

Notes on the fifth meeting of Convenors and Friends in 2019

26 November 2019

1. The fifth meeting for 2019 between Convenors and Friends and the President of IFAD was held on Tuesday, 26 November in room C-600, from 9.30 a.m.

Item 1: Opening remarks by the President and adoption of the agenda

2. The President shared some updates from his recent travels to India, Qatar, and the Chief Executives Board (CEB) meeting in New York.
 - In India, the sustainability of results and positive impact on women's empowerment arising from the IFAD-supported Tejaswini Rural Empowerment Programme in the State of Maharashtra were noteworthy. This provided an opportunity for further scaling up the results in future. The Communication Division was tasked with identifying means of showcasing this success story, which would be shared with IFAD's governing bodies.
 - In Qatar, the mission aimed at re-engagement with a List B country, and the meetings held were positive. The President planned to travel to other Gulf countries after the December Board with the same aim.
 - The CEB retreat considered topical issues such as cyber security, the state of the world, and the UN reform. The debriefing on the implementation of the UN reform showed positive results so far, albeit with challenges relating to, inter alia, multi-country offices, innovation, and the SDG Trust Fund, which had not attracted the expected resources.
 - The agenda was adopted as proposed.

Item 2: Outcomes of the follow-up to the fifth Executive Board Retreat (the "Follow-UP")

3. Convenors thanked Management for organizing the Follow-Up, which served as a forum to discuss the issues emerging from IFAD2.0 and to enhance Members' understanding. They expressed appreciation for the excellent facilitation by Director, Global Engagement and Partnership, and shared their main takeaways.
4. List A registered their appreciation for the level of ambition expressed by Management, and noted the need to ensure a healthy balance between ambition and realism. While they appreciated the various scenarios provided, additional, more realistic scenarios would be welcome. List A members also urged Management to strengthen the climate

focus of the Food Security Accelerator Programme and to clarify the governance of these funds.

5. Other points arising from the Follow-Up as noted by Convenors included the following needs:
 - for Management to elaborate a clearer and more compelling business case, showing the expected synergies with the international development architecture;
 - for Members to agree on how to address the Debt Sustainability Framework (DSF);
 - to reflect on risk management to address potential risks such as, the substitution risk of diverting resources from core contributions to the proposed funding windows, the reputational risk linked to the minimum replenishment level, and other related risks; and,
 - to better explain the solidarity principle and benchmark against other international financial institutions (IFIs).
6. List C also reiterated the need to resolve the DSF. In reviewing the financial scenarios, members noted the importance of continued engagement and partnership with middle-income countries (MICs) going forward. One means of engagement with MICs could be enhancing support to South-South and Triangular Cooperation (SSTC), and mainstreaming the approach in IFAD-supported projects. Management reiterated its willingness to enhance SSTC and noted the need for additional resources as currently, demand far outweighed the resources available.
7. The meeting acknowledged the challenge of addressing the call from many donors to focus entirely on the poorest of the poor in low-income countries (LICs) and lower middle-income countries (LMICs), while remaining engaged with upper MICs along their development path and recognizing their contribution to IFAD's resources through reflows.
8. List C Members expressed support for the plan to increase staff with expertise in finance, and to this end, a budget increase within the 1.5 per cent level may be acceptable.
9. Responding to the issues raised, Management acknowledged the risk issues highlighted, especially the substitution risk, and noted that discussions to map out ways to address this and other related risks were ongoing.

10. Management noted the need to provide justification for the additional resources requested for the two-year rolling plan to address the human resources issues highlighted in the McKinsey report. Further analysis is ongoing and a two-year implementation plan is expected; however, not prior to the December Board. Management would aim to revert to Board members in informal seminars in January and March to share the detailed implementation plan. Management would therefore seek conditional approval of this targeted capacity investment budget, pending the provision of the implementation plan expected to be submitted for approval at the April Board.
11. Management also highlighted that the ongoing review of IFAD's compensation package did not only refer to salary increment, but was aimed at bridging the skills gap, by means of re/up-skilling, training or otherwise.
12. On risk management, feedback had been received from Ernst & Young and Alvarez & Marsal on the need to resolve governance issues. Management was considering the possibility of consolidating risk management activities within one department, and a strategic discussion with Members on this matter would be welcome.
13. Management was developing more financial scenarios based on the level of borrowing as requested at the Follow-Up, and these would be shared with Members.
14. The President reiterated that IFAD's core business would continue to be providing loan resources to Member States, with grant resources used to complement development efforts in countries with fragile situations. The leveraging aspect would ensure that IFAD maintained its core business, while providing grants where needed.
15. The IFAD investment case would be finalised and incorporated in the IFAD12 document to be shared with Members.

Agenda item 3: IFAD 12 Consultation

16. Convenors presented the agreed Consultation composition as follows:
 - (i) List A: 25 seats and 3 additional seats for silent observers;
 - (ii) List B: 10 seats; and
 - (iii) List C: 22 seats.

17. Management requested that Convenors share the names of countries that would participate in the Consultation as soon as they were available, to facilitate next steps such as the issuance of invitations.
18. Regarding alternative venues for the Consultation outside Rome, Management shared the experience of consultation processes in other IFIs and presented the potential benefits of having countries to "champion" the replenishment process by hosting one of the Consultation sessions. The President informed the meeting of ongoing discussions with Kuwait who had expressed willingness to host a session.

Agenda item 4: Governance Action Plan

19. The President expressed appreciation for the Board members who had volunteered their time to draft the Action Plan and noted that Management agreed with all the proposals and would proceed with implementation.
20. The List A Co-Convenor thanked Management for its willingness to implement the proposed actions. Members welcomed the plan to discuss high-level strategic issues at the beginning of the Board session and looked forward to receiving a short paper in this regard the soonest. Management noted that the document for the strategic discussion item would focus on four to five strategic issues with the aim of prompting discussion among Members. The document would be finalized and shared with the Board as soon as possible. It was hoped that the informal consultation on the project/programme proposals would free up time at the Board for consideration of other strategic matters.
21. Regarding documentation, Convenors expressed willingness to provide comments on ways to improve documentation and urged the Secretariat to table proposals to this end. Specifically, Convenors commented on the need for quality control of documents shared externally to ensure that corporate messaging was consistent, as part of IFAD's communication strategy. Training of document originators could prove useful to ensure that relevant information was captured and highlighted appropriately, for example, for the executive summary to capture all salient points.

Agenda item 5: EB128

22. Convenors proposed that the deliberations of the Audit Committee be shared as each relevant item is considered by the Board, rather than grouping all under the Report of the Audit Committee Chair. They also suggested clustering some of the sub-items under financial matters, as a way to improve time efficiency at the Board. They

requested further that time estimates per agenda item be included in the schedule of work, to encourage better time management.

23. Regarding the budget item, Convenors noted that the Audit Committee would not be in a position to recommend approval of the budget with the proposed additional US\$17 million for targeted capacity investment, without the additional information to justify the proposed expenditure. Management was encouraged to identify other sources of funding (e.g. carry forward) and to consider other actions to be taken in the interim, pending the approval of the budget.
24. Some concern was expressed regarding the use of the targeted capacity investment budget to fund additional posts, as this would imply an impact on the core budget going forward rather than being a one-time investment.
25. Management reiterated that the justification for the targeted capacity investment budget was dependent on a two-year implementation plan, which would not be finalised prior to the December Board session, hence the call for a conditional approval. Management would provide an addendum to the Budget document explaining the proposed way forward.
26. Furthermore, Management highlighted the importance of initiating the implementation of the two-year plan and of addressing other institutional issues prior to initiating the credit rating process. Members agreed with the general rationale for the two-year implementation plan and noted that some issues required urgent action, such as performance management, and investing in training and capacity building for staff.
27. An informal session would be organised to present the draft implementation plan in January and March 2020.

Agenda item 5: Forty-third Governing Council (GC 43)

28. The Associate Vice President, Corporate Services Department, informed the meeting that FAO was positively considering hosting the GC43 in February 2020. IFAD was in regular contact with counterparts in FAO and it was hoped that the specifics would be finalized in the coming days.
29. Convenors welcomed the theme and proposed topics for discussion, especially the inclusion of disability, and the financial model.
30. List C requested that a video depicting the impact of IFAD-supported projects be shared at GC43.

31. List A noted that GC43 would be immediately followed by the launch of the IFAD12 Consultation - hence the need to highlight the role of IFAD in achieving the SDGs. Convenors also urged Management to build on other planned key events, such as the Food Systems Summit in New York, and the Conference of the Parties (COP) that would be hosted by Italy and the United Kingdom.
32. All the proposed ideas would be shared with the Governing Council Bureau and integrated in the planning for the February 2020 session.

Agenda item 6: Other Business

33. There were no items for discussion under Other Business.