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Investing in rural people

Minutes of the 111th session of the Executive Board

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Executive Board — 111th Session
Rome, 8-9 April 2014

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Minutes of the 111th session of the Executive Board

I. Introduction

1. The 111th session of the Executive Board was held in Rome on 8 and 9 April 2014. A list of delegations is attached as annex I.
2. The Executive Board had before it the documents listed in annex II.

II. Opening of the session (agenda item 1)

3. President Kanayo F. Nwanze opened the session. In so doing, he welcomed the Republic of Korea as part of the Executive Board, as well as all other delegates and observers participating in the Executive Board for the first time and those in the *salle d'écoute*.
4. The President recalled the main outcomes of the December session of the Board, which had been very productive. He went on to emphasize that the informal seminar on the KfW loan and the deliberations of the Audit Committee at its 130th meeting regarding the borrowing framework, which had taken place in March, had demonstrated the need for the KfW loan to fulfil the programme of loans and grants of the Ninth Replenishment of IFAD's Resources (IFAD9), and for a longer-term borrowing framework and greater innovative financing to govern IFAD's future borrowing and its changed financial model.
5. Subsequently, the President provided the Board with a brief account of his recent official travel and future engagements, highlighting:
 - (a) Three very positive field visits between January and March, in Nigeria, Benin and Angola respectively, where, in addition to visiting some successful project sites, he had met with high-level government authorities and the banking sector. In particular, in Benin, the *Legion d'honneur* entitled *Grand Officier de l'Ordre National du Benin*, had been conferred on him in recognition of IFAD's work in the country.
 - (b) His participation in the World Economic Forum in Davos in January, which had provided the opportunity to meet with heads of state, ministers and chief executive officers of various corporations and foundations.
 - (c) An official visit to Saudi Arabia at the beginning of February to meet the Ministers for Finance and Agriculture, and the Director of the Saudi Development Fund. This trip had also been key to the further reengagement of List B Member States of the Gulf.
 - (d) The meetings held in Brussels at the end of March with the Commissioner for Development of the European Commission, Andris Piebalgs, and the Director General of Development Cooperation. Commissioner Piebalgs had expressed his desire to ensure funding for IFAD before his departure as Commissioner in November 2014. Cooperation between IFAD and the Commission would focus on such areas as farmers' organizations, remittances and the private sector.
 - (e) His participation in a number of conferences, such as the plenary session of the Leading Group on Innovative Financing for Development in Abuja, and the Feeding the World 2014 summit organized by The Economist in London.
 - (f) The forthcoming World Bank Spring Meeting in Washington, D.C., at which the purpose of his attendance was threefold: to hold bilateral meetings with Member State delegations; to participate in the Development Committee meeting; and to act as lead speaker in a number of side events, such as the event on nutrition organized by the Governments of Canada and Ireland.

- (g) Finally, Senior Management had also engaged in outreach activities, such as the Vice-President's trips to India and London in the context of the IFAD10 exercise. Senior Management had also participated in numerous international events aimed at boosting IFAD's engagement in international policy dialogue.
6. In terms of reaching out to IFAD Member States, meetings had been held on the margins of the Governing Council session in February 2014. Also, the practice of holding President's luncheons with the various Lists had proved to be particularly successful as opportunities for informal exchange. With respect to bilateral relations, interaction with List A and List C members had confirmed interest in consolidating IFAD's current reforms and in increasing the Fund's focus on fragile and conflict-affected states, climate change, gender and nutrition, and knowledge management. Regarding List B Member States, the President looked forward to strengthening relations, also in view of the current IFAD10 Consultation process. The newly appointed Head of the Arab and Gulf States Liaison Office in the Partnership and Resource Mobilization Division, Mr Suliman Alsawi, a Saudi Arabian national, would facilitate this process.
 7. The President thanked Board representatives for the feedback provided on the various events that had recently taken place at IFAD, including the Fifth Global Meeting of the Farmer's Forum, the thirty-seventh session of the Governing Council, and the first session of IFAD10 Consultation. The President underscored that this feedback would be given serious consideration given the Fund's ongoing effort for constant improvement. The President also emphasized the importance of IFAD's first ever Global Staff Meeting.
 8. In connection with the above events, the following points were highlighted:
 - (a) The ground-breaking memorandum of understanding with Unilever and its immediate follow-up: meetings had already been held with Unilever India to identify concrete ways to intensify collaboration. Similar progress was being made in China, Myanmar and the United Republic of Tanzania.
 - (b) The positive outcome of the Farmers' Forum. As a further demonstration of IFAD's role in the farmers' community, the Secretary of IFAD had attended two events in the framework of the International Year of Family Farming, namely the Global Forum and Expo on Family Farming in Budapest, and the General Assembly of the World Farmers' Organization in Buenos Aires.
 - (c) The powerful team-building effort represented by the first Global Staff Meeting held at IFAD in February, which had brought together staff from the field and headquarters.
 9. Turning to the Rome-based agencies (RBAs) and the role of the reinvigorated Senior Consultative Group due to meet again on 29 April, the President reiterated his intention to put RBA collaboration on a more solid footing, to intensify action in the field and to ensure appropriate follow through of decisions taken. Regarding the post-2015 agenda, the common targets agreed on by the RBAs for the policy areas of sustainable agriculture, food security and nutrition had been shared with the Open Working Group in New York in April, and were widely appreciated. All Board members were invited to an informal lunch on the first day of the session during which an update on the Open Working Group session would be provided, and IFAD's thinking shared on key target areas related to rural transformation.
 10. On the topic of collaboration, IFAD was working closely with the new Director of Agricultural Development of the Bill & Melinda Gates Foundation, Ms Pamela Anderson, with a view to increasing smallholder productivity and access to markets. The Board would be kept abreast of new developments in this growing partnership.
 11. On another note, the President reminded the Board of the United Nations Chief Executives Board meeting to be hosted by IFAD on 8-9 May 2014. The meeting was expected to give greater visibility to IFAD and to its pro-poor policies and projects.

12. On the subject of recruitment, the President informed the Board that the newly appointed Associate Vice-President (AVP), Programme Management Department, Mr John McIntire (of the United States of America), would join IFAD on 4 June 2014. The President also welcomed Mr Thomas Bousios, the new Director of the Information and Communications Technology Division, and Mr Saheed Adegbite, Director of the Budget and Organizational Development Unit, to the IFAD Management Team.
13. Lastly, participants were advised that a rigorous recruitment process was ongoing for the positions of AVP and Chief Development Strategist, Strategy and Knowledge Management Department; Director and Treasurer, Treasury Services Division; Director of Ethics; and General Counsel. With respect to the position of AVP and Chief Development Strategist, the vacancy announcement had been reopened. Additional applications from eligible candidates that Lists may recommend were welcomed.
14. Furthermore, the Secretary advised that the September 2014 session of the Executive Board would now take place on Wednesday and Thursday, 17-18 September, rather than Thursday and Friday as originally foreseen.

III. Decisions of the Executive Board

A. Adoption of the agenda (agenda item 2)

15. The Executive Board adopted the agenda as proposed in document EB 2014/111/R.1/Rev.1, noting that the item on the debt funding agreement with KfW Development Bank was presented for the Board's information rather than for review and would consist of an oral update subsequent to negotiations held with KfW the previous day. At the request of the representative for the Netherlands, the agenda was further revised (EB 2014/111/R.1/Rev.2) to include a progress report on IFAD's Private-Sector Strategy as an item under other business. The Board also noted the schedule of work, as outlined in EB 2014/111/R.1/Rev.1/Add.1/Rev.1.

B. Evaluation (agenda item 3)

(a) Report of the Chairperson on the eighty-second session of the Evaluation Committee

16. The Executive Board considered and noted the Report of the Chairperson of the Evaluation Committee with respect to the eighty-second session of the Evaluation Committee, as contained in document EB 2014/111/R.2.
17. Having noted that Germany and Japan would cease to be members of the Evaluation Committee, and in accordance with rule 11.1 of the Rules of Procedure of the Executive Board, the Board approved the appointment of France and the Netherlands to the Evaluation Committee to serve for the remainder of the term of office, i.e. until April 2015.

(b) Corporate-level evaluation of the achievements of IFAD replenishments

18. The Executive Board reviewed the Corporate-level evaluation on IFAD replenishments (CLER), together with the IFAD Management response thereto (EB 2014/111/R.3 and EB 2014/111/R.3/Add.1). The Board noted the summary of the Evaluation Committee's deliberations on the CLER, which was included in the Chairperson's report on the eighty-second session of the Evaluation Committee.
19. The Board commended the Independent Office of Evaluation of IFAD (IOE) on the excellent quality and timely presentation of the CLER and welcomed the broad agreement of both IOE and IFAD Management on the evaluation's recommendations. The importance of the CLER in providing useful insights to inform the preparations for the Tenth Replenishment of IFAD's Resources (IFAD10) was recognized.

20. Board representatives noted that a number of initiatives aimed at more effective replenishment consultations had already been implemented, namely, the presentation of a midterm review (MTR), an external chairperson for Consultation sessions, and the establishment of the Partnership and Resource Mobilization Office, which had resulted in enhanced dialogue with Member States.
21. On a more general note, some representatives suggested that the document could have been more focused. IOE clarified that it had followed the scope and coverage agreed with IFAD Management and the Evaluation Committee at the outset of the process. IOE also informed the Board that it was looking into the possibility of shortening the production process for evaluations and rationalizing its reports. Management recalled that such reports should go beyond the presentation of facts and aim to generate knowledge and learning loops through the definition of more detailed recommendations. IOE and Management further clarified that the response to the evaluation recommendations would be reported through the annual President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), as per standard practice.
22. Considering the recommendations contained in the report, the Board highlighted a number of issues:
- **Strategic vision.** Members welcomed the presentation of a long-term strategic vision, covering a 10-year period, at the next session of the IFAD10 Consultation. Management was urged to clearly articulate IFAD's comparative advantages vis-à-vis its peers in order to cement its position in the international aid architecture as competition for resources was intense and IFAD needed to be more assertive in order to achieve the higher replenishment levels that it warranted. Such an approach could address in part the fundamental question posed by the Senior Independent Evaluation Advisers regarding the disconnect between the replenishment levels obtained by IFAD and its relatively good standing in aid quality league tables. It could also facilitate Member State representatives in making the case for investing in IFAD for the delivery of results.
 - **Voice, representation and governance.** Several members referred to the governance issues raised in the CLER. On historical **burden-sharing**, a number of members welcomed the opportunity to engage in informal dialogue in this respect. It was noted that while contributions from some List B Member States had shown a marked decline, engagement with those countries was improving in some cases. Members were reminded that, as reflected in the vote allocation system, historical contributions should be considered when looking at this issue. A number of members supported the List C statement regarding enhanced involvement of List C in replenishment consultations. In this regard, the issue of the **relationship between contributions and representation** on IFAD's governing bodies was flagged, as was the need to strike an appropriate balance between increased representation and effectiveness of meetings. The **relevance of the List system** in the light of the current global economic situation and the changes that had occurred over time was also raised by many representatives. Differing opinions were voiced on the need to conduct such discussions within the framework of replenishment consultations or whether this issue should be delinked from the IFAD10 Consultation.
 - **Length of replenishment cycles.** Several Board members spoke on the potential benefits of moving towards a four-year rather than a three-year Replenishment cycle. Such a shift could generate administrative cost efficiencies and ensure a stand-alone presentation of a more substantive MTR. It was agreed, however, that further analysis was required of the pros and cons, the impact on IFAD's financial planning and resource mobilization. More

data was also needed on the experience of similar institutions and the possible impact on replenishment contributions.

- **Theory of change.** Members recognized that while IFAD already had a theory of change underpinning its Results Measurement Framework (RMF) – as testified by various external assessments which commended IFAD’s specificity and focus – clearer articulation of this theory was necessary. This issue would be further examined in the context of the RMF paper to be presented to the IFAD10 Consultation.
 - **Earmarking of contributions and diversification of financing instruments for resource mobilization.** Several members noted the need to uphold IFAD’s multilateral character and emphasized that Replenishment contributions should continue to form the foundation of IFAD’s resources, thus allowing the Fund maximum flexibility in the use of its resources. At the same time, it was recognized that additional resources should also be sought from non-traditional donors and the private sector. Innovative financing mechanisms and earmarked funds could serve to increase IFAD’s resources and should also be pursued, bearing in mind IFAD’s specific mandate.
 - **Middle-income countries (MICs).** Given the role of MICs within IFAD as beneficiaries, as reliable partners, and as potentially substantive donors, IFAD was called upon to increase its efforts to better respond to the needs of these countries in order to benefit from enhanced collaboration, knowledge sharing and South-South cooperation.
23. In conclusion, the Board reiterated its appreciation for the quality and timeliness of the report. It was agreed that at the next IFAD10 Consultation session, Management would propose that issues related to the length of replenishment cycles and the list composition for the Replenishment Consultations be considered. Furthermore, a working group would be established to follow up on the governance-related recommendations arising from the CLER and the list system. Convenors and Friends and the Secretary of IFAD would work towards this objective.

(c) **Revision to the procedures for handling disciplinary measures following integrity investigations, as contained in the IFAD Evaluation Policy**

24. Recalling the decision taken at the 110th session to task the Evaluation Committee with submitting a final proposal with respect to the revisions to paragraphs 64 and 82 of the Revised IFAD Evaluation Policy to this session of the Executive Board, Members considered document EB 2014/111/R.4.
25. The Board noted that the proposed revisions would serve to fill a procedural gap, thus ensuring clarity with respect to IFAD disciplinary procedures relative to the staff and Director of IOE and maintaining IOE’s independence. Representatives welcomed the endorsement of the proposed revisions by the Evaluation Committee and the unqualified support of both IOE and Management.
26. In conclusion, the Board approved the recommendation that paragraphs 64 and 82 of the IFAD Evaluation Policy be amended as set out in paragraphs 16(a) and (b) of document EB 2014/111/R.4. Subsequent to the session and in line with this decision, the IFAD Evaluation Policy would be duly updated.

C. Country strategic opportunities programmes (COSOP) (agenda item 4)

- (a) Mexico
27. The Executive Board reviewed the results-based COSOP for Mexico, as contained in document EB 2014/111/R.5. Representatives commended the document for its diagnosis of poverty and rural development challenges faced by the country, its value as a way of engaging in pro-poor policy processes and reforms launched by

the incoming administration, and its alignment with Government's priorities for the sector. In the broader context of middle-income countries, Executive Board members referred to the need for COSOPs to clearly state the role and value added of IFAD in such countries, as well as how lessons learned about differentiated approaches to working with middle-income countries, gender mainstreaming, and climate change and a mix of instruments (i.e. loans, grants, technical assistance, etc.) contribute to achieving the desired results. Finally, Management noted the need to continue working with Mexico towards achieving tangible results through the Fund's programme of work in the country.

(b) **Myanmar**

28. The Executive Board reviewed the RB-COSOP for Myanmar, as contained in document EB 2014/111/R.6. His Excellency, the Ambassador of Myanmar expressed his country's ownership of, and support for, the COSOP. The COSOP had already been presented to Executive Board members at an informal seminar in March 2014 and had been commended for its quality. The Board's current deliberations centered on data management, oversight arrangements and coordination mechanisms. In conclusion, Board representatives expressed their full support for the Myanmar RB-COSOP.

D. Project/programme proposals for consideration by the Executive Board (agenda item 5)

(a) **West and Central Africa**

Ghana: Ghana Agricultural Sector Investment Programme (GASIP)

29. The Executive Board considered the proposal contained in document EB 2014/111/R.7 with its addendum and negotiated financing agreement, and adopted the following resolutions:

"RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Ghana in an amount equivalent to twenty-three million seven hundred thousand special drawing rights (SDR 23,700,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide an ASAP grant to the Republic of Ghana in an amount equivalent to six million five hundred thousand special drawing rights (SDR 6,500,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein."

(b) **Asia and the Pacific**

(i) India: Livelihoods and Access to Markets Project

30. The Executive Board considered the proposal contained in document EB 2014/111/R.8 with its addendum and negotiated financing agreement, and adopted the following resolution:

"RESOLVED: that the Fund shall provide a loan on blend terms to the Republic of India in an amount equivalent to thirty-two million four hundred thousand special drawing rights (SDR 32,400,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein."

(ii) Myanmar: Fostering Agricultural Revitalization in Myanmar Project

31. The Executive Board considered the proposal contained in document EB 2014/111/R.9 with its addendum and negotiated financing agreement, and adopted the following resolutions:

"RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of the Union of Myanmar in an amount equivalent to twelve million one hundred and fifty thousand special drawing rights (SDR 12,150,000), and upon

such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of the Union of Myanmar in an amount equivalent to five hundred and ten thousand special drawing rights (SDR 510,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.”

E. Grant under the private-sector grants window to ICF Macro, Inc. for technical support for ex post impact evaluations (agenda item 6)

32. The Executive Board considered the proposal for a grant under the private-sector grants window to ICF Macro, Inc. for technical support for ex post impact evaluations (EB 2014/111/R.10).
33. A number of requests for clarification were made and addressed with respect to:
- (a) **The process used to identify the grant recipient.** Management clarified that in the interests of expediting work on impact evaluations and securing a cost-effective solution, a competitive bidding process had not been followed. Rather, Management had sought out institutions with experience in carrying out similar activities for organizations like IFAD. ICF had a track record in supporting development organizations and government country programmes to ensure accountability and measure impact and use of best practices. Furthermore, ICF had expertise in conducting standardized, nationally representative population-based surveys and in strengthening the monitoring and evaluation (M&E) systems of line ministries. Partnership with ICF would allow IFAD to access larger data sets to triangulate studies and assist in the reconstruction of missing counterfactuals. The partnership would bring to bear solid experience in capacity-building for collecting and analysing data, and promote a strong focus on nutrition, shared knowledge, sustainability and country ownership. Management also pointed out that impact evaluations should be carried out by third parties to ensure the credibility of the outcomes. As such, and because IFAD did not have a comparative advantage in this respect, Management did not intend to build in-house capacity to conduct impact evaluations in the long-term.
 - (b) **Synergies between the impact evaluations carried out by IOE and by Management.** IOE clarified that the independent offices of evaluation of other international financial institutions (IFIs) carry out only a limited number of impact evaluations to avoid their involvement in the design and implementation of projects that they could be called upon to evaluate at a later stage. The bulk of impact evaluations in other IFIs were therefore carried out by Management. One impact evaluation had been carried out by IOE in 2013, one was planned for 2014, and one was planned yearly from 2015 onwards, as agreed with the Board. These impact evaluations were additional to the 30 impact evaluations to be conducted by Management in line with the IFAD9 deliverable. IOE’s objective in carrying out impact evaluations was to experiment with alternative methodologies and processes for such evaluations, thereby allowing IOE to support Management more effectively in its endeavours to undertake impact evaluations. IOE would also be better placed to carry out a corporate-level evaluation on Management’s efforts to conduct impact evaluations in 2016, subject to the agreement of the Board. Moreover, IOE clarified that, as was the case with independent offices of evaluation in other IFIs, most of its work centred on corporate-level evaluations (of corporate policies, strategies and processes), country programme evaluations, and project evaluations (in the form of project completion reports and project performance assessments).

- (c) **The choice of grant financing.** Several members queried the use of grant resources to fund an activity that could be seen rather as a consultancy contract. Management clarified that the service provided was not a service to IFAD as it would generate global public goods and provide capacity-building by increasing project management units' knowledge of methodology, assist in data collection and analysis thereof, generate lessons learned and promote knowledge sharing with policymakers with a view to exploring options for scaling up. Therefore, in line with the IFAD Policy for Grant Financing, grant funding from the global/regional grant window had been proposed.
 - (d) **Value-added.** Each impact evaluation would give rise to a policy brief which would be discussed with the government of the country concerned, with a view to integrating the findings into the policymaking process. Furthermore, lessons learned from all of the impact evaluations would be compiled in a final synthesis report. It was noted that IFAD was playing a pioneering role in the development of a rigorous and robust system of impact evaluation and that many development institutions looked forward to benefiting from the outcomes of this initiative.
 - (e) **Process for selection of the target countries.** The countries were selected on the basis of matching the comparative advantage of the institution with the local relevance. In short, countries were chosen based on established, long-standing relationships with IFAD, local M&E firms and the ICF.
 - (f) **Alignment with IFAD policies and procedures.** The Interim General Counsel clarified that the proposal before the Board was in line with the IFAD Policy for Grant Financing and the related implementation procedures, as adopted by Management. The grant policy foresaw that prior to the provision of grant funding to private-sector entities, IFAD would develop guidelines including, inter alia, the requirement for a counterpart contribution to the grant. Said guidelines, as updated in February 2013, specified the requirement for a counterpart contribution of a minimum 20 per cent from the private company's resources. Further information was tabled as conference room paper (CRP) 1, related to the counterpart contribution provided by ICF Macro, Inc. which met the minimum requirement.
34. Further to the clarifications provided by Management and noting the need to press on with the conduct of the impact evaluations committed to under IFAD9, the Board approved the recommendation contained in paragraph 7 of document EB 2014/111/R.10, to be revised as EB 2014/111/R.10/Rev.1 to reflect the information contained in the CRP.
35. An informal seminar would be organized to update the Board on the status of the impact evaluation studies being carried out.

F. Review of the General Conditions for Agricultural Development Financing (agenda item 7)

36. Turning to the Review of the General Conditions for Agricultural Development Financing (EB 2014/111/R.11), the Board welcomed the proposed revisions, which would serve to further harmonize IFAD's legal instruments and procedures with those of other IFIs and allow IFAD the flexibility to offer financing in specific currencies rather than denominating all loans in special drawing rights.
37. In response to queries from the floor, it was clarified that:
- (a) While the deletion of section 1.01(b) aimed to avoid the impression that the General Conditions were negotiable, the possibility remained should the need arise and this could be addressed during negotiations;
 - (b) The revision of section 5.01, removing the reference to specific lending terms, would eliminate the need to revise the General Conditions in cases where the Governing Council approved changes to IFAD's lending terms. Those lending

terms would continue to be contained in the Policies and Criteria for IFAD Financing, changes to which, as explained, were subject to approval by the Governing Council. The terms applied to each project would be specified in the financing agreements presented to the Executive Board at the time of project approval;

- (c) The 360-day calendar specified in section 5.01(b) was a standard banking calendar used for debt-servicing purposes, and was applied by other IFIs; and
 - (d) The changes to the section on settlement of disputes aimed to simplify the procedure and did not represent a substantial change.
38. In conclusion and in accordance with its authority under article 7, section 2(a) of the Agreement Establishing IFAD to define the terms applicable to financing provided by the Fund, the Executive Board approved and adopted the revisions to the General Conditions for Agricultural Development Financing presented in the table contained in document EB 2014/111/R.11, for application to all financing agreements for agricultural development projects and programmes submitted to the Executive Board for approval during and subsequent to its 112th session (September 2014).

G. Revision of the IFAD approach to the cancellation of approved loans and grants (agenda item 8)

39. The Executive Board considered the document on the Revision of the IFAD approach to use of cancellation of approved loans and/or grants (EB 2014/111/R.12), welcoming Management's efforts to ensure greater efficiency in the use of funds dedicated to operations.
40. The Chairperson of the Audit Committee briefed the Board on the deliberations of the Committee and the Performance-Based Allocation System (PBAS) Working Group in this regard at the 131st meeting of the Audit Committee. The Chairperson indicated that Management had provided clarification with respect to: (i) the expected impact of the approach on the sustainable cash flow; (ii) the absorption of costs related to project preparation within the approved administrative budget envelope (as already foreseen redesign costs); (iii) the fact that funds cancelled after loan closing would not be eligible for reallocation; and (iv) that article 7 of the Agreement Establishing IFAD would not need to be amended in order to implement the proposed new approach. Finally, the Committee had noted that the new approach would be adopted on a case-by-case basis, in line with guidelines regarding the impact on IFAD's minimum liquidity requirement, and subject to the priorities of the country loan portfolio.
41. The Board welcomed the information from both Management and the Audit Committee. In response to requests for clarification, Management reiterated that only loans and grants cancelled between first disbursement and project completion, i.e. during implementation, would be eligible for reallocation of unspent funds, specifically excluding cancellations after the loan closing date and/or prior to the first disbursement, as was the practice at the International Development Association (IDA) and the African Development Bank.
42. Two specific revisions to the document were proposed and accepted, namely:
- (a) Ensuring consistency between paragraphs 18 and 20(a) to make reference to the possibility of using cancelled loan and/or grant balances for new activities that are consistent with the IFAD country strategic opportunities programme; and
 - (b) With reference to paragraph 20(a) with respect to the use of funds within the calendar year of cancellation, the word "normally" should be inserted before "in the same calendar year" to ensure sufficient flexibility and to bring the text in line with World Bank and IDA procedures.

43. In conclusion, the Board approved that, after due consultation between IFAD and the borrower/recipient, funds cancelled from IFAD loans and/or grants may be reallocated to existing or new programmes of the borrower/recipient in line with guidelines to be established as per paragraphs 14-21 of document EB 2014/111/R.12, as revised during deliberations at the current session of the Executive Board. The revised document would be posted on IFAD's website and would include an annex providing clarification subsequent to the deliberations held on this matter at the 131st meeting of the Audit Committee.

H. Financial matters (agenda item 9)

(a) Reports of the Chairperson of the Audit Committee

44. The Executive Board reviewed the reports on the 130th and 131st meetings of the Audit Committee, as contained in documents EB 2014/111/R.13 and EB 2014/111/R.14 respectively.
45. The Board noted the information provided in the reports, including the Committee's confirmation of the contract of the external auditors for 2014-2015. For future Committee reports, it was proposed that the Committee make explicit recommendations to the Executive Board, as appropriate.

(b) Requirements for the thirty-fifth drawdown of Member State contributions in 2014

46. The Executive Board considered the requirements for the thirty-fifth drawdown of Member State contributions (EB 2014/111/R.15) to take place in 2014, and adopted the following decision:

"The Executive Board, in accordance with article 4, section 5(c), of the Agreement Establishing IFAD and regulation V of the Financial Regulations of IFAD, approves the drawdown of 35 per cent of the Ninth Replenishment contributions in April 2014 or as may be stipulated in agreements with individual Member States, to meet loan and grant disbursements for 2014. Any further funds required for disbursement needs in 2014 not covered by the drawdown of these contributions will be met from the liquid assets of the Fund. The Executive Board authorizes the President to proceed accordingly."

(c) Consolidated financial statements of IFAD as at 31 December 2013 including the Management assertion report and an independent external attestation on the effectiveness of internal controls over financial reporting

47. The Executive Board considered the Consolidated financial statements of IFAD as at 31 December 2013, together with the Management assertion report on the effectiveness of internal controls over financial reporting, the final audit opinion of IFAD's external auditor and the independent external attestation on the effectiveness of internal controls over financial reporting (EB 2014/111/R.16 + Add.1 + Add.2, to be revised as EB 2014/111/R.16/Rev.1) and adopted the following decision:

"In accordance with regulation XII(6) of the Financial Regulations of IFAD, the Executive Board considered the consolidated financial statements of IFAD as at 31 December 2013 and the report of the external auditor thereon, including the independent external attestation on the effectiveness of internal controls over financial reporting, and agreed to submit them to the Governing Council at its thirty-eighth session in February 2015 for approval."

48. In answer to concerns expressed on the negative return in the investment portfolio, it was clarified that retention of value of capital and ensuring sufficient liquidity to carry out operations were prioritized, after which maximizing investment return was considered. This conservative policy had been approved by the Executive Board and had served IFAD well in recent years, by insulating it from the full impact of the

financial crisis. That being said, while the investment portfolio was designed to be resilient in difficult times, this also implied more modest returns during periods of market growth. From the point of view of prudent financial planning, therefore, IFAD did not assume any sudden growth spurt in investment returns.

49. On the decline in retained earnings, Management clarified that approximately US\$400 million, currently recorded as a loss in the profit and loss statement, related to grants under the Debt Sustainability Framework (DSF). Once a legal instrument was in place to govern the repayment by Member States of principal forgone as a result of DSF grants, which was foreseen for approval by the Governing Council in 2015, this amount would no longer be considered a loss under the International Financial Reporting Standards (IFRS) and IFAD's retained earnings would thus increase.
50. In the statement delivered on behalf of List C members, the issue of the equity to lending ratio was raised and the Board was encouraged to consider how to ensure better efficiency and leverage with respect to IFAD's resources. Management recalled that, unlike other development banks, IFAD was a fund and did not have capital.

(d) **IFAD After-Service Medical Coverage Scheme**

51. The Executive Board considered the Recommendations on the Ortec Finance AG asset liability management review of the After-Service Medical Coverage Scheme (EB 2014/111/R.17), and approved the recommendations contained in section IV of the document, as follows:

"Recommendation

36. Given the satisfactory results of the review and the validation of IFAD's current strategic asset allocation, it is recommended that IFAD maintain the current strategic asset allocation unchanged for now and consider a gradual increase of index-linked bonds, in cooperation with the external portfolio manager.

37. It is further recommended that IFAD carefully monitor market developments and determine a potential entry point for EMD LC and equities in order to build up an optimal long-term portfolio. Both asset classes are currently not in IFAD's investment universe for regular investments.

38. It is therefore deemed necessary and proposed that IFAD develop a separate investment policy statement, including a risk budget, to govern the management of IFAD's ASMCS. Approval authority currently lies with the Governing Council pursuant to resolution 132/XXVI.

39. To enable effective and timely action, it is proposed that a draft for recommendation of an investment policy statement for the ASMCS be provided through the Audit Committee and the Executive Board to the 38th session of the Governing Council in 2015.

40. For changes to the Investment Policy Statement for the ASMCS, once adopted, it is proposed that the Governing Council be requested to delegate the approval authority to the Executive Board.

41. Specific investment guidelines deriving from the dedicated Investment Policy Statement will be approved by the President through the Investment and Finance Advisory Committee, in line with existing delegations of authority."

52. A separate investment policy statement (IPS) would be prepared for the After-Service Medical Coverage Scheme (ASMCS) and shared with the Audit Committee and the Executive Board (December 2014) with a view to its submission for approval to the Governing Council in February 2015. Furthermore, the Governing Council would be requested to delegate authority to the Executive Board for the

approval of the ASMCS IPS, in accordance with the delegation already in place for the IFAD IPS. Future changes to the ASMCS IPS would thereby be approved by the Executive Board and related implementing investment guidelines would be approved by the President.

I. Debt funding agreement with KfW Development Bank (agenda item 10)

53. The Executive Board noted the oral update provided regarding the current status of the debt funding agreement with KfW Development Bank. A productive meeting between the KfW delegation and IFAD had taken place at IFAD on 7 April, at which many outstanding issues had been resolved. On this basis, it was expected that the agreement would be revised by KfW and resubmitted to Management by the end of May. The meeting was advised that the discussions held had been in line with the information shared with members at the informal seminar of the Board held on 27 March, namely that an umbrella agreement would be drawn up to define the modalities for borrowing from KfW and individual loan agreements would be signed for the tranches drawn down by IFAD. The interest rate for each tranche would be specified in the individual loan agreements. Discussions centred around technical issues, such as IFAD's auditing process, terms regarding the uses of the funds, etc. As regards timing, Management's aim was to align the signing of the individual loan agreements as much as possible with operational needs.
54. Members were informed that while the loan was necessary for the successful completion of the IFAD9 programme of loans and grants, which would need to be reduced were the loan not to be obtained, the negotiation of the KfW loan also represented a strategic choice by IFAD Management that was cognizant of the landscape of shrinking official development assistance and the need to consider innovative finance for the future.
55. In answer to a query from one representative, it was clarified that while the KfW loan would contain a concessional element, there was no grant component and acceptance of these funds had no implications on governance, in that the funds did not accrue voting rights.
56. Management advised of its intention to take a long-term approach to such types of resource mobilization, including analysing the impact of the KfW loan on future replenishments.
57. In addition to the above, Management informed Member States that an issues paper would be prepared. The paper would examine options to support IFAD financing in the future with a view to obtaining feedback prior to in-depth discussion at the October session of the Consultation. Early dispatch of such documentation would be appreciated in order to facilitate information sharing with capitals. Updates would also be provided, as appropriate, through Convenors and Friends.

J. Oral update on hosting arrangements for the Global Mechanism of the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (agenda item 11)

58. An oral update was provided regarding the status of the hosting arrangements for the Global Mechanism of the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa.
59. The Board was informed that most Professional staff had been relocated to Bonn with effect from 1 April. Staff had also been assigned to the liaison office that had been opened within FAO. On an exceptional basis, IFAD had opened up internal

IFAD vacancies to Global Mechanism (GM) staff, some of whom had been selected and had now taken up IFAD staff positions.

60. With regard to financial costs of hosting, the Executive Board was informed that Management had released approximately US\$600,000 from the funds held in escrow for potential liabilities against evidence of payment of a pending invoice. Further releases would occur following the confirmation of resolution of further liabilities.
61. The Executive Board noted and welcomed the oral update provided on the hosting arrangements for the Global Mechanism of the UNCCD. Further updates would be provided at future Board sessions.

K. Other business (agenda item 12)

(a) Revision to the minutes of the 110th session of the Executive Board

62. The Executive Board approved the minutes of the 110th session as amended by document EB 2014/111/R.19/Rev.1 and further amended at the request of the representative for China, as shown in boldface here below (deletion in strikethrough).

"129. It was agreed that there was a need for a general framework to govern such funding arrangements and ensure a standardized approach. This work would be led by the Audit Committee, starting hopefully by mid-February, as proposed by the Committee's Chairperson. While several members noted that it would be preferable to have such a general framework in place prior to entering into specific agreements, the need to capitalize on opportunities as they arose was recognized, and it was agreed that IFAD would continue to explore the **negotiation** framework for a debt funding agreement with KfW. An informal seminar would be held prior to the April session of the Board to update representatives on the status of negotiations. The final document would be presented to the Board its approval to proceed with an agreement. For the informal seminar, Management was asked to provide an analysis of the implications of the loan for IFAD's operational activities; the impact on the performance-based allocation system; the absorption capacity of MICs; possible investment policy implications of the loan; the impact of the loan on IFAD's liquidity position and commitment capacity, and other financial implications."

63. The Executive Board agreed that the final minutes would be disclosed on IFAD's public website.

(b) Code of conduct for Executive Board representatives

64. Turning to the consideration of the item on the development of a code of conduct for Executive Board representatives, the Board was advised that discussions had been held with Convenors and Friends. It had been agreed that an informal seminar would be organized on this issue on 8 September 2014, with a view to clarifying outstanding issues and reaching consensus among Lists. The seminar would be facilitated by resource people and be open to all IFAD Membership. The Board would be apprised of the outcome of the discussions and the next steps envisaged at its 112th session in September 2014.

(c) Proposal for a supplementary funds agreement with the MasterCard Foundation

65. Having considered the proposal contained in document EB 2014/111/R.20 related to a supplementary funds agreement with The MasterCard Foundation, the Executive Board authorized the President to negotiate and finalize with The MasterCard Foundation a supplementary funds agreement in the event that IFAD were selected as a grant recipient under a competitive process currently issued by the Foundation. The supplementary funds would be used to support the Rural Young Mothers Business Opportunities Consortium, summarized in the annex to the document.

(d) Partnership agreement with Agreenium

66. The Executive Board reviewed and approved the provisions of the partnership agreement entered into by IFAD and Agreenium on 3 February 2014, as set forth in document EB 2014/111/R.27.

(e) Programme and draft terms of reference for the 2014 IFAD Executive Board country visit to the United Republic of Tanzania

67. Board representatives noted the information provided in document EB 2014/111/R.28 regarding the proposed Programme and draft terms of reference for the 2014 country visit of the Executive Board to the United Republic of Tanzania (11-17 May 2014). With a view to finalizing the corresponding arrangements, a briefing session with participants would be organized on the morning of Wednesday, 30 April at IFAD headquarters. To this end, representatives were requested to urgently provide the Office of the Secretary with the names of participants from their respective Lists to enable smooth organization of the visit.
68. In response to a request, IOE would provide country visit participants with timely background information on previous evaluation exercises carried out in the United Republic of Tanzania.

(f) Progress report on the IFAD Private-Sector Strategy

69. List A requested that a progress report on the Private-Sector Strategy – Deepening IFAD’s engagement with the private sector, based on the strategy’s results management framework, be presented to the Executive Board in September 2014 to obtain a full picture of the strategy’s implementation. Management agreed to the request, noting that such a report had already been envisioned for presentation at the September Board.

L. Closing of the session

70. The President summarized the main highlights of the session’s proceedings, and thanked the Executive Board for its guidance and input, emphasizing the key importance of a healthy interaction between the Fund's governing bodies and the IFAD10 Consultation for a successful closure of 2014.
71. In closing, the President bade farewell to the representatives for Denmark, Germany, Japan and the United States, who would be departing from the Board, and thanked them for their dedication, support and valuable contributions.

IV. Documents presented for information

72. The following documents were presented to the Board for information purposes:
- Planned project activities (document EB 2014/111/R.21)
 - Report on the status of contributions to the Ninth Replenishment of IFAD’s Resources (EB 2014/111/R.22)
 - Report on the first session of the Consultation on the Tenth Replenishment of IFAD’s Resources (EB 2014/111/R.23)
 - Report on IFAD’s investment portfolio for 2013 (EB 2014/111/R.24)
 - Status report on arrears in principal, interest and service charge payments (EB 2014/111/R.25)
 - Estimated principal and net service charge payments forgone as a result of the implementation of the Debt Sustainability Framework (EB 2014/111/R.26)



المشاركون في الدورة الحادية عشرة بعد المائة
للمجلس التنفيذي

**Delegations at the 111th session of
the Executive Board**

**Délégations à la cent onzième session
du Conseil d'administration**

**Delegaciones en el 111^o período de
sesiones de la Junta Ejecutiva**

Executive Board — 111th Session
Rome, 8-9 April 2014

For: **Information**

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OBSERVERS
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COSOP's Deliberations¹:

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REGIONAL SILENT OBSERVERS ²

West and Central Africa (WCA)

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¹ Pursuant to document EB 2002/77/R.12: Procedure for the Review of Country Strategic Opportunities Papers (COSOPS) by the Executive Board. Paragraph 15 (2) Process.

² Pursuant to document EB 2010/101/INF.4/Rev.1: Silent observers at Executive Board Proceedings. Paragraph 2 (a)

List of documents placed before the 111th session of the Executive Board

Document No.	Agenda item	Title
EB 2014/111/R.1/Rev.1	2	Provisional agenda
EB 2014/111/R.1/Rev.1/Add.1 + Add.1/Rev.1 + Add.1/Rev.1/Add.1	2	Schedule of work for the session
EB 2014/111/R.2	3(a)	Report of the Chairperson on the eighty-second session of the Evaluation Committee
EB 2014/111/R.3 + Add.1	3(b)	Corporate-level evaluation on the achievements of IFAD replenishments
EB 2014/111/R.4	3(c)	Revision to the procedures for handling corrective or disciplinary measures following integrity investigations as contained in the IFAD Evaluation Policy
EB 2014/111/R.5	4(a)	Mexico: Country strategic opportunities programme
EB 2014/111/R.6	4(b)	Myanmar: Country strategic opportunities programme
EB 2014/111/R.7 + Add.1 + Sup.1 ³	5(a)	Ghana: Ghana Agriculture Sector Investment Programme (GASIP)
EB 2014/111/R.8 + Add.1 + Sup.1 ³	5(b)(i)	India: Livelihoods and Access to Markets Project
EB 2014/111/R.9 + Add.1 + Sup.1 ³	5(b)(ii)	Myanmar: Fostering Agricultural Revitalization in Myanmar Project
EB 2014/111/R.10 + C.R.P.1	6	Grant under the private-sector grants window to ICF Macro, Inc. for technical support for ex post impact evaluations
EB 2014/111/R.11	7	Review of the General Conditions for Agricultural Development Financing
EB 2014/111/R.12	8	Revision of the IFAD approach to the cancellation of approved loans and grants
EB 2014/111/R.13	9(a)(i)	Report of the Chairperson of the 130 th meeting of the Audit Committee
EB 2014/111/R.14	9(a)(ii)	Report of the Chairperson of the 131 st meeting of the Audit

³ Document posted in English only

Committee

EB 2014/111/R.15

9(b) Requirements for the thirty-fifth
drawdown of Member State
contributions in 2014

EB 2014/111/R.16 + Add.1 + Add.2	9(c)	Consolidated financial statements of IFAD as at 31 December 2013
EB 2014/111/R.17	9(d)	Recommendations on the Ortec Finance AG asset liability management review of the After-Service Medical Coverage Scheme
EB 2014/111/R.19	12(a)	Revision of the minutes of the 110th session of the Executive Board
EB 2014/111/R.20	12(c)	Proposal for a supplementary fund agreement with The MasterCard Foundation
EB 2014/111/R.27	12(d)	Partnership Agreement with Agreenium
EB 2014/111/R.28	12(e)	Programme and draft terms of reference for the 2014 IFAD Executive Board country visit to the United Republic of Tanzania

Documents presented for information

EB 2014/111/R.21	13	Planned programme and project activities 2014-2015
EB 2014/111/R.22	14	Report on the status of contributions to the Ninth Replenishment of IFAD's Resources
EB 2014/111/R.23	15	Report on the first session of the Consultation on the Tenth Replenishment of IFAD's Resources
EB 2014/111/R.24	16	Report on IFAD's investment portfolio for 2013
EB 2014/111/R.25	17	Status report on arrears in principal, interest and service charge payments
EB 2014/111/R.26	18	Estimated principal and net service charge payments forgone as a result of the implementation of the Debt Sustainability Framework

Information notes

EB 2014/111/INF.1	Arrangements for the 111 th session of the Executive Board
EB 2014/111/INF.2	Results of the Executive Board vote by correspondence regarding a proposed grant under the country-specific grants window to the Republic of the Philippines for the Rapid Response to Post Typhoon Haiyan Agriculture Rehabilitation Programme
EB 2014/111/INF.3	Results of the Executive Board vote by correspondence regarding IFAD Country Presence Strategy (2014-2015)
EB 2014/111/INF.4	2013 Grants under the global/regional and country-specific grant windows approved by the President
EB 2014/111/INF.5	Partnership agreement with Unilever PLC
EB 2014/111/INF.6	Overview of the performance-based allocation system
EB 2014/111/INF.7	Islamic Republic of Afghanistan: Progress report on the country strategic opportunities programme
EB 2014/111/INF.8	Rules and procedures for the dispatch of Executive Board documents and related analysis

Document: EB 2014/111/R.1/Rev.2
Agenda: 2
Date: 8 April 2014 **E**
Distribution: Public
Original: English



Investing in rural people

Agenda

Note to Executive Board representatives

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Executive Board — 111th Session
Rome, 8-9 April 2014

Agenda

I. Items for approval or review⁴

1. Opening of the session
2. Adoption of the agenda **[A]**

For ease of reference, each agenda item is assigned a letter to indicate the action required of the Board, as follows:

A = For approval
R = For review
3. Evaluation
 - a. Report of the Chairperson on the eighty-second session of the Evaluation Committee **[R]**
 - b. Corporate-level evaluation of the achievements of IFAD replenishments **[R]**
 - c. Revision to the procedures for handling disciplinary measures following integrity investigations, as contained in the IFAD Evaluation Policy **[A]**
4. Country strategic opportunities programmes (COSOP) **[R]**
 - a. Mexico
 - b. Myanmar
5. Project/programme proposals for consideration by the Executive Board **[A]**
 - a. West and Central Africa
Ghana: Ghana Agricultural Sector Investment Programme (GASIP)
 - b. Asia and the Pacific
 - (i) India: Livelihoods and Access to Markets Project
 - (ii) Myanmar: Fostering Agricultural Revitalization in Myanmar Project
6. Grant under the private-sector grants window to ICF Macro, Inc. for technical support for ex post impact evaluations **[A]**
7. Review of the General Conditions for Agricultural Development Financing **[A]**
8. Revision of the IFAD approach to the cancellation of approved loans and grants **[A]**
9. Financial matters
 - a. Reports of the Chairperson of the Audit Committee **[R]**
 - (i) Report of the 130th meeting of the Audit Committee
 - (ii) Report of the 131st meeting of the Audit Committee
 - (b) Requirements for the thirty-fifth drawdown of Member State contributions in 2014 **[A]**
 - b. Consolidated financial statements of IFAD as at 31 December 2013 including the Management assertion report and an independent external attestation on the effectiveness of internal controls over financial reporting **[A]**
 - c. IFAD After-Service Medical Coverage Scheme **[A]**
10. Debt funding agreement with KfW Development Bank **[I]**

⁴ Some items for information are included and will be discussed during the Board session.

11. Oral update on hosting arrangements for the Global Mechanism of the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa **[I]**
12. Other business
 - a. Revision to the minutes of the 110th session of the Executive Board **[A]**
 - b. Code of conduct for Executive Board representatives **[I]**
 - c. Proposal for a supplementary funds agreement with the MasterCard Foundation **[A]**
 - d. Partnership agreement with Agreenium **[A]**
 - e. Programme and draft terms of reference for the 2014 IFAD Executive Board country visit to the United Republic of Tanzania **[I]**
 - f. Progress report on the Private-Sector Strategy

II. Documents presented for information [I]

Documents presented for information will be discussed during a Board session only if deemed necessary by Management or at the specific request of a Board member. Such requests should be submitted in writing to the Secretary of IFAD three weeks before the Board session.

The schedule of work will include only items to be discussed during the Board session (i.e. items for approval, review or confirmation and documents for information for which a written request for discussion at the Board has been received) and will be posted on the IFAD website two weeks before the session.

13. Planned programme and project activities
14. Report on the status of contributions to the Ninth Replenishment of IFAD's Resources
15. Report on the first session of the Consultation on the Tenth Replenishment of IFAD's Resources
16. Report on IFAD's investment portfolio for 2013
17. Status report on arrears in principal, interest and service charge payments
18. Estimated principal and net service charge payments forgone as a result of the implementation of the Debt Sustainability Framework

Information notes

- a. Arrangements for the 111th session of the Executive Board
- b. Results of the Executive Board vote by correspondence regarding a proposed grant under the country-specific grants window to the Republic of the Philippines for the Rapid Response to Post-Typhoon Haiyan Agriculture Rehabilitation Programme
- c. Results of the Executive Board vote by correspondence regarding IFAD Country Presence Strategy (2014-2015)
- d. 2013 grants under the global/regional and country-specific grant windows approved by the President
- e. Partnership agreement with Unilever PLC
- f. Overview of the performance-based allocation system
- g. Islamic Republic of Afghanistan – Progress report on the country strategic opportunities programme
- h. Rules and procedures for the dispatch of Executive Board documents and related analysis