequent to the effective date of the replenishment shall become effective as of the date of such acknowledgement.

18. **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

19. Notwithstanding the provisions of section IV (Effectiveness) 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 financing 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

20. **Unqualified contributions**

(a) **Payment of instalments.** Each contributing Member shall, at its option, pay its unqualified contribution in a single sum or in instalments within the replenishment period. Unless specified in the instrument of contribution, payments in instalments in respect of each unqualified contribution may be made 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.

(b) **Payment dates**

(i) **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.

(ii) **Instalment payments**. Payments in instalments shall be made according to the following schedule: the first instalment shall be due on the first anniversary of the adoption of this resolution; the second instalment shall be due on the second anniversary of the adoption of this resolution; and any further instalment shall be due no later than the third anniversary of the adoption of this resolution. However, if the date of effectiveness has not occurred by the first anniversary of the adoption of this resolution, the first payment 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 and any further instalment shall be due on the earlier of the third anniversary of the effective date of the replenishment or the last day of the replenishment period.

(c) **Early payment.** Any Member may pay its contribution on dates earlier than those specified in paragraph 20(b) above. Members that pay their core contribution in cash with a schedule that is accelerated when compared to the IFAD standard encashment schedule, shall be entitled to receive a discount or credit calculated on the basis of the mechanism approved by the Governing Council.

(d) **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.

21. **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 paragraph 20(b) of this resolution. 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 dates specified in paragraph 20(b) of this resolution.

22. **Currency of payment**

(a) Contributions shall be made in freely convertible currencies, subject to paragraph 9 of this resolution.

(b) 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.

23. **Mode of payment.** In conformity with article 4.5(c) of the Agreement, payments in respect of contributions shall be made in cash, 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 paragraph 24 of this resolution. To the extent possible, Members may favourably consider payment of their core contributions, in cash.

24. **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 this replenishment resolution as per paragraph 20(a) or as agreed between the President and a contributing Member.

25. **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 paragraphs 20 to 23 of this resolution.

VII. Allocation of replenishment votes

26. **Creation of replenishment votes.** New replenishment votes shall be created in respect of core contributions, the grant element of any concessional partner loan, and the discount or credit generated from early encashment of core contributions provided under the Twelfth Replenishment (Twelfth Replenishment Votes). The total amount of Twelfth Replenishment Votes shall be calculated by dividing by US$1,580,000 the total amount of pledges of core contributions, the grant element of any concessional partner loan, and the discount or credit generated from early encashment of core contributions, in each case received as of six months after the date of adoption of this resolution.

27. **Distribution of replenishment votes.** The Twelfth Replenishment Votes thus created shall be distributed in accordance with article 6.3(a)(ii) and (iii) of the Agreement as follows:

(a) **Membership votes.** Membership votes shall be distributed equally among all Members in conformity with article 6.3(a)(ii)(A) of the Agreement.

(b) **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, the grant element of any concessional partner loans made by such Member or its state-supported institution, and the discount or credit generated from early encashment of core contributions, bear to the aggregate of the paid core contributions, the grant element of all concessional partner loans, and the discount or credit generated from early encashment of core contributions, as specified in section II (Contributions) of this resolution.

(c) The allocation and distribution of the original, Fourth Replenishment, Fifth Replenishment, Sixth Replenishment, Seventh Replenishment, Eighth Replenishment, Ninth Replenishment, Tenth Replenishment and Eleventh Replenishment Votes shall continue irrespective of the entry into force of this resolution.

28. **Effectiveness of replenishment votes.** The distribution of the Twelfth 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 Twelfth 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 forty-fifth session.

VIII. Additional resource mobilization

29. **Borrowing by the Fund**

(a) **Purpose of borrowing.** While recognizing that replenishment contributions are, and should remain, the basic source of the Fund's financing, the Governing Council welcomes and supports the Fund's intention to leverage a more diversified set of resources – including loans from Member States and related state-supported institutions, multilateral development banks, supranational institutions and private institutional investors under the Integrated Borrowing Framework during the replenishment period.

(b) **Integrated Borrowing Framework**. The Executive Board has established an Integrated Borrowing Framework that sets the pillars of IFAD's overall borrowing activity and specifically introduces the possibility of borrowing from multilateral development banks, supranational institutions and private institutional investors. The Sovereign Borrowing Framework and the Concessional Partner Loan Framework form part of the Integrated Borrowing Framework and remain valid for the specific counterparts. In line with such framework, Management shall continue to inform the Executive Board of all formal negotiations undertaken with potential lenders, including the relevant due diligence undertaken and financial information obtained.

(c) **Limitation of liability**. In relation to subparagraphs (a) and (b), it is recalled, for the avoidance of doubt, that article 3.3 of the Agreement provides that: "No Member shall be liable, by reason of its membership, for acts or obligations of the Fund."

30. **Cofinancing and miscellaneous operations.**

(a) 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 funded by resources of the Fund.

(b) In this regard, the Governing Council calls on Member States to make all efforts to maximize their core contributions and provide additional supplementary funds contributions to support ASAP+ and the PSFP, including through their bilateral development agencies and other government agencies. ASAP+ scales up IFAD's ability to channel critical additional climate financing to small-scale producers, allowing IFAD to complement its programme of loans and grants through additional high-impact interventions. The PSFP is an instrument to catalyse private funding for rural micro, small and medium-sized enterprises (MSMEs), focusing on generating employment for youth and women, and working directly with a new suite of private sector actors. Management will also take necessary measures to mobilize supplementary funds contributions to these programmes from non-Member States and other non-state actors, including multilateral organizations, philanthropic individuals and foundations, and other entities in line with the provisions of the respective trust fund instruments.

IX. Reporting to the Governing Council

31. The President shall submit to the forty-fifth 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

32. 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.

33. 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 211/XLIII (2020) 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. Midterm review

34. A midterm review of the implementation of the measures and actions referred to in the IFAD12 Report will be undertaken and its findings presented at a meeting of the Consultation on the Thirteenth Replenishment of IFAD's Resources.

Pledging guidelines and Members' contribution pledges to IFAD12

I. Overview

1. This annex provides guidance on the pledging process for IFAD12 and records Members' contribution pledges. Pledges received are recorded in appendix III of this annex.

2. During the IFAD12 period, the Fund shall accept additional contributions from Member States in the form of core contributions, the grant element of concessional partner loans and the discount or credit generated from early encashment of core contributions. Contributions to support the enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) and the Private Sector Financing Programme (PSFP) may be made by Member States, including bilateral development agencies and other government agencies. The Fund calls on Member States to make all efforts to maximize their core contributions before contributing to ASAP+ and the PSFP.

II. Making a pledge

3. A pledge is the communication of a Member's intention to contribute to IFAD's replenishment. Pledges may be communicated in writing by an authorized representative of a Member State or verbally announced at the Fund's Governing Council, Executive Board or Replenishment Consultation sessions, or in another meeting, if witnessed and documented by two senior officials of the Fund. Members are invited to formally announce their additional contributions, preferably no later than the last day of the six-month period following the adoption of the IFAD12 Resolution.

4. For IFAD12, Member States are encouraged to pledge the following contributions to the Fund:

   (i) **Core contributions**. These yield contribution voting rights and constitute the majority of the Fund's resources. Core contributions are allocated to IFAD's recipient countries through the performance-based allocation system (PBAS). In IFAD12, they will be allocated only to low-income countries (LICs) and lower-middle-income countries (LMICs). Core contributions remain IFAD's preferred option for replenishment, as they ensure long-term sustainability of the Fund and form the core of IFAD's governance. Pledges for core contributions should be followed by submission of an instrument of contribution (IoC) or direct cash payment.

   (ii) **Grant element of a concessional partner loan.** A concessional partner loan is a loan provided by a Member State or a state-supported institution, which includes a grant element for the benefit of the Fund. Concessional partner loans will be provided in accordance with the terms of the CPL Framework approved by the Executive Board as part of the Integrated Borrowing Framework (EB 2020/131(R)/R.21). The term "state-supported institution" includes any state-owned or state-controlled enterprise or development finance institution of a Member State with the exception of multilateral institutions. The grant element of the CPL will be calculated using the discount rates determined for IFAD12 in accordance with the agreed formula and provided in Annex III of this report. Member States providing CPLs (directly or through a state-supported institution) will be expected to provide core contributions equal to at least 80 per cent of a minimum grant contribution benchmark and target a total grant equivalent contribution (which includes a core contribution and the grant element of the CPL) to at least their minimum grant contribution benchmark. The minimum grant contribution benchmark will be equal to 100 per cent of the average core contribution in local currency of the preceding two replenishment periods (for IFAD12, it would be the average of IFAD10 and IFAD11 contributions). ASAP+ and PSFP contributions do not count towards meeting the grant contribution benchmark. In accordance with the CPL Framework, only CPLs of US$20 million or more will be accepted. The grant component yields contribution voting rights and the funds are allocated to IFAD's recipient countries through the PBAS as part of IFAD's core resources.

5. All donors considering concessional partner loans are kindly requested to discuss the details of such loans with Management in advance of the pledging session to ensure that the loans meet the agreed-upon criteria. Additional information on pledging for CPLs is provided in appendix II of this annex.

6. Member States are also encouraged to pledge the following contributions:

   (i) **ASAP+ contributions.** Contributions to ASAP+ can be made through a pledge made in writing or announced at an official IFAD meeting, followed by Member States entering into a contribution agreement with IFAD as trustee of the 2RP Trust Fund. These supplementary funds contributions will be managed under the ASAP+ window of the dedicated 2RP Trust Fund. These funds are not allocated through the PBAS and approvals under ASAP+ do not constitute IFAD's programme of loans and grants.

   (ii) **PSFP contributions**. Similar to ASAP+ contributions, contributions to PSFP can be made through a pledge made in writing or announced at an official IFAD meeting, followed by Member States entering into a contribution agreement with IFAD as trustee of the Private Sector Trust Fund. These supplementary funds contributions will be managed under the dedicated Private Sector Trust Fund. The funds are not allocated through the PBAS and approvals under the PSFP do not constitute IFAD's programme of loans and grants.

   Contributions to the ASAP+ and PSFP Trust Funds do not yield voting rights and will not count towards the IFAD12 replenishment target.

7. **Special contributions**. During the replenishment period, the Executive Board may accept, on behalf of the Fund, contributions to the resources of the Fund from non-Member States or other sources (special contributions).

8. **Debt Sustainability Framework (DSF)**. IFAD has established a pre-funded mechanism under which DSF financing is based on upfront commitments in order to ensure full reimbursement of all approved DSF projects up to the end of IFAD11 and to secure upfront financing for new DSF grants. Member States are now requested to contribute to the replenishment with a single core pledge.

9. **Denomination of contributions and exchange rates**. Member States shall denominate their contributions in: (a) special drawing rights (SDR); (b) a currency used for the valuation of the SDR; or (c) the currency of the contributing Member if such currency is freely convertible and the Member did not experience, in the period from 1 January 2018 to 31 December 2019, a rate of inflation in excess of 10 per cent per annum on average, as determined by the Fund.

10. As for the exchange rate to be applied, the commitments and pledges made 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 IFAD12 Resolution between the currencies to be converted into United States dollars (1 April to 30 September 2020), rounded to the fourth decimal point. The exchange rates to be applied in IFAD12 are provided in annex IV.

11. **New votes**. New replenishment votes shall be created in respect of core contributions, the discount or credit generated from early encashment of core

contributions and the grant element of any concessional partner loan provided under the Twelfth Replenishment (Twelfth Replenishment Votes). The total amount of Twelfth Replenishment Votes shall be calculated by dividing by US$1,580,000 the total amount of pledges of core contributions and the grant element of any concessional partner loan, in each case received as of six months after the date of adoption of this resolution.

12. **Instrument of contribution**. Pledges are non-binding and should therefore be supported by either an IOC or a direct payment in full from a Member State. An IOC specifies the amount of a Member State's contribution under the terms and conditions of the replenishment resolution and it is legally binding. The IOC also specifies the terms of contribution (category of contribution, form of payment, contingency of contributions, if applicable, and number of instalments and timetable). A Member providing a CPL is required to deposit its IOC for the amount of its core contribution before entering into a CPL agreement with IFAD.

13. The deposit of Member States' instruments of contribution is important for triggering the effectiveness of the replenishment. Replenishment effectiveness is only reached when the aggregate United States dollar equivalent amount of IOCs deposited with, or payments received by, the Fund represents at least 50 per cent of the pledges received as of six months after the adoption of the IFAD12 Resolution. The resources under any given replenishment become available for commitment only when the replenishment becomes effective.

14. For further information on contributing to the Twelfth Replenishment of IFAD's Resources, contact Ronald Hartman, Director, Global Engagement, Partnership and Resource Mobilization Division (r.hartman@ifad.org; tel.: +39 06 5459 2610) or IFAD's replenishment team (replenishment@ifad.org).

Draft pledge letter

Mr President,

I am pleased to inform you that the Government of [name of country] intends to make a contribution to the Twelfth Replenishment of IFAD's Resources (IFAD12):

Contribution

The contribution will be (delete if not applicable):

- A core contribution of:
  [*amount in US$ or other currency*]
- An ASAP+ contribution of:
  [*amount in US$ or other currency]*
- A PSFP contribution of:
  [*amount in US$ or other currency*]

Payment

It is our intention to (delete as appropriate) [make a single upfront payment][make separate upfront payments for each type of contribution][submit an instrument of contribution confirming the amount of the contributions, the form of payment, and the number of instalments and timetable.]

Concessional partner loan (delete if not applicable)

The Government of [*name of country*] also intends to provide a concessional partner loan in the amount of [*US$ or other currency*]. Details are provided in the attached CPL pledging form.

Yours sincerely,

Pledging of concessional partner loans[98]

1. **Pledging for concessional partner loans**. In order to facilitate the swift and accurate recording of CPLs, donors intending to make verbal pledges of CPLs are asked to also complete the pledging form for CPLs (see below).

2. Donors are encouraged to provide Management with a copy of the completed pledging form **before** the meeting in which the pledge is made, especially if a custom encashment schedule is required. The draft pledging form will remain strictly confidential until announced by the donor. Donors may also present a copy of the completed pledging form at the session. Donors and IFAD Management will need to verify all CPL pledges before the session ends and confirm whether they are aligned with the CPL Framework.

3. Donors are asked to announce their CPL pledges following the guidelines below:

   (i) **CPL currency:** Please indicate the currency of the CPL. This is the currency in which the CPL will be paid. Donors can choose one of the five SDR basket currencies: euro (EUR), British pound sterling (GBP), Japanese yen (JPY), Chinese yuan (CNY) or United States dollar (US$). The SDR equivalent will be based on the reference exchange rate for IFAD12.

   (ii) **CPL amount:** Please indicate the total amount of the CPL in the chosen currency.

   (iii) **CPL grace period and maturity:** There are two possible options for donors. Donors can select a CPL with: (i) a 5-year grace period and 25-year maturity (5-25); or (ii) a 10-year grace period and 40-year maturity (10-40).

   (iv) **CPL coupon/interest rate** (in loan currency): Please indicate the CPL interest rate in loan currency.[99]

   (v) **CPL drawdown period**: Please indicate the number of years over which the CPL will be drawn down (one, two or three years).

4. If further assistance is needed in calculating CPL pledges, please contact IFAD's replenishment team (replenishment@ifad.org). A sample form for a CPL pledge is provided below as a guide.

[98] CPL Framework will be submitted for approval by the Executive Board as part of the Integrated Borrowing Framework (EB 2020/131(R)/R.21).

[99] If the CPL coupon rate is higher than the maximum coupon rate specified in the CPL Framework, the donor's grant contributions will need to include sufficient additional resources beyond the 80 per cent minimum defined by the Framework to: lower the coupon rate on the CPL; or provide a larger loan size if the maximum CPL rate under the Framework is negative in the currency of the CPL.

International Fund for Agricultural Development

IFAD12 pledging form for a concessional partner loan (CPL)

only to be completed if applicable

1. **CPL currency**

Enter US$, GBP, JPY, RMB, or EUR

2. **CPL amount**

Enter amount (in millions)

3. **CPL grace period and maturity**

Enter either 5-25 or 10-40

4. **CPL coupon/interest rate in CPL currency***

Enter rate

5. **CPL drawdown period in years**

Enter 1, 2 or 3 years

* If the CPL coupon rate is higher than the maximum coupon rate specified in the CPL Framework, please indicate the arrangements made to meet the Framework (e.g. additional grant resources to lower the coupon rate or a larger loan size if the maximum CPL rate under the Framework is negative in the currency of the CPL). Management will confirm whether the arrangements are aligned with the CPL Framework.

Pledges to IFAD12 and the ASAP+ and PSFP Trust Funds at 16 February 2021[1]

Member State	*IFAD12 contributions pledges US$*[2]	*ASAP+ Trust Fund pledges in US$*[2]	*PSFP Trust Fund pledges in US$*[2]	*Total pledges in US$*[2]	*Currency of pledge*	*Total in currency of pledge*
Afghanistan	100 000			100 000	US$	100 000
Argentina	2 500 000			2 500 000	US$	2 500 000
Austria	18 298 262			18 298 262	EUR	16 000 000
Bangladesh	2 000 000			2 000 000	US$	2 000 000
Benin	200 000			200 000	US$	200 000
Burkina Faso	250 000			250 000	US$	250 000
Burundi	50 000			50 000	US$	50 000
Cambodia	600 000			600 000	US$	600 000
Canada	55 481 580			55 481 580	CAD	75 000 000
Cabo Verde	23 138			23 138	US$	23 138
Chad	450 000			450 000	US$	450 000
China	85 000 000			85 000 000	CNY	593 852 500
Côte d'Ivoire	200 000			200 000	US$	200 000
Cuba	10 000			10 000	US$	10 000
Cyprus	60 000			60 000	US$	60 000
Djibouti	10 000			10 000	US$	10 000
Egypt	3 000 000			3 000 000	US$	3 000 000
El Salvador	100 000			100 000	US$	100 000
Eritrea	60 000			60 000	US$	60 000
Finland	36 712 272[3]		1 143 641	37 855 914	EUR	33 101 211
France	106 000 000			106 000 000	US$	106 000 000
Gambia (The)	50 000			50 000	US$	50 000
Germany	101 200 823	19 441 903		120 642 726	EUR	105 490 000
Ghana	2 000 000			2 000 000	US$	2 000 000
Greece	97 210			97 210	EUR	85 000
Guatemala	450 000			450 000	US$	450 000
Haiti	220 000			220 000	US$	220 000
India	50 460 290[4]			50 460 290	US$	50 460 290
Indonesia	10 000 000			10 000 000	US$	10 000 000
Ireland	14 295 517	2 287 283		16 582 800	EUR	14 500 000
Italy	96 065 874			96 065 874	EUR	84 000 000
Japan	57 300 000			57 300 000	JPY	6 084 784 410
Jordan	200 000			200 000	US$	200 000
Kenya		1 000 000		1 000 000	US$	1 000 000
Kuwait	31 000 000			31 000 000	US$	31 000 000
Lao People's Democratic Republic	91 500			91 500	US$	91 500
Liberia	10 000			10 000	US$	10 000
Luxembourg	4 460 201			4 460 201	EUR	3 900 000
Madagascar	200 000			200 000	US$	200 000
Malawi	100 000			100 000	US$	100 000
Mali	281 201			281 201	US$	281 201
Mauritania	100 000			100 000	US$	100 000
Mongolia	120 000			120 000	US$	120 000
Montenegro	11 436			11 436	EUR	10 000
Myanmar	6 000			6 000	US$	6 000
Netherlands	82 913 998			82 913 998	EUR	72 500 000

Member State	*IFAD12 contributions pledges US$[2]*	*ASAP+ Trust Fund pledges in US$[2]*	*PSFP Trust Fund pledges in US$[2]*	*Total pledges in US$[2]*	*Currency of pledge*	*Total in currency of pledge*
Nicaragua	150 000			150 000	US$	150 000
Niger	174 356			174 356	XAF	100 000 000
Nigeria	5 000 000			5 000 000	US$	5 000 000
Norway	53 462 992			53 462 992	NOK	508 000 000
Pakistan	10 000 000			10 000 000	US$	10 000 000
Peru	375 000			375 000	US$	375 000
Philippines	700 000			700 000	US$	700 000
Qatar		500 000		500 000	US$	500 000
Russian Federation	9 000 000			9 000 000	US$	9 000 000
Rwanda	100 000			100 000	US$	100 000
Sao Tome and Principe	15 000			15 000	US$	15 000
Senegal	400 000			400 000	US$	400 000
Sierra Leone	100 000			100 000	US$	100 000
Somalia	10 000			10 000	US$	10 000
Sweden	87 356 272			87 356 272	SEK	800 000 000
Switzerland	50 197 586			50 197 586	CHF	47 000 000
Thailand	300 000			300 000	US$	300 000
Turkey	5 000 000			5 000 000	US$	5 000 000
Uganda	300 000			300 000	US$	300 000
United Republic of Tanzania	120 000			120 000	US$	120 000
United States	129 000 000			129 000 000	US$	129 000 000
Zimbabwe	200 000			200 000	US$	200 000
Subtotal	**1 114 700 508**	**23 229 186**	**1 143 641**	**1 139 073 335**		
Special contributions from non-Member States and other entities						
Holy See (The)	20 000			20 000	US$	20 000
Other ASAP+ and PSFP contributions[5]		2 287 283		2 287 283	EUR	2 000 000
Total	**1 114 720 508**	**25 516 469**	**1 143 641**	**1 141 380 618**		

[1] It is recognized that certain pledges in the table may be subject to clearance processes.

[2] Converted into United States dollars amount by applying the average exchange rate per the methodology in annex IV, IFAD12/4/R.2.

[3] Includes the grant element of a EUR 60 million concessional partner loan. The grant element is subject to confirmation with the Member State.

[4] Includes the grant element of a US$20 million concessional partner loan.The grant element is subject to confirmation with the Member State.

[5] Includes ASAP+ and PSFP supplementary funds contributions from Member States and other partners. For reporting purposes ASAP+ and PSFP pledges have been converted into United States dollars at IFAD12 replenishment rates.

Technical Note on Early Encashment of Replenishment Contributions

Executive summary

1. IFAD's standard encashment schedule for core contributions, which is reflected in the draft Resolution on the Twelfth Replenishment of IFAD's Resources (IFAD12) based on either a lump sum or a three-year instalment profile (i.e. within a replenishment period), is already accelerated in comparison to other international financial institutions (IFIs) such as the International Development Association (IDA), where contributions are encashed over longer time periods.

2. Generally, IFAD Member States pay the full nominal amount of their replenishment contributions, as set forth in their pledge or an instrument of contribution, within three years. IFAD's early encashment mechanism is intended to ensure simplicity for Member States.

3. Starting from the baseline of IFAD's standard encashment schedule, and in line with practices of other IFIs, Members will have the option to pay their pledge based on an accelerated encashment schedule. The discounted amount is equal to the net present value (NPV) of such accelerated schedule calculated at a discount rate established for the replenishment cycle.

4. The full nominal amount of the core contribution will be counted towards the replenishment target, and voting rights will be attributed in relation to the full nominal amount (pledge or instrument of contribution) used in calculating the discount.

5. Should the NPV of the accelerated encashment schedule be higher than the NPV of the standard encashment schedule, then the Member will accrue a credit against the difference (i.e. against the NPV gain). The credit will be allocated first towards the Member's outstanding contribution arrears from previous replenishments, if any. If no contribution arrears are attributable to the Member State, such amount will be allocated as an additional core contribution towards the current replenishment target, and voting rights will be attributed in relation to such credit.

6. The reference discount rate will apply to all IFAD12 contributions equal to or above the floor of US$10 million that are encashed in accordance with the requirements of this technical note. Considering the nature of core contributions (i.e. equity), the reference discount rate will be linked to the assumed liquidity portfolio investment return so as not endanger its financial sustainability. Should the assumed investment return be a negative rate, for the purpose of this exercise it will be assumed at zero and no discount will be generated for early encashment of contributions. The discount rate for IFAD12 for early encashment of contributions is set at 0.53 per cent per annum.

7. It should be noted that the schedule of encashment of contributions has implications for IFAD's liquidity and resource base. Therefore, Members wishing to avail themselves of the early encashment option must communicate the exact accelerated schedule when pledging or, at the latest, when depositing the instrument of contribution.

8. In order to be eligible for the accrual of contribution votes as provided for in the draft IFAD12 Resolution, the discount or credit generated by the early encashment would need to be included in the definition of the term "additional contribution" the

Agreement Establishing IFAD.[100] In addition, and for the purposes of clarity, the concept of "paid contributions" should include the discount or credit generated by the early encashment of contributions. Subject to the Governing Council's approval of these amendments, this technical note sets forth the mechanism for application of the discount mechanism and calculation of the discount in IFAD12.

[100] Article 4, section 3, of the Agreement Establishing IFAD in its current form requires that contributions be made in the form of cash, promissory notes or obligations payable on demand, in addition to the grant element of concessional partner loans.

I. Background

1. At previous sessions of the IFAD12 Consultation, IFAD was requested to explore the possibility of a potential accelerated encashment of contributions for the IFAD12 cycle.

2. A brief analysis has been conducted, including a review of IFAD's existing policies pertaining to the encashment of replenishment contributions, experience to date, and comparable practice at other IFIs such as IDA and the African Development Fund (ADF). Further details are provided in appendix I.

3. This technical note presents the early encashment mechanism for IFAD12, which will require an amendment to the Agreement Establishing IFAD and will be reflected in the draft IFAD12 Resolution. Section II describes IFAD's current policy on encashment of contributions and section III describes the proposed early encashment mechanism for IFAD12.

II. IFAD policy on encashment of contributions

4. IFAD's standard encashment schedule for core replenishment contributions has been regulated over the years by replenishment resolutions. Generally speaking, replenishment contributions are paid in three years, within the related replenishment period.[101]

5. The draft IFAD12 Resolution (para. 20), in line with resolutions from previous replenishment cycles, provides as follows, with the new text on early encashment introduced for IFAD12 underlined.

"20. Unqualified contributions

(a) **Payment of instalments.** Each contributing Member shall, at its option, pay its unqualified contribution in a single sum or in instalments within the replenishment period. Unless specified in the instrument of contribution, payments in instalments in respect of each unqualified contribution may be made 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.

(b) **Payment dates**

(i) **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.

(ii) **Instalment payments**. Payments in instalments shall be made according to the following schedule: the first instalment shall be due on the first anniversary of the adoption of this resolution; the second instalment shall be due on the second anniversary of the adoption of this resolution; and any further instalment shall be due no later than the third anniversary of the adoption of this resolution. However, if the date of effectiveness has not occurred by the first anniversary of the adoption of this resolution, the first payment 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 and any further instalment shall be due

[101] Deviations from the standard encashment schedule are exceptional and are assessed on a case-by-case basis and approved by the President of IFAD.

on the earlier of the third anniversary of the effective date of the replenishment or the last day of the replenishment period.

(c) **Early payment.** Any Member may pay its contribution on dates earlier than those specified in paragraph 20(b) above. Members that pay their core contribution in cash with a schedule that is accelerated when compared to the IFAD standard encashment schedule shall be entitled to receive a discount or credit calculated on the basis of the mechanism approved by the Governing Council.

(d) **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."

III. IFAD12 proposed early encashment mechanism

A. Technical aspects

6. IFAD's standard three-year encashment schedule applies to the full nominal amount of a Member's core contribution pledge or, if the Member State has deposited an instrument of contribution, from the full nominal amount of the instrument of contribution. The schedule foresees the following instalments: year 1: 30 per cent of full nominal; year 2: 35 per cent of full nominal; year 3: 35 per cent of full nominal.

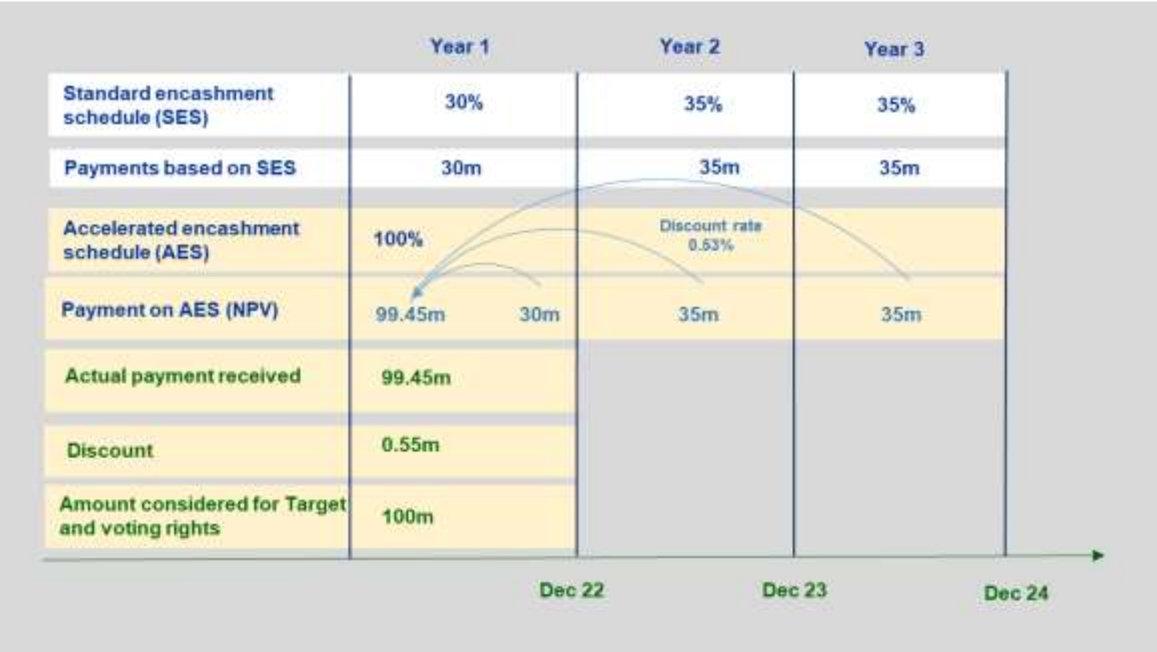
7. Members will have the option of paying their full nominal pledge with an accelerated encashment schedule compared to IFAD's standard three-year encashment schedule. The NPV of such accelerated schedule will be the discounted amount.

8. The discount will be offered only in cases where the amount of the contribution is at least US$10 million. This floor is introduced in recognition of the very low discount that would result from lower contribution amounts and the high transaction costs for both IFAD and the Member independently of the contribution amount.

9. The NPV of the full nominal amount will be calculated at the applicable discount rate.

Figure 1

Early encashment mechanism and timeline based on a sample pledge of US$100 million and early encashment of NPV of US$99.45 million in one lump sum in year 1



10. Considering the nature of core contributions (i.e. equity), the discount rate will be linked to the assumed liquidity portfolio investment returns in order not to endanger its financial sustainability.

11. Should the assumed investment return be a negative rate, for the purpose of this exercise it will be assumed at zero and no discount will be generated for early encashment of contributions.

12. For the IFAD12 replenishment cycle, the value of the discount rate is proposed at 0.53 per cent per annum, which represents a conservative estimate of the assumed yearly investment return on IFAD's liquidity portfolio. Appendices II and III present a simulation of the discount generated by a hypothetical pledge or instrument of contribution of US$100 million, paid in one lump sum in year 1, applying a discount rate of 0.53 per cent. The discounted value, equal to the NPV in year 1, would be US$99.45 million, and the discount would be US$0.55 million.[102]

13. Deposits of promissory notes or letters of credit will not generate a discount.

14. The full nominal amount of the contribution will count towards the replenishment target.

15. It should be noted that the schedule of encashment of contributions has implications for IFAD's liquidity and resource base. Therefore, Member States wishing to avail themselves of the early encashment option must communicate the exact accelerated schedule when pledging or, at the latest, when depositing the instrument of contribution.

16. Should the NPV of the accelerated encashment schedule be higher than the NPV of the standard encashment schedule, then the Member will accrue a credit against

[102] Calculated in percentage terms by comparing the pledged amount to the actual paid amount, i.e. (US$100 million-US$99.45 million)/US$100 million = 0.55 per cent or US$0.55 million considering the full decimals as shown in the example in annex II.

the difference (i.e. against the NPV gain).[103] This credit will be allocated first towards the Member's outstanding contribution arrears from previous replenishments, if any. If no contribution arrears are attributable to the Member State, such amount will be allocated as an additional core contribution towards the current replenishment target (i.e. a total of US$100.55 million in the example in figure 2).

Figure 2
Early encashment mechanism and timeline based on a sample pledge of US$100 million and early encashment of US$100 million

B. Voting rights

17. According to the Agreement Establishing IFAD, only contributions in cash, promissory notes, obligations payable on demand or the grant element of concessional partner loans are considered additional contributions to the resources of IFAD – i.e. replenishment contributions – and give rise to voting rights upon payment.

18. The Agreement Establishing IFAD therefore currently does not allow for the possibility of attaching voting rights to any portion of the discount that would be created through an early encashment.

19. An amendment to the Agreement Establishing IFAD will be presented to the Executive Board at its December session for review and endorsement, prior to submission to the Governing Council at its forty-fourth session to be held in February 2021 for approval, to reflect that: (i) "contributions to the Fund may also be made in the form of the discount or credit generated from the early encashment of contributions in accordance with the mechanism approved by the Governing Council"; and (ii) the discount or credit generated from the early encashment of contributions will be considered as a "paid contribution".

20. Voting rights will be attributed to the full nominal amount of the core contribution (pledge or instrument of contribution), i.e. US$100 million in the example above, and not only on the discounted value (US$99.45 million in the example above). In

[103] Calculated in percentage terms by comparing the paid amount to NPV, i.e. (US$100 million –US$99.45 million)/US$99.45 million = 0.55 per cent or US$0.55 million, considering the full decimals as shown in the example in annex II.

cases where the instrument of contribution indicates a different amount than the pledge, the amount specified in the instrument of contribution will prevail.

Experience of other IFIs: the example of IDA

1. IDA's standard encashment schedule is relatively long (typically nine years). It is defined in the context of each replenishment, unlike the practice at IFAD where an ad hoc schedule is applied on a donor-by-donor basis, and normally restricted to the three years of the replenishment period.

2. The IDA discount rate methodology (discount applied against arrears) is summarized below.

   - Up to IDA17, the discount rate was based purely on an assumption of investment returns over the nine-year encashment horizon of the standard encashment schedule. In IDA16 it was set at 2.5 per cent, and in IDA17 it was 2.0 per cent. For IFAD, this would mean estimating the investment return over the IFAD-specific time horizon of the three-year encashment schedule.
   - Since IDA18, the methodology to set the discount rate has been changed to the cost of funding. For IDA18 therefore, the discount rate was 0.6 per cent and for IDA19 it was 1.3 per cent.

3. Below is an extract from the Report from the Executive Directors of the International Development Association to the Board of Governors Additions to IDA Resources: Nineteenth Replenishment IDA19: Ten Years to 2030: Growth, People, Resilience)[104]

> "187. **Partner grant contributions, if provided in the form of promissory notes, will be encashed on an approximately pro rata basis among Partners following the agreed regular or custom encashment schedule (Attachment II of the IDA19 Resolution)**. Partners may, with the agreement of Management, adjust their grant encashments to reflect their legal and budgetary requirements. Deputies agreed to indicate any special preferences in this regard to Management before or when Partners deposit their Instruments of Commitment. Deputies recognized that the timing of encashments affects IDA's resource base. They agreed that in exceptional cases, should unavoidable delays occur, IDA's grant encashment requests to the relevant Partner may be adjusted to take into account any past payment delays by that Partner and any related lost income to IDA. IDA may also agree with any Partner on a revised grant encashment schedule that yields at least an equivalent value to IDA. A Partner's voting rights will be affected if the net present value is not maintained. Deputies agreed that the present value of Partners' grant encashment schedules will be based on a 1.3 percent per annum discount rate. Partners that accelerate their grant encashments can use the additional resources as a credit item, either to increase their own regular burden share, to cover a share of their costs under the MDRI replenishment, or to cover a portion of payment arrears from previous replenishments. If a Partner uses their acceleration of the grant encashment to increase their regular burden share, that Partner will receive additional subscription votes on account of the additional resources provided to IDA from accelerated grant encashment. Partners that use accelerated grant encashment can alternatively benefit from a discount on the amounts encashed."

[104] http://documents.worldbank.org/curated/en/459531582153485508/pdf/Additions-to-IDA-Resources-Nineteenth-Replenishment-Ten-Years-to-2030-Growth-People-Resilience.pdf.

Annex 13, attachment II:

Encashment Schedule for IDA19 Contributions
(Percent of Total Contributions)

Fiscal Year	Standard Schedule
2021	3.1
2022	7.7
2023	13.5
2024	15.6
2025	15.8
2026	14.2
2027	12.6
2028	10.2
2029	7.3
	100.0

4. Most other IFIs follow different funding paradigms and thus do not have similar policies pertaining to the encashment of replenishment contributions. However, the ADF has such a policy. ADF's encashment period and methodology are in line with those of IDA.

5. In the case of a donor's accelerated payment of contributions against the schedule, the amount to be paid is calculated by discounting the cash flows at a set discount rate, established for each replenishment.

6. In the case of ADF, the discount rate is calculated using the overnight index swap rate for the accelerated encashment, based on the donor's desired payment schedule.

Methodology for the discount calculation

The IFAD schedule of payment provides the breakdown of contribution payments in a maximum of three instalments.

	Year 1	Year 2	Year 3	Total
Percentage of payments	30	35	35	100

Assuming IFAD12 contributions of US$100 million, the following deemed payment distribution was obtained.

	Year 1	Year 2	Year 3	Total
Percentage of payments	30	35	35	100
Deemed payments for IFAD12	US$30 000 000	US$35 000 000	US$35 000 000	US$100 000 000

For simplicity, it was assumed that payments are made in advance at the beginning of each year.

The discount factor is aligned to the absolute return of IFAD investment portfolio. The discount factor for the IFAD12 replenishment is set as 0.53 per cent.

From the input above, a scenario was produced showing discounted cash flows calculated in advance for each year and assumes that replenishment contributions are usually encashed at the beginning of each fiscal year.

Scenario	Nominal value	Discount rate %	NPV	Discount value	Discount over nominal value %
Annual payments in advance	US$100 000 000	0.53	US$99 447 407	US$552 593	0.55

For the NPV calculations, the Microsoft Excel NPV formula was used:

NPV = (rate, value 1, value 2, …, value n)

By default, the formula calculates the NPV assuming payments in arrears.

In order to simulate payments in advance, the NPV for year 2 and year 3 (12-month discount period for the former and 24-month for the latter) was calculated and year 1 at face value was added. Details of cash flow are shown in the table below.

	DCF in advance
Year 1	US$30 000 000
Year 2	US$34 815 478
Year 3	US$34 631 929
Total	**US$99 447 407**

Simulations

1. Applying the IDA logic, it is important to note that IFAD's standard encashment schedule (three years) is much shorter than IDA's (nine years). It is therefore important to simulate and quantify the benefit of such an option.
2. While it is understood that receiving cash earlier helps IFAD liquidity levels in the short term and adds flexibility to the planning of borrowing in IFAD12, any form of discount (even if applied against outstanding arrears) may be seen as reducing nominal payments. However, on a discounted cash flow basis, this is a financially neutral transaction.
3. IFAD ran simulations of an accelerated encashment of contributions based on a hypothetical pledge of US$100 million, encashed according to the standard IFAD schedule over three years (30 per cent, 35 per cent and 35 per cent respectively).
4. Because the proceeds of early encashment of contributions would be invested in IFAD's investment portfolio, the discount rate would reflect a projected rate of return attributable to the portfolio of investments at the time of early encashment.
5. The NPV can be calculated assuming either payments in advance or payments in arrears for each year (see appendix II for details of the methodology used for the discounted cash flow calculation).
6. The discounted amount was calculated with the assumptions above, using a discount factor of 0.53 per cent, and assuming annual payments in advance.

Scenario	Nominal value	Discount rate %	NPV value	Discount value	Discount over nominal value %
Annual payments in advance	US$100 000 000	0.53	US$99 447 407	US$552 593	0.55

7. Because of the short horizon and foreseen market conditions, the value of discount would be low.