

Document: EB 2018/125/R.21
Item: 5(b)(i)
Date: 31 October 2018
Distribution: Public
Original: English

E



Minutes of the Fourth Meeting of the Working Group on the Transition Framework

Note to Executive Board representatives

Focal points:

Technical questions:

Ruth Farrant
Director
Financial Management Services Division
Tel.: +39 06 5459 2281
e-mail: r.farrant@ifad.org

Jill Armstrong
Director, a.i.
Operational Policy and Results Division
Tel.: +39 06 5459 2324
e-mail: j.armstrong@ifad.org

Lisandro Martin
Director
West and Central Africa Division
Tel.: +39 06 5459 2388
e-mail: lisandro.martin@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Chief
Governing Bodies
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

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

For: Information

Minutes of the Fourth Meeting of the Working Group on the Transition Framework

1. The fourth meeting of the Working Group on the Transition Framework (TFWG) was held on 20 September 2018; the discussions are summarized in this document.
2. As approved by the Working Group members, the minutes will be shared with the Executive Board at its next session and will serve as the basis for the Chairperson's oral report.

Agenda item 1: Opening of the meeting

3. Participants included Working Group members from Argentina (Chair), France, Germany, India, Italy, Kuwait and the United Kingdom. Executive Board observers from China, Dominican Republic, Mexico and Bolivarian Republic of Venezuela were also present. IFAD was represented by the Associate Vice-President, Programme Management Department; the Associate Vice-President, Chief Financial Officer and Chief Controller, Financial Operations Department; the Director, Financial Management Services Division; the Director, West and Central Africa Division, the Acting Director, Sustainable Production, Markets and Institutions and Acting Director, Operational Policy and Results Division; the Acting Secretary of IFAD; and other staff.

Agenda item 2: Adoption of the agenda

4. The provisional agenda, document TFWG 2018/4/W.P.1, contained seven items: (i) Opening of the meeting; (ii) Adoption of the agenda; (iii) Terms of Reference of the TFWG: (a) IFAD's proposal for piloting results-based lending, (b) Draft revised procedures for country strategies, and (c) Status of reimbursable technical assistance and the way forward; (iv) Transition Framework – draft document; (v) Presentation by Management on the transformation of IFAD's business model and financial architecture; (vi) Minutes of the Third Meeting of the Transition Framework Working Group; and (vii) Other business.
5. The Working Group adopted the agenda, noting, as advised by the Chair, that the minutes of the third meeting (agenda item (vi)) had already been approved by the Working Group and presented to the 124th session of the Executive Board, and therefore did not require further discussion at the meeting. In addition, the Working Group agreed to changing the order of certain items, thus item (v) would be considered before item (iii), as proposed by Management; and item (iii(b)) would be considered before item (iii(a)), as requested by a member. This re-ordering did not entail a formal revision to the agenda.

Agenda item 5: Presentation by Management on the transformation of IFAD's business model and financial architecture

6. A quick question-and-answer session was held since the presentation had already been given multiple times by Management in other fora as well as the 124th session of the Board.
7. Clarification was sought regarding the work being done on the internal control framework; specifically on how the minimum controls to be applied by IFAD would involve governments and whether there would be an opportunity to improve project performance through synergies.
8. It was clarified that the topic in question related to the corporate internal control framework for which work had only recently begun and was still at the strategy phase. Management expressed its willingness to provide further details towards the middle of 2019, once activities were under way. It was also highlighted that the framework was for implementation at the corporate level, since a well-developed risk-based framework already existed for project financial management. The process at the project level was summarized.

Agenda item 3: Terms of Reference of the TFWG

(b) Draft revised procedures for country strategies (Terms of Reference, paragraph 7(iv))

9. Members welcomed Management's presentation, which addressed: (i) new elements to be covered in country strategic opportunities programmes (COSOPs), namely, fragility assessments, scenario analyses, cofinancing targets, and strategic integration of non-lending activities; (ii) the COSOP lifecycle and review process; and (iii) differences between COSOPs and country strategy notes (CSNs).
10. Regarding the new elements of the COSOP, it was clarified that fragility assessments would be provided in an annex to the COSOP document. Members especially appreciated how the scenario analyses would help understand potential changes in country contexts and therefore lead to a re-assessment of the COSOP's relevance over time.
11. It was underlined that the COSOP would be aligned with other development frameworks, especially the United Nations Development Assistance Frameworks (UNDAFs). If necessary, COSOP timelines would be harmonized with those of UNDAFs alignment of timelines in cases of UNDAFs being under preparation would be ensured, if needed, through a CSN to bridge the timing gap. Members noted that alignment should also be sought with the country strategies of international financial institutions (IFIs) where possible.
12. Members emphasized the need for an annual review, given that the COSOP would be a living document. It was clarified that an in-depth COSOP results review (CRR) would take place every two years, and an annual status update would be undertaken as part of the portfolio review process. Furthermore, should country conditions and priorities change significantly, leading to misalignment of the COSOP, the CRR could recommend the design of a completely new COSOP.
13. Members noted that informal COSOP seminars would be more useful if scheduled earlier than had been the case previously to allow time for the integration of feedback into the document presented to the Executive Board. Additionally, it was agreed that the COSOP pipeline would be communicated to all members. This would enable them to work through their own channels to strengthen partnerships and mobilize resources within the country.
14. The distinctions between COSOPs and CSNs were clarified, including their period of validity. COSOPs would normally have a length of between three to six years, with a possible extension of a maximum of three years, where no change in country priorities or strategy was foreseen. CSNs would be used for fragile and vulnerable situations, including during election periods. They would be applicable for a maximum of two years. In the context of alignment with other United Nations agencies and IFIs, it was agreed that where possible, IFAD would use CSNs in the short-term, and a full COSOP would be prepared once assessments had been undertaken. The allocation threshold for countries operating with a CSN had been lifted.
15. Taking into account the observations raised by members, the document was endorsed.
 - (a) IFAD's proposal for piloting results-based lending (Terms of Reference, paragraph 7(iii))
16. Management presented the proposal in document TFWG 2018/4/W.P.2 which included feedback provided by members at the previous meeting. Members appreciated the incorporation into the document of issues emerging from previous discussions.
17. The importance of this tool being demand-driven and voluntary was again underlined. Similarly members highlighted the importance of undertaking a

thorough assessment of the appropriateness of the tool with respect to the development solutions envisaged and its suitability to country conditions, in order to maximize the probability of success of the pilots.

18. Members further highlighted the importance of jointly designed and agreed upon disbursement-linked indicators (DLIs) to avoid conflicts during implementation. They requested that the document be updated to reflect that clear guidance would be provided for preparing well-designed DLIs to ensure a common understanding of the targets to be reached and the payment modalities so as to minimize the risk of non-disbursement by the operation.
 19. It was clarified that each of the regional divisions' proposals would be assessed on a case-by-case basis, also leveraging lessons from IFIs and the criteria applied by them, and with the support of senior consultants. Furthermore, it was clarified that IFAD proposed to pilot a spectrum of results-based lending, which would include one or two components of a loan investment project designed with DLIs.
 20. The importance of partnering with IFIs for programmatic results-based lending was underlined, recognizing the novelty of the instrument and the additional efforts needed to design such operations. In terms of capacity-building for implementing governments, the proposal included the possibility of advance funding in specific cases if so foreseen in the project/programme design.
 21. In terms of country demand, Management informed the Working Group that conversations were ongoing with several countries. It was also noted that, since in the case of programmatic RBL IFAD is proposing to cofinance larger operations initiated by other IFIs, the possibilities are limited to the pipeline of such operations, which are to a certain extent limited, considering that the instrument was used more in the health and education sectors.
 22. The document was endorsed, taking into account members' observations.
 - (c) Status of reimbursable technical assistance and the way forward (Terms of Reference, paragraph 7(v))
 23. Management gave a brief presentation on the work done by IFAD until now on reimbursable technical assistance, and emphasized its critical role in the resource allocation and resource utilization aspects of IFAD's new business model. Additionally, the benchmarking exercise being undertaken against other institutions including the Food and Agricultural Organization of the United Nations and IFIs was summarized.
 24. It was highlighted that IFAD's comparative advantage over other institutions needed to be more evident, pointing out that although some Member States were familiar with the Fund and its work, many national entities were not.
 25. Some members reiterated the importance of making documents available to the Working Group well in advance of the meetings. It was agreed that Management would prepare a document to be considered at the next meeting on 8 October, with a view to completing the tasks set for the Working Group under its Terms of Reference.
- Agenda item 4: Transition Framework – draft document
26. The Working Group thanked Management for the revisions to the document which had been resubmitted, incorporating comments provided at a previous meeting and on the Member States Interactive Platform.
 27. It was emphasized that the document needed to be simplified and streamlined. Furthermore, the importance of dialogue needed to be highlighted, especially between Management and countries in transition.
 28. Some members queried the inclusion of activities that related to topics beyond 2018 and potentially beyond the scope of the Working Group. It was agreed that

the way forward would be discussed at the last meeting on 29 October, where members would decide, inter alia, whether to include reference to the scope of work to be carried out beyond 2018.

Agenda item 7: Other business

29. There was no other business for discussion at the meeting.