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**CLOSING STATEMENT  
BY PRESIDENT AL-SULTAN  
TO THE SIXTY-FOURTH SESSION OF THE EXECUTIVE BOARD  
ROME, 9-10 SEPTEMBER 1998**

Distinguished Directors,

I would like to summarize briefly the discussions and decisions taken at this Session of the Executive Board.

The Executive Board began its consideration of financial matters by reviewing the Status of Contributions to the Fourth Replenishment of IFAD's Resources (document EB 98/64/R.2 and addendum). We have now received Instruments of Contribution deposited and payments made against pledges not supported by Instruments of Contribution amounting to 94% of total pledges. This excellent performance reflects, I believe, the continuing support of Member States for the institution and its goals.

The Report on IFAD's Investment Portfolio for the First Half of 1998 (document EB 98/64/R.3) was of particular interest to the Board, as the period under review and the two months immediately following have constituted a very volatile period for the financial markets. While noting the decreased rate of return compared to that of calendar year 1997, and recognizing the unfavourable prevailing financial environment, Directors expressed their appreciation for the overall results achieved. However, precisely because of the current market situation, Directors once again urged caution and prudence with regard to the Fund's investment diversification. In this respect, the Board welcomed management's intent to follow a prudent and careful approach and to slow the pace of funding of new equities mandates, with a view to achieving further capital gains in the fixed-income sector and to avoiding potential value decrease in the equities sector over the short term.

Directors welcomed management's intention to table quarterly reports on the portfolio at the April and December sessions of the Executive Board. Requests were also made to ensure that the Fund's internal monitoring mechanisms be reviewed and strengthened where appropriate. Finally, Directors welcomed that a second seminar on investment diversification will be organized in conjunction with the December Board session to provide them with an in-depth review of the investment position and market conditions. We will also explore ways of providing information to the Board in the event of a crisis in the financial markets that would have a serious effect on asset values. I fully understand the deep interest that members have in this regard.

The Executive Board also reviewed the Status Report on Principal and Interest Payments (document EB 98/64/R.4 and addendum). Board Directors once again acknowledged the intensive efforts and the positive results the Fund has been able to obtain in reducing arrears. They urged management to continue its efforts and ensure that all channels are explored when negotiating resettlement plans for countries in arrears. However, once these are agreed to, established schedules should be kept. The Board also noted that IFAD's active participation in the Debt Initiative for Heavily-Indebted Poor Countries should contribute to even more positive results in the future.

The Board had an extremely rich discussion on the Preview of the Programme of Work and Budget of IFAD for 1999 (document EB 98/64/R.5). It would be difficult to summarize such an extensive exchange, but I would assure Directors that my colleagues and I have taken note of your varied and interesting comments, and we will bear these in mind while finalizing the budget. I would like however to highlight a few major points. On the question of the budget, as you know there are considerable upward pressures that are coming mainly from external sources. We intend to do everything possible to find ways of dealing with these pressures while maintaining a zero real growth budget. Some Directors have urged zero growth in nominal terms, but it is important to remember the evolution of the budget over the last six years. As has been noted, we have reversed a rising trend in budget numbers and brought the budget down by nearly a quarter, while increasing the programme of work by over a quarter, an efficiency gain of about 50%. We should look at the 1999 budget in the context of this evolution, keeping in mind, as one Director noted, the imperative of ensuring that we can prepare and implement high quality, responsive poverty projects while ensuring the full participation of those we would like to assist.

On two specific issues, the Board welcomed the idea of capital budgeting and drew attention to the Year 2000 problem on which we will report to the Board in December.

On the programme of work, the Board indicated support for maintaining the 1999 level at the same real level as 1998. We had an interesting discussion on programme priorities and regional allocations. There are a number of important issues involved, some of which were highlighted by the Assistant President of the Programme Management Department. These are complex issues on which we will maintain a continuing dialogue with the Board.

As regards resource mobilization, it was noted that the Fourth Replenishment will end in 1999 and we will have to find ways to meet IFAD's resource requirements from the year 2000 onwards. To this end the Governing Council will need to establish a Consultation procedure so that agreement is in place by the Governing Council Session in 2000 to meet the Fund's resource requirements. To support the negotiations in the Consultation process, we will prepare a paper analysing the impact of IFAD's activities against poverty and our response to the challenges set out by the Rapid External Assessment. We will further examine the minimum and credible lending programme for IFAD over the medium term and a strategic framework reflecting the internal resources available, and thus the external resources required to finance this programme.

The Board revised the 1998 administrative budget (document EB 98/64/R.36) by authorizing the reallocation of the two Contingency items, up to USD 400 000, to cover IFAD's share of the retroactive validation of the United Nations Joint Staff Pension Fund non-contributory service for long-term temporary staff.

The Executive Board endorsed the Report of the Audit Committee (document EB 98/64/R.6), presented by its chairman. It took note of the Audit Committee's intent to commence, at its December 1998 meeting, annual reviews of the effectiveness of the Fund's internal audit system.

At this Session, the Executive Board concluded the consideration it had started at its Sixty-Third Session and endorsed the IFAD Framework for Bridging Post-Crisis Recovery and Long-Term Development (document EB 98/64/R.8 and corrigendum). Once again, Directors provided us with valuable guidance on how best to provide post-crisis assistance to our beneficiaries in terms of promoting longer-term development and establishing strong partnerships with others involved. In reiterating their hope that this form of lending continue to be on an exceptional basis, Directors welcomed the case-by-case approval proposed in the presentation.

The Executive Board once again considered the adoption of the General Conditions for Agricultural Development Financing (document EB 98/63/R.29 and corrigenda). This effort

represents a thorough revision of the General Conditions Applicable to Loan and Guarantee Agreements. However as there were still some Directors who needed to review certain points, it was decided to defer approval of the General Conditions to the Sixty-Fifth Session of the Board. This decision was taken on the basis that Directors finalize their pending issues directly with the Office of the General Counsel. In this way, there should be no need for further discussion of the document in December.

In this connection, the issue of governance was also raised. Good governance is of course crucial for successful development. The issue goes well beyond IFAD alone. Other international financial institutions and United Nations agencies have been working on this issue and we are in close touch with them on it. At an appropriate time we will report to you on developments in this regard.

In approving the introduction of the Flexible Lending Mechanism (document EB 98/64/R.9), the Board has provided the Fund with a further instrument to meet the longer-term development requirements of some of its Member States. The flexibility of this new lending mechanism will assist us in promoting beneficiary participation, as well as in overcoming constraints encountered in adapting loans to specific country circumstances and changing priorities. Directors also welcomed the enhanced role of monitoring and evaluation featured in the mechanism.

Concern was raised, however, on the role of the Executive Board in making decisions on each of the cycles in the longer project period. Although noting that the mechanism would be used only for a limited number of projects, and while expressing their full confidence in the expertise of the Fund's staff, some Directors felt the Board needed to exercise close review of the results obtained under this mechanism, particularly in its experimental stage. In this context, it was noted that, apart from a section in the annual project implementation report on projects developed under this mechanism, the Executive Board would also receive evaluation reports before the end of each cycle on the achievements obtained, as well as the rationale for moving on to subsequent cycles. The Board agreed that it would not play a decision-making role between cycles but reserved the right to evaluate the merits of the flexible lending mechanism as a whole approximately three to four years after its introduction.

A Progress Report on Human Resource Development (document EB 98/64/R.10) was presented to the Board at this Session. I am happy to note your welcome for the work the organization has been able to accomplish in this crucial area. We will continue to give very close attention to our human resource management strategies.

Turning now to the Heavily-Indebted Poor Countries Debt Initiative, during this Session the Board reviewed and approved IFAD contributions towards the debt relief of four countries: two in Africa and, for the first time, two in Latin America.

The Executive Board reviewed the Resources Available for Commitment and then approved eight projects: five in Africa; one in Asia and two in the Near East and North Africa. It was noted that the project for Uganda will be directly supervised by the Fund.

The Board also approved seven technical assistance grants: two for Agricultural Research and Training by CGIAR-Supported International Centres; one for Agricultural Research and Training by a Non-CGIAR-Supported International Centre; and a grant each to the African Regional Agricultural Credit Association (AFRACA), the Foundation for International Community Assistance International (FINCA International), the International Farming Systems Research Methodology Network (RIMISP) and the Popular Coalition to Eradicate Hunger and Poverty.

The Board then reviewed the documents on Planned Project Activities (document EB 98/64/R.30 and addenda), which give information on projects in the pipeline. I would again reiterate the importance we attach to receiving feedback from our Directors on pipeline activities. We would also welcome any suggestions for cofinancing of these projects by bilateral donor agencies.

The Board approved the Memorandum of Understanding between IFAD and the Conference of Parties (COP) of the United Nations Convention to Combat Desertification (CCD) (document EB 98/64/R.31) on the modalities and administrative operations of the Global Mechanism and, in so doing, took the first important step in launching the operations of the Global Mechanism.

The Executive Board reviewed the issue of the timing of Governing Council sessions (document EB 98/64/R.32) and decided to recommend to the Council that it amend its Rules of Procedure to allow for future sessions to be held within the first quarter of each year. In conjunction with this, the Board had a fruitful exchange of ideas regarding the submission of audited Financial Statements to the Governing Council for its approval. Various possibilities were considered with respect to streamlining the modalities currently used, but it was finally decided that the Board preferred to maintain the status quo in this respect.

With regard to the Governing Council, the Board also approved the Draft Provisional Agenda for the Twenty-Second Session of the Governing Council (document EB 98/64/R.33) to be held in February 1999.

Under Other Business, the Board elected Ambassador Masarweh of Jordan as member, and Mr Dilg of Germany and Ms Toro of Finland as alternate members to represent the Fund's Governing Council on the IFAD Staff Pension Committee.

The Board took note of the oral report on IFAD's Headquarters Building and noted with satisfaction that negotiations have been initiated with the Italian authorities and the proprietors to confirm the rental of the building adjacent to IFAD Headquarters as a medium-term solution pending the allocation of a permanent Headquarters.

Finally, the Executive Board approved the disclosure of the documents that had been approved at this Session and noted that these documents would subsequently be posted on IFAD's public website, which has been operational since 26 June 1998. It welcomed the fact that the July 1998 deadline for the start of the 18-month interim phase of the disclosure policy had been successfully met.

Before I close this Session, I would like to bid farewell to the Executive Board Director for Argentina, Mr Roberto Oscar Villambrosa. I am certain I speak on behalf of all of you in thanking Mr Villambrosa for the valuable contributions he has made both to the deliberations of the Executive Board and in his role as Convenor of the List C Members.

Distinguished Directors,

We have covered a considerable amount of work in this Session. In closing, I thank you for the fruitful discussions we have had and bid you all a safe journey home.