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**CLOSING STATEMENT
BY PRESIDENT AL-SULTAN
TO THE SIXTY-FIFTH SESSION OF THE EXECUTIVE BOARD
ROME, 2-3 DECEMBER 1998**

Distinguished Directors,

I would now like to summarize our deliberations and highlight the decisions taken at this session of the Executive Board.

The Board reviewed the Status of Contributions to the Fourth Replenishment of IFAD's Resources (document EB 98/65/R.2 and addendum), noting that the Instruments of Contribution deposited and payments made against pledges not supported by Instruments of Contribution now amounted to 94% of total pledges. Directors welcomed the momentum with which the Fourth Replenishment has progressed but also urged countries which had not yet deposited their Instruments of Contribution to do so.

Directors expressed appreciation of the Report on IFAD's Investment Portfolio for the First Three Quarters of 1998 (document EB 98/65/R.3 and addendum), and complimented IFAD on the quality of the document which introduced quarterly reporting to the Board. Further appreciation was expressed on the satisfactory rate of return achieved during the first nine months of the year, particularly in view of the extreme volatility of the financial markets. Management's slower approach in funding mandates during this period of volatility was also commended. Directors reiterated the hope that this prudent approach would be continued, and noted the need to achieve the intended geographic balance in the equities portfolio.

Executive Board Directors welcomed the addendum to the Report outlining the process by which reports will be made to the Board at times when extreme volatility might seriously affect asset values. Directors were pleased to note that a seminar was to be held on Friday, 4 December 1998, to provide insights into the evolving market situation and factors underlying the Fund's investment policy.

In reviewing the Status Report on Principal and Interest Payments (document EB 98/65/R.4 and addendum), the Executive Board expressed concern at the slight increase in payment arrears over the last report. While noting that this was a temporary situation, Directors underlined the importance of efforts being taken to reduce the payment arrears.

The Programme of Work and Budget for 1999 (document EB 98/65/R.5 and addendum) was well received by Directors who commended the Fund on its thoroughness and clarity. The Executive Board approved a programme of work for 1999 of USD 472.77 million, including a technical assistance grant programme of USD 35.45 million which is within the 7.5% ceiling. On an exceptional basis, the Board agreed to add an additional USD 12.63 million to the 1999 programme of work for the Zambia loan, which was being postponed to the Sixty-Sixth Session of the Executive Board in April 1999. The document submitted to the Governing Council on this item will duly

explain that the original programme of work for 1999 was USD 472.77 million and that it was raised by the Executive Board to reflect the loan for Zambia. The Executive Board Director for the United States expressed his country's view that it was in IFAD's best interests to have commitments more in line with currently available resources in order to ensure a stable lending level. As such, the United States did not support the proposed level of the programme of work.

The overview of the 1999 regional strategies provided in the addendum to the document was seen by Directors to represent a useful working tool. With respect to regional lending levels, appreciation was expressed of the renewed focus given to Africa. It was felt that the current situation in Central America might merit further review of lending in that region. A similar view was expressed with respect to lending levels in Asia, in the context of the financial and environmental disruptions faced by many countries in the region over the last two years.

The Board recommended that the proposed administrative budget for 1999 be submitted to the Governing Council for its approval in the amount of USD 55 366 000, plus USD 343 000 for the 1999 consultation meetings on the review of the adequacy of resources available to IFAD. In so doing, the Board expressed appreciation of the continued efforts the Fund has made over the past seven years in limiting, and indeed reducing, the level of the administrative budget. Management was urged to maintain its efforts in this regard. The Board authorized the President to allocate contingency item amounts to other expenditure categories as the need arises.

The Executive Board endorsed the Report of the Audit Committee (document EB 98/65/R.6), presented by its chairman, and approved the External Auditor's fee for 1998. The Board also approved the Committee's revised terms of reference and rules of procedure (document EB 98/65/R.38).

After reviewing the proposal submitted by the Audit Committee in document EB 98/65/R.39, the Board authorized annual transfers of USD 2.6 million from the accumulated surplus of IFAD's resources for five years, starting in 1999, in order to build up a provision account to fund the after-service medical scheme actuarial deficit. It also endorsed a draft resolution, for approval at the next session of the Governing Council, delegating authority to the Executive Board to amend the ceiling of the General Reserve. The Director for the United States asked that the record indicate his country's abstention on the latter decision.

The Executive Board approved an advance of up to USD 1 million to the Global Mechanism of the United Nations Convention to Combat Desertification for its 1999 budget, to be recovered by the Fund by 31 March 2000, so as to enable the Global Mechanism to function effectively (document EB 98/65/R.40).

The Board accepted with thanks the Republic of Iceland's voluntary contribution of USD 5 000 to IFAD (document EB 98/65/R.37).

It was decided to submit a draft resolution to the Twenty-Second Session of the Governing Council for the purpose of establishing a Consultation to Review the Adequacy of the Resources Available to IFAD (document EB 98/65/R.7). The next step is to look at the impact of past operations, and, in the light of these, to consider future programme requirements and priorities, analyse the resources at the Fund's disposal, and determine the additional resources required. With the support and cooperation of its Member States, the Fund believes a consensus can be achieved by the end of 1999.

This session of the Board concluded its consideration of the revision to the General Conditions Applicable to Loan and Guarantee Agreements and approved the adoption of the General Conditions for Agricultural Development Financing (document EB 98/65/R.35). The Board also

authorized the President to approve any modifications to the Conditions that are either non-substantive in nature or that reflect policies approved by the Board. Any such modifications will be reported to the Board.

Directors welcomed IFAD's participation in the Heavily-Indebted Poor Countries Debt Initiative (HIPC DI) and many stressed the importance they attach to reducing the debt burden of the heavily-indebted poor countries (document EB 98/65/R.8). After reviewing the requirements of the six programmes already approved under the Initiative, the Board approved a transfer of USD 16 million, in four equal yearly instalments to commence as of 31 December 1998, from the uncommitted accumulated surplus of IFAD's regular resources to the IFAD HIPC DI Trust Fund. The text of document EB 98/65/R.8 will be modified to reflect the comments made by the Directors for The Netherlands and France.

The Board reviewed document EB 98/65/R.9 on Planned Policy Papers, noting the two papers foreseen for presentation to the Executive Board in 1999. During the discussions, Directors provided very useful comments and insights on issues to be addressed in future. Directors also noted the opportunity cost of preparing policy papers and emphasized the need to focus on issues with an operational impact. These comments will be considered when planning future policy papers. With regard to the governance issue, IFAD is now considering the work being done by other organizations and will report back to the Board on this matter.

The Executive Board reviewed the Resources Available for Commitment (document EB 98/65/R.10) and approved 14 projects: five in Africa, three in Asia, four in Latin America and the Caribbean, and two in the Near East and North Africa. The project proposal for Zambia was postponed at the request of the Government of the Republic of Zambia. The Board also took note of the Report on Implementation of the Crop and Livestock Rehabilitation Project in D.P.R. Korea.

The projects for Brazil and Oman, the loans for which had not been negotiated prior to the Board's consideration, were approved on the condition that, should any important variations to the terms presented to this session arise during the negotiations, these would be brought to the attention of the Board at its next session. The Board expressed concern at this procedure, but accepted it as an exception.

It was approved that seven projects, specifically those for Brazil, the Dominican Republic, The Gambia, Mali, Oman, Sri Lanka and Zimbabwe, will be directly supervised by the Fund. The Board noted that, to date, 13 projects had been approved for direct supervision by IFAD and that the remaining two projects identified for direct supervision (those for India and Zambia) will be presented to the Sixty-Sixth Session of the Executive Board in April 1999.

The Board also approved six 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; one to the Food and Agriculture Organization of the United Nations; one in favour of the Service for Information Technology in International Agriculture; and one grant for Microinitiatives in Rural Finance for the Poor.

The Executive Board reviewed the information presented in the document Planned Project Activities 1998-99 with regard to projects in the pipeline (EB 98/65/R.32 and addenda) and took note of the oral progress report on the establishment of the Global Mechanism of the United Nations Convention to Combat Desertification. Noting that the memorandum of understanding approved at the last session was now being considered by the Conference of the Parties meeting in Dakar, Senegal, Directors expressed the hope that a more detailed report would be presented to the forthcoming session of the Governing Council.

The Executive Board approved the Revised Provisional Agenda for the Twenty-Second Session of the Governing Council (document EB 98/65/R.33) containing the new items on the General Reserve, the Global Mechanism and the Follow-up to the Conference on Hunger and Poverty.

The Board considered the Report on the Commemoration of the Twentieth Anniversary of IFAD (document EB 98/65/R.34) and was pleased to note the favourable response of the Fund's Member States to the commemoration.

The Board took note of the oral report on IFAD's headquarters building, which explained how the most recent exchanges with the proprietors of the building adjacent to the actual IFAD building had led to the identification of June 2000 as the target date for the Fund to be able to occupy the new premises.

The Executive Board noted the oral report on IFAD's response to the consequences of Hurricane Mitch in Central America, and welcomed the action taken by the Fund with respect to both its ongoing projects and its planned lending operations for 1999 in El Salvador, Guatemala, Honduras and Nicaragua.

The Board approved the disclosure of the documents that had been approved at this session, and noted that the documents would be subsequently posted on IFAD's public website.

Finally, at the request of the Executive Board Director for Germany, the Board considered a proposal to include evaluation items on the agendas of the September and December Board sessions. The Board agreed that the proposal would be developed further, in consultation with the new Director of the Office of Evaluation and Studies during the next meeting of the Evaluation Committee.

Before closing, I wish to note that the terms of office of Côte d'Ivoire, Jordan and Pakistan have come to an end. I am certain I speak on behalf of all of you in thanking their representatives for the important contributions they have made to our work.

Distinguished Directors,

This brings us to the end of the last session for 1998. Allow me to thank you all for the excellent work accomplished this session and to wish you a safe journey home and a happy year's end.