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## **Opening statement by President Gilbert F. Houngbo**

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Excellencies, Ladies and Gentlemen,

Welcome to the 136<sup>th</sup> session of the IFAD Executive Board.

Before we start our official business, allow me to make a few remarks. You all know that this is my last Executive Board meeting as IFAD President. So, let me first express my appreciation and gratitude for your unwavering support and spirit of collaboration, which has allowed us, together, to bring IFAD to a different level in this fight against hunger and for rural transformation.

Going forward, I know President-elect Alvaro Lario will have your support and will benefit from your guidance and collaboration, as I have since April 2017.

Ladies and Gentlemen,

One would expect me to take this opportunity to review what we have done in the last five years. But as we have done this together, it would be redundant for me to do so. So, please allow me instead to use this moment to share a few personal, outgoing Presidential reflections that I hope will help, particularly in the upcoming IFAD13 deliberations as well as the institutional discussions that will take place under the leadership of President-elect Lario.

If we all agree that we have brought IFAD to new heights, then the challenge for us is to maintain it at that level, continue to improve, and bring IFAD even farther.

I sincerely believe that we have reached a point where structural decisions need to be taken and the current context does not give us the luxury of time. I think the first structural decision that needs to be taken is to be clear about the adequacy of our ambition on the one hand, making sure that we have reasonable ambitions and, on the other, making sure that we have the programmatic resources and the administrative budget to deliver on those ambitions. Otherwise, let us reduce now our ambition, particularly in the context of the workload, which remains a major concern for the institution.

This afternoon we will start a discussion on the budget for a final decision in December, and on whether there will be a 2.5 per cent, a 3.5 per cent increase, or a zero per cent increase. We are going to deliberate over these options through 2023. But let us kid ourselves not. That will not solve the problem. It will only buy us time for 2023 until we really look at the structural imbalance that exists between our ambition and the level of resources.

An important step in IFAD's quest for innovative financing was achieved through the credit rating and private market borrowing. The next challenge is to increase the size of that market borrowing and, more importantly, to do this while keeping our core resources as the backbone of the institution. And if we are to increase the BRAM resources – the borrowing resources – we must continue to bear in mind the risk of diversion: the risk of staying far away from LICs and LMICs.

So, on one hand is the challenge to increase borrowing, and on the other is the challenge to use those borrowing resources more than we have done so far for LICs and LMICs, and to do that while preserving our global portfolio risk quality. So far, our colleagues in finance and in risk have ensured that globally the portfolio retains a strong rating. But for me that is not sufficient.

Maybe some of you could also consider, in the context of IFAD13, looking at ways to provide guarantees to our loans, in order to allow us to maintain the global quality of the portfolio, and thereby be able to use borrowed resources for LICs and LMICs more than was possible under IFAD12, which was our first experience of this. On the positive side, and not to put pressure on President-elect Lario, I think that he is very well-placed to lead those reflections in more detail.

While I'm pushing for the need to bring more resources to LICs and LMICs, I am not saying that we need to take more risks. I am simply saying that, in a nutshell, it is critical that moving forward, while we remain mindful of financial risk, we make sure that we are not driven by the risk. These are two different things.

Ladies and Gentlemen,

Let me reiterate that our investment programme in the private sector is a sustainable, long-term initiative. The experience of the past few years proves that IFAD has clearly identified a growth sector where practically no other multilateral finance institution is positioned and where we have discovered that the expectations are even greater than we had thought and the demand is very high. Our colleagues in charge of the private sector, under the direction of Vice-President Dominik Ziller, have done a very professional job in identifying the risk of the different investments that we have made in this domain. However, we should not expect to see dividends, in the literal or figurative sense, in the next two years. It will take perhaps three to five years to reach cruising speed. We must therefore continue to invest in this domain, even as we work to mobilize resources.

Beyond the private sector, I would like to return to the question of IFAD capacity – to react to exogenous shocks. We have witnessed the case of COVID and recently, the risk of inflation caused by the conflict in Ukraine. Not only can we not compare IFAD with the multilateral banks, but our resource allocation system gives us no flexibility to react, much less rapidly, to crises. Yet these crises have demonstrated the importance and relevance of IFAD. I am therefore calling on you to envisage, within the framework of IFAD13 and the allocation of IFAD13 resources, a special window that would enable the Fund to react more quickly to exogenous shocks.

To conclude, allow me to express my thoughts on the governance of the institution.

First of all, regarding elections, while it is likely that they will not take place for another eight years, it is critical that, in the interests of transparency, we take the necessary steps to make nominations public earlier than we have in the past. In my view, it is unnecessary to wait for the deadline for the submission of nominations to publicize them. Once a nomination is submitted and validated by the committee in charge of elections, it should be publicized within 24 to 48 hours. To this end, I would also suggest that it be compulsory for nominations to be submitted in IFAD's four official languages, so that the Secretariat does not have to wait three weeks for their translation.

Still, on the issue of governance, it seems absurd that an institution that invests almost two thirds of its resources in low-income countries does not reserve a single seat for them on the Executive Board. The Board therefore meets and decides what is good for them without their participation in the deliberations. I believe I understand some of the difficulties, but nevertheless, they should not prevent us from putting this matter on the table during the Executive Board.

Thanking you for your attention, I now give the floor to President-elect Alvaro Lario.