

Document: EB 2019/127/INF.5
Date: 21 August 2019
Distribution: Public
Original: English

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Investing in rural people

Report of the Proceedings of the Fifth Retreat of the IFAD Executive Board

Note to Executive Board representatives

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Executive Board — 127th Session
Rome, 10-12 September 2019

For: Information

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Report of the Proceedings of the Fifth Retreat of the IFAD Executive Board

I. Summary of retreat outcomes

1. The fifth annual retreat of the Executive Board of IFAD took place from 6 to 8 May 2019, at Hotel Castel Vecchio, Rome. The retreat programme and the questionnaire distributed at the event are included as annexes I and II. The list of participants and a selection of photographs from the retreat are contained in appendices I and II.
2. The structure of the retreat included presentations from Management, the Independent Office of Evaluation of IFAD, and the governance consultant – Russell Reynolds, followed by focused discussions with Board representatives on the issues raised in the presentations. During the last session, representatives highlighted the key points arising from the retreat. This report provides a summary of the proceedings.
3. For ease of reference, the main action points arising from the retreat are presented below.

Table
Agreed actions arising from the retreat

<i>Issue</i>	<i>Agreed actions</i>
Debt Sustainability Framework (DSF)	<ul style="list-style-type: none"> • Prepare a clear roadmap outlining steps to facilitate reaching an Executive Board decision in December on the commonly agreed DSF strategy. • Prepare and share several alternatives/scenarios/options for a new DSF proposal, for discussion at a one-day informal retreat or seminar.
IFAD mission	<ul style="list-style-type: none"> • IFAD's core mission should remain unchanged: helping poor rural people to overcome poverty. • Future discussions should focus on the need to review IFAD's role within the global development context – for example, food security and food systems architecture in the context of the 2030 Agenda – and consider IFAD's positioning and relevance, identifying potential partners. • Prepare a comprehensive paper on the demand for IFAD products and services.
Grant window	<ul style="list-style-type: none"> • IFAD should define the mechanism in consultation with IFAD Country Offices (ICOs), and elucidate the governance modalities of the grant window (both the proposed Impact Fund and the Private Sector Window). • Refine the narrative for the Impact Fund: what is IFAD's value proposition; elucidate why a grant window is needed. • Provide detailed information on the management of the grant window: information flows, targets, expected results.
Leverage	<ul style="list-style-type: none"> • Representatives strongly supported preparations for credit rating together with the different scenarios. • Borrowing leverage with leverage ratio options of between 35 to 100 per cent to be explored. • Management was encouraged to conduct a clear analysis of demand, risks and impact; explore availability of capital from the bilateral sovereign lending agencies; and strengthen the capacity of IFAD staff to manage debt. • Organize an informal seminar on preparations for credit assessment.
Private sector	<ul style="list-style-type: none"> • There was overwhelming support for obtaining approval of the private sector strategy at the September Board session. • The Board would prepare to approve an investment in the Agribusiness Capital Fund (ABC Fund) on the second day of the September Board, subject to Board approval of the private sector strategy. • Internal capacity for working with the private sector also required strengthening.

4. Other key aspects discussed during the retreat and the follow-up actions include:
 - (a) Governance. Discussions took place mainly in closed session. The Board will continue to hold follow-up discussions on this topic.
 - (b) Corporate issues - aligning human resources management to IFAD 2.0. This could entail several actions such as: (i) flexibility in human resources management, (ii) rightsizing staffing level and skills mix; (iii) determining how to make the best of the United Nations-international financial institution (IFI) mix to attract specialized skillsets to the institution; (iv) revamping performance and talent management; and (v) creating an enabling environment for staff mobility.
 - (c) Communications. IFAD will work on a revamped communications and outreach strategy that will also include influencers and non-state actors.
5. The IFAD 2.0 document will be updated based on the discussions at the retreat as well as the resultant analyses and studies, and subsequently presented to the Board for review.
6. The detailed retreat discussions are contained in sections II to IV.

II. Day one

A. Opening

7. The Associate Vice-President (AVP), External Relations and Governance (ERG), welcomed participants to the retreat and introduced the facilitator, Bob Wright. Mr Wright noted that the retreat was an opportunity to reflect in an informal setting on progress made since the third retreat in 2017, and to hold conversations around processes and strategic issues of importance to the Board.
8. The President of IFAD also welcomed the Executive Board representatives, expressing his appreciation for the Board's positive relationship with Management. He saw the retreat as a means to further build on that relationship. Management was seeking a sense of direction for IFAD and required Board input on various issues:
 - (a) Borrowing. How to use official development assistance (ODA) as leverage to incentivize alternative sources of funding to further IFAD's core mandate. Is borrowing, both from the market and other sources, feasible? What are the absolute boundaries that should not be crossed in exploring the borrowing option?
 - (b) Private sector engagement. Focusing on resource mobilization rather than utilization for the time being, what should the leveraging strategy look like? How can IFAD best use public funding to leverage resources from the private sector?
 - (c) Debt Sustainability Framework. What should the next steps be in order to arrive at a decision in December 2019? Management sought the Board's assistance in conducting the discussion on the core issues at the level of political economy and finding a long-term solution to the DSF shortfall.
 - (d) Impact fund. This is the new proposed grant window for those countries ranked at the bottom of the report on the State of Food Security and Nutrition in the World (SOFI) - countries struggling with climate adaptation and facing fragility, which are most likely to be eligible for DSF funding as well.
 - (e) Governance. What is the low-hanging fruit – actions that can be taken in the short term to enhance the governance aspect – and what are the key long-term issues?

9. The President noted that in order to deliver on Sustainable Development Goal (SDG) 2 – Zero Hunger – particularly targets 2.3¹ and 2.4,² Management would need clarity on how to proceed. He also briefly introduced the issues the IFAD 2.0 paper sought to address.
10. With agriculture accounting for only 5 per cent of ODA, Management sought a realistic view of expected growth through upcoming replenishments. The 6 per cent growth previously forecast had been halved to 3 per cent, and it was possible that the Eleventh Replenishment of IFAD's Resources (IFAD11) target of US\$1.2 billion might not be achieved. Much attention had been given to leveraging ODA and incentivizing additional sources of financing for IFAD's core mandate.

B. Morning session: "The State of the Institution": Taking stock of internal and external challenges – Delivering results and impact

Presentation by the AVP, Programme Management Department (PMD) in collaboration with all senior Management

11. The AVP, PMD described the opportunities and challenges framing discussions about IFAD2.0. Through the Operational Results Management System, data were now available on 90 per cent of IFAD projects. The Fund was trying to improve operational impact amid external challenges such as: (i) increasing food insecurity in all regions; (ii) plateauing resource availability; (iii) a tougher operating context; and (iv) the growing impact of climate change. Total resources needed to meet SDG 2 were estimated at US\$160 billion per year.

Discussion

12. The participants expressed their appreciation for the concise and informative summary of the current state of affairs, and noted the importance of making such presentations on a regular basis, ideally every six to eight months. They welcomed the Fund's improved project management, but noted that improvements had been slow and requested more detailed evidence on improvement trends. They also flagged the need to communicate IFAD's performance better in order to mobilize core resources. For example, the Multilateral Organization Performance Assessment Network (MOPAN) assessment on IFAD was excellent and should be used to tell a compelling story.
13. IFAD's comparative advantages over other development and finance organizations included: (i) its convening power as a platform for the inclusion of other actors; (ii) access to small-scale producers to bring the poorest of the poor to markets; and (iii) the ability to build the capacities of farmers' organizations. Recognizing the increasing competition for resources, IFAD needed to hone its strategy and messaging regarding these advantages, maximize economies of scale, improve project design and management, understand local contexts and attract top talent – thereby gaining the trust of donors in order to mobilize more resources.
14. Representatives suggested that IFAD's risk appetite and strategy for dealing with problem projects should reflect the difficult contexts in which it operates. They recommended that the Rome-based agencies (RBAs) and partners such as the CGIAR join up to map how each one operates within this space and how they can best work together.

¹ By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

² By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

15. Management reiterated the importance of looking at robust performance data across IFAD's entire portfolio, and committed to provide more details on trends in the next Report on IFAD's Development Effectiveness. The Proactivity Index reflected the fact that teams were more proactive with problem projects, but governments also needed to be brought on board. As average project size increased, cofinancing partnerships were critical to enhance project influence and impact.
16. As IFAD undergoes a transformation to a new business model and financial architecture, new skillsets are needed. Representatives asked about IFAD's plans to develop or acquire new human resources, and to introduce a new culture of results. Management was trying to develop a more attractive value proposition while recognizing the need to redevelop current staff skills. A revamped talent management framework, including enhanced performance management, would nurture a more motivated workforce focused on results. Management was also developing new communication and outreach strategies to work more closely with academia, the private sector and other actors.
17. While IFAD enjoyed the advantages of being a small, agile and efficient organization with deep experience, it needed to better explain its focus on the rural economy. In its expanding role as an assembler of development financing, the Fund would need to work with development banks, the private sector and foundations in addition to the RBAs and other organizations. These relationships would be elaborated in the forthcoming partnership strategy.

C. Afternoon session: Towards a Shared Vision of IFAD 2.0
Presentation by the AVP, Strategy and Knowledge Department (SKD)

18. The AVP, SKD provided a brief overview of IFAD's mission to connect poor rural people with productive pathways out of poverty. Key highlights from the presentation are as follows:
 - (a) IFAD 2.0 was born out of the need to achieve SDG 2, amid stalled progress in food security due to conflict, extreme weather shocks and economic slowdowns worldwide. IFAD 2.0 was designed to address these challenges through the programme of loans and grants (PoLG), the Impact Fund (for working through agile and responsive NGOs); and the Private Sector Window.
 - (b) By 2030, IFAD aimed to double the PoLG through core replenishments and solve the DSF issue. This would require a robust financial architecture, focused mission and tailored approach to financial products. The envisaged financial architecture would include a performance-based allocation system (PBAS) with revised terms and a risk mechanism for ordinary term lending.
 - (c) At IFAD, an Impact Fund would provide targeted grants for proven interventions with experienced partners to address food insecurity, combining short-term "quick wins" with long-term systemic change. An accountability framework would ensure results and a steering committee would represent all donors. This would be a more direct and agile delivery mechanism than loans, which take a long time to initiate at the country level. This was different from special funds like the Global Alliance for Vaccines and Immunization that were designed to address short-term problems, but could not achieve long-term systemic change.
 - (d) The Private Sector Window would focus on the "missing middle" (between food producers receiving microfinance and those funded by IFIs to crowd in investment. A financing model similar to the Impact Fund could support a host of potential initiatives in consultation with governments. Together, the Impact Fund and Private Sector Window could help small-scale producers overcome constraints to reach larger markets, and create synergies by

bringing all the actors together – including the governments that make policies to ensure sustainability.

Discussion

19. Representatives sought clarification on the nature and workings of the Impact Fund and the Private Sector Window, the potential for mobilizing cofinancing, IFAD's internal capacity to deliver through these mechanisms and the relationship between steering committees and the Executive Board.
20. Representatives mentioned the crowded field of organizations seeking private sector financing, and their mixed results.
21. The issue of governance was also raised given the diverse actors involved in the Impact Fund and Private Sector Window.
22. Board representatives were eager to engage with the Office of the Secretary in working through these issues, and requested more data and options to support these discussions. They also recommended tapping into other RBAs' expertise, particularly on the Impact Fund.
23. Management responded that country directors were working at the national level on intervention packages. Management was seeking to give them an expanded portfolio of options and a broader set of tools to engage with governments and other partners. Management agreed that the relationship between the Board and fund steering committees required further discussion. While the DSF issue needed to be addressed, the Impact Fund and Private Sector Window remained viable since they would be excluded from the PoLG.
24. Management had already engaged with partners that were seeking to make systematic change, but such partners were challenged in engaging with governments due to the short-term nature of their projects. Since IFAD possessed a wealth of technical expertise, it was well suited to bridge this gap. While there were still many details to define, Management was seeking the Board's feedback regarding whether to move forward. The Board and Governing Council would continue to have a guiding role in the direction of these funds. Steering committees would give co-founders a seat at the table at the operational level. With direction from the Board, Management would gather more data and come back to the Board to reflect on implications for IFAD's internal capacity.
25. The President reiterated IFAD's commitment to achieving results in an environment of stagnating ODA: a more agile approach was required, particularly to address fragility and climate adaptation. He expressed his concern that doing nothing could lead to a humanitarian crisis. Having identified IFAD's comparative advantages among comparator organizations, Management realized that IFAD had to diversify its resource mobilization through new collaborations. Given the flexibility and resilience IFAD has shown in developing new approaches, doubling the resources in this way could more than double its impact.
26. Board representatives welcomed Management's clarifications on IFAD 2.0 and requested evidence-based documentation on the Fund's vision and narrative, and donors' appetite for funding its implementation. Based on experience from piloting this initiative, it could be refined to ensure that the three mechanisms of PoLG, the Impact Fund and the Private Sector Window were complementary and allowed IFAD to fulfill its mission.
27. Board representatives sought opportunities for additional dialogue on:
 - (i) resourcing; (ii) cofinancing; (iii) coordination with the private sector;
 - (iv) governance issues (including NGO selection, avoiding conflicts of interest and transparency); (v) IFAD's comparative advantage as a convener of financing; and
 - (vi) the relationship between the Board and steering committees. Based on this

information, Board representatives and Management could develop a shared vision to ensure the Fund's future sustainability.

D. Debt Sustainability Framework

Presentation by the AVP, (FOD)

28. The AVP, FOD highlighted that if IFAD were to continue with the same PoLG it would not be sustainable in the future given mounting DSF shortfalls. Management thus sought the Board's input regarding the options for addressing the DSF issue.

Discussion

29. Board representatives agreed that the DSF was critical to the Fund's sustainability and requested additional information so that Member States could make decisions regarding the next replenishment. Questions included how the PBAS would be structured and what the outcome would be if changes proposed by Management were not adopted.
30. Management explained that contributions had plateaued for the most recent replenishment: IFAD still had solid equity but a reliance on replenishments and lack of diversification implied major funding risks. These risks were compounded by an under-funded DSF (the current DSF approval after IFAD11 stood at 2.5 billion, but only 40 million had been reimbursed). In addition, IFAD's concessionality leaned heavily towards more concessional loans, and pricing was not based on the cost of money but rather on the pricing structures of other IFIs. While other IFIs also struggled with DSF, IFAD had less flexibility because it did not receive income from a bank (as did, for example, the African Development Fund). However, with low leverage compared to other financial institutions, the Fund had room to expand.
31. At the same time, borrowers' debt distress was worsening. The challenge was to make these countries (and IFAD) sustainable without adding to their debt burden. Options presented in the past included: super highly concessional loans; enhanced eligibility criteria; accelerated compensation; different financing mechanisms; and making DSF compensation binding or having no DSF at all (and relying on grants for high-distress countries).
32. In the political dimension, representatives asked how IFAD could create the greatest development impact and what constituted a sustainable DSF size (that did not add to countries' debt burden). Management aimed to start with a minimum replenishment level for the DSF that was affordable and – with the Board's collaboration – determine the appropriate level of concessionality.
33. Questions along the financial dimension included how Member States should pay outstanding amounts (through grant windows, ex ante, or otherwise) and the consequences of not doing so. Options included: changing which countries were responsible for reimbursing DSF; having a separate facility to pre-fund DSF; changing the reimbursement and forgone interest rates; accelerating the payment of approved DSF; decreasing the reimbursement window; making the mechanism legally binding; and introducing punitive measures for countries that failed to reimburse. Management proposed the option of providing the funds ex ante and sought the Board's guidance on creating a sustainable DSF size.
34. Member States also sought clarification regarding: the differentiation between DSF expenses and reflows; what concessionality category different countries would fall into; and how other multilateral development banks (MDBs) are dealing with this issue. An in-depth discussion of how the DSF could support IFAD's strategy was to take place the following day.
35. In response to a query from the President on the options they viewed as most viable, Board representatives requested a set of possible scenarios including assumptions and risks. Representatives indicated that sustaining the 90 per cent of core resources dedicated to low-income countries (LICs) and lower middle-income

countries (LMICS) was an ambitious goal in this changing context; IFAD would need to be creative and realistic about the outcomes of each replenishment. The instrument must be flexible enough to adapt to any possible replenishment outcome. This might involve adjusting IFAD's business model and changing the focus of grant window to reduce overlap. Representatives recommended that Management conduct additional analysis of DSF countries before taking action.

36. The President reiterated the need to dissociate past DSF balances from new contributions. Other MDBs have legally binding agreements to ensure that countries deliver pledged contributions. He presented potential options for reducing overlap between DSF and the grant window, and mitigating the risk of unpaid DSF. However, there was also a need to incentivize fiscally disciplined countries to support DSF sustainability. Mindful of the need for flexibility given the unpredictability of each replenishment, Management would provide different scenarios to the Board for guidance on the best way forward. Given its global mandate, IFAD served a higher proportion of countries in high debt distress than other regional MDBs, and emphasized building national financial capacity and structures to drive development outcomes. The Fund was a pioneer in addressing this issue as an international development institution not connected to a bank.
37. At the close of the session, Board representatives and Management expressed their common focus on ensuring a favourable credit rating for IFAD. Since mounting unpaid DSF would impact IFAD's long-term sustainability, there was an agreed need to review previous commitments while finding a solution for covering these debts; clear data would be required for informed decision-making.

E. Conversation with the Director, Independent Office of Evaluation of IFAD (IOE), and presentation

Overview of recent evaluation initiatives: Reflections on the peer review
A perspective on the mission of the Evaluation Committee

38. In his presentation, the Director of IOE highlighted the following:
- (a) IFAD evaluation data included findings from: (i) the 2018 Annual Report on Results and Impact of IFAD Operations (ARRI); (ii) the corporate-level evaluation (CLE) on IFAD's financial architecture; and (iii) the external peer review of the evaluation function.
 - (b) For the past 17 years, the ARRI had presented IFAD's aggregate performance, drawing on a database of IOE evaluations. IFAD rated its performance on a scale from 1 to 6: ratings above 4 were considered good performance. While IFAD's performance had surpassed targets in several areas, it had plateaued in terms of efficiency and sustainability of benefits.
 - (c) Factors affecting trends in ratings included: (i) the introduction of an IOE Evaluation Manual, including rigorous criteria for assessing performance; (ii) an increased PoLG with nearly flat administrative budget growth; (iii) a decrease in the average budget allocated to project design, supervision and implementation support; (iv) the inclusion of sustainability in the composite indicator of project performance; and (v) declining performance of government partners. As ARRI recommendations covered the previous year, they did not take into account many concerted efforts throughout the project cycle (which averages 6.9 years).
 - (d) The CLE on IFAD's financial architecture indicated that the PBAS was a transparent and efficient system but did not reflect the prevalence of poverty in upper middle income countries (UMICs). In addition, the current internal and external oversight system was adequate for a low-risk environment but needed revisiting if borrowing increased. The most striking finding regarded IFAD's lack of financial sustainability in the long term. Systematic net losses

would lead to erosion of the capital base. The CLE recommended improving IFAD's financial sustainability. One of the recommended actions was to adjust the DSF compensation framework to reduce uncertainty. This may also contribute to the credit rating process. The CLE also recommended that IFAD provide a wider range of financial products and revise its financial allocation system (borrowing at a lower cost than lending rates). Finally, it recommended preparatory work to access capital markets and strengthen financial governance.

- (e) The second external peer review of IFAD's evaluation function was a follow-up to the 2009 peer review, and would be presented to the Board in September. This review focused on the Evaluation Committee's role and on ensuring that evaluations were independent, credible and useful to Member States.

Discussion

39. Board representatives stated that they count on IOE to indicate areas for improvement in IFAD's performance and inquired when they should begin to worry about downward trends. Representatives also asked questions regarding: (i) how gender empowerment outcomes can be improved; (ii) key factors driving performance results; (iii) the credibility of MOPAN findings given that some differ from IOE findings; (iv) which findings should inform IFAD's new direction; and (v) whether the ARRI remains relevant to evaluate IFAD's performance. More specific information would enable the Board to assist the Fund in working more efficiently.
40. IOE responded by highlighting IFAD's efforts towards gender equality and women's empowerment, indicating that Management has made important efforts to ensure that projects were rated satisfactory on gender. A new generation of projects not only addressed how many women participated, but also how transformative projects were in empowering women to access assets, to participate in decision-making and to relieve their workloads. Although there was still room for improvement, the enhanced understanding of what empowers women was a huge gain. Based on this successful lesson, IFAD was making similar efforts to mainstream climate change.
41. MOPAN assessments were deemed useful to avoid duplication. They had determined that IFAD had the institutional capacity and systems in place to perform, but concluded that evidence generated by self-evaluation system was not being used to inform new projects. Key factors driving performance included targeting and efficiency (keeping in mind that IFAD works in remote areas and relies on reflows); these would continue to be important and the Board's guidance would be required to address the challenges.
42. Peer review findings included a proposal to transform the Evaluation Committee into a committee on development effectiveness. IOE is of the view that there is an opportunity to discuss issues related to self-evaluation without changing the name of the Evaluation Committee or compromising its mandate and the important role it plays in ensuring checks and balances.
43. The importance of the ARRI in accounting for IFAD's aggregate performance was stressed. Measuring aggregate performance was critical, but could be adjusted to meet emerging needs (i.e. stronger ARRIs at the end of each replenishment).

III. Day two

A. Morning session: Leverage

Presentation by the AVP, Financial Operations Department (FOD)

44. The AVP, FOD explained leverage at IFAD as one component of a bigger picture. In the current ODA context, innovative means would be needed to assist countries in achieving SDG 2. To date, IFAD had operated only through liquidity, but there was a clear need to do more with its current capital in order to be efficient and sustainable while giving maximum support to LICs and managing risk.
45. Previously, replenishment growth had been estimated at 6 per cent. Currently, Management assumed only 3 per cent growth (less than inflation in real terms). It was recognized that leverage could not substitute replenishment, but a frank discussion of leverage with the Board would help Management determine what kind of institution IFAD would be in the future. The discussion needed to consider: (i) the current situation; (ii) the consequences and risks of leverage; (iii) steps to obtain the desired leverage; and (iv) the outcomes in five to ten years with different options. Some of the variables included pricing, PoLG size and the trajectory of debt accumulation. In this context, IFAD could either continue with the current sovereign borrowing framework or be allowed higher-risk debt (above the current 35 per cent limit of debt versus equity) to reach approximately 75 per cent leverage in next 10 years. The Board's guidance was requested to determine how such an increase would be structured and the resulting debt ceiling.

Discussion

46. In response to Board queries regarding how IFAD's equity compared to that of the MDBs, the President clarified that as at other IFIs such as the International Development Association (IDA), IFAD replenishment funds were considered equity, and borrowing would be built on that foundation. Board representatives responded that Member State governments did not provide replenishments to remain on IFAD's books as equity, but for expenditures in implementing projects, and requested that equity at IFAD be redefined. Before providing a response on increasing debt, the Board required more information on the borrowing conditions and risks involved.
47. Management noted that the proposed IFAD2.0 financial model represents one possible scenario. In order to determine the best course of action, agreement was needed on the DSF, choice of borrowing (public or private), trajectory of debt and allocation of debt (i.e. concessionality terms different from the PBAS to account for credit risk). For example, at other IFIs, "green" LICs are eligible to borrow funds, especially for infrastructure; "red" countries would be excluded from borrowing under this new system. At a later stage, a decision would be needed on whether there should be a mix of public and private financing.
48. A new borrowing framework would change the PoLG composition: all borrowed funding would go into ordinary lending and additional money coming in would be channelled into concessionality and other funding mechanisms for LICs and LMICs to support as many borrowers as possible. First, however, decisions were needed on how much debt would be viable for IFAD and a trajectory for increasing the size of such debt over time.
49. The Board appreciated this clear presentation of the decisions to be made. The viability of increasing leverage would be decided in the credit rating exercise, which would determine the cost at which IFAD would access funds. However, a precise estimate of potential demand for this kind of leveraged capital was needed. In addition, a supply-side estimate was needed of how much funding was available within the sovereign debt framework before IFAD was required to seek additional leverage on the market.

50. Board representatives sought more clarity on: (i) where funds received from borrowing would be transferred to internally; (ii) the risks to IFAD regarding debt repayment; and (iii) which parties (i.e. sovereign debt providers or bond holders) would be repaid first. They pointed out that while IFAD's financing should focus on LICs and LMICs, most borrowed money would go to UMICs; in their view, this could constrain funding and remove flexibility, since sovereign lenders needed to be repaid. Board representatives also queried whether increasing concessional loans to LICs and LMICs would run counter to IFAD's mission of focusing on the poorest of the poor.
51. Management responded that if no change to IFAD's lending framework is agreed upon within the current ODA environment, there would be a significant impact on IFAD's operations within three to four years. With US\$500 million in debt accrued per replenishment, IFAD's mission could not be sustained with ODA or sovereign borrowing alone. In order to achieve a positive credit rating, agreement was needed on how to move forward. Then IFAD could approach borrowers and diversify its product offering further in the future if needed. To achieve consensus on this issue with the Board, Management would provide further explanation on which type of financing would be provided to which countries and, when the financing cannot be absorbed, where reallocations would be directed. A payback scheme would be developed in line with that of IDA.
52. The President outlined next steps, including studies of supply and demand for leveraged funds, as well as the risks involved. He agreed with the Board on the need to build consensus on a critical point at which the risk of "mission creep" became too great. Board representatives reiterated the continuing need to focus on LICs as well as LMICs to support rural transformation and achieve the SDGs while ensuring the Fund's sustainability. Member States would provide more feedback on these proposed changes after receiving guidance from capitals. A paper clarifying demand for IFAD's resources would provide critical clarification to aid in decision-making.
53. The President concluded by underscoring IFAD's continuing support for LICs and thanked Board representatives for their valuable inputs. He asked the Board to reflect on the best means for IFAD to continue supporting rural poor people in a sustainable manner. Management would continue this conversation with the Board, moving forward in a systemic manner that included risk analysis.

B. Grant Window

Presentation by the AVP, Strategy and Knowledge Department (SKD), and the AVP, PMD

54. The Impact Fund for Food Security was presented to the Board as a means to progress towards SDG 2 amid country contexts of conflict and climate change. Many actors, including foundations, had already funded NGOs that delivered short-term results in this sphere; IFAD needed to engage these actors in order to drive sustainability at scale. Funded actions would address constraints (such as a lack of access to inputs) in LICs and LMICs while building countries' capacity to address them in the longer term. Of the countries listed as the most food insecure in the SOFI report, 66 per cent were also DSF countries; this mechanism could therefore contribute to solving the DSF issue as 60 per cent of DSF countries were also fragile and highly vulnerable to climate change.
55. Similar impact-driven funding had already been implemented in health and education. Success in the health sector was possible because of available datasets, complemented by efforts to increase investment. Similar attempts were being made in agriculture; however, a lack of data and clear indicators created challenges. To create systemic change, IFAD and its partners would need to focus on both short- and long-term constraints, and create complementarities with

governments and NGOs. Management was looking at data on these constraints and evidence of lessons learned from others' work on climate adaptation and women's empowerment. Much remained to be determined regarding the window's structure and thematic segmentation, but broadly it would complement IFAD's loans with objective-focused grants. Governments had noted the appeal of this package.

56. Implementing partners could include NGOs, United Nations agencies and other actors with technical capacity; they would be selected following a transparent process and their capacity further strengthened. Management had initiated dialogue with potential donors to assess demand. The window's broad funding base would include member contributions (parties that contributed would have voting rights) and would crowd in other funding sources. The Board would provide strategic guidance and a steering committee with active stakeholders and a subsidiary role to the Board.
57. The question remained whether to maintain the existing Adaptation for Smallholder Agriculture Programme (ASAP) or create an adaptation-focused grant window under this fund. The ambition was to fund it along the same lines as ASAP; the funding could then be adjusted depending on experience. IFAD already had the technical capacity and experience to make these kinds of investments. Staffing costs would equal 2 per cent of the global budget of the Fund, leveraging the existing field presence and that of potential partners.

Discussion

58. Board representatives expressed their thanks for the presentation, which provided insights into one component of IFAD2.0. Some questioned whether alternatives to this window existed and which institutions were doing the same kind of work. Clarification was requested on governance – especially the relationship among the Board, steering committee and implementing partners – and the selection of pilot countries. Other Board queries included: (i) whether civil society should be brought into the planning process; (ii) whether earmarking was workable in this scenario; (iii) how the fund would facilitate mainstreaming of cross-cutting issues such as climate and gender; and (iv) how quality would be assured given this window's rapid response time. Representatives looked forward to receiving more information regarding how this fund would work with a revised DSF and IFAD's existing partners.
59. Management stressed that while many NGOs are already engaged in impact-focused activities, no actor was consolidating funds in order to complement broader efforts at systematic change. Existing country-level programme analysis would be expanded to focus on leveraging additional partners (such as NGOs and civil society) to complement IFAD's expertise. As Management sought to avoid a proliferation of earmarking among many thematic areas, the focus would be on a few cross-cutting issues. Once grants were focused on these issues, mainstreaming of these themes would be strengthened and monitoring improved. Building on NGOs' experience, IFAD would ensure quality by taking actions proven to show impact.
60. Contributions to the Impact Fund would enable Member States to use the same formula for voting rights as for current concessional partner loans. Contributors other than Member States would not receive voting rights but may have a seat on the steering committee. Within the World Health Organization for example, the Board sets the overall high-level strategic direction of programmes while the steering committee ensures that strategic objectives are duly implemented. Dialogue with countries would be based on country strategic opportunities programme (COSOP) objectives, and focus on inclusion. In this way, the Impact Fund and PoLG could create synergies for scaling up. One potential scenario involved transforming the DSF into the Impact Fund.

61. Board representatives underscored the difficulty of implementing a fund for countries with high debt distress; eligibility criteria would be critical. More dialogue was sought about whether the Impact Fund would replace the DSF or work within an adjusted DSF mechanism. To avoid substitution risk, a mechanism was needed to ensure that resources were first directed to the core PoLG and then to this fund.
62. While IFAD had learned lessons from experience regarding governance through other funds, greater efforts were needed to mitigate risk. Given different approval and governance processes, and the timing of different funding windows, representatives requested more information on how synergies among them could be maintained. The Board also sought clarification on how this initiative would be linked to United Nations development reform and how IFAD could leverage the field experience of the World Food Programme (WFP).
63. Management committed to conduct more analysis of the issues raised. In countries with fragile situations, a long time frame was needed for IFIs to achieve results while vertical funds received short-term gains without effecting systemic change. While IFAD worked with governments over the long term to mitigate fragility, shorter-term actions could create important synergies. The Impact Fund would not be a separate entity but would complement core projects in order to relieve bottlenecks. Work was ongoing to align COSOPs with United Nations Development Assistance Framework and this would continue to be part of ongoing dialogue with countries.
64. The President closed the session by referencing the global food system architecture and the need to hone the Fund's narrative to highlight IFAD's comparative advantages. Interventions such as the Impact Fund should dovetail with those of humanitarian partners such as WFP. As the Impact Fund concept was developed further, there was a concurrent need to ensure that fund allocation prioritized DSF countries.

C. Afternoon session: IFAD Governance

Presentation by Russell Reynolds Associates

65. The AVP, PMD detailed IFAD's work with Russell Reynolds Associates on a survey around key governance issues.
66. The Russell Reynolds team thanked the Board for the invitation to support this review of its effectiveness. The team had surveyed Board representatives regarding their perceptions of the Board's work, and followed up with interviews to explore the issues in depth. They had also considered IFAD's structures against those of benchmark institutions. The team shared the findings of the survey.
 - (a) The review found the Board representatives to be at ease with each other and working well together, with a high level of interpersonal trust and desire to guide the organization. IFAD's President commanded their respect and they enjoyed a positive relationship with senior Management. However, there was room for improvement in the way Board meetings were used: the agenda was often overloaded, and meetings were long and arduous, with an insufficiently strategic focus. In addition, there was a lack of strategic alignment among Board representatives regarding strategy setting and oversight, and a lack of clarity about their interactions with Management. The composition of the Board, and especially its sub-committees, was constrained by technical capacity. Recommendations for the short term included: (i) focusing Board agendas on critical strategic matters; (ii) focusing conversations on strategic issues and avoiding operational details; and (iii) scheduling to structure interactions outside Board meetings to address operational matters.
 - (b) Board meeting materials had improved in quality and timeliness, but the Board wished to see greater improvement in timeliness and the structure of

templates. In order to stimulate substantive debate, an analytical framework and key questions for decision-making should be provided. A consistent approach was also needed to equip new Board representatives with information and set parameters for their work. This should include committee-specific inductions (keeping in mind that technical capacity and professional backgrounds vary). Professional development for Board representatives should include targeted briefings on matters of strategic importance.

- (c) In the medium term, the team recommended organizing operational discussions outside Board meetings. The Audit Committee received a high ranking on operations but could be further strengthened in technical and financial expertise. The Evaluation Committee's remit could be expanded to consider the overall development effectiveness of IFAD's portfolio and some current work of IOE. There was also scope for establishing a new committee on programmes to facilitate project approval and review. Longer-term changes could include a subcommittee or working group on governance, working with capitals on variations in Board composition and considering specific backgrounds in subcommittee composition.
- (d) Key areas of corporate governance best practice included: (i) oversight of strategic planning; (ii) reviewing strategic options; (iii) resourcing and talent needs; (iv) risk management and oversight; (v) approving the budget; (vi) succession planning (performance matrix); (vii) material transactions (instruments); (viii) oversight of financial plans; and (ix) major capital allocations. The Board was already undertaking many of these functions but some gaps remained. Finally, more work could be done to ensure that representatives had a chance to meet and engage outside Board meetings.

General discussion

- 67. The Board thanked the team for its presentation and queried the extent to which its recommendations were derived from the survey or from benchmarking. Representatives highlighted the difficulty of limiting discussions on operational matters to subsidiary bodies meetings, because such information was critical for making strategic decisions at the Board level. Regarding a change of focus for the Evaluation Committee and introduction of a new committee, representatives questioned how they would function. It was also noted that no representatives from the poorest countries sit on the Executive Board and some wondered how IFAD could truly serve poor countries without their representation.
- 68. The Russell Reynolds team responded that its recommendations were mainly derived from the survey and follow-up interviews; they had then looked at how other organizations dealt with these issues. The team stressed that focusing on future human capital needs should be a high priority for the Board in the long term, along with other issues of strategic importance.
- 69. Following the discussion, a closed session was held with Board representatives.

D. Implication on corporate services

Presentation by the AVP, Corporate Services Department (CSD)

- 70. The AVP, CSD shared Management's thoughts on how to make IFAD fit for purpose towards 2030 and beyond. The Directors of Human Resources and Information and Communications Technology also participated. Corporate services needed to be repositioned within IFAD's broader transformation, as highlighted in the presentation on IFAD2.0.
- 71. Decentralization had increased the percentage of field-based staff from 18 per cent to 28 per cent since 2017; this figure was expected to reach 30 per cent by the end of 2019. Staff from underrepresented countries had also increased from

39 per cent to 43 per cent. Women comprised 56.5 per cent of the workforce, but there was room for improvement at the P5 level and above (the percentage of women had increased from 24 per cent to 30 per cent against a target of 35 per cent).

72. In the latest Global Staff Survey, 80 per cent of staff reported that they were proud to work in IFAD; however, there was scope for improvement in areas such as: (i) confidence and trust in leadership; (ii) improving work-life balance; (iii) promotion and career development; and (iv) performance management. The Human Resources team was addressing recruitment challenges and the need to ensure that staff are fit for purpose through career development. They were also working on: (i) IFAD's value proposition to attract and retain specialized skills; (ii) restructuring the Human Resources Division; and (iii) designing an integrated talent management framework focused on performance management. These initiatives necessitated a revised human resources framework, particularly since a larger PoLG would mean additional recruitment. A holistic review of human resources would consider whether IFAD should remain within the International Civil Service Commission (ICSC) system.
73. In addition, IFAD's transformation called for enabling information technology and cyber security. Challenges included adapting existing IT systems to engage with new stakeholders across different funding windows. There was also a need to support increasingly sophisticated financial management tools and provide a platform for enhanced visibility. Research was ongoing on artificial intelligence (AI) and robotic process automation (RPA) for improved efficiency.
74. With 28 per cent of IFAD staff in field offices and travel and procurement services decentralized, there was a pressing need to ensure a healthy, safe and secure working environment for all, including in countries with fragile situations. To maximize efficiencies and in line with United Nations reform, IFAD continued to harmonize its in-country presence. Enhanced field support would include new delegation of authority supported by internal control framework. Regarding headquarters, discussions were under way with the Government of Italy on a common building for IFAD, WFP and other United Nations agencies. Management appreciated Italy's commitment to continue providing IFAD with a permanent seat.
75. Management was seeking a greater focus on the three-year efficiency ratio rather than annual growth in real budget and the Office of Strategic Budgeting had been revamped to achieve this. Any budget growth at IFAD would be at a low level compared to PoLG growth, and diversified sources of funding were being sought to cover administrative costs. Seed funding might be needed for resource mobilization. The goal was to flatten budget growth and use a cost-sharing formula for the administrative budget across all three windows, building on other IFIs' experiences. This would require a robust risk and internal control framework comprising strategic prioritization and results-based budgeting.

General discussion

76. Board representatives raised questions related to the ratio of consultants to full-time staff, and the benefits of engaging in the IFI system versus ICSC for salary and termination arrangements. The Board queried how Management had achieved an increase in the number of staff from underrepresented countries and what this representation was based on. Others asked about the plan to reach the target of 35 per cent women in P5 and above posts, and why this target was not higher. Representatives also requested more details on Management's plans to diversify the administrative budget and implement a new performance management system, mapping staff skillsets. Given the Fund's high vacancy rate, the Board sought information on how posts would be filled and what RPA would be used for.

77. Management responded that exploration of the IFI versus ICSC system had resulted from recruitment difficulties. Amid transformation and IFAD's new business model, the Fund required staff with experience in IFIs, but IFAD's salaries were too low to attract them. Management was assessing how to make IFAD more attractive financially, realizing that this has significant budget implications. A more agile approach was needed rather than a complete shift to the IFI system. IFAD is an observer to the ICSC; as such, it could make the best of both worlds. Although it was required to apply the ICSC salary scale, it could create variable elements of remuneration such as financial merit rewards. Regarding RPA, Management reported that upon the recent retirement of two general service staff, their tasks had been automated and the posts converted to professional positions in controllership, resulting in efficiency gains.
78. Gender parity at P5 remained challenging in the short term because of the existing staff gender balance. As more vacant positions opened and career development and succession planning improved, more opportunities would be created for female staff to advance. While gender parity had been achieved among directors, problems remained at the P5 level. More analysis of the barriers to women's career advancement was needed, and ways to empower them. The reasons for IFAD's high vacancy rate included an increase in the number of positions created through decentralization and reform. In addition, IFAD had transitioned from filling vacancies mainly through recruitment to prioritizing career mobility. A fit-for-purpose review would be concluded before some vacancies could be filled, and budgetary constraints necessitated putting other posts on hold. The vacancy rate was expected to gradually decrease as IFAD continued its transformation.
79. The Fund was striving not only for greater geographical representation but greater diversity of cultural heritage (beyond passport nationality). Strategies for increasing the representation of List B and C countries included: (i) ensuring the inclusion of at least one third in short lists; (ii) refusing short lists that did not include sufficient List B and C candidates; and (iii) engaging with Member States to ensure that posts were disseminated within countries. In addition, IFAD was shifting its focus from talent acquisition towards investing in internal talents. The performance management system was being redesigned to focus on staff development (forward rather than backward looking), and encourage ongoing dialogue between staff and supervisors. RPA of repetitive manual processes such as invoice processing, and financial processes and operations such as robotic processes for knowledge management in problem projects would be implemented. Management would assess potential efficiency gains from automation and ways to retrain staff.
80. The President added that from a management perspective, the difference between the ICSC and IFI systems went beyond the salary scale to encompass the entire managerial system. IFAD's management structure made it difficult to hire (including women managers) and fire, deal with poor performance, and reward exceptional performance. As a result, the high vacancy rate had increased the workloads of existing staff. But the drive to fill posts quickly needed to be balanced with gender and geographic diversity. Large variances in geographic representation existed among countries in all lists. Special efforts were being made to recruit from the most under-represented countries and empower women to take on management positions, but there was still a long way to go.
81. Board representatives asked what guidance and support the Office of the Secretary needed of them once performance management improvements and skills mapping had been completed. Management would prepare a proposal regarding the ICSC system for the Board's consideration.
82. At the end of the second day, Convenors together with the President agreed on the process to follow for the morning of the third day, to ensure that it provided a

synthesis of key follow-up actions and agreed points. It was agreed that five stations would be set up and both Board representatives and Management would go round and highlight the key points arising from the retreat.

IV. Day Three

A. The Way Forward

83. This session focused on key messages and possible next steps for both Management and the Board on the thematic areas discussed and on IFAD 2.0.
84. Board representatives were asked to reflect together on what they had learned from the various sessions and the issues covered. They recognized that IFAD needed to move ahead. Despite the risks involved in the proposed changes, maintaining the status quo was riskier.
85. The highest priority was to find a solution to the DSF. Although Management had put together an ambitious plan for the next few years, some questioned why IFAD was seeking to increase its PoLG in the current ODA context amid sizable competition. While more work was needed on these plans, a common vision was forming and substantive analysis was being done. Member States had expressed confidence that under the Board's guidance, IFAD would assemble the necessary data for informed decision-making.
86. As agreed with Convenors, five stations were set up, each focused on prioritizing options related to: (i) the DSF; (ii) IFAD's mission; (iii) the grant window; (iv) leverage; and (v) the private sector. Participants were asked to think about the benefits and concerns regarding each option, then identify potential next steps and report on top priorities. The results of this prioritization exercise are as follows.
 - (i) Station 1 – DSF: A clear roadmap was sought towards the December Board session, including steps to reach a financial decision on the commonly agreed DSF strategy. This paper should include several options and a formal session should be held. Management would:
 - Prepare a clear roadmap outlining steps to facilitate reaching a Board decision in December.
 - Prepare and share several alternatives/scenarios for discussion at a one-day informal retreat or seminar.
 - (ii) Station 2 – IFAD's Mission: There was broad consensus on IFAD's core mission. Future discussions should focus on the need to review IFAD's role within the global development architecture. Questions included whether the organization remained fit-for-purpose and whether it could deliver in the changing context. Recognizing the competition for resources, there was a need to consider the full range of countries and the importance of prioritization.
 - (iii) Station 3 – Grant window: Board representatives identified consultation with stakeholders and further analysis of governance as priorities. More information was needed on management, information flows and quality assurance. Representatives were satisfied with the definition of scope and mission, and were now interested in implementation.
 - Specify the details of the grant window mechanism, including consultation with ICOs, and elucidate the governance modalities
 - Provide detailed information on the management of the grant window: information flows, targets, expected results
 - (iv) Station 4 – Leverage: Preparations for a credit assessment would need to be combined with the preparation of scenarios at different levels. More

analysis was also required to present Board representatives with a clearer picture.

- Representatives strongly supported preparations for credit rating together with the different scenarios
 - Management was encouraged to conduct a clear analysis of demand, risks and impact, and to step up capacity strengthening for staff in managing debt.
- (v) Station 5 – Private sector: There was overwhelming support for obtaining approval of the private sector strategy at the September Board session. An informal seminar on this issue would be held in June. If approved on the first day, representatives were asked to consider approving an investment in the ABC Fund on the second day. Internal capacity for working with the private sector also required strengthening.

B. Wrapping up

87. The President thanked the facilitator for his innovative participation in this year's retreat. The discussions had been very focused and useful, and Board interventions rich – ultimately leading to that morning's interactive session, which had helped to set out a clear way forward. The discussions had made it clear that the DSF issue is the first priority. The next iteration of the DSF would be completed in the months to follow. Options included: (i) ending the DSF and moving to the Impact Fund or special purpose vehicle; or (ii) (based on Board feedback) an up-front mechanism. However, representatives were asked to reflect on additional options; Management would analyse the pros and cons of each, and a decision would be sought at the December Board session.
88. While there may never be universal agreement on these issues, it was critical to start working on them and to make adjustments as needed. Management would seek the Board's help in building consensus on a clear way forward. It was hoped that IFAD 2.1 would be submitted to the Board for review at its December session. Management would also prepare a proposal on performance management and making the most of the ICSC and IFI systems.
89. In response to the Global Staff Survey, each division had been asked to submit proposals, which were prioritized by all staff through an additional survey. The top 16 issues from the survey would be taken forward. The most pressing issue was staff development and promotion. Management was eager to continue listening to Board representatives' experiences and knowledge on this – the Board's feedback was critical for IFAD's future. The President closed the retreat by expressing his appreciation to colleagues in the Office of the Secretary and the External Relations and Governance Department, whose hard work had been instrumental in making the Board retreat a success.



Retreat agenda

Fifth Executive Board Retreat: A Conversation on the Road to IFAD 2.0

6-8 May 2019

Purpose: To further strengthen IFAD and its governance by bringing the IFAD Executive Board and senior Management together to:

- Reflect on a shared vision and road map for IFAD: The Way Forward (draft paper)
- Create a space for informal dialogue and exchanges
- Continue to build trust across the Lists and cultivate a productive working relationship among Board representatives, senior Management, and the Independent Office of Evaluation of IFAD

Provisional programme

Day 1

Monday, 6 May 2019

08.00	Departure from IFAD
09.00-09.30	Welcome coffee
09.30-09.45	Welcome remarks and logistics by the Associate Vice-President, External Relations and Governance Department
09.45-10.15	The Future of IFAD – Strategic Position: IFAD's Mission and SDG 2 <ul style="list-style-type: none"> • Introduction by the President
10.15-10.45	Coffee break
10.45-12.30	"The State of the Institution": Taking stock of internal and external challenges – Delivering results and impact <ul style="list-style-type: none"> • Presentation by the Associate Vice-President, Programme Management Department (in collaboration with all senior Management) • General debate
12.30-14.00	Luncheon

14.00-15.30	Towards a Shared Vision of IFAD 2.0 <ul style="list-style-type: none"> • Presentation by the Associate Vice-President, Strategy and Knowledge Department • General debate
15.30-15.45	Coffee break
15.45-17.15	Debt Sustainability Framework <ul style="list-style-type: none"> • Presentation by the Associate Vice-President, Financial Operations Department • General debate
17.15-17.30	Coffee break
17.30-18.30	Conversation with the Director, Independent Office of Evaluation of IFAD (IOE) and presentation on: <ul style="list-style-type: none"> • Overview of recent evaluation initiatives • Reflections on the peer review A perspective on the mission of the Evaluation Committee
18.30-19.00	Informal networking
19.30-21.30	Dinner (attended also by the Director, IOE)

Day 2

Tuesday, 7 May 2019

08.00-09.00	Breakfast
09.00-10.30	Leverage <ul style="list-style-type: none"> • Presentation by the Associate Vice-President, Financial Operations Department • General debate
10.30-11.00	Coffee break
11.00-12.30	Grant window <ul style="list-style-type: none"> • Presentation by the Associate Vice-President, Strategy and Knowledge Department and by the Associate Vice-President, Programme Management Department • General debate
12.30-14.00	Luncheon

14.00-14.30	IFAD Governance
	<ul style="list-style-type: none"> • Presentation by the Associate Vice-President, Programme Management Department and by Russell Reynolds Associates
14.30-15.30	<ul style="list-style-type: none"> • Discussion with Russell Reynolds Associates (without senior Management)
15.30-16.45	<ul style="list-style-type: none"> • General debate (including senior Management)
16.45-17.00	Coffee break
17.00-18.00	Implication on corporate services
	<ul style="list-style-type: none"> • Presentation by the Associate Vice-President, Corporate Services Department • General debate
18.00-18.30	Evening news
	Recap on key points of the day's sessions and feedback from the group on key learning and any unanswered questions
18.30-19.00	Networking and discussion
19.30-21.30	Dinner

Day 3

Wednesday, 8 May 2019

08.00-09.00	Breakfast
09.00-11.30	The way forward
	<ul style="list-style-type: none"> • The session will begin by reviewing the results from days 1 and 2. Participants will then discuss possible directions under IFAD 2.0 and the implications of IFAD 2.0 for IFAD12, and identify the steps that senior Management and the Board need to take in order to strengthen consensus and prepare for a successful IFAD11 and in prelude to IFAD12. • Any other business from participants
11.30-12.00	Closing remarks by the President
	Session concludes
	Light luncheon and departure

Informal attire is recommended



Office of the Secretary of IFAD Executive Board retreat

Feedback Questionnaire

(1) Overall, how would you rate the fifth Executive Board retreat?

- Excellent
- Very good
- Good
- Fair
- Poor
- No opinion

Other (please specify):

(2) How relevant did you find the information presented at the retreat?

- Extremely relevant
- Very relevant
- Moderately relevant
- Slightly relevant
- Not at all relevant

If slightly or not at all relevant, please specify why:

(3) How useful did you find the format of the retreat?

- Extremely useful
- Very useful
- Moderately useful
- Slightly useful
- Not at all useful

If slightly or not at all useful, please specify why:

(4) What are the three main take-aways/lessons learned from this Executive Board retreat?

(5) What did you like most about the Executive Board retreat?

(6) What would you like to see next time at the Executive Board retreat?

(7) Any additional comments or suggestions are welcome.

Thank you for your time and input.



Investing in rural people
 Investir dans les populations rurales
 Invertir en la población rural
 الاستثمار في السكان الريفيين

List of participants Fifth Executive Board Retreat

List of IFAD Senior Management

Gilbert F. Hougbo	President of IFAD and Chair of the Executive Board
Cornelia Richter	Vice-President of IFAD
Alvaro Lario	Associate Vice-President, Chief Financial Officer and Chief Controller Financial Operations Department
Donal Brown	Associate Vice-President Programme Management Department
Paul Winters	Associate Vice-President a.i. Strategy and Knowledge Department
Charlotte Salford	Associate Vice-President External Relations and Governance Department
Guoqi Wu	(Appointed) Associate Vice-President Corporate Services Department
Katherine Meighan	General Counsel
Atsuko Hirose	Secretary of IFAD

List of Executive Board Participants



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(Arabic: "Delegations at the") Fifth Executive
Board Retreat

Delegations at the Fifth Executive Board
Retreat

Délégations à la Fifth Executive Board Retreat

Delegaciones en el Fifth Executive Board
Retreat

EB-Related Seminars and
Events – 2019-EB-Retreat
Session
Castel Gandolfo , 6-8 May 2019

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VENEZUELA (BOLIVARIAN REPUBLIC OF)

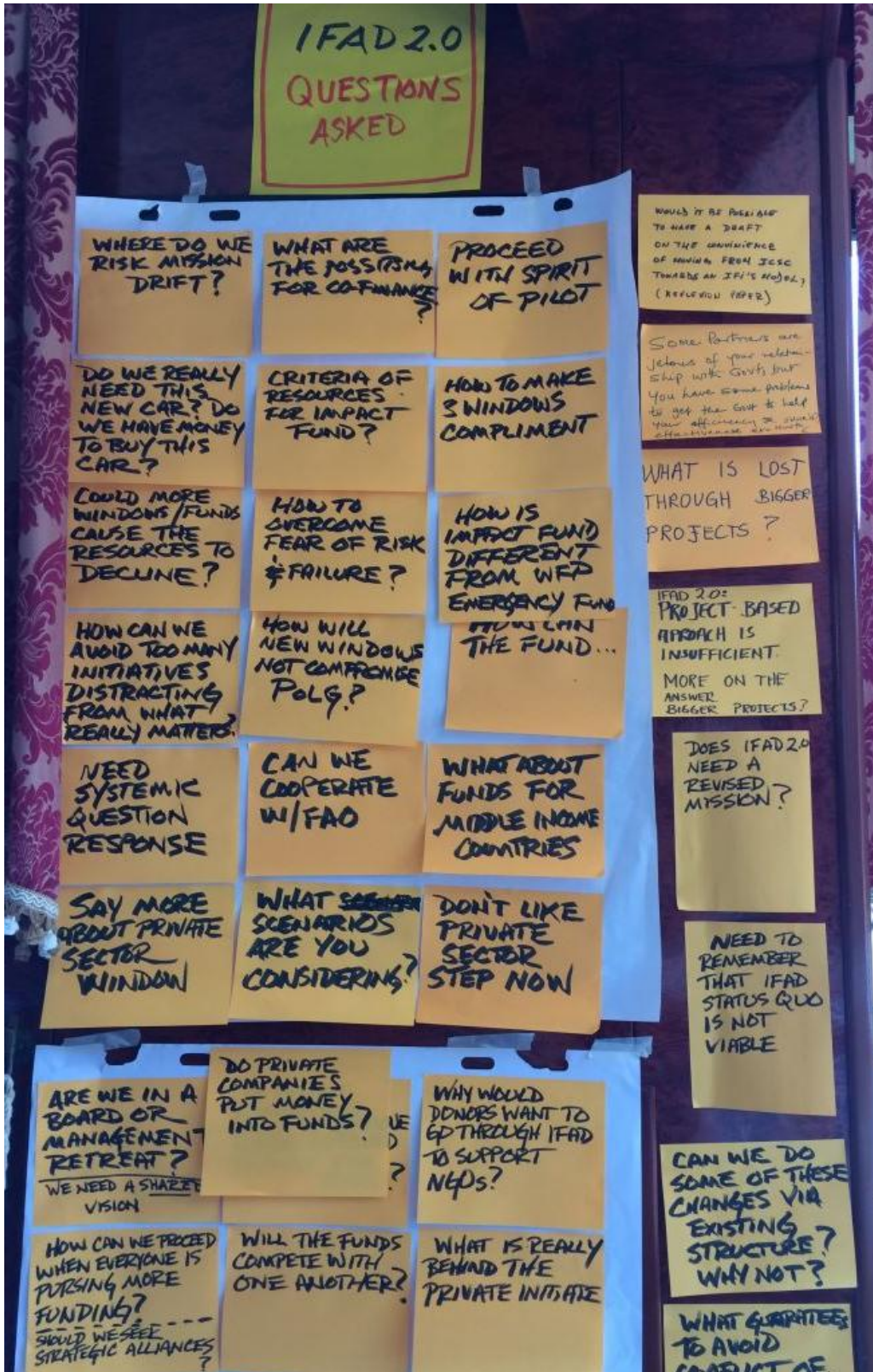
Porfirio PESTANA DE BARROS
Ministro Consejero
Representante Permanente Alterno de la
República Bolivariana de Venezuela
ante la FAO y demás Organismos
de las Naciones Unidas
Roma

Photo gallery from the retreat

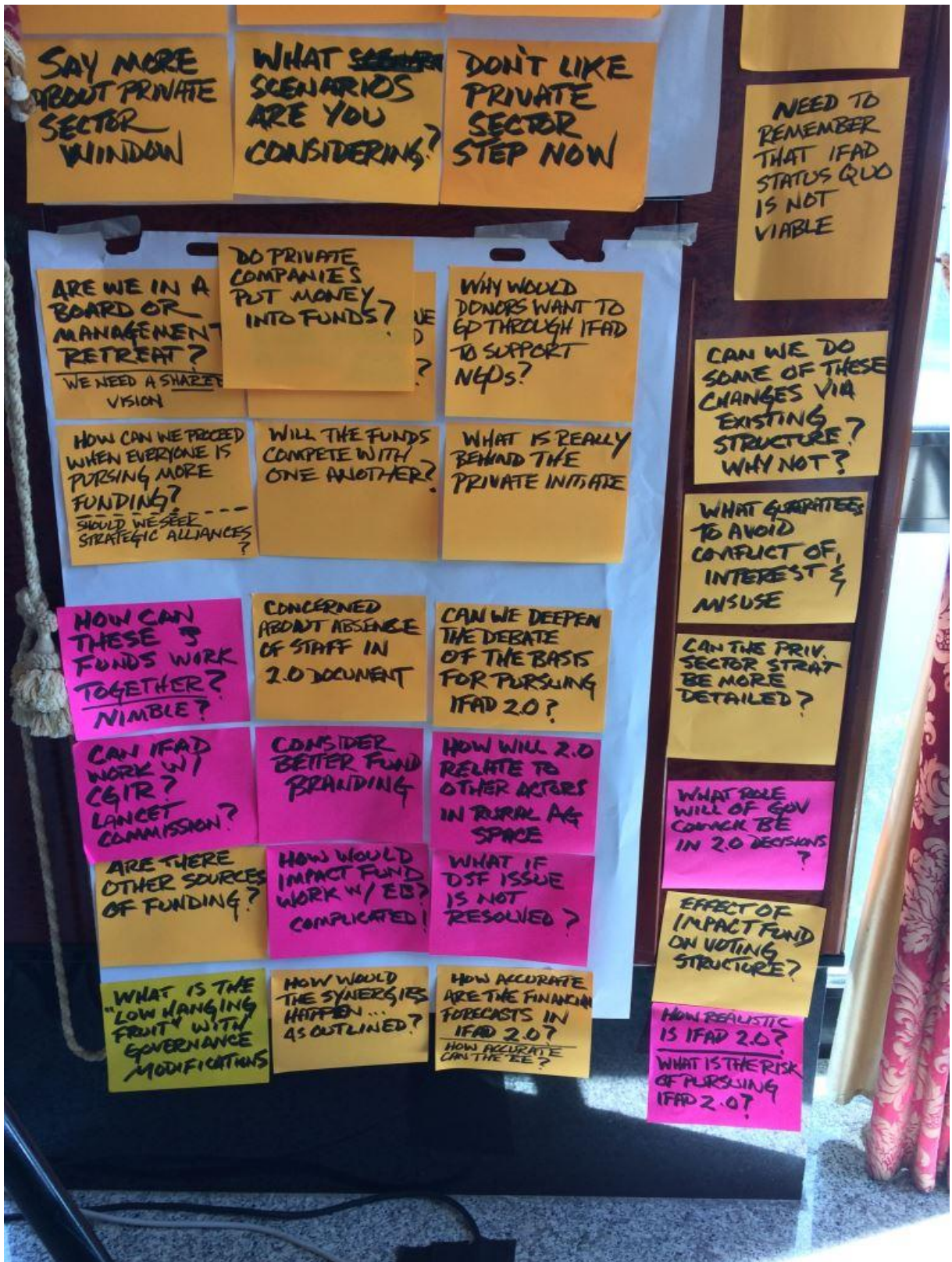












STATION 1 - DSF	
BENEFITS	CONCERNS - RED LINES
<p>FOCUS ON POOREST + MOST VULNERABLE COUNTRIES</p> <p>PROJECTS THAT HELP TO ADDRESS ROOT CAUSES OF FOOD INSECURITY</p> <p>ADDRESSES PROBLEM OF HIGH LEVELS OF DEBT DISTRESS.</p> <p>↑ RISING</p> <p>SPECIFIC MECHANISM WHICH IS TRANSPARENT</p>	<p>* FUNDING (DONORS)</p> <p>FINANCIAL SUSTAINABILITY OF ORGANISATION</p> <p>RISK OF DECLINING POLG DUE TO FUNDING BEING ABSORBED BY DSF.</p> <p>POSSIBLE LACK OF OWNERSHIP - MORAL HAZARD</p> <p>NEGLECT OF OTHER COUNTRIES WITH HIGH LEVELS OF POVERTY THAT ARE BETTER PERFORMING</p> <p>LACK OF ^{MEMBERS} AGREEMENT ON WAY FORWARD</p> <p>DOES NOT ADDRESS DEBT DISTRESS</p> <p>IMPACT ON CREDIT RATING WITHOUT SOLUTION</p>

STATION 1 - DSF ①

NEXT STEPS JUNE-DEC 2019
& REQUESTS OF MANAGEMENT

NEED TO MAP OUT PROCESS FOR WAY FORWARD TO REACH AGREEMENT (BY DEC 2019) ON HOW TO ADDRESS

- MANAGEMENT TO PROVIDE FURTHER INFORMATION / PROPOSALS ON:
 - ✓ CRITERIA (TAKING INTO ACCOUNT FOOD SECURITY)
 - ✓ ALIGNMENT WITH OTHER IFIS TO ENSURE CONSISTENT APPROACH
 - ✓ ALIGNMENT WITH RESOURCES AVAILABLE
 - ✓ POSSIBLE USE OF GRANT WINDOW. (OR NOT - IFAD IDENTITY)

PAPERS NEEDED WITH DIFFERENT SCENARIOS. + IMPLICATIONS

INFORMAL SEMINARS / 'RETREAT' - DAY / AFTERNOON SESSION.

JULY / SEPT (EB) - X - → AC → EB DEC.

EB ✓ ✓ ✓ ✓

DECISION NEEDS TO BE EFFICIENT + IMPLEMENTABLE + FLEXIBLE + NEEDS TO BE TAKEN BY DEC 19

COMMUNICATION / DIRECTION FROM / TO CAPITALS / LISTS MEMBERS NEEDS TO BE ACCOUNTABLE TO TAKE DECISION

NEED TO IMPLEMENT IFAD II DECISION

PLAN / FOR STRANDED / RECOVERY OF DSF DONORS "SANCTIONS"

STATION 2 - IFAD MISSION BENEFITS	CONCERNS
<ul style="list-style-type: none"> * THE MISSION IS ALREADY A BRAND. * CLEAR NICHE. → → COMPARATIVE ADVANTAGE. <small>Competitive</small> 	<ul style="list-style-type: none"> * DO WE HAVE THE RIGHT MISSION IN THE TRANSITION? * MISSION DRIFT. <small>x Private sector</small> * <input checked="" type="checkbox"/> TOO NARROW DEFINITION TOO BE ABLE TO DELIVER DELIVER. * INTERPRETATION IS TOO NARROW. <input checked="" type="checkbox"/> * RISK FOR DUPLICATION.
<p><u>FOCUS</u></p> <p>SUPPORTED BY MEMBERS</p> <ul style="list-style-type: none"> * SOF2 REPORT (LAST MILE) * Small-scale producers * Rural people at center of development * Research shows recognition of IFAD's mission bringing smallholders out of poverty - mission not too narrow * Focused mission, long-term engagement <p>- aligned to SDGs / Leave No One Behind</p>	<ul style="list-style-type: none"> - FOCUS ON PEOPLE OR COUNTRIES? - <input checked="" type="checkbox"/> DOES IT REFLECT CHANGING DEMANDS + IFAD'S EVOLVING ROLE? - RISE ORDINARY LOANS - Research shows - Continue sustainable development via job creation, market access, moving along value chain. - Inadequate Donor Response

PAGE 1

STATION 2 - IFAD MISSION
NEXT STEPS JUNE-DEC 2019
& REQUESTS OF MANAGEMENT

* ANALYSIS ON IFAD'S PERFORMANCE (risks, capacity, implications/constraints, governance) ^{+ sustainability}

* ANALYSIS ON THE INSTITUTIONAL ENVIRONMENT.
(actors in multilateral system) ✓ ✓

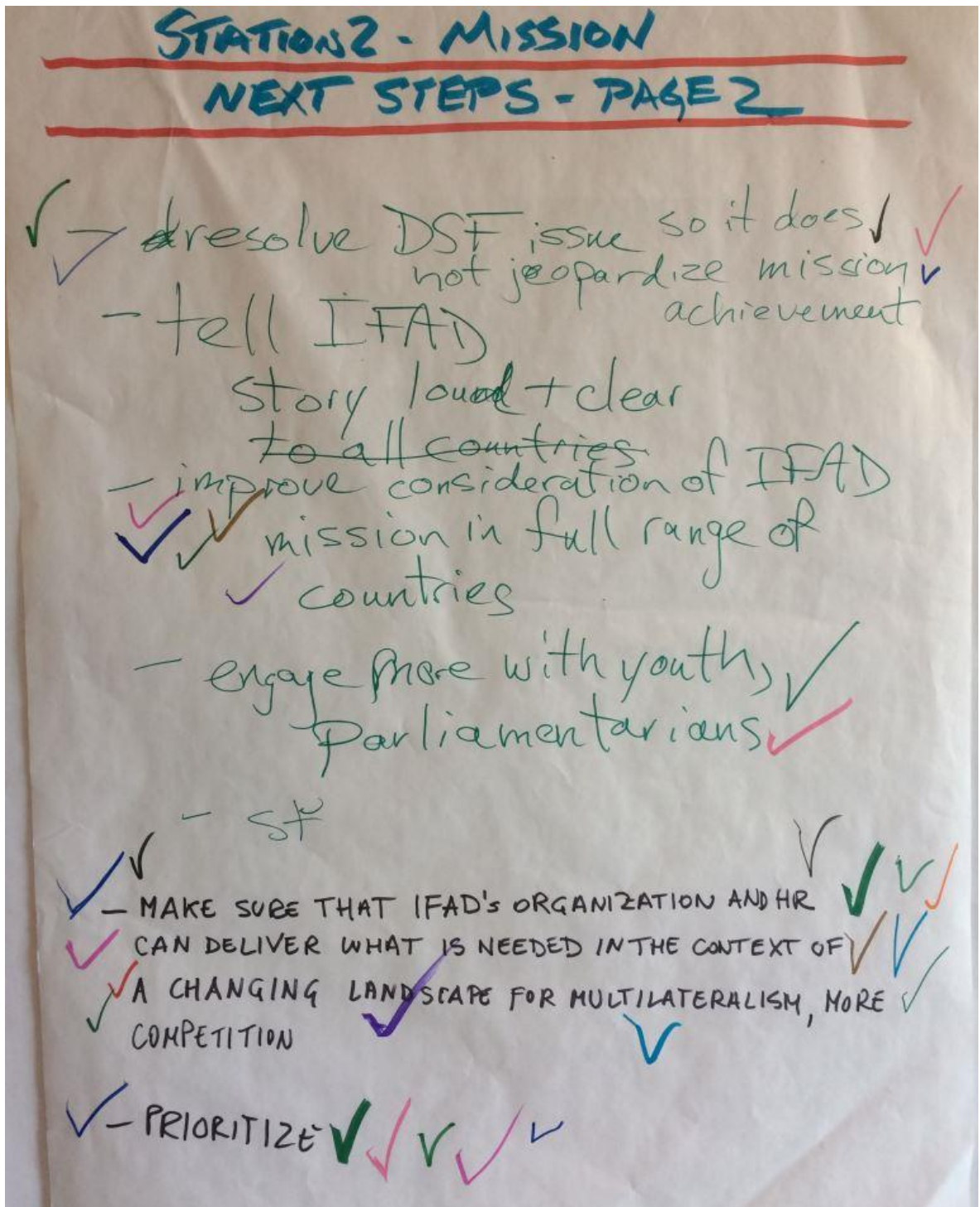
* REVIEW OF IFAD'S ROLE ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓
IN GLOBAL ARCHITECTURE ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓
(PARTICULARLY IN CONTEXT OF IFAD 2.0 + STEPPING UP TO ADDRESS OFF-TRACK SDG2) ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

↓

PAPER (ON REVIEWED IFAD 2.0)
+ INFORMAL DISCUSSIONS.
(INCLUDING OTHER PARTNERS, POSSIBLY ALSO FEEDBACK FROM GROUP OF EMINENT EXPERTS)

* COMMUNICATION STRATEGY ✓ ✓
Taking ^{into} Account IFAD 2.0 PAPER / SDGs ✓ ✓

* Outreach Strategy ^{Marketing} focused on
✓ Governments and key
✓ stakeholders ✓ ✓ ✓ ✓ ✓ ✓
✓ on IFAD'S story ✓ ✓ ✓ ✓ ✓ ✓



IMPACT FUND	
STATION 3 - GRANT WINDOW	
BENEFITS	CONCERNS
<ul style="list-style-type: none"> - QUICK ACTION / AGILE RESPONSE ^{AS INSTITUTION} - COULD IT HELP SOLVE THE DSF ISSUE??? 	<ul style="list-style-type: none"> - "SELLING STATEMENT" TO POTENTIAL DONORS: MUST DIFFERENTIATE FROM THE REST + AVOID DUPLICATION
<ul style="list-style-type: none"> - POSSIBLE ADDITIONAL FINANCING FOR IFAD + ADDITIONAL POOL OF INVESTORS - POSSIBLE QUICK IMPACT + "TURBOCHARGED" RESPONSIVENESS - FLEXIBILITY - STRATEGIC INVESTMENTS INVESTMENTS THAT WILL COMPLEMENT POLG. - SCALING UP. - TAP ADDITIONAL FUNDS. 	<ul style="list-style-type: none"> - COHERENCE OF PIECES WORKING IN PRACTICE - SOLID EVIDENCE - BREAKING UP IFAD. - EFFECTIVE MAINSTREAMING * OF CROSS CUTTING THEMES (GENDER ENVIRONMENT, CLIMATE CHANGE) - COMPETITION WITH OTHER IFI'S - CAPACITY TO DELIVER. ^{IFAD CORE FUNDS}
<ul style="list-style-type: none"> - COULD HELP TO IMPROVE COORDINATION, AS PART OF GLOBAL ARCHITECTURE, BRINGING TOGETHER DIFFERENT PARTNERS. - DIVERSIFICATION OF INSTRUMENTS TO TACKLE FOOD INSECURITY. - TARGETED FLOW OF FUNDS ON COUNTRIES MOST IN NEED - COULD HELP TO MAINSTREAM THEMATIC AREAS * - TRANSPARENT + CLEAR AT DECISION MAKERS' LEVEL 	<ul style="list-style-type: none"> - LOSING DONOR SUPPORT FOR IFAD. - SUBSTITUTION FROM CORE RESOURCES - COULD BECOME DONOR RATHER THAN DEMAND DRIVEN - GOVERNANCE (DIFFICULT IMPLEMENTATION) - DUPLICATION - ANY POTENTIAL RISK WITH POSSIBLE ACCESS TO MARKETS / CREDIT RATINGS - CONFLICT OF INTEREST (PRIVATE SECTOR) - TOO SIMPLISTIC

STATION 4 - LEVERAGE CONCERNS	
BENEFITS	CONCERNS
dependence from donors -	Sustainability of the fund borrowed funds = less secure
increase the 'pie'	
improve the impact +	* Core = replenishment
diversification of funding sources +	<u>risk of mission drift</u> / <u>poverty / LICs</u>
spread the risks	institutional capacity (+ treasury capacity + HR + exposure to market + flexibility)
more opportunities for donors	
replenishment = core *	+ demand analysis
enhanced visibility	* risk of substitution.
LEVERAGE BY STRATEGIC ALLIANCES.	* financial risks.
COMPLEMENTS POSS. GRANT WINDOW + Po (core) G.	* measure impact.
POSS. PRICING ALLOWS FUNDING TO LMIC/LICs.	* CAPACITY ALLOCATION.

STATION 4 LEVERAGE
NEXT STEPS D. D. C. 2019
MANAGEMENT REQUESTS

M: prepare for the credit rating assessment/exercise ¹⁹

M: prepare scenarios for different level of leverage ¹⁴
 and rating levels (35? - 50? - 100?)

M: different allocation system

M: impact of the different alloc. systems ¹⁵

M: DEMAND SUPPLY
 (ALSO ON SOVEREIGN BORROWING SIDE)

* RISK ANALYSIS.

* HOW TO MEASURE IMPACT.

* IDENTIFY/ STRATEGIC ALLIANCES ANALYSE

* SET OUT OPTIONS FOR ALLOCATION

* REVIEW PRICING
 [NEED TO RESOLVE DSF FIRST, BEFORE C.R.A.]

* SET OUT PLAN FOR

STATION 5 - PRIVATE SECTOR BENEFITS	CONCERNS
<ul style="list-style-type: none"> • Large catalytic effect potential (eg, ABC Fund) • Resource mobilization • Complementarity • Create sustainable jobs for small-scale producers - <u>missing middle</u> (4) • New idea, new approaches innovation efficiency • Win-win situation • Promoting the SDG Financial Agenda <p>- BROADENING BASIS OF FINANCING BUT ALSO TYPE OF INTERVENTIONS</p> <p>- STRENGTHENING LINKS WITH MARKETS.</p> <p>IFAD LONG TERM GOALS/PS SHORT TERM TARGETING</p>	<ul style="list-style-type: none"> * WHAT KIND OF INNOVATIONS IN MIND? • Selection of P. Sector Partners * READINESS? • Reputational Risk ✓ * REALISTIC EXPECTATIONS? • Conflict of interest - need to mitigate <u>mission drift?</u> * ATTRACTIVE INSTRUMENTS FOR PRIVATE SECTOR? (4) • Influence, independence of the staff • Pulling effect for management + staff (balance between financial viability + develop. impact) • Complicate governance shareholder base (too many workers) • Cost Staff capacity Evidence for the possible benefits? Synergies between different windows IFAD's niche? (TARGETING) DUPLICATION ON CAPACITY