

Document: EB 2014/111/R.19/Rev.1
Agenda: 12(a)
Date: 8 April 2014
Distribution: Public
Original: English

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Investing in rural people

Revision to the minutes of the 110th session of the Executive Board

Note to Executive Board representatives

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

For: Approval

Recommendation for approval

The Executive Board is invited to approve amendments to the draft minutes of its 110th session, as shown in the present document, and to adopt the revised minutes.

Revision to the minutes of the 110th session of the Executive Board

1. The representative for Norway has requested that paragraph 110 of the draft minutes of the 110th session of the Executive Board (document EB 110), under item (13) Housing arrangements for the Global Mechanism of the United Nations Convention to Combat Desertification (UNCCD), be amended. Consultations were held with Management and the revised paragraph is shown below. For ease of reference, insertions are shown in boldface and deletions in strikethrough.

"110. Some Member States, who were both donors to IFAD and donors to the Global Mechanism **(GM)** expressed **their concerns. They explained the difficulties arising from IFAD's withholding of GM funds in the escrow account as it meant that funding provided to the GM could not be used for its original purpose and questioned the legal basis upon which IFAD had withheld GM funds in the escrow account.** ~~over IFAD's decision to set aside GM funds in an escrow account, given its possible impact on the implementation of GM projects in the field.~~ Management reiterated **informed the Board** that payments had been made in accordance with GM instructions until 30 September 2013, after which time IFAD had transferred to the UNCCD bank account a balance of US\$1.4 million, representing the balance of GM funds, less the funds held in the escrow account. **Management noted that such amount, based on previous trends, represents about one year of UNCCD activity.** Management further ~~clarified~~ **stated** that the transfer of amounts in an escrow account is an act that is justified under international law as a precautionary and provisional measure precedent to a suitable arrangement between the Fund and the UNCCD on the question of liability over the GM. This was necessary in the wake of the COP10 decision whereby the accountability and legal representation of the GM were transferred from the Fund to the UNCCD. Management informed the Executive Board that in an opinion released by the United Nations Office of Legal Affairs (OLA) to the UNCCD, OLA indicated that the question of covering the GM liabilities should be resolved in the light of an arrangement between IFAD and UNCCD Secretariat with the guidance of the COP, if necessary. Finally, Management also informed the Board that IFAD was working closely with the UNCCD and that staff members had been designated by both organizations to work together on a joint approach to ensure that a satisfactory conclusion was reached on all outstanding issues. **The Chairperson recognized the concerns of some Member States and stated that the transmittal of the report to the Governing Council shall reflect these concerns and also the information provided in terms of progress in discussions with UNCCD and the information from OLA.**"

2. Furthermore, at the request of the representatives for Italy, Norway, Sweden, United Kingdom and the United States of America, paragraph 129 of the draft minutes under item 14(f) Other business - Proposed negotiation framework for a debt funding agreement with KfW Development Bank, for review by the Board, has been amended as shown below. For ease of reference, insertions are shown in bold and deletions in strikethrough.

"129. ~~IFAD was strongly encouraged to establish a general framework to~~ **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,** ~~Noting,~~ however, the need to capitalize on opportunities as they arose **was recognized,** and it was agreed that IFAD would continue to explore the ~~framework~~ **negotiations** 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. ~~and a~~ **The** final document would be presented to the ~~formal Board session for the Board's~~ **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. ~~In parallel, the Audit Committee would be tasked with considering a general framework to be applied to similar agreements."~~