

Document:	<u>EB 2018/125/INF.5</u>
Date:	<u>13 December 2018</u>
Distribution:	<u>Public</u>
Original:	<u>French</u>

E



Opening Statement by
President Gilbert F. Houngbo

Executive Board — 125th Session
Rome, 12-14 December 2018

For: Information

Opening Statement

Welcome to this 125th session of IFAD's Executive Board.

I would like to extend a warm welcome to our new representatives:

- For Algeria, Ali Terrak;
- For Spain, Rafael Osorio de Rebellón Villar.

Welcome also to delegates and observers attending the Executive Board for the first time, and to those in the salle d'écoute. A special welcome as well to our RBA colleagues from FAO and WFP, who are here as observers.

I would also like to take this opportunity to introduce new members of senior management: Atsuko Hirose from Japan, who took up her post as Secretary of IFAD in October; Sara Mbago-Bhunu from Tanzania, Regional Director of the East and Southern Africa Division; Thouraya Triki from Tunisia – Director of the Sustainable Production, Markets and Institutions Division (PMI); and finally Rossana Polastri from Peru, who will take up her position as Director of the Latin America and the Caribbean Division at the beginning of January.

We have a busy programme over the next three days, so permit me to get straight down to business.

To start with, I do recognize that the items on our heavy agenda will be a lot to deal with. This was already the case for the September Board. Speaking in all sincerity and humility, and taking a step back, I believe we will need to work with the Governing Council Bureau to find ways in 2019 to spread out the consideration of major strategic issues more evenly over the three sessions – perhaps indeed by holding a fourth meeting – to avoid such heavy agendas.

I also concede that despite best efforts from staff, who worked late every day and often on weekends, some documents were posted late for your review. First of all, my apologies. This was not attributable to any inability to produce documents on time, but rather to the technical and political complexity of the subject matter concerned, which led to lengthy internal discussions.

In the past several weeks, most of you have been directly or indirectly involved in different issues of strategic importance to our institution: the Transition Framework, the Debt Sustainability Framework, the financial risk review, the ABC Fund, the proposed amendment to the Agreement Establishing IFAD and the credit rating process.

These are complex issues, yet of great importance for the future of the institution. Management does not pretend to have the solution to ALL these issues, but we are convinced that together, we will find sustainable solutions.

As we are all aware, food insecurity and malnutrition are rising for the third year in a row. We cannot afford the luxury of business as usual. We have to continuously innovate.

We believe that the starting point for such innovation is strengthening our overall risk environment, including financial, operational and integrity risks. Therefore, I welcome the recommendations made by both financial reviews – the review of financial architecture by the Independent Office of Evaluation and the review of financial risk management by the firm of Alvarez & Marshal.

I trust all of us agree that the current status of the Debt Sustainability Framework is not sustainable. We Board members have a responsibility under our mandate to put in place long-term holistic measures to address the structural risks posed by this framework. By holistic measures we mean not only the future of the DSF, but also how to deal with the current balance of US\$1.7 billion, keeping in mind the sensitive and complex issue of the DSF in the context of IFAD11.

We need to avoid being IFAD-centric and consider both DSF-related practices and ongoing discussions taking place at other IFIs. A holistic approach also calls for considering IFAD's legitimate financial concerns in tandem with our fundamental development mission. To be sustainable, any solution to the DSF issue cannot be at the expense of countries in need. It is also critical for IFAD to avoid contributing – be it inadvertently- to the difficult question of over-indebtedness.

Touching on the budget, I would like to thank you for your contributions, noting that the final 2019 budget proposal naturally builds on earlier discussions held during the September Board.

The proposal reflects a zero real growth and a 9 per cent efficiency ratio of programme of loans and grants to administrative budget. This ratio, to my knowledge, is the lowest IFAD has ever achieved. While it may be a challenge to maintain this low ratio level in the future, it indicates our commitment to a budget process that is more focused on priorities, quality of delivery, efficiencies and, of course, key performance indicators (KPIs).

The year 2019 will be a year of consolidation and implementation of reforms and preparatory work in prelude to the IFAD12 Consultation.

In 2019 we aim to deliver a programme of loans and grants of around \$1.7 billion, in comparison to \$1.2 billion in 2018 and \$1.3 billion in 2017.

In 2019, we will also initiate the credit rating process and the results will be submitted to the IFAD12 Consultation in 2020.

A strong credit rating will allow us to borrow at better terms from leading financial institutions such as KfW, or Agence Française de Développement, or eventually on capital markets. By doing so, we will be able to offer better lending terms to our borrowing countries.

Let us remember that financial instruments are not an end in themselves; they are means to achieve greater impact in the field. I recognize that leveraging additional resources, through debt or the private sector, comes with risks – particularly the risk of mission drift. Recognizing this risk is the first step towards prevention. I would call on each and every one of us to reiterate the overarching DEVELOPMENT mandate of IFAD. To be sure, the implementation of all our initiatives will embed safeguards against any risk of mission drift. Let us be clear: mission drift would equate to failure, would mean betraying the trust of most, if not all Member States, and of the smallholders we serve.

Yet we remain convinced that a strong credit rating, coupled with appropriate leveraging strategies, would allow IFAD to direct a greater portion of its core resources to low-income countries while offering an increased volume of loans to middle-income countries, especially those in the upper tranche. All these, together with differentiated financial products and financing terms tailored to the country will enable us to offer a greater mix of lending and non-lending support to all our borrowing Member States.

The goal is not to have Member States stop borrowing but rather for Member States to become, progressively, net contributors – that is, to reach a level of contributions to core resources in excess of their borrowing.

We have also presented a proposal for amendments to IFAD's basic legal texts. These changes would allow IFAD to invest in the ABC Fund, as a strong demonstration of the importance we attach to it. I remain convinced that it will be important for the Board to approve the proposed amendments, subject of course to the approval of the Private Sector Strategy in May 2019.

I look forward to a very fruitful discussion on all agenda items, including those not touched on in these preliminary remarks.

Thank you all.