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Investing in rural people

Minutes of the 123rd Session of the Executive Board

Note to Executive Board representatives

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Minutes of the 123rd session of the Executive Board

I. Introduction and opening of the session (agenda item 1)

1. The 123rd session of the Executive Board was opened by the President of IFAD and Chairperson of the Board, Gilbert F. Hounoubo.
2. The Executive Board had before it the documents listed in annex II.
3. The minutes reflect the order in which agenda items were discussed at the session. Where relevant, main outcomes are included in outcome boxes at the start of the respective agenda items.
4. The President welcomed the newly accredited Executive Board representatives:
 - For Finland, Ms Anna Gebremedhin; and
 - For Cameroon, Mr Médi MOUNGUI.
5. He also welcomed the representatives participating in a Board session for the first time, other delegates and observers attending the session, and those in the salle d'écoute.
6. The Chairperson declared the 123rd session of the Executive Board open.
7. The Chairperson's opening statement has been posted as document EB 2018/123/INF.6.

II. Decisions of the Executive Board

A. Adoption of the agenda (agenda item 2)

8. The Executive Board adopted the agenda as proposed in document EB 2018/123/R.1/Rev.2 (reflecting the removal of the proposal on the Innovative Poverty Reduction Programme: Specialized Agribusiness Development in Sichuan and Ningxia, China, to allow for more time for loan negotiations with the Government), and noted the schedule of work contained in the addendum thereto.
9. As agreed to by the Board, the agenda would be further revised as EB 2018/123/R.1/Rev.3 to reflect the following changes:
 - Inclusion, as items for discussion, of documents originally placed on the agenda as documents for information or information notes, upon the request of List A, namely:
 - (i) Update on the Operational Excellence for Results (OpEx) Exercise;
 - (ii) Status and Update on IFAD's Approach to Address the United Nations Strategy to Prevent and Respond to Sexual Harassment, Sexual Exploitation and Abuse;
 - (iii) Implementation of the United Nations Resolution on the Mandatory Age of Separation; and
 - (iv) Financial Impact of Principal Due and Service Charges Forgone as a Result of the Implementation of the Debt Sustainability Framework (as requested by the representative for Italy).
10. As proposed by the Chairperson, item (iii) above would be discussed in closed session.

B. Update on the Operational Excellence for Results (OpEx) Exercise (agenda item 11)

Outcomes:

1. The Board took note of the update provided by Management on the Operational Excellence for Results (OpEx) Exercise, as contained in document EB 2018/123/R.29.
2. Management would present another report on this topic to the Board in September, and would potentially hold an informal seminar on the topic of delegation of authority in September or October.
3. Management would suggest an option on the Faster Implementation for Project Start-up Facility for approval to the Board in September 2018.

11. Responding to questions on IFAD Country Offices (ICOs), in particular the number of staff to be decentralized, Management explained that there would be 170 staff in the field in 2018, and 190 in 2019.
12. Noting the key oversight role of the Board in the decentralization process and the restructuring at headquarters, representatives encouraged Management to continue providing information on the OpEx exercise and keep the Board engaged in this process. At the same time, some representatives cautioned the Board against micromanagement.
13. To address the risks related to delegation of authority, Management was encouraged to consider using the experience and inspection services of the Office of Audit and Oversight (AUO). Management affirmed its commitment to working with AUO, adding that the office had already shared some of its reviews to this end.
14. A two-phased approach was planned regarding delegation of authority; the first phase would concentrate on the immediate needs of new country directors and country programme managers in the field, which so far involved the authority to use the administrative budget.
15. While expressing support for the decentralization process, some representatives highlighted the challenges involved in terms of human resources management, urging Management to continue its efforts in line with best practices and in close consultation with IFAD staff and to communicate with the World Bank and other agencies that had implemented such reforms. Management assured the Board that they were working with the Executive Committee of the Staff Association in this process and taking their input into consideration. In addition, a review of the human resources function was planned in the framework of OpEx.
16. Responding to a question on the budget expenditures, Management explained that IFAD was entering a more concrete implementation phase where the budget curve was expected to increase significantly compared to the trend at the beginning of the year.
17. Management noted the suggestion to involve the host countries in the performance assessment of the ICOs.
18. With regard to knowledge management, one representative stated that both the dissemination of lessons learned in the context of impact assessments and the issues related to the cross-cutting themes should be a priority. Management said that the workplan included a specific item on knowledge management and the associated risks in a decentralized environment.
19. Members also requested information on how the set-up of the hubs would take into account the United Nations reform process, and in particular on the implications of

the Secretary-General's proposals regarding resident coordinators for the hubs and the ICOs and the shared offices and costs. They also asked if the ICOs would have the capacity to fulfil the dual reporting mechanism that the resident coordinator system would bring.

20. Management explained that as the implications would depend on the United Nations reform framework, it was difficult to draw conclusions at this stage. One of the goals of the reform was enhanced policy engagement; for this purpose, field staff were asked to engage more with United Nations representatives. Management had also initiated the Operations Academy to train ICO staff on technical and management skills. Management highlighted that IFAD was already carrying out a substantial portion of the reforms being requested, such as the use of common services. On the other hand, it was noted that IFAD had a different business model from the United Nations system.
 21. On the Faster Implementation for Project Start-up Facility, Management explained that this was a commitment for the Eleventh Replenishment on IFAD's Resources (IFAD11). The purpose was to work on finding a way to stimulate the early start of operations, prior to their actual approval by the Executive Board. Currently, Management was considering two options, and would present one for approval to the Board in September.
 22. Representatives also asked Management to dispatch the related documents earlier to allow enough time for their review.
- C. Report of the Chairperson on the 100th session of the Evaluation Committee (agenda item 3(a))
23. The Executive Board took note of the oral report presented by the Chairperson of the Evaluation Committee on the 100th session held on 28 March 2018. The report, based on the minutes contained in document EB 2018/123/R.2, highlighted the Committee's discussion on how to enhance its governance role. This matter would be further discussed at the Board's fourth retreat.
- D. Country strategic opportunities programmes (COSOPs) and country strategy and programme evaluation (CSPE) (agenda items 4 and 3(b))¹

Outcome:

The Executive Board reviewed the COSOPs for the Republic of Mozambique (EB 2018/123/R.4), the Republic of Benin (EB 2018/123/R.5), the Islamic Republic of Mauritania (EB 2018/123/R.6) and the Kyrgyz Republic (EB 2018/123/R.7). With regard to the COSOP for the Republic of Mozambique, the Board also considered the related CSPE (EB 2018/123/R.3) and IOE's comments on the COSOP (EB 2018/123/R.4/Add.1). A summary of the discussions on these items is presented below.

- (a) East and Southern Africa
Mozambique

24. In reviewing the COSOP for Mozambique, the Board noted that a more detailed analysis of the country's debt crisis and the status of the economy would have been useful. Nonetheless, the Board acknowledged that the linkages between the CSPE, the COSOP and the proposed Rural Enterprise Finance Project provided an

¹ Further to the request made at the 108th session of the Board to review COSOPs together with the related country strategy and programme evaluations when available, and for the Independent Office of Evaluation of IFAD (IOE) to provide comments on the COSOPs for which CSPEs had been conducted.

example of good practice in the flow from evaluation to strategy and subsequently to project design. The Board also noted the importance of targeting, including attention to people with disabilities, and the need for facilitating access to rural finance and a stronger partnership with private sector players in the country programme.

(b) West and Central Africa

25. The Executive Board reviewed the COSOP for Benin for 2018-2022, and the COSOP for Mauritania for 2018-2024. While expressing unanimous appreciation for both documents, representatives underlined the relevance of the informal seminar held on 13 March, which had provided an opportunity for a thorough and constructive discussion on both COSOPs. They also welcomed the timely delivery of the documents for the seminar. Specific comments on each COSOP are provided below.

(i) Benin

26. Representatives proposed that IFAD: (i) strengthen its partnership with projects financed by bilateral donors, particularly the rice project implemented by AfricaRice in Benin; (ii) take advantage of the demographic dividend of youth, who account for nearly half of the population, by including them in project activities; (iii) foster impact on microfinance and engage more in policy dialogue to increase its visibility as an organization; and (iv) strengthen its relationship with the Government of Benin and increase support to the agricultural sector.

(ii) Mauritania

27. In a joint statement, List C recognized the COSOP as a good example of the comparative advantage of IFAD's interventions in a context where climate change effects were significant and were systematically addressed. The strategic objectives identified were considered to be well aligned with the 2030 Agenda for Sustainable Development. In addition, the COSOP supported the Government's priorities and development efforts to eradicate rural poverty. List C recommended the development of an appropriate monitoring and evaluation system for lesson-learning and strong South-South and Triangular Cooperation for knowledge-sharing and outreach purposes.

(c) Near East, North Africa and Europe

Kyrgyzstan

28. The Board welcomed the results-based COSOP for Kyrgyzstan and provided constructive comments, which were appreciated by Management. The Board also praised the high quality of the report and its alignment with the Government's development priorities and the IFAD Strategic Framework 2016-2025.
29. In particular, some representatives stressed the importance of donor coordination at both the central level and the local level, with stronger emphasis on food safety and nutrition, and on bridging the regional development gaps in the country.
30. In response to a suggestion for additional focus on land fragmentation, Management clarified that, despite the importance of this issue in the horticulture subsector, it was not relevant to pastureland farming systems, which were the exclusive focus of the COSOP. IFAD was encouraged to scale up to other countries in Central Asia the successful achievements of the innovative project of economic empowerment of rural women, using the Gender Action Learning System approach, being implemented in Kyrgyzstan in collaboration with the Food and Agriculture Organization of the United Nations (FAO), UN-Women and the World Food Programme (WFP).
31. Finally, on behalf of List C, the representative for Egypt expressed full satisfaction with the quality, content and strategic orientations of COSOP.

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

Outcome:

The Board approved nine project/programme proposals. A summary of the proposals and the Board's discussions was posted as document EB 2018/123/INF.8.

(a) East and Southern Africa

(i) Mozambique: Rural Enterprise Finance Project

32. The Executive Board considered the proposal and negotiated financing agreement contained in document EB 2018/123/R.8 + Add.1 + Sup.1, and noted the recent assessment of the IMF in which Mozambique's debt distress status was changed from "moderate" to "in debt distress", and the related concerns raised by some Member States. Consequently, the Board approved Management's proposal to revise, on an exceptional basis, the lending terms applicable to Mozambique for the Rural Enterprise Finance Project, from a 50 per cent highly concessional loan/50 per cent Debt Sustainability Framework (DSF) grant, to a 100 per cent DSF grant.
33. In view of the change in financing terms, copies of the original negotiated financing agreement and the Government's subsequent acceptance of the 100 per cent DSF grant were also tabled at the session.
34. The Executive Board thus adopted the following resolution:

RESOLVED: that the Fund shall provide a grant under the Debt Sustainability Framework to the Republic of Mozambique in an amount equivalent to sixty-two million one hundred thousand United States dollars (US\$62,100,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

(ii) Uganda: National Oil Palm Project

35. The Executive Board considered the proposal contained in document EB 2018/123/R.9 + Add.1, noting the changes and additional information introduced to address comments from members. The Board adopted the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Uganda in the amount of seventy-five million eight hundred and twenty thousand United States dollars (US\$75,820,000), 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 Uganda in the amount of one million two hundred and 10 thousand United States dollars (US\$1,210,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that no investment in oil palm development in a given hub may be made unless the Environmental and Social Impact Assessment for such activity has been disclosed to the Executive Board and the public for a period of 120 days and no objection to such ESIA has been submitted by a member of the Executive Board within that period. In the event that a member of the Executive Board objects to the ESIA, the matter shall be tabled for approval at the subsequent session of the Executive Board and the investment shall not be permitted unless the Executive Board provides its approval. This restriction shall not apply to expenditures for preparatory activities related to such investments, including, but not limited to, the preparation of the ESIA.

36. The Executive Board noted the abstentions as conveyed by the representatives for Denmark, Spain, Sweden and the United States due to the remaining concerns about environmental and social safeguards and, in the case of the United States, due to its legislative mandate regarding category A projects. The Board also noted the comments conveyed by Italy on behalf of Austria.

(b) West and Central Africa

- (i) Guinea: Family Farming, Resilience and Markets Project in Upper and Middle Guinea

37. The Executive Board considered the proposal and negotiated financing agreement contained in document EB 2018/123/R.10 + Sup.1, and adopted the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Guinea in the amount of fifteen million four hundred and fifty thousand United States dollars (US\$15,450,000) 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 Guinea under the Debt Sustainability Framework in the amount of fifteen million four hundred and fifty thousand United States dollars (US\$15,450,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

- (ii) Mali: Inclusive Finance in Agricultural Value Chain Project

38. The Executive Board considered the proposal contained in document EB 2018/123/R.11 + Add.1 + Sup.1, together with the negotiated financing agreement and approved the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Mali in an amount of fifteen million seven hundred and fifty thousand special drawing rights (SDR 15,750,000), 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 under the Debt Sustainability Framework to the Republic of Mali in an amount of fifteen million seven hundred and fifty thousand special drawing rights (SDR 15,750,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

- (iii) Senegal: Support to Agricultural Development and Rural Entrepreneurship Programme – Phase II

39. The Executive Board considered the proposal and the negotiated financing agreement contained in document EB 2018/123/R.12 + Add.1 + Sup.1 and adopted the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Senegal in the amount of forty million five hundred thousand euros (EUR 40,500,000), equivalent to forty-six million three hundred thousand United States dollars (US\$46,300,000), 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 Senegal in an amount of four hundred and forty thousand euros (EUR 440,000), equivalent to five hundred thousand United States dollars (US\$500,000), 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) Bangladesh: Smallholder Agricultural Competitiveness Project

40. The Executive Board considered the proposal contained in document EB 2018/123/R.13, and adopted the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the People's Republic of Bangladesh in an amount equivalent to sixty-four million five hundred thousand United States dollars (US\$64,500,000) 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 People's Republic of Bangladesh in an amount equivalent to two million United States dollars (US\$2,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

(ii) China: Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project

41. The Executive Board considered the proposal contained in document EB 2018/123/R.15 + Add.1 + Sup.1, together with the negotiated financing agreement, and approved the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the People's Republic of China in an amount equivalent to seventy-two million United States dollars (US\$72,000,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

(iii) Philippines: Rural Agroenterprise Partnerships for Inclusive Development and Growth Project

42. The Executive Board considered the proposal contained in document EB 2018/123/R.16 + Add.1 + Sup.1, with its negotiated financing agreement, and adopted the following resolutions:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of the Philippines in an amount equivalent to sixty two million nine hundred thousand United States dollars (US\$62,900,000) 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 Philippines in the amount of two million five hundred thousand United States dollars (US\$2,500,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

(d) Near East, North Africa and Europe

Proposed grants from the IFAD Fund for Gaza and the West Bank for the Resilient Land and Resource Management Project

43. The Executive Board considered the proposal contained in document EB 2018/123/R.17/Rev.1, and adopted the following resolutions:

RESOLVED: that the IFAD Fund for Gaza and the West Bank shall provide a grant to the Palestinian Authority in an amount equivalent to four million five hundred and sixty-six thousand United States dollars (US\$4,566,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the IFAD Fund for Gaza and the West Bank shall provide a grant to the Palestinian Authority from resources contributed by the OPEC Fund for International Development in an amount equivalent to one million United States dollars (US\$1,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

F. Financial matters (agenda item 6)

(a) and (b) Reports of the Chairperson on the 147th and 148th meetings of the Audit Committee

Outcomes:

1. The Executive Board noted the oral report delivered by the Chairperson of the Audit Committee on the 147th and 148th meetings of the Committee, and reviewed the Reports of the Chairperson, as contained in documents EB 2018/123/R.18 and EB 2018/123/R.19.
2. At the request of a representative, AUO agreed to hold a briefing on the procedure for Board representatives to access internal audit reports.

44. The Chairperson of the Audit Committee explained that the 147th meeting was an additional meeting that had been scheduled to discuss the procedure for Board representatives to access internal audit reports, the AUO Charter, and the terms of reference for the independent risk assessment provider.
45. The Chairperson briefed the Board on the discussions held at both meetings. In particular, he drew the Board's attention to the item related to the Debt Sustainability Framework, which he had requested be included on the agenda of the Board session for discussion.
46. Responding to a remark about the late dispatch of the report on the 148th meeting, the Chairperson explained the constraints posed by the tight timeline for processing the report. Specifically, the proximity of the meeting (which could not be moved forward given the nature of the documents involved) to the date of the Board session had allowed only 10 days to draft, seek the Chair's clearance and Committee members' feedback and finalize the report in the official languages.
47. A representative flagged the need for AUO to be strengthened in light of the increasing risks posed by the decentralization process.
48. A representative asked about the possibility of an annual audit opinion over control and risk management. This would also help the Board understand how IFAD developed its control environment and its risk management system, which was vital given that IFAD was evolving, changing its financing model and expanding its country presence. AUO explained that IFAD had already introduced an annual opinion on the effectiveness of the internal controls over financial reporting, which was a subset of the overall controls and supported by an external audit opinion. For a comprehensive opinion on the internal controls, AUO needed to coordinate escalation and assessment mechanisms, the risk management process, internal audit with Management and possibly with the external auditor.
49. Finally, the Board noted that the content and the level of detail of the Committee's reporting to the Board would be discussed at the Board retreat in the context of the broader discussion on the effectiveness of the subsidiary bodies.

(c) Consolidated Financial Statements of IFAD as at 31 December 2017

Outcome:

The Executive Board adopted the recommendation for approval contained in EB 2018/123/R.20, which had been endorsed by the Audit Committee, and agreed to submit the Consolidated Financial Statements of IFAD as at 31 December 2017 and the report of the external auditor thereon, including the independent external attestation on the Management assertion report on the effectiveness of internal controls over financial reporting, to the forty-second session of the Governing Council in February 2019 for approval.

(d) Revision of the Charter of the IFAD Office of Audit and Oversight

Outcome:

The Executive Board, having reviewed document EB 2018/123/R.21/Rev.1, confirmed the revision to the Charter of the IFAD Office of Audit and Oversight.

(e) Requirements for the thirty-ninth drawdown of Member State contributions in 2018

Outcomes:

1. In accordance with article 4, section 5(c) of the Agreement Establishing IFAD and regulation V of the Financial Regulations of IFAD, the Executive Board approved the drawdown of the remaining balance of the IFAD10 contributions in March 2018, or as may be stipulated in agreements with individual Member States, to meet loan and grant disbursements for 2018.
2. Any further funds required for disbursement needs in 2018 not covered by the drawdown of these contributions would be met from the liquid assets of the Fund. The Executive Board authorized the President to proceed accordingly.

(f) Independent financial risk assessment: Terms of Reference for a Comprehensive Independent Financial Risk Assessment

Outcome:

The Executive Board, having reviewed document EB 2018/123/R.23, took note of the Terms of Reference for a Comprehensive Independent Financial Risk Assessment, which would focus on risks related to financial operations.

50. Board representatives enquired whether the assessment would address risks related to market borrowing. In one representative's view, the implications of market borrowing should be distinguished from the implications of other kinds of borrowing. Management clarified that although the feasibility study on market borrowing was not explicitly mentioned in the terms of reference, this matter was covered in the request for proposals, which had been issued in line with United Nations procurement rules.
51. Noting the importance of taking a comprehensive and integrated approach to IFAD's portfolio of financial tools and components, including borrowing and international and domestic financing and cofinancing, the Board requested that the lessons learned and efficiency gains made to date be included in the output of the assessment.
52. One representative noted that the fraud and corruption risk – for example financial losses, asset theft and other fraud – was included under the title of ethical risks, and suggested that it should perhaps form a more central part of the financial risk assessment. Another representative drew attention to risks during project

implementation, such as clientelism, and suggested that this be considered as a reputational risk.

53. Management clarified that financial risks related to the balance sheet. Another area of risk, which was non-financial but operational, would also be covered in the assessment on the Enterprise Risk Management.
54. Another representative said that future discussions around IFAD's evolving financial model would need to take into account a range of issues, including those related to governance, resource allocation and strategic trade-offs.

(g) Timeline for the Review, Update and Strengthening of IFAD's Enterprise Risk Management Covering Strategic, Operational and Financial Risks

Outcome:

The Executive Board, having reviewed document EB 2018/123/R.24, took note of the information provided therein.

55. Management responded to questions regarding the methodology included in the timeline by explaining that the timeline distinguished the financial risks from cross-functional risks, which covered non-financial and partially financial risk areas; the Transition Framework and OpEx were included under the cross-functional area, given that the Transition Framework had a broad scope including financial issues. As for OpEx, it focused on delivery and results although it also had financial implications.
56. One Board representative remarked that the only mention of market borrowing was under the review of the results of the independent financial risk assessment planned for submission to the Executive Board in December. Management explained that before taking any decision on market borrowing, IFAD had to carry out several activities – some of which were already under way – to prepare for the credit-rating exercise. As such, IFAD had to be informed of all the risk elements before taking any decision in this process.
57. Responding to a query on the external auditors' continued assessment of the International Financial Reporting Standards (IFRS), Management confirmed that the auditors would continue to audit IFAD's compliance with all IFRS on a yearly basis as part of the annual audit and perform full audit procedures on specific standards. For example, IFRS 9 on financial instruments was being implemented in 2018, therefore IFAD had hired Moody's Analytics to support implementation. IFAD was working very closely with the external auditors to ensure full compliance with professional standards in advance of the year-end audit. This would support IFAD in providing overall assurance regarding controls and risk management.
58. The Board would have a better sense of the topics to be discussed in-depth following the presentation of the corporate-level evaluation (CLE) of IFAD's financial architecture in September, and the submission of the independent financial review in December. It was possible that the Audit Committee would make a recommendation following its review of the CLE, and that the Board would decide to task Management with implementing this.
59. Management also confirmed that the independent assessment of IFAD's strategic and operational risks would include an analysis of the project cycle and the project risks.

(h) Report on the Status of Contributions to the Eleventh Replenishment of IFAD's Resources (IFAD11)

Outcome:

The Executive Board took note of the information contained in document EB 2018/123/R.25 on the status of IFAD11 contributions and the oral update provided.

60. One representative requested information on IFAD's inclusive approach vis-à-vis climate mainstreaming, which was an IFAD11 commitment, and how IFAD would ensure that an integrated approach was taken to address climate change and environment issues. Also, in light of the decentralization process, further clarification was requested on the financial resources that would be used for climate mainstreaming.
61. Management clarified that IFAD was investing its core resources in climate mainstreaming and that the decentralization process would bring IFAD staff closer to clients and governments in all five regions of operation. IFAD was also including a tracking system in all supervision reports that would ensure that environment and climate considerations were taken into account in a timely manner. This would allow IFAD to adapt quickly to environmental changes during the implementation phase.
62. Some representatives recalled the increased pledges by their countries towards IFAD11 and strongly encouraged other Member States that had not yet pledged to do so in a timely manner in order to achieve the target of US\$1.2 billion. Management thanked all Members for their contributions, and noted that all efforts were being made to achieve the target.

G. Financial Impact of Principal Due and Service Charges Forgone as a Result of the implementation of the Debt Sustainability Framework (agenda item 17)

Outcome:

1. The Executive Board took note of the report contained in document EB 2018/123/R.36, which had been presented for discussion upon the request of the representative for Italy.
2. It was agreed that Management would hold an informal seminar on this topic, in combination with the issue of the Heavily Indebted Poor Countries Initiative, with a view to considering how best to strengthen IFAD's long-term financial sustainability.

63. The Board welcomed the discussion, taking note of the financial impact and the scenarios presented in the report, and the potential negative impact that the DSF could have on IFAD's programme of loans and grants.
64. Members noted the scenarios presented and requested Management to:
- Include the DSF in the overall risk assessment that IFAD would undertake by the end of 2018; and
 - Produce a study and propose options on alternative paths, and verify how other international financial institutions managed the implementation of the DSF mechanism.

H. Appointment of members to the subsidiary bodies of the Executive Board (agenda item 9)

Outcomes:

1. Pursuant to rule 11.1 of its Rules of Procedure, the Executive Board approved the appointment of the members of the: (a) Audit Committee; (b) Evaluation Committee; and (c) Working Group on the Performance-based Allocation System.
2. Furthermore, the Board also approved the appointment of the members of the Working Group on the Transition Framework, subject to the approval of the working group's terms of reference.
3. The members of these committees and working groups were appointed for a three-year period ending in April 2021.

I. Country visits of the IFAD Executive Board (agenda item 8) (a) Dates of the IFAD Executive Board Country Visit for 2019 to the Republic of Cameroon and (b) Country Visit of the IFAD Executive Board in 2020

Outcomes:

1. The Executive Board approved Egypt as the destination for the 2020 visit.
2. The Executive Board agreed that the Office of the Secretary would consult Convenors and Friends regarding the dates of the visit to the Republic of Cameroon in 2019. The Board would then decide on the exact dates through a vote by correspondence.

65. One representative, while welcoming the participation in the field visits of Board representatives that were not part of the Evaluation Committee, suggested that all Lists nominate an equal number of participants.
 66. The proposed destination for 2020 was supported as it promoted regional rotation.
 67. The representative for Cameroon explained that due to national holidays and other important events, the proposed period for the Cameroon visit might not be the best option. The Office of the Secretary would revert to the Board on this matter, most likely through a request for a vote by correspondence, after consulting with Convenors and Friends.
 68. There was a query about the planned country visit to Ethiopia in light of the recent political developments and security situation. The Office of the Secretary informed the Board that the situation was stable and that, at the recommendation of the United Nations Department of Safety and Security, the visit would take place as planned. Representatives who observed Ramadan had confirmed that this would not pose a problem for their participation.
- ## J. Other business (agenda item 10)
- (b) Implementation of the United Nations Resolution on the Mandatory Age of Separation
69. The Executive Board held a closed session to consider the sub-item on the Implementation of the United Nations Resolution on the Mandatory Age of Separation. The discussions held under this item are covered in a separate document.

- (a) Status and Update on IFAD's Approach to Address the United Nations Strategy to Prevent and Respond to Sexual Harassment, Sexual Exploitation and Abuse

Outcome:

The Executive Board took note of the Status and Update on IFAD's Approach to Address the United Nations Strategy to Prevent and Respond to Sexual Harassment, Sexual Exploitation and Abuse, as contained in document EB 2018/123/R.39.

70. The Executive Board welcomed the update provided and noted the recently released Policy for Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse which had been made available to the Board as a background document. The Board noted the detailed actions that IFAD would undertake as part of the United Nations strategy to prevent and respond to sexual harassment and sexual exploitation and abuse (SEA) and further noted that the mandate of the IFAD SEA task force encompassed both sexual harassment and SEA.
71. Through a statement delivered on behalf of the Lists, the Board thanked Management and underlined the importance of IFAD's commitment to zero-tolerance of any form of harassment. The Executive Board welcomed the steps taken to strengthen IFAD's prevention and response measures, including the reporting channels, particularly in view of IFAD's decentralization, and stressed the importance of integrating obligations and risk mitigation measures related to sexual harassment and SEA into all IFAD's operations.
72. Clarifications were provided to the Executive Board regarding the actions IFAD would take to protect beneficiaries of IFAD-funded operations from SEA. To this end, social, environmental and climate risk assessments would include a SEA risk assessment and SEA-related issues would be addressed during supervision and support missions. In addition to the current reporting channels and whistle-blowing protection procedures, the Social, Environment and Climate Assessment Procedures of IFAD (SECAP) complaint mechanism would be used as a reporting channel for beneficiaries, and complaints would be directed to the Ethics Office. Management indicated that the Communications Division had been monitoring the IFAD website to ensure ease of access to reporting mechanisms.
73. Protecting and supporting beneficiaries was a challenge for all organizations and called for the commitment of IFAD's partners and stakeholders at all levels. In this regard, the policy foresaw the inclusion of SEA-related wording in IFAD agreements. Member States would also be encouraged to include similar provisions in their own contracts with third parties and suppliers.
74. In order to foster an environment in which victims of harassment felt safe to come forward, the Executive Board encouraged IFAD to undertake an anonymous survey among staff to help identify areas for improvement.
75. The Executive Board looked forward to the delivery of the IFAD11 commitment to develop an action plan for IFAD's response to the Secretary-General's strategy to improve SEA prevention and response.

K. Terms of Reference of the Working Group on the Transition Framework (agenda item 7)

Outcome:

1. The Executive Board, having reviewed document EB 2018/123/R.26 and the conference room paper containing additional amendments and the rewording of some sections to remove reference to a third phase as discussed at the session, approved the Terms of reference of the Working Group on the Transition Framework.
2. The terms of reference define the scope of the work to be undertaken in phase II, which will be concluded by December 2018, so as to have the Framework in place for the start of the IFAD11 period.

76. In a joint statement, List C noted the need to ensure that the Working Group obtained a solid consensus on the various issues related to the Transition Framework through a process of a wide-ranging consultation with all Member States, including those who were not part of the Executive Board. The deliberations of the Working Group should be guided by the Agreement Establishing IFAD and the principle of universality. Regarding the aspect of graduation, List C emphasized that this should be on a voluntary basis, with the possibility of reversal should the circumstances change. Moreover, competitive loan pricing was needed to attract borrowers.

77. The Board noted the removal of any reference to a third phase of the Transition Framework in the terms of reference, as reflected in the rewording of paragraph 8 as follows:

"Upon completion of phase II, the Working Group will continue discussions to provide guidance to the Executive Board on items that are included in the Approach to a Transition Framework (EB 2017/122/R.34/Rev.1) approved by the Executive Board in December 2017 that may not be covered in phases I and II because they require a longer time frame...."

78. Some representatives noted the importance of including a timeline for the discussions of the Working Group so as not to leave the process open-ended. After discussing this matter, the Board agreed that the Working Group would proceed as set forth in paragraph 8 and, in addition, the document would include the following text as paragraph 10:

"The Working Group will submit to the Executive Board in December 2018 the draft Transition Framework for approval. It will also provide the Executive Board with the minutes of its meetings. Other deliverables will be agreed by the Working Group."

79. The Board noted that the terms of reference were ambitious and would require the Working Group to do a vast amount of work in a limited period, and therefore urged that issues such as the chairpersonship of the Working Group be resolved prior to the first meeting. However, some representatives emphasized the need to ensure wide consultation and consensus around all aspects of the framework.

80. The terms of reference would be revised and posted as EB 2018/123/R.26/Rev.1.

III. Closing of the session

81. The President expressed deep appreciation for the cooperation between the Board and Management in discussing complex issues and arriving at a consensus. He noted that the Executive Board retreat scheduled for the following day would be a good opportunity to further enhance the positive working relationship among Board representatives and with Management.

82. To conclude the session without further delay, the President informed representatives that his detailed closing statement would be posted on the Member States Interactive Platform as document EB 2018/INF.7.

IV. Documents presented for information

83. The following documents were presented to the Board for information purposes:
- Consultation on the Eleventh Replenishment of IFAD's Resources
 - (a) Summary of the Chairperson: Fourth session of the Consultation on the Eleventh Replenishment of IFAD's Resources
 - (b) Summary of the Chairperson: Fifth session of the Consultation on the Eleventh Replenishment of IFAD's Resources
 - Planned Global, Regional and Country Activities Report
 - Report on the status of the Tenth Replenishment of IFAD's Resources
 - Report on IFAD's investment portfolio for 2017
 - Status report on arrears and principal, interest and service charge payments
 - Projects/programmes and grants approved under the lapse-of-time procedure in 2017
 - Annual Report on the Activities of the Office of Audit and Oversight during 2017 (Restricted)²

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

- List of documents for the 123rd session of the Executive Board

² As per EB 2017/122/R.29/Rev.1, para 19, first bullet: "Submission to the Executive Board at its April session for information on a confidential basis, the Annual Report on the Activities of the Office of Audit and Oversight (AUO), which summarizes the audit and investigation findings from the preceding calendar year."



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التنفيذي

Delegations at the 123rd session of the
Executive Board

Délégations à la cent vingt-troisième
session du Conseil d'administration

Delegaciones en el 123^o período de
sesiones de la Junta Ejecutiva

Executive Board – 123rd Session
Rome, 16-17 April 2018

For: Information

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³ Pursuant to Observer status as per Rules of Procedures of the Executive Board (rule 8 – footnote 3).

المداولات الخاصة لبرامج الفرص الاستراتيجية القطرية

COSOP DELI BERATIONS⁴

DÉLI BÉRATIONS RELATIVES AUX COSOP

DELI BERACIONES SOBRE LOS COSOP

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SILENT OBSERVERS FOR REGIONAL DISCUSSIONS⁵

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⁴ 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.

⁵ Pursuant to document EB 2010/101/INF.4/Rev.1: Silent observers at Executive Board proceedings. Paragraph 2 (a).

المراقبون الصامتون الذين تابعوا الدورة من قاعة الاستماع

SILENT OBSERVERS IN THE SALLE D'ÉCOUTE⁶

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⁶ Pursuant to document EB 2010/101/INF.4/Rev.1: Silent observers at Executive Board Proceedings. Paragraph 2(b).

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List of documents placed before the 123rd session of the Executive Board

Document code	Agenda item	Title
EB 2018/123/R.1/Rev.2	2	Provisional agenda
EB 2018/123/R.1/Rev.2/Add.1/Rev.2	2	Schedule of work for the session
EB 2018/123/R.2	3(a)	Minutes of the 100 th Session of the Evaluation Committee
EB 2018/123/R.3	3(b)	Mozambique: Country strategy and programme evaluation
EB 2018/123/R.4 + Add.1	4(a)	Mozambique: Country strategic opportunities programme 2018-2022
EB 2018/123/R.5	4(b)(i)	Benin: Country strategic opportunities programme 2018-2022
EB 2018/123/R.6	4(b)(ii)	Mauritania: Country strategic opportunities programme (2018-2024)
EB 2018/123/R.7	4(c)	Kyrgyzstan: Country strategic opportunities programme 2018-2022
EB 2018/123/R.8 + Add.1 + Sup.1 ⁷	5(a)(i)	Mozambique: Rural Enterprise Finance Project
EB 2018/123/R.9 + Add.1	5(a)(ii)	Uganda: National Oil Palm Project
EB 2018/123/R.10 + Sup.1 ⁸	5(b)(i)	Guinea: Family Farming, Resilience and Markets Project in Upper and Middle Guinea
EB 2018/123/R.11 + Add.1 + Sup.1 ⁸	5(b)(ii)	Mali: Inclusive Finance in Agricultural Value Chain Project
EB 2018/123/R.12 + Add.1 + Sup.1 ⁸	5(b)(iii)	Senegal: Support to Agricultural Development and Rural Entrepreneurship Programme – Phase II
EB 2018/123/R.13	5(c)(i)	Bangladesh: Smallholder Agricultural Competitiveness Project
EB 2018/123/R.14 ⁹	5(c)(ii)	China: Innovative Poverty Reduction Programme: Specialized Agribusiness Development in Sichuan and Ningxia
EB 2018/123/R.15 + Add.1 + Sup.1	5(c)(iii)	China: Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project

⁷ Document delivered in English only.

⁸ Document delivered in French only.

⁹ Document withdrawn from the agenda.

EB 2018/123/R.16 + Sup.1 ⁷	5(c)(iv)	Philippines: Rural Agroenterprise Partnerships for Inclusive Development and Growth Project
EB 2018/123/R.17/Rev.1	5(d)	Proposed grants from the IFAD Fund for Gaza and the West Bank for the Resilient Land and Resource Management Project
EB 2018/123/R.18	6(a)	Report of the Chairperson on the 147 th Meeting of the Audit Committee
EB 2018/123/R.19	6(b)	Report of the Chairperson on the 148 th Meeting of the Audit Committee
EB 2018/123/R.20	6(c)	Consolidated Financial Statements of IFAD as at 31 December 2017
EB 2018/123/R.21/Rev.1	6(d)	Revision to the Charter of the IFAD Office of Audit and Oversight
EB 2018/123/R.22	6(e)	Requirements for the thirty-ninth drawdown of Member State contributions in 2018
EB 2018/123/R.23	6(f)	Terms of Reference for a Comprehensive Independent Financial Risk Assessment
EB 2018/123/R.24	6(g)	Timeline for the Review, Update and Strengthening of IFAD's Enterprise Risk Management Covering Strategic, Operational and Financial Risks
EB 2018/123/R.25 + Corr.1 + Add.1	6(h)	Report on the Status of Contributions to the Eleventh Replenishment of IFAD's Resources (IFAD11)
EB 2018/123/R.26	7	Terms of Reference of the Working Group on the Transition Framework
EB 2018/123/R.27	8(a)	IFAD Executive Board Country Visits: Dates for 2019 and Destination for 2020
EB 2018/123/R.28 + Add.1	9	Appointment of Members to the Subsidiary Bodies of the Executive Board
EB 2018/123/R.39	10(a)	Status and Update on IFAD's Approach to Address the United Nations Strategy to Prevent and Respond to Sexual Harassment, Sexual Exploitation and Abuse
EB 2018/123/R.40	10(b)	Implementation of the United Nations Resolution on the Mandatory Age of Separation

Documents delivered for Information

EB 2018/123/R.29	11	Information Note – Operational Excellence for Results (OpEx) Exercise
EB 2018/123/R.30	12(a)	Summary of the Chairperson: Fourth Session of the Consultation on the Eleventh Replenishment of IFAD's Resources
EB 2018/123/R.31	12(b)	Summary of the Chairperson: Fifth session of the Consultation on the Eleventh Replenishment of IFAD's Resources
EB 2018/123/R.32	13	Planned Global, Regional and Country Activities as at 23 February 2018
EB 2018/123/R.33	14	Report on the status of the Tenth Replenishment of IFAD's Resources
EB 2018/123/R.34 + Corr.1	15	Report on IFAD's investment portfolio for 2017
EB 2018/123/R.35	16	Status report on arrears in principal, interest and service charge payments
EB 2018/123/R.36 + Corr.1	17	Financial Impact of Principal Due and Service Charges Forgone as a Result of the Implementation of the Debt Sustainability Framework
EB 2018/123/R.37	18	Projects/programmes and grants approved under the lapse-of-time procedure in 2017
EB 2018/123/R.38	19	Annual Report on the Activities of the Office of Audit and Oversight during 2017 (Restricted)

Fit-for-purpose approach

2018 FFP3 (EB) List of documents for the 123rd session of the Executive Board

Information notes

EB 2018/123/INF.1	Arrangements for the 123 rd session of the Executive Board – Information for Executive Board representatives
EB 2018/123/INF.2	IFAD's lending terms and conditions: Interest rates for loans on ordinary and intermediate terms for the first semester of 2018
EB 2018/123/INF.3	High-level Review of IFAD's Financial Statements for 2017
EB 2018/123/INF.4	Grants under the global/regional and country-specific grant windows approved by the President in 2017
EB 2018/123/INF.5	Supplementary Funds Agreement for the China-IFAD South-South and Triangular Cooperation Facility

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Agenda

Note to Executive Board representatives

Focal point for technical questions and dispatch of documentation:

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Agenda

I. Items for approval, review and/or confirmation¹⁰

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
 [C] = For confirmation
 [I] = For information
11. Update on the Operational Excellence for Results (OpEx) exercise
3. Evaluation
 - (a) Report of the Chairperson on the 100th session of the Evaluation Committee [I]
 - (b) Country strategy and programme evaluation [R]
 - Mozambique
4. Country strategic opportunities programmes (COSOPs) [R]
 - (a) East and Southern Africa
 - Mozambique
 - (b) West and Central Africa
 - (i) Benin
 - (ii) Mauritania
 - (c) Near East, North Africa and Europe
 - Kyrgyzstan
5. Project/programme proposals for consideration by the Executive Board [A]
 - (a) East and Southern Africa
 - (i) Mozambique: Rural Enterprise Finance Project
 - (ii) Uganda: National Oil Palm Project
 - (b) West and Central Africa
 - (i) Guinea: Family Farming, Resilience and Markets Project in Upper and Middle Guinea
 - (ii) Mali: Inclusive Finance in Agricultural Value Chain Project
 - (iii) Senegal: Support to Agricultural Development and Rural Entrepreneurship Programme Phase II
 - (c) Asia and the Pacific
 - (i) Bangladesh: Smallholder Agricultural Competitiveness Project

¹⁰ Some items for information are included in section I of the agenda and will be discussed during the Board session.

- (ii) China: Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project
 - (iii) Philippines: Rural Agroenterprise Partnerships for Inclusive Development and Growth Project
 - (d) Near East, North Africa and Europe
Proposed grant from the IFAD Fund for Gaza and the West Bank for the Resilient Land and Resource Management Project
6. Financial matters
- (a) Report of the Chairperson of the 147th Meeting of the Audit Committee [R]
 - (b) Report of the Chairperson of the 148th Meeting of the Audit Committee [R]
 - (c) Consolidated Financial Statements of IFAD as at 31 December 2017 [A]
 - (d) Revision to the Charter of the IFAD Office of Audit and Oversight [C]
 - (e) Requirements for the thirty-ninth drawdown of Member State contributions in 2018 [A]
 - (f) Independent financial risk assessment [R]
Terms of Reference for a Comprehensive Independent Financial Risk Assessment
 - (g) Timeline for the Review, Update, and Strengthening of IFAD's Enterprise Risk Management Covering Strategic, Operational and Financial Risks [R]
 - (h) Report on the Status of Contributions to the Eleventh Replenishment of IFAD's Resources (IFAD11) [I]
7. Terms of Reference of the Working Group on the Transition Framework [A]
8. Country visits of the IFAD Executive Board [A]
- (a) Dates of the IFAD Executive Board Country Visit for 2019 to the Republic of Cameroon
 - (b) Country Visit of the IFAD Executive Board in 2020
9. Appointment of members to the subsidiary bodies of the Executive Board [A]
10. Other business
- (a) Status and Update on IFAD's Approach to Address the United Nations Strategy to Prevent and Respond to Sexual Harassment, Sexual Exploitation and Abuse [I]
 - (b) Implementation of the United Nations Resolution on the Mandatory Age of Separation [I] [Closed session]

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 representative. Such requests should be submitted in writing to the Secretary of IFAD no later than one week 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.

12. Consultation on the Eleventh Replenishment of IFAD's Resources
 - (a) Summary of the Chairperson: Fourth session of the Consultation on the Eleventh Replenishment of IFAD's Resources
 - (b) Summary of the Chairperson: Fifth session of the Consultation on the Eleventh Replenishment of IFAD's Resources
13. Planned global, regional and country activities report
14. Report on the status of the Tenth Replenishment of IFAD's Resources
15. Report on IFAD's investment portfolio for 2017
16. Status report on arrears and principal, interest and service charge payments
17. Financial Impact of Principal Due and Service Charges Forgone as a result of the implementation of the Debt Sustainability Framework
18. Projects/programmes and grants approved under the lapse-of-time procedure in 2017
19. Annual Report on the Activities of the Office of Audit and Oversight during 2017 (Restricted)¹¹

III. Information notes

- a. Arrangements for the 123rd Session of the Executive Board
- b. Grants under the Global/Regional and Country-Specific Grant Windows Approved by the President in 2017
- c. High-level Review of IFAD's Financial Statements for 2017
- d. IFAD's Lending Terms and Conditions: Interest Rates for Loans on Ordinary and Intermediate Terms for the First Semester of 2018
- e. Supplementary Funds Agreement for the China-IFAD South-South and Triangular Cooperation Facility

¹¹ As per EB 2017/122/R.29/Rev.1, para 19, first bullet: "Submission to the Executive Board at its April session for information on a confidential basis, the Annual Report on the Activities of the Office of Audit and Oversight (AUO), which summarizes the audit and investigation findings from the preceding calendar year."