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Investing in rural people

Opening Statement by President Gilbert F. Houngbo

Executive Board — 128th Session
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For: **Information**

Opening Statement

Excellencies, ladies and gentlemen,

Welcome to this 128th session of IFAD's Executive Board.

I would like to extend a special welcome to our newly accredited representative for Italy, Mr Alessandro Cascino, Director, International Financial Relations, Treasury Department, Ministry of Economy and Finance of the Italian Republic.

Let me also extend a warm welcome to those who will be following our proceedings as observers, those attending the Executive Board for the first time, and those in the *salle d'écoute*.

As this is the last Board session of 2019, let me take this opportunity to take stock of the year's achievements, and to reflect on what lies ahead.

By the end of the current year, we expect a record investment of US\$1.6 billion to have been made under the Eleventh Replenishment of IFAD's Resources (IFAD11). This is quite impressive in the context of IFAD's history. However, it is only 1 per cent of the investment needed to achieve Sustainable Development Goal 2 – zero hunger.

In terms of quality and performance, this year's assessment by the Multilateral Organisation Performance Assessment Network (MOPAN), the Report on IFAD's Development Effectiveness (RIDE) and the Annual Report on Results and Impact of IFAD Operations (ARRI) together presented a wide-ranging view of IFAD's performance and pointed to the need to consolidate IFAD's ongoing reforms.

Moving forward, we must continue focusing on improving the quality of our portfolio. Significant progress has already been made in reducing the number and proportion of problem projects: from 40 in 2018 (20 per cent of the active portfolio) to 25 in 2019 (or 13 per cent). This percentage is below that of other multilateral development banks.

Similarly, the proportion of chronically problematic projects has fallen from 16 per cent of the active portfolio in 2018 to 8 per cent today.

We have also improved portfolio management, with a significant reduction in the time from concept note to approval – from 17 months down to 10 months.

Another milestone was the approval of the amendment to the Agreement Establishing IFAD and to the Policies and Criteria for IFAD Financing. As a result, we are now in a position to diversify our lending portfolio to include private sector partners and invest in equity and other financial mechanisms that support rural small and medium-sized enterprises (SMEs) and smallholder cooperatives.

These important changes will provide added momentum to special initiatives like the Agribusiness Capital (ABC) Fund, which is now operational after its launch at the beginning of this year. This week we will be signing an agreement with the Swiss Agency for Development and Cooperation for about US\$10 million in contributions to IFAD for investment in the ABC Fund.

Let me thank you in advance for approving the Debt Sustainability Framework (DSF) document. It is of the utmost importance that we find, together, a consensus on moving forward that preserves the long-term sustainability of the Fund and the integrity of its mandate.

Your green light to proceed with the credit rating exercise will be key. Obtaining a strong credit rating is essential to increase IFAD's reputation as a sound financial partner, and facilitate financing from sovereign lenders on more favourable terms.

Much progress has also been made in IFAD's decentralization. We have invested significantly this year in order to learn lessons from this process. We have seen that increased IFAD presence in the field is creating more demand from IFAD's clients across the entire spectrum of operations, including non-lending activities. The role of the hub is

also evolving swiftly and will require fine-tuning, including additional resources, further delegation of authority and enhanced clarity of roles. Moving forward, the target of 45 per cent of staff in the field compared with the current 30 per cent will need to be implemented, while ensuring that IFAD maintains a strong centre that provides strategic guidance and oversight.

Your strong support in the coming months will be essential to address many important processes, including the credit rating exercise, the strengthening of IFAD's risk management function, the differentiation of operational and financial products, the operationalization of the Private Sector Engagement Strategy and the launch of the ASAP + Accelerator. And, of course, the IFAD12 Consultation.

In this context, the 2020 budget will play a key role. While we are proposing zero real growth for current operations, the targeted capacity investment based on the McKinsey report is critical. What we are proposing with the targeted capacity investment is a conditional approval to set aside resources to implement the McKinsey report recommendations based on a two-year plan, which should be submitted for approval by the Board at its 129th session.

A substantial agenda lies before us. I am confident that with your support and guidance, we can make significant progress on many issues of strategic importance for the future of the Fund.

Thank you.