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Investing in rural people

Report of the Chairperson on the first special meeting of the Audit Committee

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Executive Board — 121st Session
Rome, 13-14 September 2017

For: Review

Report of the Chairperson on the first special meeting of the Audit Committee

1. The Audit Committee wishes to bring to the attention of the Executive Board the matters examined at the first special meeting of the Committee held on 6 September 2017.
2. In opening the meeting, the Chairperson thanked Management for organizing the meeting at short notice.
Adoption of the agenda
3. The agenda was adopted without changes.
Proposal for a Concessional Partner Loan Framework
4. Management introduced the item highlighting the main characteristics of the Concessional Partner Loan (CPL) Framework proposed at IFAD and the similarities to those adopted by other institutions, in particular the International Development Association (IDA) and the African Development Fund. It was noted that the CPL framework builds on the experience of the Sovereign Borrowing Framework (SBF) in terms of managing borrowed resources.
5. Management also clarified that CPL embedded concessionality stemmed from more favourable financing terms compared with market conditions, including lower coupon rates and longer maturities to match IFAD's most concessional lending terms.
6. Committee members expressed considerations on the sustainability of the new instrument, requested clarifications on the risk management of CPL funds, on the methodology for calculation of the discount rate, and on the allocation of funds.
7. Management clarified that, for the discount rate, the IDA methodology had been adopted to not depart from the framework in place at other IFIs. However, the parameters – in particular the cost of funding – had been calibrated to match IFAD's own experience with borrowed funds, hence referring to borrowing agreements already signed.
8. In response to questions from the Committee, Management stated that a new comprehensive framework would be elaborated to encompass all forms of borrowing, in a document to be shared next year.
9. Finally, Management explained that CPL funds would be managed internally, building on the positive experience accumulated with funds borrowed under the SBF. In order to ensure proper management of term risk and sustainability, CPL funds would be allocated primarily on highly concessional terms through the performance-based allocation system. It was also clarified that prepayment of a CPL is an option in IFAD's favour.
10. The Committee expressed appreciation for the methodology chosen to compute the discount rate and requested a table comparing the proposed framework with that of IDA and ADF, as well as an overview of different risk model requirements or plans regarding sovereign borrowing, the CPL and market borrowing.
11. The document was deemed reviewed.
Other business
12. No items were discussed under other business.