Investing in rural people

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Minutes of the 175th meeting of the Audit Committee

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Audit Committee
175th Meeting
Rome, 26 November 2024

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1. The 175th meeting of the Audit Committee was held on 26 November 2024 in hybrid modality.

2. The meeting was attended by Committee members representing Algeria, Brazil, China, Germany, Italy, United Kingdom, United States and the Bolivarian Republic of Venezuela, and observers representing Canada and France. The meeting was also attended the Vice-President of IFAD; the Chief Legal and Governance Officer; the Associate Vice-President and Chief Financial Officer, Financial Operations Department; the Director and Chief Risk Officer, Office of Enterprise Risk Management; the Associate Vice-President, Department for Country Operations; the Director and Controller a.i., Financial Controller's Division; the Director, Office of Audit and Oversight; the Director, Planning, Organizational Development and Budget Division; the Director and Treasurer, Treasury Services Division; the Director, Independent Office of Evaluation of IFAD (IOE); the Secretary of IFAD, Office of the Secretary; the Chief of Ethics, Ethics Office (ETH) and a number of other IFAD staff members.

Agenda item 2 – Adoption of the agenda (AC 2024/175/R.1) – for approval

3. The agenda was adopted, with no changes.

Agenda item 3 – Office of Audit and Oversight

(a) Update on investigation and anticorruption activities – for information

4. Members welcomed the new Director of the Office of Audit and Oversight (AUO) and expressed appreciation for the update on investigations and anticorruption activities. The Committee noted that while internal cases had remained stable, external cases had increased quite significantly, continuing the trend of recent years. AUO clarified that the increase was largely due to the fact that IFAD staff were closer to project activities as a result of IFAD's decentralization, and improved supervision and effective anticorruption outreach activities, which had led to greater confidence in the reporting system. In addition, more cases had been substantiated compared to the previous year, indicating improved effectiveness in investigations.

5. The Committee took note that most allegations were related to fraud and corruption, with a significant focus on project procurement issues, which included cases involving bribes to project staff, fraudulent practices in construction activities and fake documentation submitted by bidders. These allegations originated primarily from project staff, contractors, and other external parties.

6. Many investigations had been completed more efficiently in 2024 than in previous years. This has been the case since AUO further enhanced its efficiency by streamlining investigative processes, managing prioritized resources for the increasing caseload, and incorporating preventive measures to combat fraud and corruption, including the institutionalization of an integrity due diligence list to mitigate risks. Outreach and awareness programmes had also been intensified, reaching over 1,000 personnel in 2024.

Outcome and follow-up: The update was noted.

(b) Policy on handling allegations of misconduct against the IFAD President (AC 2024/175/R.2) – for review

7. AUO introduced the draft Policy noting that it strengthened IFAD's accountability frameworks and internal justice system. It was also aligned with recommendations from the 2022 external review and the United Nations Joint Inspection Unit procedures for handling allegations against the executive heads of organizations. The draft Policy establishes a framework that details the roles of AUO, the Ethics Office, Audit Committee, Executive Board and Governing Council. AUO further noted

that the Policy would be supported by updates to the By-laws for the Conduct of the Business of IFAD and the Terms of Reference of the Audit Committee.

8. The Committee sought clarification on the procedures for selecting and contracting the external investigative entity. Management clarified that the Director, AUO, and the Chief, Ethics Office, would identify and propose the external entity, which could be either the United Nations Office of Internal Oversight Services or a private firm. The selection would be made based on case-specific expertise required.

9. In relation to timeframes for key stages of the process such as the evaluation, referral and investigation processes, AUO explained that it strove to adhere to a six-month completion target for high-priority cases. However, no timeframe was included in the Policy to maintain flexibility given the potential involvement of multiple governing bodies.

10. In response to a question on the definition of misconduct, Management responded that IFAD documents, including the Human Resources Policy, Staff Rules. Human Resources Implementing Procedures and the Anticorruption Policy provided the legal framework for application of the proposed Policy. Allegations of on-duty and off-duty misconduct and anonymous allegations would all be investigated. Protection against retaliation was also governed by this legal framework, while the operational independence of AUO and ETH was guaranteed by the offices' respective charters, which had been approved by the Executive Board. In the event of potential conflicts of interest, these had to be declared and, if so, would not be considered misconduct.

11. Members also raised queries about the applicability of the Policy to the President's unique employment terms. Management clarified that decisions on the appointment of the President and termination of the President's appointment rested exclusively with the Governing Council, while the application of interim measures was being delegated to the Executive Board. Decisions on such interim measures would ideally be taken by consensus, but should consensus not be reached a two-thirds majority would be required. The introduction of a similar policy for handling allegations against Executive Board members was raised and it was recommended that AUO explore this possibility.

12. In closing, Management informed the Committee that given the subject matter, the President had communicated his wish to recuse himself from chairing consideration of this item at the upcoming Executive Board session. It was therefore proposed that, with the endorsement of the Executive Board, the Chair of this Audit Committee would chair the item on the Policy on Handling Allegations of Misconduct against the IFAD President at the Board session. The Convenors would be consulted and the endorsement of the Board would be sought at the meeting itself.

Outcome and follow-up: The Committee reviewed the document and endorsed its submission to the forthcoming Executive Board for approval. Consideration would be given to the possibility of developing a similar policy to address the unlikely event of the need to handle allegations of misconduct against Executive Board representatives.

(c) Workplan for IFAD's Office of Audit and Oversight for 2025 (AC 2024/175/R.3) – for review

13. Members welcomed the 2025 workplan for IFAD's Office of Audit and Oversight and its focus on IFAD's key risks and priorities, as outlined in the Report of the Consultation on the Thirteenth Replenishment of IFAD's Resources (IFAD13). The proposed audits emphasized decentralized and country programme activities, with additional focus on supplementary funds, fragile and conflict-affected areas and staff security. Flexibility was built into the plan to adapt to emerging risks, and the Corporate Risk Dashboard had been reviewed to ensure the plan remained relevant.

14. In the area of investigations, the focus remained on responding to allegations promptly while also engaging in preventive work. Capacity-building efforts would continue, with progress made on implementing recommendations from external reviews of the investigative function. Due to a high caseload, external resources would be relied upon for investigations until fixed positions were included in future budgets.

15. The Committee took note of the 51 audits for 2025–2027 included in the plan, covering country office audits, supervision audits and business process audits. The workplan was aligned with IFAD's strategic goals and with corporate risk categories (financial, operational, programme delivery and strategic risks) and supported the IFAD13 theory of change, focusing on building resilience in vulnerable communities and strengthening operational performance.

16. Committee members thanked AUO for the comprehensive information provided in the document and requested clarification on monitoring of procurement risks, assurance over risk and control self-assessment, business continuity planning and cybersecurity as well as assurance coverage, adequacy of costs and staffing of AUO, and integration of artificial intelligence (AI) into AUO processes.

17. In response to queries from members, AUO concurred that the priority given to the private sector and to fragile contexts in IFAD13 came with a new set of risks that AUO would monitor together with the Independent Office of Evaluation of IFAD. It was important that attention be given to the cost, process and system efficiency when working in fragile contexts. Management advised that the feasibility of using national systems and project management units was assessed on a case-by-case basis to ensure robust systems and mitigate risks related to fraud and corruption.

18. Members highlighted that procurement was very often a source of allegations of fraud and corruption. AUO concurred and explained that although there was not a dedicated assignment on project procurement in the workplan, procurement was integrated into the scope of activities such as supervisory reviews. Project procurement staff were undergoing recalibration by being merged with the project financial management team. AUO would monitor this closely to assess if there were any risk implications because of changes in reporting lines. The successful roll out of Online Project Procurement End-To-End System (OPEN) – the end-to-end contract management procurement system – also gave an additional level of confidence that any issues would be identified early.

19. On self-assessment, AUO supported the risk control self-assessment initiative by the Enterprise Risk Management Office. Although new, the system would be monitored and the need for AUO involvement assessed as it progressed.

20. Regarding assurances, AUO clarified that the loss of a Junior Professional Officer position would affect assurance capacity; however, for 2025, a review of internal processes to achieve efficiencies and a risk mapping exercise to identify key risks, assurance gaps and overlaps across IFAD functions would be carried out. Staffing concerns were also noted and members welcomed Management's update on the review of the reassignment and rotation policy. While final decisions were yet to be made, it was likely that highly specialized roles would most likely not be subject to rotation.

21. On AI, AUO clarified that the use was limited and cautious due to data privacy concerns. It had been used mainly for thematic analysis of audits but had not yet delivered significant benefits. Potential future applications could include tracking IFAD's contractual safeguards in procurement processes.

22. Cybersecurity had been the subject of an audit in 2024 with positive results. Management was implementing recommendations to strengthen controls and while cybersecurity remained a dynamic and significant risk, flexibility was built into the workplan to address any emerging cybersecurity risk. AUO also clarified that the business continuity plan was scheduled for review in 2026 to ensure follow-up on

recommendations from a recent thorough external assessment conducted by the Administrative Services Division.

Outcome and follow-up: The document was considered reviewed, and the Committee endorsed its submission to the Executive Board at its forthcoming session for confirmation through the batch procedure.

Agenda item 4 – Project financial management: Annual progress report, including review of the conceptual framework on financial reporting and auditing of IFAD-financed projects (AC 2024/175/R.4) – for review

23. Management provided the yearly update on project financial management and the related trends and results. It was noted that the report conveyed the results of comprehensive reforms on project financial management and disbursement that were completed in 2023 with the adoption of a risk-based approach throughout the project stages. Submission of quarterly interim financial reports (IFRs) had become mandatory with the purpose of improving project financial discipline and monitoring, as well as liquidity management. Key assurance measures included a greater focus on external audits, field mission participation and regular financial reporting during project implementation. It was also highlighted that, from 2025, the unification of the financial management and project procurement functions would further improve the fiduciary role and ensure complementarity in the functions.

24. Committee members welcomed the document and requested details about the improvements achieved in prior years. Members noted the lower level of ineligible expenditures and the decreasing number of projects with high inherent risk. Some Committee members requested clarification about the disparity in quality across financial reports and asked for details on the strategic regional interventions.

25. Management clarified that borrowers and recipients were formally notified about eligibility cases and that capacity-building exercises were carried out to prevent their reoccurrence and to enhance liquidity monitoring tools. In addition, the recalibration meant that from January 2025, procurement and financial fiduciary functions would be handled by the same division and this would strengthen capacity to address fiduciary issues.

Outcome and follow-up: The document was considered reviewed.

Agenda item 5 – Enterprise risk management

(a) Capital Adequacy Report – June 2024 (AC 2024/175/R.5) – for review

26. Management introduced the agenda item, confirming compliance with all requirements and noting that as of June 2024 the deployable capital ratio stood at 38.9 per cent. This indicated that IFAD’s capital position could absorb potential losses arising from its development operations, including those potentially caused by unlikely stress events. It was noted that non-core risks accounted for only 2.4 per cent of the initial capital available. Management highlighted that the future evolution of IFAD’s capital would depend on the relationship between the size and composition of the programme of work and the level of replenishment contributions.

27. Committee members requested clarification about expectations for IFAD’s weighted average exposure, about trends in borrowings and currency exposure, and about correlation effects in stress test scenarios for interest rate risk and credit deterioration.

28. Management provided the necessary details and clarified that indebtedness was closely monitored, while it was confirmed that the credit quality of IFAD’s loan portfolio is slowly declining. It was also noted that stress tests capture correlations between different stressors and largely confirm the robustness of IFAD’s business model.

Outcome and follow-up: The document was considered reviewed.

(b) Update on the operationalization of the IFAD Asset and Liability Management Framework (AC 2024/175/R.6) – for review

29. Management introduced the item noting that IFAD asset and liability management (ALM) practices had evolved positively, contributing to a strengthened financial profile for the Fund, an aspect also appreciated by external stakeholders such as rating agencies. Management highlighted that IFAD is building a solid track record operating under a more sophisticated financial set-up while maintaining sound liquidity and capital positions. Management acknowledged that ALM processes and practices would continue to evolve. In this regard, the Office of Enterprise Risk Management (RMO) would continue exercising an independent control and compliance function, overseeing ALM risks reporting in accordance with IFAD's policies, risk appetite and industry best practices, including recommendations resulting from the G20 Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks.

30. Members expressed appreciation for the following improvements, in particular, the improved minimum liquidity requirement ratio and the successful issuance of private placements complemented by hedging instruments. Committee members noted the refinancing issues resulting from bullet repayment bonds.

31. Management clarified that liquidity was closely monitored together with refinancing risk. It was also noted that private placements accounted for approximately 27 per cent of the debt stock (all with bullet repayments) and that such balances were closely monitored to ensure matching of assets and liabilities profiles.

Outcome and follow-up: The document was considered as reviewed.

(c) Update on Enterprise Risk Management Framework operationalization – for information

32. Management introduced the agenda, noting that the goal remained to achieve a mature and solid best practice across all IFAD risk domains. The Committee was informed that the internal risk governance structure would be streamlined to ensure efficiencies and that the formerly separate technical risk committees for programme delivery and operational risk would be merged into a new committee covering non-financial risk. Continuous reporting to the President and Senior Management would not be affected. Management also highlighted that IFAD was undertaking a series of risk control self-assessments in each department. It was noted that RMO would focus on assessing options for capital management and would be looking to integrate recommendations arising from the G20 independent expert panel around the Capital Adequacy Framework. This would also underpin IFAD's ongoing dialogue with credit rating agencies.

33. Committee members appreciated the update and requested clarifications about the new governance and risk committees. Management explained that the purpose of the exercise was to achieve a leaner structure facilitating effective management of all material risks and to facilitate a broader overview of the different sources of risk.

Outcome and follow-up: The presentation was noted.

(d) Corporate Risk Dashboard – for information

34. Management provided an update on the Corporate Risk Dashboard. In particular, it was noted that, under the financial risk domain, additional private placements were issued in 2024, increasing the leverage ratio to 30 per cent, below the 50 per cent threshold, while the deployable capital had stabilized at about 39 per cent. The level of IFAD12 pledges had reached US$1.3 billion below the target, while payments received amounted to 98 per cent of pledges. The loan portfolio average rating remained in the B range and the non-performing loan ratio stood at 2.5 per cent. From an operational risk point of view, it was noted that two cases of

misconduct had been referred to the Human Resources Division and to the Office of the General Counsel. The vacancy rate had fallen to 15.2 per cent, and the aim was to lower it further to below 12 per cent. From a programme delivery point of view, it was noted that the number of underperforming projects in terms of financial management and procurement was above the 20 per cent threshold.

35. Some Committee members requested details about mitigation measure to improve project design and effectiveness and requested comparative information about underperforming projects.

36. Management clarified that mitigation actions for project procurement risks would derive from the merging of procurement and project fiduciary standards into a single division: this would strengthen the assessment of procurement systems, mechanisms and procedures. RMO was engaging closely with the team to analyse the issues in detail. RMO was also continuously monitoring projects' residual risks compared to the established risk appetite with a view to improving project quality.

Outcome and follow-up: The presentation was noted.

Agenda item 6 – Update on International Financial Reporting Standards (IFRS): Sustainability status – for information

37. Management provided an overview of IFAD's journey towards the adoption of Sustainability Standards. The milestones already reached during the first phase of the project were noted, and Management provided an update on ongoing activities, which included the definition of relevant sustainability reporting topics and their materiality assessment. Management highlighted that the new climate strategy to be presented to the governing bodies in 2025 would close the majority of the gaps identified during the first phase. Management was working on climate-related scenarios of relevance for the expected credit loss computation. Throughout the journey to ensure best practice, Management was maintaining a close relationship with the IFRS Foundation and other international financial institutions. The aim was to issue a Sustainability Disclosure Report on some key information as an annex to IFAD's Consolidated Financial Statements for 2024, while comprehensive reporting and audit assurance would occur in 2025 and be formalized with the audited financial statements for 2025. Management enquired about Committee members' availability in validating relevant topics through a survey.

38. Committee members welcomed the update and expressed their support for the proposed validation survey.

Outcome and follow-up: The update was noted.

Agenda item 7 – Asset and Liability Management Report – June 2024 (AC 2024/175/R.7) – for review

39. Management introduced the agenda item noting that, as of June 2024, IFAD's balance sheet exposure to ALM risks was manageable and consistent with the Fund's strategic objectives. Management highlighted that the composition of IFAD's balance sheet as of the end of June 2024 was consistent with the past reporting period. It was noted that the loan outstanding balance represented 78 per cent of total assets, while the liquidity portfolio represented 17 per cent. Equity represented 76 per cent of total assets and borrowing liabilities represented 21 per cent. The minimum liquidity requirement stood at 141 per cent, above the threshold of 100 per cent.

40. Committee members requested details about measures to mitigate the refinancing risk associated with bullet maturities. Clarification was also requested on interest rate risk and currency exposures. Management explained that borrowing liabilities were diversified (not only private placement but also sovereign exposures), with the key aspect being to have as many lenders as possible. It was also noted that the liquidity levels and prudent investments were measures to address financial risks.

Furthermore, currency exposures were assessed and mitigated with a dynamic forward-looking approach with a horizon of 24 months.

Outcome and follow-up: The report was considered as reviewed and will be submitted to the forthcoming Executive Board session for review.

Agenda item 8 – Audit Committee work programme for 2025 (AC 2024/175/R.8) – for approval

41. Members suggested the inclusion of an update on undisbursed balances and the consideration of project procurement-related matters.

Outcome and follow-up: The Committee reviewed and approved the document, bearing in mind the comments provided.

Agenda item 9 – IFAD's 2025 results-based programme of work, regular and capital budgets, and budget outlook for 2026–2027, and the Independent Office of Evaluation of IFAD's results-based work programme and budget for 2025 and indicative plan for 2026–2027 (AC 2024/174/R.9) – for review

42. Please refer to the Audit Committee's separate report on this item (EB 2024/143/R.18).

Agenda item 10 – Resources available for commitment (AC 2024/175/R.10) – for review

43. The Committee was informed that the resources available for commitment in 2025, the first year of the IFAD13 cycle, had been assessed considering the impact on IFAD's financing and commitment capacities while ensuring financial resilience and operational effectiveness. For IFAD13, the programme of loans and grants (PoLG) was sized at US$3.405 billion, considering that replenishment pledges received as of 21 October came to US$1.36 billion and additional expected pledges had yet to be announced. Management had implemented measures to increase the level of concessionality to 57 per cent. Additionally, the ratio of total performance-based allocation system (PBAS) allocations to the PoLG was increased to 70 per cent in comparison to IFAD12 levels. The inflows expected during 2025 would cover projected outflows in the same period, while preserving compliance with financial ratios. Based on these results, Management proposed that the Executive Board authorize the President to conclude agreements for loans and grants amounting to up to US$1.355 billion in 2025. This proposal also included the flexibility to allow for a 10 per cent increase up to US$1.49 billion, contingent on Management's projections of financial resources available during the year. Management also proposed a disbursement envelope of up to US$1.0 billion, along with a funding plan of US$500 million, which could be increased by 30 per cent of the anticipated 2026 funding plan, approximately US$150 million, contingent upon favourable market conditions.

44. Committee members requested details about future trends in the undisbursed balance and about the funding plan. Management clarified that the undisbursed balance would increase marginally[1]. It was clarified that the funding agreement for the European Investment Bank loan was included in the projected funding plan for 2025 and 2026.

Outcome and follow-up: The document was considered reviewed and would be submitted to the forthcoming Executive Board session for approval.

[1] In bilateral exchanges following the Audit Committee meeting, Management clarified that the significant increase in undisbursed balances during the final year of IFAD12 is driven by an unprecedented concentration of PoLG approvals within that year of the cycle. In fact, under current assumptions, the anticipated increase in undisbursed balances between IFAD12 and IFAD13 is projected to be lower, at 4.5 per cent, further decreasing to 1.9 per cent between IFAD13 and IFAD14.

Agenda item 11 – Ethics Office

(a) Revised whistle-blower protection procedures (AC 2024/175/R.11) – for information

45. The Ethics Office presented the revised whistle-blower protection procedures, reaffirming IFAD's commitment to integrity and its zero-tolerance policy for fraud, corruption and misconduct, including sexual misconduct. The critical role of whistle-blowers in safeguarding the organization's values and mission was underscored, and the need for a secure environment where individuals could report wrongdoing without fear of retaliation was emphasized. The revision stemmed from best practices drawn from the 2022 external review of investigative practices, reflecting IFAD's ongoing dedication to transparency and accountability.

46. The Committee noted that key changes included elevating the status of the procedures from a section in the Human Resources Implementing Procedures to a stand-alone instrument that will be reflected in the Administrative Manual, ensuring publication in all official languages and enhanced accessibility for external stakeholders. Protection procedures are extended to external whistle-blowers, where feasible, and a robust three-stage process for handling retaliation complaints is being introduced. This includes an initial review by the Ethics Office, an investigation of cases meeting the prima facie threshold, and recommendations for protection measures, if necessary, based on prima facie assessment investigative findings. Further protection measures may be recommended following the investigative findings. The revision also strengthens anonymous reporting mechanisms and aligns key definitions with United Nations system terminology. The enhanced protection procedures aim to reinforce transparency, extend protections and uphold the integrity of IFAD's mission. The procedures are submitted for the President's approval.

47. Members sought clarity on the protection scope and practical implementation for external whistle-blowers who might face significant risks of retaliation in their local contexts. Additionally, members enquired about the frequency and nature of reports by external whistle-blowers and how those cases were handled.

48. Questions were also raised on the interrelation between protective measures for whistle-blowers, disciplinary actions or sanctions against those found guilty of retaliation and the options open to IFAD staff if they felt unsafe raising concerns internally and decided to report externally. Finally, the Committee made a comment that for future revisions a highlight of the changes introduced would facilitate understanding.

49. ETH provided detailed clarifications on the protection procedures and mechanisms for reporting by internal and external whistle-blowers and the link between protection measures and different disciplinary processes. ETH emphasized that IFAD's framework already included robust confidentiality and anonymity measures, ensuring protection for whistle-blowers reporting misconduct and other wrongdoing, such as corruption. While protection for external actors could only be implemented on a "best effort" basis due to limited jurisdiction over external counterparts, IFAD strove to mitigate any internal impact of retaliation. Each case was addressed individually, with efforts to engage external counterparts confidentially, where relevant and feasible.

50. Regarding the link between protective measures and disciplinary processes, ETH clarified that while the two were often interconnected, they were not necessarily dependent on each other. The Ethics Office could recommend protection at any stage of the process, including during the prima facie assessment, without requiring investigative findings to be finalized for disciplinary action to be taken. This autonomy allowed for timely action to safeguard individuals.

51. Additionally, Management reaffirmed that whistle-blower protection procedures applied to internal and external parties, including Board members. The Chief Legal

and Governance Officer added that staff are able to reach out to ETH and/or AUO, both independent offices, for reporting allegations of misconduct and retaliation. In addition, staff have a right to access IFAD’s internal dispute resolution system through the Joint Appeals Board and the United Nations Appeals Tribunal (UNAT) if necessary, highlighting IFAD’s commitment to impartial and fair processes.

Outcome and follow-up: The Committee noted the document and looked forward to its finalization and, following the Presidents approval, to its publication.

(b) Workplan for IFAD's Ethics Office for 2025 (AC 2024/175/R.12) – for review

52. ETH presented the 2025 workplan of the Ethics Office, emphasizing its four strategic priorities: fostering a unified ethical culture, promoting informal resolution mechanisms, enhancing a victim-centred approach in policies related to sexual harassment and exploitation, and improving operational efficiency. ETH outlined key activities for the coming year, including regional outreach missions, bystander intervention training, ethical decision-making workshops for Senior Management, and the establishment of an external mediation service. Additionally, the resource allocation and the Ethics Office's growth in capacity to better implement its mandate were highlighted.

53. Members commended the workplan and its focus on sexual harassment prevention but requested more details on the new case management system and a breakdown of non-staff budget allocations. They also highlighted the importance of clear indicators for monitoring and evaluating the effectiveness of the Ethics Office's initiatives. Members would welcome the development of metrics to assess the impact of efforts to promote an ethical culture. Some concerns were raised about the heavy workload relative to the size of the office and clarification was sought on addressing recommendations from the Multilateral Organisation Performance Assessment Network (MOPAN) review related to sexual harassment.

54. In response, ETH provided an overview of the case management system being considered, stressing its role in improving efficiency and maintaining confidentiality. The importance of current key performance indicators for monitoring and evaluation was acknowledged. ETH underscored benchmarking and collaboration efforts with risk management colleagues to improve reporting in 2025. ETH addressed concerns about the workload by emphasizing prioritization, efficiencies gained with improved knowledge management tools and increased budgetary support. On addressing the findings of the MOPAN review, activities were ongoing, such as policy improvements and risk assessment updates. ETH suggested that this could be discussed in depth at the next Committee meeting with the Update on IFAD's approach to address the United Nations Strategy to Prevent and Respond to Sexual Harassment, Sexual Exploitation and Abuse. On the detailed allocation for non-staff resources, ETH would share more details when presenting the workplan at the upcoming Executive Board session.

Outcome and follow-up: The Committee reviewed the document and endorsed its submission to the upcoming Board session for confirmation.

Agenda item 12 – Update of IFAD’s Non-Concessional Borrowing Policy (AC 2024/175/R.13) – for review

55. Management introduced the item, noting major updates to the Non-Concessional Borrowing Policy approved in 2019. The main changes to the policy would enhance the alignment to best practice as follows:

- Alignment with the other development finance institutions’ sustainable development financing policies and objectives, scope, core principles and pillars.

- Tailored and simplified arrangements consistent with IFAD's business model, financial capacities and internal expertise to preserve the integrity of the current PBAS methodology in terms of countries' initial allocation.
- The appropriate implementation of project performance assessments to incentivize the borrower to potentially access additional financing from core resources through the reallocation exercise.
- Further enhancement of the incentives approach towards better and transparent debt management.

56. Committee members welcomed the improvements to the policy and requested clarifications about their effective implementation in different countries and regions, how to avoid excessive borrowing, and challenges for reallocation of resources.

57. Management clarified that long-term sustainability for the recipient countries had to be articulated and was based on coordinated action promoted by the multilateral development bank industry.

Outcome and follow-up: The document was considered reviewed and would be submitted to the forthcoming Executive Board session for approval.

Agenda item 13 – Annual review of IFAD's Investment Policy Statement (AC 2024/175/R.14 + Add.1 + Add.2) – for review

58. Management introduced the item, noting that the documents had already been reviewed and endorsed internally by Risk Management Committees. Management noted that the proposed amendment to the Investment Policy Statement included the harmonization of credit rating requirements across investment instruments, issuers, counterparties and credit support providers. Other amendments included the addition of short-term credit rating requirements consistent with the risk profile of money market instruments and short-dated securities; the clarification that bonds issued by regions, states, provinces, cities and municipalities are eligible for investment by IFAD; the inclusion of agency discount notes issued by AAA-rated supranational organizations under eligible money market instruments; the specification of rating requirements for securities-lending counterparties aligned with those for transactions with a similar risk profile; and the use of group or parent company credit ratings in managing the credit risk for non-rated dealers transacted with on the basis of a securities delivery versus payment settlement mechanism. The proposed amendments would allow for improved management of interest rate, currency, liquidity, counterparty credit and operational risks arising from the Fund's investment management operations.

59. Committee members requested details about sanction lists. Management clarified that the negative screening of issuers of securities performed by IFAD included the United Nations Security Council Consolidated List. Furthermore, there had recently been coordination among United Nations agencies on adopting common practices for responsible investing.

Outcome and follow-up: The Investment Policy Statement and the Control Framework for IFAD Investments were considered reviewed and would be submitted to the forthcoming Executive Board session for approval.

Agenda item 14 - Update on IFAD's commitments, programme of loans and grants, and related resources for 2024 (AC 2024/175/R.15) – for information

60. Management provided the Committee with an update on delivery of the 2024 PoLG. As of the date of the meeting, 83 per cent of the target PoLG had been reached and a 99 per cent delivery rate was projected by year-end. Challenges included changes in government priorities, elections and complexities related to subnational lending. Despite these hurdles, Management expressed optimism about meeting the delivery target. Proactive measures, including reprogramming released funds to "plan B"

projects and monitoring high-risk projects daily had secured approvals and mitigated the risks related to slippage of some proposals.

61. Members noted the estimated best-case delivery rate of 99 per cent and the worst-case scenario of 96 per cent and urged Management to apply the lessons learned to the implementation of IFAD13. Management outlined plans to address delays by implementing stronger early commitment requirements, improving the use of the Borrowed Resource Access Mechanism (BRAM), matching resource allocation to demand and ensuring earlier design finalization within the replenishment cycle.

62. Management further clarified that any unutilized BRAM funds from IFAD12 could be redirected as part of the IFAD13 PoLG, while maintaining the same lending terms, ensuring resource continuity.

63. Members acknowledged the efforts of Management and staff and expressed hope for successful project approvals by year-end. An updated report on the status of pending projects would be presented to the Board in December.

Outcome and follow-up: The Committee took note of the document and update, and looked forward to a new update at the forthcoming Executive Board session.

Agenda item 15 – Report on the status of contributions to the Thirteenth Replenishment of IFAD's Resources (AC 2024/175/R.16) – for review

64. Members requested clarification on the decrease in total IFAD13 pledges with respect to August. Management explained that this was attributable to a revised pledge of one Member State.

65. Clarifications were also requested with regard to voting rights allocation. Management explained that voting rights were created and became effective at the cut-off date six months after adoption of the relevant resolution and were based on pledges received. While the total votes created would not change, their distribution changed according to changes in Membership and/or receipt of payments.

Outcome and follow-up: The Committee noted the update.

Agenda item 16 – Other business

Update on Social, Environmental and Climate Assessment Procedures (SECAP) complaints officer – for information

Outcome and follow-up: The Committee noted the update on the Social, Environmental and Climate Procedures complaints officer, welcoming the establishment of a roster of officers that AUO could draw on should the need arise. Work would continue to strengthen the roster in preparation for eventual recourse to the internal review procedure.