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Investing in rural people

Minutes of the 114th session of the Executive Board

Note to Executive Board representatives

Focal points:

Technical questions:

Ra it Pertev
Secretary of IFAD
Tel.: +39 06 5459 2254
e-mail: r.pertev@ifad.org

Dispatch of documentation:

Alessandra Zusi Bergés
Officer-in-Charge
Governing Bodies Office
Tel.: +39 06 5459 2092
e-mail: gb_office@ifad.org

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Minutes of the 114th session of the Executive Board

I. Introduction

1. The 114th session of the Executive Board was held in Rome on 22 and 23 April 2015. 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, welcoming the newly accredited representatives and first-time participants from the Dominican Republic, Ghana, Ireland, Kenya and Liberia, 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 informed the Board of some changes in convenorship of the Lists, noting that Canada would take over as Convenor for List A, Norway would take on the role of co-Convenor, China would act as Convenor for both List C and sub-List C2, and Angola would act as sub-List C1 Convenor. He thanked Ms Elizabeth Nasskau and Mr Carlos Amaral for their contributions as Convenors for Lists A and C, respectively, as well as Mr Khalid Mehboob of Pakistan as the former sub-List C2 Convenor.
5. The President recalled the main outcomes of the December session of the Executive Board and the subsequent Governing Council in February, and provided a brief account of recent official travel that he, members of Senior Management, and the external Chair of the Consultation on the Tenth Replenishment of IFAD's Resources (IFAD10) had undertaken with a view to visiting IFAD projects and strengthening relations with donor countries and beneficiaries, in light of the ongoing IFAD10 Consultation. The President highlighted:
 - (a) His receipt of an honorary degree of Doctor of Science from the University of Warwick.
 - (b) His mission to the United Arab Emirates, where he had delivered a keynote speech at the Gulf Forum to Enhance Food Security and Support Small and Medium-Scale Farmers, an event jointly organized by IFAD and the Arab Authority for Agricultural Investment and Development (AAAID), and given a lecture at the speaker series of the International Center for Biosaline Agriculture on The costs of neglect: Agricultural research, development and rural transformation. He had also held constructive meetings with the IFAD Governor and representatives from development funds in the Arab countries of the Gulf, noting that the United Arab Emirates had indicated that progress had been made towards making a commitment to IFAD10.
 - (c) His mission to Côte d'Ivoire, where he had met the President and other government officials and went on a field visit to Katiola in the central north of the country. He had chaired a session of the International Conference on the Emergence of Africa, which was sponsored by the United Nations Development Programme, the African Development Bank, the World Bank and the Government of Côte d'Ivoire.
 - (d) His productive visit to Ireland, where he had met with the Director-General of Irish Aid and the Minister of State for Overseas Development Assistance, Trade Promotion and North South Cooperation, and delivered a keynote address at the Institute for International and European Affairs. The Government of Ireland had agreed to co-host an IFAD-sponsored side-event on the margins of the Third International Conference on Financing for Development to be held in Addis Ababa this July. Ireland was experiencing

economic growth and aimed to increase its official development assistance contribution. Following an ongoing multilateral aid review, officials stated that communication of Ireland's contribution to IFAD10 was expected in June/July.

- (e) His mission to the World Bank/International Monetary Fund Spring Meetings, where the post-2015 development agenda along with the Financing for Development Conference had dominated many of the discussions among finance and development ministers. This trip had also included meetings with United States Ambassador David Lane and other decision makers; bilateral meetings with finance ministers and officials from Angola, Canada, Finland, Saudi Arabia, Switzerland and the United States; leading a seminar at Harvard University on Entrepreneurship in Africa and a lecture at the faculty on the sustainability of the world's food and farming systems; and a meeting with Ray Offenheiser, President of Oxfam America.
6. Noting that 2015 is the year of IFAD country offices, the President highlighted the signing of a host country agreement to establish an IFAD country office in Indonesia, with visits by the Associate Vice-President, Programme Management Development. In addition the Vice-President inaugurated the joint FAO-IFAD country office in Ghana.
 7. The President regretfully informed the Board of the large explosion in the vicinity of the IFAD country office in Sana'a, Yemen, which had led to the admission of the coordinator of the Fisheries Investment Project into intensive care and had damaged the country office.
 8. The President underscored the ongoing collaboration among the Rome-based agencies (RBAs), specifically highlighting the hosting of the RBA International Women's Day event in March and the interagency coordination under way in operations, for example through country offices, the RBA Senior Consultative Group and joint efforts on Financing for Development.
 9. The President stressed IFAD's continuing exploration of partnership opportunities with other international financial institutions (IFIs), foundations and the private sector, noting in particular the round table event to be hosted by IFAD on 11 and 12 May on the ongoing reform of IFI concessional resource mobilization.
 10. Turning to IFAD10, the President noted that 58 countries had pledged a total of US\$1.02 billion in core and complementary contributions to IFAD10, which represented nearly 71 per cent of the US\$1.44 billion target (excluding the Debt Sustainability Framework). The President noted that 118 countries had yet to pledge to IFAD10 and encouraged Board members to reach out to their own countries and other countries within their lists with a view to achieving the highest possible level of core and complementary contributions and ensure a successful outcome of IFAD10.
 11. With regard to recent recruitments, the President formally welcomed Sana Jatta, Director, East and Southern Africa Division; Joaquin Lozano, Director, Latin America and the Caribbean Division; Margarita Astralaga, Director, Environment and Climate Division; and Michael Taylor, Director, International Land Coalition, to their new roles.
 12. He remarked that three director-level positions were in the process of being filled. Two of these were in the Strategy and Knowledge Department: the director, Strategic Planning and Impact Assessment Division and director, Global Engagement and Research Division; and the third was that of director, Partnership and Resource Mobilization Office (PRM).
 13. The President recognized the contributions of departing senior staff, including Cheryl Morden, former Director, North America Liaison Office and Deputy Director,

PRM; Thomas Elhaut, Director, Statistics and Studies for Development Division; and Mohamed Beavogui, Director, PRM.

14. Lastly, he gave an update on staff mobility, underlining that IFAD strived for transparency, equitable geographical distribution, gender balance, and career mobility and development for its staff.

III. Decisions of the Executive Board

A. Adoption of the agenda (agenda item 2)

15. The Executive Board noted the schedule of work, as outlined in EB 2015/114/R.1/Add.1/Rev.1., and adopted the agenda as contained in document EB 2015/114/R.1, to be revised to reflect the following amendments agreed to by the Board:
 - (a) Removal of the proposal for the Qinghai Liupan Mountain Area Poverty Reduction Project in China; and
 - (b) Inclusion of an additional item under Other business on IFAD support to the implementation of the post-2015 Sustainable Development Goals, at the request of the representative for the Netherlands.

B. Policy for Grant Financing (agenda item 3)

16. The Executive Board considered the new Policy for Grant Financing as contained in document EB 2015/114/R.2, and the comments of the Independent Office of Evaluation of IFAD (IOE) submitted as an addendum to the document (EB 2015/114/R.2/Add.1.), as well as an oral summary by the Chairperson of the Evaluation Committee on the Committee's deliberations thereon.
17. Board representatives welcomed the policy as a high-quality, timely and concise document, which addressed the findings of the corporate-level evaluation of the IFAD Policy for Grant Financing, conducted in 2014, as well as Management's review. Representatives were also highly appreciative of the constructive and collaborative consultation process between Management and IOE that had underpinned the preparation of the policy.
18. During deliberations, a number of issues were raised for consideration going forward:
 - (a) In the operationalization of the policy, a tighter linkage between the policy objectives and IFAD's overarching goal was requested, as well as a more explicit definition of the policy's strategic priorities, particularly regarding their operational linkages in areas such as innovation and capacity-building. Management recalled that the aim of the policy was to set the pace for a substantive strategic conversation, which would take place in the context of the development of the medium-term plan (MTP) for 2016-2018. The MTP would include a section on grants and would form the basis of a three-year medium-term strategic orientation. Priorities, strategic directions and orientation would be clearly outlined and translated into concrete yearly deliverables.
 - (b) Management was called upon to ensure coherence and synergy with other strategies, such as the private-sector strategy and the approach to public-private-producer partnerships and IFAD's engagement in fragile contexts. Management advised that annual strategic guidance for grants would be issued, which would address the interlinkages with corporate policies and country policies and ensure that staff involved in grants management had a clear priority orientation.
 - (c) While it was noted that the volume of the grant portfolio would continue to be 6.5 per cent of the programme of loans and grants, questions were raised as regards the ratio of resources allocated to global/regional grants (5 per cent)

and the ratio allocated to country-specific grants (1.5 per cent). Recalling that country-specific grants had proved highly effective in supporting IFAD's loan-funded and non-lending activities at the country-level, some members encouraged Management to bear this in mind and, on the basis of review, consider whether changes to this ratio may be necessary in the future. Management informed the Board that a review had been undertaken of the level of demand for country-specific grants and that the ratio proposed reflected this demand.

- (d) Clarification was sought with regard to the use of grants instead of loans, the distribution of grant funding among activities and among the five categories of grant recipients, and the method of selecting grantees. Management reiterated that grant funding would not be used as a substitute for activities that could be funded by lending or the administrative budget. Grants were expected to make a significant contribution to global, regional, national public goods in terms of policy dialogue, capacity-building, research, partnership and innovative approaches. Members were advised that, in line with the strategic orientation set out in the MTP, appropriate allocation of grant resources for the three-year period of the Tenth Replenishment of IFAD's Resources (IFAD10) would be identified. While there was no ideal percentage or number of grants, the aim was that of maintaining the grant portfolio at a sustainable level. The preferred option for the selection of grantees would entail a competitive approach, which might be waived in exceptional circumstances, for example, for operations of less than US\$100,000.
- (e) In answer to a query as to compliance of grant recipients identified with the provisions of IFAD's basic legal texts, the Board was reassured that provision of grant funding to the five categories of recipients in the policy was in line with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.
- (f) On results measurement, some members noted a disconnect between the goals and objectives of the policy and the indicators listed and urged Management to identify baselines and targets as soon as possible. Management assured members that this was a high priority and that baselines and targets would be included in the MTP.
- (g) Further information was requested on the costs of implementing the policy. Management explained that, in addressing the weaknesses that had been identified in the old policy, the new policy aimed to improve the efficiency and effectiveness of the processing and delivery of the grant programme. As such, while implementation would be more demanding for grant sponsors, no additional costs were foreseen. The situation would, however, be closely monitored.
- (h) Clarification was requested with respect to access by countries classified as "red" and "yellow" under the Debt Sustainability Framework (DSF) to country-specific grants and the incentives for such countries to pursue activities typically funded by such grants. Furthermore, it was pointed out that grant funding could be particularly beneficial in situations of fragility. Management clarified that all countries with an allocation under the performance-based allocation system (PBAS), regardless of creditworthiness, had access to country-specific grants. Bearing in mind issues of fragility and/or debt sustainability, it was operationally prudent to keep transaction costs related to grant processing, supervision and implementation to a minimum. As such, the approach had been that of incorporating country-specific grant type activities into overall project financing.
- (i) Welcoming the introduction of a scheme to recognize and award good performance in relation to grant-funded activities, members underscored the

importance of generating and capturing knowledge and raised the possibility of enhanced dissemination through a South-South cooperation programme. The Board was informed that in addition to reporting through the Report on IFAD's Development Effectiveness, work was ongoing to ensure a strategic approach to managing and sharing the knowledge generated by small and large grant activities.

19. In conclusion, the Executive Board approved the Policy for Grant Financing. A revised document, taking into consideration members' comments during deliberations, would be posted on IFAD's website.

C. Evaluation (agenda item 4)

- (a) Report of the Chairperson on the eighty-seventh session of the Evaluation Committee
20. The Executive Board considered and noted the Report of the Chairperson on the eighty-seventh session of the Evaluation Committee, as contained in document EB 2015/114/R.3.
- (b) Corporate-level evaluation on IFAD's engagement in fragile and conflict-affected states and situations
21. The Executive Board reviewed the Corporate-level evaluation on IFAD's engagement in fragile and conflict-affected states and situations, together with the IFAD Management response thereto (EB 2015/114/R.4 and EB 2015/114/R.4/Add.1).
22. The Board commended IOE on the excellent quality of the corporate-level evaluation and welcomed IFAD's improved performance and engagement in fragile states in recent years. Further improvements could be made, however, particularly with respect to capacity-building to enhance government performance. Board members underscored the importance of evaluations as learning tools and encouraged Management to give due consideration to the recommendations arising therefrom.
23. The following were among issues highlighted during deliberations:
- (i) Management was encouraged to consider supporting the New Deal for Engagement in Fragile States.
 - (ii) IFAD should subscribe more actively to the use of "do-no-harm" principles. Management responded that IFAD subscribed to such principles and included social, environmental and climate safeguards in all IFAD programmes.
 - (iii) A more clearly defined approach to fragile and conflict-affected states and situations was needed. On a related note, Board members recommended and Management concurred that a sharper definition and classification of fragile states and situations should be developed as part of the forthcoming strategy and that IFAD should clearly define its engagement in fragile situations as one of its comparative advantages.
 - (iv) IFAD's strategy for engagement in fragile states and situations should include a clear results framework to ensure measurable outcomes.
 - (v) The need for greater customization of country strategic opportunities programmes (COSOPs), and project design and implementation, taking into account the prevailing institutional capacities and policy environment in fragile and conflict-affected states and situations.
 - (vi) The importance of women's empowerment, gender considerations and institutional performance was highlighted.
 - (vii) Noting the need to strengthen risk management and context-specific analysis of conflict and fragility, partnerships at the country-level with the RBAs and other IFIs were fundamental to ensuring improved performance and

identifying opportunities for scaling up. Partnerships with non-state institutions active in areas where a more formal state structure was lacking should also be sought out.

- (viii) IFAD country offices (ICOs) in fragile states needed to be strengthened and incentives put in place for staff in such offices. Members also agreed with the recommendation for enhanced capacity-building and guidance for ICO staff. Moreover, members noted the evaluation's finding that attention should be given to countries with fragile situations in any planned expansion of ICOs and outposting of country programme managers in the future.
 - (ix) Several Board representatives reaffirmed their expectation that the PBAS would continue to determine country allocations. Noting that fragile states did not have access to additional resources, Management and IOE were called upon to consider how better to take issues of vulnerability and fragility into account in the context of the corporate-level evaluation of the PBAS. Management noted that the current PBAS formula took account of fragility insofar as it incorporated the variables reflecting GNI per capita, the rural scorecard and the country rankings of the International Development Association's Country Policy and Institutional Assessment which took account of explicit variables such as institutional strength, quality of macroeconomic policy, etc. The Board's approval of a grant to the Food and Agriculture Organization of the United Nations (FAO) was recalled. This grant was aimed at strengthening institutional capacity and supporting project design, implementation and supervision in fragile states. Management considered this approach to be an effective way of allocating resources to fragile states.
 - (x) In developing an IFAD strategy for engagement in fragile and conflict-affected states and situations, Management was urged to take into account the Sendai Framework for Disaster Risk Reduction 2015-2030 and the Framework for Action for Food Security and Nutrition in Protracted Crises, currently under negotiation in the Committee on World Food Security.
24. Management welcomed the IOE evaluation and comments made by Board members, which would inform the development of the strategy for IFAD's approach to working in fragile and conflict-affected states and situations. The strategy would also take into account various other initiatives under way both at IFAD (the evaluation of the PBAS, the development of IFAD's Strategic Framework 2016-2025, the road map for engagement in middle-income countries) and at the global level (the post-2015 Sustainable Development Goals).
- (c) Appointment of members to the Evaluation Committee
25. The Executive Board turned to the Appointment of members to the Evaluation Committee, as contained in document EB 2015/114/R.5 and, in accordance with rule 11.1 of its Rules of Procedure and rule 1.2 of the Rules of Procedure of the Evaluation Committee, approved the appointment of the following members for a three-year term ending in April 2018:
- For List A: France, Netherlands, Norway and Switzerland;
 - For List B: Indonesia and Nigeria;
 - For sub-List C1: Egypt until 28 February 2017 and Ghana for the period from 1 March 2017 to the end of the term in 2018;
 - For sub-List C2: India; and
 - For sub-List C3: Mexico.
26. The Board would be informed of the election of the Chairperson of the Committee at its next session.

D. Country strategic opportunities programmes (COSOPs) (agenda item 5)

(a) El Salvador

27. The Executive Board reviewed the COSOP for El Salvador (EB 2015/114/R.6/Rev.1) 2015-2019 and expressed unanimous appreciation for the document. The Board acknowledged:

- The COSOP's strong alignment with the country's strategy and policies;
- The participatory approach during the strategy design; and
- The continuous and fruitful dialogue with the Government.

According to the Board members, the new COSOP for El Salvador tackled structural challenges of rural poverty and aimed at generating critical and strategic opportunities for rural development. The strategy was identified as a good practice example for similar countries within the Latin America and the Caribbean region and beyond.

The IFAD team welcomed the comments and recommendations made by the Board, and clarified that most of the issues raised would be taken into account during project design.

(b) Sri Lanka

28. The Executive Board reviewed and unanimously supported the Sri Lanka COSOP (EB 2015/114/R.7) for 2015-2020. The Board took note of the relevance of the two strategic objectives, namely that (i) smallholders benefit from sustainable productivity enhancement in a more resilient livelihood system and (ii) poor rural women and men are effectively connected to markets. Underlining the importance of value chain development, a key element of the COSOP, Japan noted that it had a partnership agreement with Sri Lanka focusing on value chain development and encouraged close cooperation between IFAD and Japan in this regard. The Board commended the quality of the COSOP document. On behalf of the Government of Sri Lanka, the Minister Counsellor of the Sri Lankan Embassy thanked IFAD for the support provided to his country through past and ongoing projects, and expressed the Government's commitment to continued cooperation with IFAD.

E. Project/programme proposals for consideration by the Executive Board (agenda item 6)

29. In its capacity as both IFAD's Executive Board and the managing entity of the Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund, as applicable, the Board considered and approved the following projects and programmes:

(a) West and Central Africa

The Niger: Family Farming Development Programme (ProDAF) in Maradi, Tahoua and Zinder Regions

30. The Executive Board considered the proposal contained in document EB 2015/114/R.8 with its corrigendum, and adopted the following resolutions:

"RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Niger in an amount equivalent to seventeen million two hundred fifty thousand special drawing rights (SDR 17,250,000) 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 Niger, within the Debt Sustainability Framework, in an amount equivalent to seventeen million two hundred fifty thousand special drawing rights (SDR 17,250,000) and

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

RESOLVED FURTHER: that, under the Adaptation for Smallholder Agriculture Programme (ASAP), the Fund shall provide a grant to the Republic of Niger in an amount equivalent to nine million two hundred fifty thousand special drawing rights (SDR 9,250,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein."

(b) East and Southern Africa

Kenya: Kenya Cereal Enhancement Programme – Climate-Resilient Agricultural Livelihoods Window (KCEP-CRAL)

31. The Executive Board considered the proposal contained in document EB 2015/114/R.9, and adopted the following resolutions:

"RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Kenya in an amount equivalent to forty-three million eight hundred and fifty thousand special drawing rights (SDR 43,850,000), 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 Adaptation for Smallholder Agriculture Programme Trust Fund grant to the Republic of Kenya in an amount equivalent to seven million one hundred thousand special drawing rights (SDR 7,100,000), 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 not exceeding two million United States dollars (US\$2,000,000) to the Food and Agriculture Organization of the United Nations, and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein."

(c) Asia and the Pacific

(i) India: Odisha Particularly Vulnerable Tribal Groups Empowerment and Livelihoods Improvement Programme

32. The Executive Board considered the proposal contained in document EB 2015/114/R.11 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-six million four hundred thousand special drawing rights (SDR 36,400,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein."

(ii) Myanmar: Eastern States Agribusiness Project

33. The Executive Board considered the proposal contained in document EB 2015/114/R.12 with its addendum and its 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 20 million special drawing rights (SDR 20,000,000), approximately US\$27.6 million, 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 1.1 million special drawing rights (SDR 1,100,000), approximately US\$1.5 million, and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein."

(iii) Nepal: Samriddhi – Rural Enterprises and Remittances Project

34. The Executive Board considered the proposal contained in document EB 2015/114/R.13 and adopted the following resolutions:

“RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Nepal in an amount equivalent to fifteen million five hundred thousand special drawing rights (SDR 15,500,000), 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 Nepal in an amount equivalent to eleven million nine hundred and fifty thousand special drawing rights (SDR 11,950,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.”

(iv) Pakistan: Economic Transformation Initiative – Gilgit-Baltistan

35. The Executive Board considered the proposal contained in document EB 2015/114/R.14 with its addendum and its negotiated financing agreement, and adopted the following resolution:

“RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Islamic Republic of Pakistan in an amount equivalent to forty-eight million five hundred fifty thousand special drawing rights (SDR 48,550,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.”

F. Appointment of members to the Performance-based Allocation System (PBAS) Working Group (agenda item 7)

36. The Executive Board turned to the Appointment of members to the Performance-based Allocation System (PBAS) Working Group, as contained in document EB 2015/114/R.15 and, in accordance with rule 11.1 of its Rules of Procedure, approved the appointment of the following members for a three-year term ending in April 2018:

- For List A: France, Ireland, Japan and Sweden;
- For List B: Nigeria and the Bolivarian Republic of Venezuela;
- For sub-List C1: Liberia until 28 February 2016, Ghana for the period from 1 March 2016 to 28 February 2017 and Angola for the period from 1 March 2017 to the end of the term of office in 2018;
- For sub-List C2: China; and
- For sub-List C3: Dominican Republic.

37. The Board will be informed of the election of the Chairperson of the Working Group at a future session.

G. Financial matters (agenda item 8)

- (a) Report of the Chairperson on the 135th meeting of the Audit Committee

38. The Executive Board reviewed the Report of the Chairperson on the 135th meeting of the Audit Committee, as contained in document EB 2015/114/R.16, noting the information provided and endorsing the Committee's confirmation of the contract of the external auditor for 2015.

(b) General framework for borrowing by IFAD: Sovereign Borrowing Framework – Borrowing from Sovereign States and State-Supported Institutions

39. The Board considered and approved the General framework for borrowing by IFAD: Sovereign Borrowing Framework – Borrowing from Sovereign States and State-Supported Institutions, as contained in document EB 2015/114/R.17, duly amended by its addendum.
40. Members welcomed the document as a solid basis for moving forward and commended the hard work undertaken by the Audit Committee and Management that had led to this milestone development. It was noted that the document should be considered as continuously evolving, according to IFAD's financial situation, global economic circumstances and lessons learned. Members looked forward to regular updates on the effectiveness of risk mitigation measures, opportunities to strengthen the operationalization of the framework and other issues.
41. Particular appreciation was expressed for the incorporation of reputational and conflict of interest risk and environmental, social and governance criteria into the framework. Members welcomed the setting of a ceiling for borrowing at each replenishment cycle, and the involvement of the Executive Board at the outset and prior to finalizing the negotiation process for sovereign loan agreements.
42. In answer to a query, Management confirmed that any feasibility studies to be undertaken during IFAD10 regarding borrowing from financial markets would be purely explorative in nature and not declaratory. The related preparatory work would be undertaken in consultation with the Audit Committee, and any preliminary studies and issues would be submitted to the Board. In this regard, Management emphasized the non-legally binding nature of this exploratory work and the central role of the Board in the process.
43. One representative expressed his Government's preference to have had the actual framework and the market borrowing option as two distinct, separate issues, and requested that the terms of reference for related feasibility studies be submitted to the Board for approval.
44. Members enquired how borrowed funds would be used under IFAD10. Management explained that, although the framework allowed for the possibility of allocating funds over and above the indicative programme of loans and grants (PoLG) through methods other than the PBAS, such possibility was in fact overridden by the resolution on IFAD10, which implied that all funds borrowed within the IFAD10 "ceiling" would be allocated through the PBAS.
45. Management assured the Board that the fiduciary and due diligence policies to be applied to borrowed funds would be the same as those applied to all other funding sources and were in line with international best practice.
46. On the drawdown of borrowed funds, Management advised that while exact matching of drawdown of funds with disbursement of funds would not be possible, the intention was to draw down funds as close as possible to the timing of onlending.
47. Clarifications were provided in terms of IFAD's long-term financial sustainability. It was explained that as all borrowing would be self-financing, it could not negatively affect the financial sustainability of the Fund. On the potential risk arising from IFAD's application of the variable spread option used by the International Bank for Reconstruction and Development for flexible loans to determine its ordinary loan terms, which may diverge from IFAD's LIBOR-based funding costs, Management pointed out that mitigation measures for such a possibility had been built into the modelling used. Furthermore, as no binding prescriptions were included in either the framework or IFAD legal documents regarding funding costs and interest rates of the loans; these could be reviewed as and when deemed appropriate.

48. Some members were concerned that thematic restriction could lead to changes in programme structure or priorities. Management reiterated that proposals with thematic restrictions would arise on a highly exceptional basis, and would be submitted to the Board for approval. Management was requested to inform the Board of any such proposals at an early stage to enable informed decision-making. Some members expressed the wish that future iterations of the framework specify unequivocally that borrowed funds must be unrestricted.
49. Noting that the intention was to use the borrowing framework to complement rather than replace core and complementary contributions, which should always remain IFAD's fundamental source of financial resources, Member States were encouraged to pledge and/or increase their pledges to IFAD10, so as to reinforce and expand their support to the Fund and reach a successful replenishment. On the incentives in place to ensure such substitution would not occur, one member noted the possibility of a decrease in core or complementary contributions over a number of replenishments, which could allow for borrowing. This should be addressed at the time of Board review of the framework.
- (c) Consolidated financial statements of IFAD as at 31 December 2014, including Management's assertion report and the external auditor's independent attestation on internal controls over financial reporting
50. The Executive Board considered the Consolidated financial statements of IFAD as at 31 December 2014, together with Management's 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 2015/114/R.18 + Add.1 + Add.2, to be revised as EB 2015/114/R.18/Rev.1). With reference to the Audit Committee's review of this document, some members requested that the report of the Audit Committee be dispatched in a timely manner to allow for its consideration by members of the Executive Board.
51. Noting the positive performance of the investment portfolio and the outcome of an analysis of the performance of IFAD investments from 2006-2013, which had shown that IFAD had outperformed all other development banks and funds, members commended Management for its financial acuity in managing investments, and looked forward to a continued positive trend.
52. Referring to the level of cofinancing with the African Development Bank, some members called upon Management to enhance its cooperation with regional development banks and funds to harness increased investments to benefit rural smallholders.
53. In answer to some concerns expressed with regard to the level of negative retained earnings, Management assured members that this figure was purely an accounting issue and had no impact on IFAD operations or the PoLG.
54. In conclusion, the Board 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 of 31 December 2014 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-ninth session in February 2016 for approval."

- (d) Requirements for the thirty-sixth drawdown of Member State contributions in 2015
55. The Executive Board considered the Requirements for the thirty-sixth drawdown of Member State contributions in 2015 (EB 2015/114/R.19), 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 the remaining balance of the Ninth Replenishment contributions in April 2015 or as may be stipulated in agreements with individual Member States, to meet loan and grant disbursements for 2015. Any further funds required for disbursement needs in 2015 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.”
- (e) Report on the Tenth Replenishment of IFAD’s Resources (IFAD10)
56. The Board considered the Report on the Tenth Replenishment of IFAD’s Resources (IFAD10) (EB 2015/114/R.20) containing the status of contributions to IFAD10 and the oral update provided.
- (f) Appointment of members to the Audit Committee
57. The Executive Board turned to the Appointment of members to the Audit Committee, as contained in document EB 2015/114/R.21, and in accordance with rule 11.1 of the Rules of Procedure of the Executive Board, approved the appointment of the following members for a three-year term ending in April 2018:
- For List A: Germany, Italy, Sweden and the United States;
 - For List B: Algeria and the Bolivarian Republic of Venezuela;
 - For sub-List C1: Angola for the period until 28 February 2016 and Kenya for the period from 1 March 2016 to the end of the term in 2018;
 - For sub-List C2: China; and
 - For sub-List C3: Argentina.
58. The Board would be informed of the election of the Chairperson of the Committee at its next session.

H. Other business (agenda item 9)

- (a) 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
59. The Board considered the Report on IFAD’s hosting of the Global Mechanism of the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa, as contained in document EB 2015/114/R.22.
60. In response to a query on the timeline scheduled to process the pending appeal, the Board was advised that the matter would be considered expeditiously, as requested by the Administrative Tribunal of the International Labour Organization.
61. Management expressed its satisfaction at the evolution of this matter, and looked forward to reporting back to the Board with a final resolution of the issue in the near future.

(b) Proposal to accept a supplementary fund contribution from the Bill & Melinda Gates Foundation

62. The Board considered a Proposal to accept a supplementary fund contribution from the Bill & Melinda Gates Foundation as outlined in document EB 2015/114/R.23.
63. Management clarified that this scoping project was part of an international effort with FAO and the International Livestock Research Institute (ILRI), a Consultative Group on International Agricultural Research (CGIAR) centre. The study would be coordinated by an international consultant in concert with private consultants. IFAD was taking a step-by-step approach to engagement with the Bill & Melinda Gates Foundation and this activity represented the second grant from the Foundation; the first grant totalled US\$230,000 and had been provided in support of the Farmers' Forum in 2014. Discussions were under way to collaborate on the empowerment of rural women and, in addition, IFAD regularly exchanged knowledge with the Gates Foundation team, which included learning from their work in innovative finance.
64. The Board, having considered document EB 2015/114/R.23, authorized the President to negotiate and finalize a supplementary funds agreement with the Bill & Melinda Gates Foundation in support of a project for the Goat Enterprise and Market Development Initiative in India, substantially in accordance with the terms presented in the annex contained in document EB 2015/114/R.23.
65. The representative of the Bolivarian Republic of Venezuela expressed her country's wish to abstain from approval of this proposal.

(c) Ad hoc Working Group on Governance

66. An oral report on the first meeting of the Ad hoc Working Group on Governance, which had taken place on 14 April 2015, was provided by His Excellency Claudio Rozencwaig, Chairperson of the Working Group on Governance. At the first meeting, the working group had also elected Ms Elizabeth Nasskau of the United Kingdom, and Mr Tazwin Hanif of Indonesia as Vice-Chairpersons representing Lists A and B respectively.
67. Further to consideration of presentations made on IFAD's List system and replenishment-related matters, the Working Group had raised a number of issues, including:
 - a. The need to look at the flexibility possible within the existing parameters of the Agreement Establishing IFAD and to avoid the need to amend the Agreement;
 - b. The need for further clarification on the benefits of a four-year rather than a three-year replenishment cycle;
 - c. The need for comparative data on the Lists with respect to contributions and number of contributing countries over time; and
 - d. The need for further information on IFAD's vote allocation system.
68. The Working Group agreed on a modus operandi and workplan for 2015. The Working Group would also provide the Executive Board with regular progress reports based on the synthesis of deliberations prepared after each meeting.
69. The next meeting of the Working Group was scheduled to take place on 17 June. Recalling that representatives of Member States that were not members of the Working Group could attend meetings as observers with the right to speak, and noting the importance of the issues to be considered by the Working Group, the Chairperson encouraged active participation of interested representatives.

(d) Update on preparations for the 2015 Executive Board country visit (Morocco)

70. The Executive Board noted the oral update on the country visit to Morocco, which would take place from 18 to 22 May. The programme for the 2015 country visit included visits to IFAD-supported operations in Al-Haouz Province, during which Board members would have the opportunity to meet with beneficiaries, farmers' organizations, cooperatives, private-sector representatives and local government authorities. Meetings would also be held with high-level government authorities – such as the Minister for Agriculture, the Minister for Economy and Finance and the Minister for Foreign Affairs – and selected multilateral aid agencies and development partners, such as the United Nations Country Team.

(e) IFAD's support to implementation of the post-2015 Sustainable Development Goals

71. Members commended Management on its concrete agenda and intense efforts with regard to the post-2015 Sustainable Development Goals (SDGs) and expressed willingness to provide support to IFAD in this regard.
72. Management advised the Board of its active participation in proposing specific deliverables in relation to the rural sector, from the point of view of both investments and strategic directions.
73. Noting the launch of IFAD's Rural Development Report in 2016, Management noted its ambition for this to become a biannual flagship publication. Significant progress had been made in the area of knowledge management and dissemination, but further work was needed to ensure recognition of IFAD as a storehouse of knowledge for rural transformation. Work was under way not only to expand publications but also to organize knowledge events at IFAD, which would bring partners together and create an enabling environment for knowledge-sharing.
74. The importance of data as a powerful enabler of development was underscored. IFAD was currently working closely with partners to gather data that would allow for disaggregated analysis leading to a better understanding of the cost of doing business in the rural sector. IFAD aimed to provide a global public good through an intense and robust methodology for precisely measuring impact on the ground.
75. The importance of the private sector in rural transformation was highlighted. In this regard, Management informed members that IFAD would be an active participant in related discussions in the context of the SDGs.
76. In conclusion, the Board noted the information provided in the oral report. Management assured the Board that it would be kept informed of updates as required.

I. Closing of the session

77. Having summarized the session's proceedings, the President confirmed Management's commitment to the smooth and effective running of regular work sessions and stressed that the statements presented by Lists A and C during the session had demonstrated broad engagement by the List members.
78. The President reiterated Management's commitment to providing additional opportunities for exchange and formal dialogue, and noted the timely nature of the Working Group on Governance.
79. In closing, the President looked forward to the inaugural retreat of the Executive Board which would promote frank and informal exchanges.

IV. Documents presented for information

80. The following documents were presented to the Board for information purposes:

- Planned programme, project and grant activities for 2015 (EB 2015/114/R.24)
- Report on the status of contributions to the Ninth Replenishment of IFAD's Resources (EB 2015/114/R.25/Rev.1)
- Report on IFAD's investment portfolio for 2014 (EB 2015/114/R.26)
- Status report on arrears in principal, interest and service charge payments (EB 2015/114/R.27)
- Estimated principal and net service charge payments forgone as a result of the implementation of the Debt Sustainability Framework (EB 2015/114/R.28)
- Projects/programmes and grants approved under the lapse-of-time procedure in 2014 (EB 2015/114/R.29)

V. Information provided under the fit-for-purpose approach

- List of documents for the 114th session of the Executive Board



المشاركون في الدورة الرابعة عشرة بعد المائة

Delegations at the 114th session of
the Executive Board

Délégations à la cent quatorzième
session du Conseil d'administration

Delegaciones en el 114^o período de
sesiones de la Junta Ejecutiva

Executive Board — 114th Session
Rome, 22-23 April 2015

For: Information

ALGERIA

Nourdine LASMI
Directeur de la maintenance et des moyens
Ministère des finances
Alger

ANGOLA

Carlos Alberto AMARAL
Conseiller
Représentant permanent suppléant
de la République d'Angola
auprès du FIDA
Rome

ARGENTINA

Claudio Javier ROZENCWAIG
Embajador
Representante Permanente de
la República Argentina ante
la FAO, el FIDA y el PMA
Roma

Nazareno Cruz MONTANI CAZABAT
Secretario
Representante Permanente Alterno
de la República Argentina
ante la FAO, el FIDA y el PMA
Roma

AUSTRIA

Wolfgang P.E. MÜLLER
Ministerial Counsellor
International Financial Institutions
Federal Ministry of Finance
Vienna

BELGIUM

Guy BERINGHS
Ministre Conseiller
Représentant permanent adjoint de
la Belgique auprès des organisations
spécialisées des Nations Unies
Rome

BRAZIL

Rafael RANIERI
Co-ordinator of Policies
with International Organizations
Secretariat of International Affairs
Ministry of Planning, Budget and
Management
Brasilia

CANADA

Michael Christian GORT
Counsellor
Deputy Permanent Representative
of Canada to the United Nations
Food and Agriculture Agencies
Rome

Shaila RODRIGUES
Senior Analyst, Food Security Unit
Multilateral and Global
Programs Branch (MGPB)
Department of Foreign Affairs, Trade
and Development Canada (DFATD)
Gatineau

Courtney HOOD
Programme Officer
Permanent Mission of Canada
to the United Nations Food and
Agriculture Agencies
Rome

CHINA

ZHANG Zhengwei
Counsellor
Deputy Permanent Representative
of the People's Republic of China
to the United Nations Food and
Agriculture Agencies
Rome

WANG Rui
Second Secretary
Alternate Permanent Representative
of the People's Republic of China
to the United Nations Food and
Agriculture Agencies
Rome

CHINA (cont'd)

DANG Libin
Third Secretary
Alternate Permanent Representative
of the People's Republic of China
to the United Nations Food and
Agriculture Agencies
Rome

DENMARK

Vibeke Gram MORTENSEN
Counsellor
Deputy Permanent Representative of
the Kingdom of Denmark to IFAD
Rome

Simone GUNDTOFT
Intern
Royal Danish Embassy
Rome

DOMINICAN REPUBLIC

Antonio VARGAS HERNÁNDEZ
Ordenador Nacional de los Fondos Europeos y
Director General de Cooperación Multilateral
Ministerio de Economía, Planificación
y Desarrollo
Santo Domingo

Emerson VEGAZO
Director del Sector Económico y
Apoyo al Sector Privado
Dirección General de Cooperación Multilateral
Ministerio de Economía, Planificación
y Desarrollo de la República Dominicana
Santo Domingo

Rawell TAVERAS ARBAJE
Consejero
Representante Permanente Alterno
de la República Dominicana
ante el FIDA
Roma

Julia VICIOSO VARELAS
Ministra Consejera
Representante Permanente Alternas
de la República Dominicana
ante el FIDA
Roma

EGYPT

Abdelbaset Ahmed Aly SHALABY
Agricultural Counsellor
Deputy Permanent Representative of
the Arab Republic of Egypt to
the United Nations Food and
Agriculture Agencies
Rome

FRANCE

Martin LANDAIS
Conseiller économique
Adjoint au Chef du service économique régional
Ambassade de France
Rome

Donatienne HISSARD
Conseillère
Représentante permanente adjointe
de la République française
auprès de l'OAA, PAM et FIDA
Rome

GERMANY

Thomas WRIESSNIG
Ambassador
Permanent Representative of the
Federal Republic of Germany to FAO and
the other International Organizations
Rome

Otmar GREIFF
Minister Counsellor
Alternate Permanent Representative of
the Federal Republic of Germany to FAO and
the other International Organizations
Rome

Stephan BAER
Intern
Permanent Representation
of the Federal Republic of Germany to FAO
and the other International Organizations
Rome

INDIA

Vimlendra SHARAN
Minister (Agriculture)
Alternate Permanent Representative of the
Republic of India to the United Nations
Food and Agriculture Agencies
Rome

INDIA (cont'd)

Basant K. GUPTA
Ambassador
Permanent Representative of
the Republic of India to the
United Nations Food and
Agriculture Agencies
Rome

INDONESIA

Hari PRIYONO
Secretary-General
Ministry of Agriculture
Jakarta

Des ALWI
Minister
Deputy Chief of Mission
Deputy Permanent Representative
of the Republic of Indonesia to IFAD
Rome

Tazwin HANIF
Minister Counsellor for
Multilateral Affairs
Alternate Permanent Representative
of the Republic of Indonesia
to IFAD
Rome

Yusral TAHIR
Agricultural Attaché
Alternate Permanent Representative
of the Republic of Indonesia
to IFAD
Rome

Royhan WAHAB
First Secretary
Alternate Permanent Representative
of the Republic of Indonesia
to IFAD
Rome

Rachmat Bagus SUHARYO
Head of Section
International Relations Office
Ministry of Agriculture
Jakarta

INDONESIA (cont'd)

Sukriansyah S. LATIEF
Special Staff to the
Minister for Agriculture
Jakarta

IRELAND

Earnán O'CLÉIRIGH
Senior Development Specialist/Policy Lead
Inclusive Economic Growth Policy Team
Development Co-operation Directorate
Irish Aid
Department of Foreign Affairs
and Trade
Limerick

Damien KELLY
First Secretary (Agriculture)
Deputy Permanent Representative
of Ireland to the United Nations
Food and Agriculture Agencies
Rome

ITALY

Adolfo DI CARLUCCIO
Executive Board Representative
of IFAD for Italy
Director OECD Affairs
and Financial Markets (Office VII)
Department of the Treasury
Ministry of Economy and Finance
Rome

Diletta SVAMPA
Adviser
Service in charge of Multilateral
Development Banks (Office IX)
Directorate General for International
Financial Relations (Directorate III)
Department of the Treasury
Ministry of Economy and Finance
Rome

Valentina MUIESAN
Counsellor
Alternate Permanent Representative
of the Italian Republic to IFAD
Rome

ITALY (cont'd)

Erika GROSSI
Intern
Permanent Representation of the
Italian Republic to the
United Nations Agencies
Rome

JAPAN

Osamu KUBOTA
Minister Counsellor
Deputy Permanent Representative
of Japan to the United Nations
Food and Agriculture Agencies
Rome

KENYA

Fabian MUYA
Agricultural Attaché
Alternate Permanent Representative
of the Republic of Kenya to
the United Nations Food and
Agriculture Agencies
Rome

KUWAIT

Yousef Ghazi AL-BADER
Regional Manager for Central
Asian and European Countries
Operations Department
Kuwait Fund for Arab
Economic Development
Kuwait City

LIBERIA

Mohammed S.L. SHERIFF
Minister Plenipotentiary
Permanent Representative of the
Republic of Liberia to the United Nations
Agencies for Food and Agriculture
Rome

A. Haruna-Rashid KROMAH
Secretary
Embassy of the Republic
of Liberia
Rome

MEXICO

Perla CARVALHO
Embajadora
Representante Permanente Alternativa
de los Estados Unidos Mexicanos
ante el FIDA
Roma

Benito JIMÉNEZ SAUMA
Segundo Secretario
Representante Permanente Alternativo
de los Estados Unidos Mexicanos
ante el FIDA
Roma

NETHERLANDS

Gerda VERBURG
Ambassador
Permanent Representative
of the Kingdom of the Netherlands
to the United Nations Organizations
for Food and Agriculture
Rome

Wierish RAMSOEKH
Counsellor
Deputy Permanent Representative
of the Kingdom of the Netherlands
to the United Nations Organizations
for Food and Agriculture
Rome

Bart VAN ZWIETEN
Policy Advisor
International Financial Institutions Division
United Nations and International
Financial Institutions Department
Ministry of Foreign Affairs
The Hague

Christiaan DUIJST
Intern
Permanent Representation of the
Kingdom of the Netherlands to
the United Nations Organizations
for Food and Agriculture
Rome

NIGERIA

Yaya O. OLANIRAN
Minister
Permanent Representative of the
Federal Republic of Nigeria
to the United Nations Food and
Agriculture Agencies
Rome

NORWAY

Jostein LEIRO
Ambassador
Permanent Representative of the
Kingdom of Norway to IFAD
Rome

Inge NORDANG
Senior Adviser
Section for United Nations Policy
Department for United Nations,
Peace and Humanitarian Affairs
Royal Norwegian Ministry
of Foreign Affairs
Oslo

Margot SKARPETEIG
Counsellor
Deputy Permanent Representative of
the Kingdom of Norway to IFAD
Rome

Anna BOYE KOLDAAS
Intern
Royal Norwegian Embassy
Rome

PAKISTAN

Tehmina JANJUA
Ambassador
Permanent Representative of the
Islamic Republic of Pakistan to
the United Nations Food and
Agriculture Agencies
Rome

PAKISTAN (cont'd)

Ishtiaq Ahmed AKIL
Counsellor
Deputy Head of Mission
Alternate Permanent Representative
of the Islamic Republic of Pakistan
to the United Nations Food and
Agriculture Agencies
Rome

Khalid MEHBOOB
Adviser
Alternate Permanent Representative
of the Islamic Republic of Pakistan
to the United Nations Food and
Agriculture Agencies
Rome

REPUBLIC OF KOREA

LEE Eun Jeong
Counsellor (Agricultural Attaché)
Alternate Permanent Representative of the
Republic of Korea to the United Nations
Food and Agriculture Agencies
Rome

KWON Taehoon
Deputy Director
General Division of International Cooperation
Ministry of Agriculture, Food
and Rural Affairs
Sejong-si

SAUDI ARABIA

Salah bin AbdelRazaq AL KHODER
Third Secretary
Alternate Permanent Representative
of the Kingdom of Saudi Arabia
to UN agencies
Rome

Suliman ALSAWI
Director General
Foreign Relation Department
Ministry of Agriculture
Riyadh

SPAIN

Francisco CAPOTE
Consejero
Embajada de España
Roma

María ABAD ZAPATERO
Técnico Superior Experto en Cooperación
Departamento de Cooperación Multilateral
Agencia Española de Cooperación
Internacional para el Desarrollo (AECID)
Ministerio de Asuntos Exteriores y
de Cooperación
Madrid

SWEDEN

Erik JONSSON
Minister Counsellor
Deputy Permanent Representative
of Sweden to IFAD
Rome

Margaretha ARNESSON-CIOTTI
Programme Officer
Embassy of Sweden
Rome

SWITZERLAND

Christina E. GRIEDER
Ministre
Représentante permanente de
la Confédération suisse auprès
de la FAO, du FIDA et du PAM
Rome

Dimka STANTCHEV SKEIE
Chargée de programme
Section Programme global sécurité alimentaire
Direction du développement et de la
coopération (DDC)
Département fédéral des affaires étrangères
Berne

UNITED ARAB EMIRATES

Yousuf Mohammed BIN HAJAR
Deputy Director
International Financial Relations Department
Ministry of Finance
Abu Dhabi

UNITED ARAB EMIRATES (cont'd)

Obeid Ali Mirghani HASSAN
Coordinator for the United Nations
Food and Agriculture Agencies
Embassy of the United Arab Emirates
Rome

UNITED KINGDOM

Neil BRISCOE
Ambassador
Permanent Representative of the United Kingdom
of Great Britain and Northern Ireland to
the United Nations Food and Agriculture
Agencies
Rome

Elizabeth NASSKAU
First Secretary
Deputy Permanent Representative of
the United Kingdom of Great Britain and
Northern Ireland to the United Nations
Food and Agriculture Agencies
Rome

Lorenzo De SANTIS
Multilateral Policy Officer
Permanent Representation of the
United Kingdom of Great Britain and
Northern Ireland to the United Nations
Food and Agriculture Agencies
Rome

UNITED STATES

John HURLEY
Director
Office of International Development
and Debt Policy
Department of the Treasury
Washington, D.C.

Nicholas STRYCHACZ
International Economist
Office of International Development
and Debt Policy
Department of the Treasury
Washington, D.C.

VENEZUELA (BOLIVARIAN REPUBLIC OF)

Gladys Francisca URBANEJA DURÁN
Embajadora
Representante Permanente de
la República Bolivariana de
Venezuela ante los Organismos
de las Naciones Unidas
Roma

Luis Alberto ÁLVAREZ FERMIN
Ministro Consejero
Representante Permanente Alterno
de la República Bolivariana de
Venezuela ante los Organismos
de las Naciones Unidas
Roma

المراقبون

OBSERVERS

OBSERVATEURS

OBSERVADORES

WORLD FOOD PROGRAMME (WFP)¹

Siva JAMAL AZIZ
Policy Officer
Rome-based Agencies and
Committee on World Food
Security Division (CFS)
Rome

COSOP'S DELIBERATIONS²

EL SALVADOR

María Eulalia JIMÉNEZ ZEPEDA
Ministro Consejero
Representante Permanente Adjunto
de la República de El Salvador
ante el FIDA
Roma

SRI LANKA

Udam Poshitha PERERA WEWALA
APPUHAMILLAGE
Minister Counsellor and Head of Chancery
Chargé d'affaires, a.i.
Embassy of the Democratic
Socialist Republic of Sri Lanka
Rome

¹ Pursuant to Observer status as per Rules of Procedures of the Executive Board (Rule 8 - footnote 3).

² 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.

List of documents placed before the 114th session of the Executive Board

Document No.	Agenda item	Title
EB 2014/114/R.1	2	Provisional agenda
EB 2014/114/R.1/Add.1/Rev.1	2	Schedule of work for the session
EB 2014/114/R.2 + Add.1	3	Policy for Grant Financing
EB 2014/114/R.3	4(a)	Report of the Chairperson on the eighty-seventh session of the Evaluation Committee
EB 2014/114/R.4 + Add.1 + Corr.1 ¹	4(b)	Corporate-level evaluation on IFAD's engagement in fragile and conflict-affected states and situations
EB 2014/114/R.5	4(c)	Appointment of members to the Evaluation Committee
EB 2014/114/R.6/Rev.1	5(a)	Republic of El Salvador: Country strategic opportunities programme
EB 2014/114/R.7	5(b)	Democratic Socialist Republic of Sri Lanka: Country strategic opportunities programme
EB 2014/114/R.8 + Corr.1	6(a)	The Niger: Family Farming Development Programme (ProDAF) in Maradi, Tahoua and Zinder Regions
EB 2014/114/R.9	6(b)	Kenya: Kenya Cereal Enhancement Programme ASAL-Climate-Resilient Agricultural Livelihoods Window (KCEP-CRAL)
EB 2014/114/R.10 ²	6(c)(i)	China: Qinghai Liupan Mountain Area Poverty Reduction Project
EB 2014/114/R.11	6(c)(ii)	India: Odisha Particularly Vulnerable Tribal Groups Empowerment and Livelihoods Improvement Programme
EB 2014/114/R.12 + Add.1 + Sup.1 ³	6(c)(iii)	Myanmar: Eastern States Agribusiness Project
EB 2014/114/R.13	6(c)(iv)	Nepal: Samriddhi – Rural Enterprises and Remittances Project
EB 2014/114/R.14 + Add.1 + Sup.1 ³	6(c)(v)	Pakistan: Economic Transformation Initiative - Gilgit-Baltistan
EB 2014/114/R.15	7	Appointment of embers to the Performance-based Allocation System (PBAS) Working Group

¹ Document delivered in Spanish only.

² Withdrawn from the agenda.

³ Document delivered in English only.

EB 2014/114/R.16	8(a)	Report of the Chairperson on the 135 th meeting of the Audit Committee
EB 2014/114/R.17 + Add.1	8(b)	Sovereign Borrowing Framework: Borrowing from Sovereign States and State-Supported Institutions
EB 2014/114/R.18 + Add.1 + Add.2	8(c)	Consolidated financial statements of IFAD as at 31 December 2014
EB 2015/114/R.19	8(d)	Requirements for the thirty-sixth drawdown of Member State contributions in 2015
EB 2015/114/R.20	8(e)	Report on the status of contributions to the Tenth Replenishment of IFAD's Resources
EB 2015/114/R.21	8(f)	Appointment of members to the Audit Committee
EB 2015/114/R.22 ⁴	9(a)	Report on IFAD's hosting of the Global Mechanism of the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa
EB 2015/114/R.23	9 (b)	Proposal to accept supplementary funds from the Bill & Melinda Gates Foundation
Documents presented for information		
EB 2015/114/R.24	10	Planned programme, project and grant activities, 2015
EB 2015/114/R.25/Rev.1	11	Report on the status of contributions to the Ninth Replenishment of IFAD's Resources
EB 2015/114/R.26	12	Report on IFAD's investment portfolio for 2014
EB 2015/114/R.27	13	Status report on arrears in principal, interest and service charge payments
EB 2015/114/R.28	14	Estimated principal and net service charge payments forgone as a result of the implementation of the Debt Sustainability Framework
EB 2015/114/R.29	15	Projects/programmes and grants approved under the lapse-of-time procedure in 2014

⁴ Restricted.

Information notes

EB 2015/114/INF.1

Arrangements for the 114th session of the Executive Board

EB 2015/114/INF.2

Report on the signing of the first individual loan agreement under the Framework Agreement with KfW Development Bank: KfW loan no. 27025

EB 2015/114/INF.3

An update on the methodology for estimating the number of people moved out of poverty and preparatory work for the impact assessment exercise during IFAD10

EB 2015/114/INF.4

Grants under the global/regional and country-specific grant windows approved by the President in 2014

EB 2015/114/INF.5

Policy for Grant Financing: Implementing Procedures

Document:	<u>EB 2015/114/R.1/Rev.1</u>
Agenda:	<u>2</u>
Date:	<u>22 April 2015</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

E



Agenda

Note to Executive Board representatives

Focal point for technical questions and dispatch of documentation:

Deirdre McGrenra
Head, Governing Bodies Office
Tel.: +39 06 5459 2374
e-mail: gb_office@ifad.org

Agenda

I. Items for approval or review¹

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. Policy for Grant Financing [A]
4. Evaluation
 - (a) Report of the Chairperson on the eighty-seventh session of the Evaluation Committee [R]
 - (b) Corporate-level evaluation on IFAD's engagement in fragile and conflict-affected states and situations [R]
 - (c) Appointment of members to the Evaluation Committee [A]
5. Country strategic opportunities programmes [R]
 - (a) El Salvador
 - (b) Sri Lanka
6. Project/programme proposals for consideration by the Executive Board [A]
 - (a) West and Central Africa

The Niger: Family Farming Development Programme (ProDAF) in the Maradi, Tahoua and Zinder Regions
 - (b) East and Southern Africa

Kenya: Kenya Cereal Enhancement Programme ASAL-Climate-Resilient Agricultural Livelihoods Window (KCEP-CRAL)
 - (c) Asia and the Pacific
 - (i) India: Odisha Particularly Vulnerable Tribal Groups Empowerment and Livelihoods Improvement Programme
 - (ii) Myanmar: Eastern States Agribusiness Project
 - (iii) Nepal: Samriddhi – Rural Enterprises and Remittances Project
 - (iv) Pakistan: Economic Transformation Initiative Gilgit-Baltistan
7. Appointment of members to the performance-based allocation system (PBAS) working group [A]
8. Financial matters
 - (a) Report of the Chairperson on the 135th meeting of the Audit Committee [R]
 - (b) General framework for borrowing by IFAD: Sovereign Borrowing Framework – Borrowing from Sovereign States and State-Supported Institutions [A]
 - (c) Consolidated financial statements of IFAD as at 31 December 2014, including Management's assertion report and the external auditor's independent attestation on internal controls over financial reporting [A]

¹ Some items for information are included and will be discussed during the Board session.

- (d) Requirements for the thirty-sixth drawdown of Member State contributions in 2015 [A]
 - (e) Report on the Tenth Replenishment of IFAD's Resources (IFAD10) [I]
 - (f) Appointment of members to the Audit Committee [A]
9. Other business
- (a) 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]
 - (b) Proposal to accept a supplementary fund contribution from the Bill & Melinda Gates Foundation [A]
 - (c) Ad hoc Working Group on Governance [I]
 - (d) Update on preparations for the 2015 Executive Board country visit (Morocco) [I]
 - (e) IFAD's support to implementation of the post-2015 Sustainable Development Goals [I]

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.

- 10. Planned programme, project and grant activities for 2015
- 11. Report on the status of contributions to the Ninth Replenishment of IFAD's Resources
- 12. Report on IFAD's investment portfolio for 2014
- 13. Status report on arrears in principal, interest and service charge payments
- 14. Estimated principal and net service charge payments forgone as a result of the implementation of the Debt Sustainability Framework
- 15. Projects/programmes and grants approved under the lapse-of-time procedure in 2014

Information notes

- a. Arrangements for the 114th session of the Executive Board
- b. Grants approved by the President in 2014
- c. Policy for Grant Financing – implementation procedures
- d. Report on implementation of the KfW loan – KfW Loan No.27025 – Report on the signing of the individual loan agreement under the KfW Framework Agreement
- e. An update on the methodology used to estimate the number of people moved out of poverty, and preparatory work for the impact assessment exercise during IFAD10