



**CLOSING STATEMENT
BY PRESIDENT BÅGE
TO THE SEVENTY-FIFTH SESSION OF THE EXECUTIVE BOARD
ROME, 22-23 APRIL 2002**

Distinguished Directors,

I would now like to summarize the discussions and highlight the decisions taken at this Session.

The Executive Board began its consideration of financial matters with a review of the Status of Contributions to the Fifth Replenishment of IFAD's Resources (EB 2002/75/R.2 and addendum), noting that the instruments of contribution deposited and payments made against pledges not supported by instruments of contribution amount so far to 71% of the upwardly revised total pledges of USD 442.5 million. In this regard, the convenor of the List C Member States highlighted the fact that the deposits and payments made to date by List C countries had already exceeded 80% of that List's pledges to the Fifth Replenishment – a strong manifestation of its commitment to the Fund.

The Board then reviewed the Reports on IFAD's Investment Portfolio for 2001 (EB 2002/75/R.3) and for the First Quarter of 2002 (EB 2002/75/R.4). It noted that while the aggregate loss on investments in 2001 represented a net rate of return of -2.26%, returns for the first quarter of 2002 showed a positive annualized return of 2.10%.

Directors welcomed the Report on the Implementation of IFAD's New Investment Policy (EB 2002/75/R.34), which began in January 2002. Many expressed appreciation for the effectiveness and rapidity with which management had made progress in reducing the level of equity holdings to about 18% of the portfolio without incurring losses. Directors expressed their hope that future market conditions would be conducive to further reduction, down to the 10% provided for by the new policy, without incurring unnecessary losses.

The Resources Available for Commitment at this Session were considered (EB 2002/75/R.5 and addendum), and the Board approved the use of the Advance Commitment Authority (ACA) for an amount of up to USD 106.2 million. While recognizing the need for its use at this point in time, some Directors recalled that the ACA had originally been envisaged to cover temporary shortfalls and reiterated their concern regarding its use as an integral part of financing the lending programme. Management observed that the Fund was addressing the current issue of constrained resources partly by using ACA and partly by reducing the lending programme.



It was also recalled that the use of ACA is under consideration by the Consultation on the Sixth Replenishment of IFAD's Resources. In the interim, Directors requested that future documents include information on the ceiling for the use of ACA, based on the three-years-of-reflows policy, as well as a more comprehensive breakdown of the inflows received between Board sessions.

In reviewing the Status Report on Principal and Interest Payments (EB 2002/75/R.6 and addendum), the Board noted the slight overall increase in arrears at year-end 2001 of USD 1.8 million from the previous year's level. Noting that the arrears of four countries represented 79% of the total amount overdue, Directors further noted the efforts that were being made by the Fund to resolve outstanding arrears.

The Executive Board reviewed the audited financial statements of IFAD for 2001 (EB 2002/75/R.7), took note of the External Auditor's clean report, and approved the recommendation to submit the financial statements to the Twenty-Sixth Session of the Governing Council for final approval. The Board also approved the twenty-third drawdown of members' contributions (EB 2002/75/R.8 and corrigendum), in the amount of up to USD 330.5 million, to meet loan and grant disbursements in 2002. This will be done, to the extent possible, by drawing down from contributions to the Fourth and Fifth Replenishments or in terms stipulated in agreements with individual Members (EB 2002/75/C.R.P.1).

The Report of the Audit Committee on its seventy-sixth and seventy-seventh meetings (EB 2002/75/R.9) was presented by its chairman. The Board endorsed the report and approved the committee's recommendation to reappoint PricewaterhouseCoopers as the external auditors for the next five years, subject to satisfactory performance. The Board also noted that the Audit Committee was currently reviewing its mandate and would, after consultations with management, submit proposals to the next session of the Executive Board.

The Board reviewed the Report on the First Session of the Consultation on the Sixth Replenishment of IFAD's Resources (EB 2002/75/R.10) and was presented with an oral report on its Second Session. Directors were pleased to note the strong commitment that was shown during these sessions to proceed expeditiously and to capture the momentum set by the Conference on Financing for Development held in Monterrey, Mexico, in March. In noting the documentation required for the Consultation's Third Session in July, the convenor for List C reiterated his availability to work on part of this documentation in intersessional meetings with his colleagues in the other Lists and with management.

In reviewing the Progress Report on the Process Re-Engineering Programme (Strategic Change Programme) (EB 2002/75/R.11), Directors expressed their satisfaction with the strategic approach and direction the programme had now taken. While appreciating the delineation of the different project components for 2002, Directors felt more detail could be provided in future, particularly with respect to budget allocation. In response to concerns raised over the use of consultants for this programme, Directors were reassured that the Fund's staff would be the key players in identifying and producing its output.

The Progress Report on the Project Portfolio (EB 2002/75/R.12) was complimented for being an interesting, comprehensive and candid report, giving a clear representation of the performance of the Fund's project portfolio with respect to both quantitative and qualitative achievements. Directors especially appreciated the emphasis on capturing project impact and responsiveness to the Strategic Framework. While concerns were raised over delays in project effectiveness, it was confirmed that the Fund was doing its utmost to ensure that conditions for loan effectiveness would be streamlined further.



The Annual Report on Evaluation (EB 2002/75/R.13) was equally appreciated by the Executive Board, being praised both for its presentation and for the breadth of the work that had been undertaken in 2001. Directors acknowledged the validity of the new methodology for impact assessment and expressed their hope that the Board would soon be presented with the evaluation report on innovation and management's response to it. In addition, Directors highlighted the need to ensure that appropriate efforts are made to target and communicate evaluation results to different partners.

Directors also discussed the overall role of the Evaluation Committee and its procedures for reporting to the Executive Board. The Committee was invited to follow up on these discussions as its rules of procedure allowed for, *inter alia*, direct written and oral reporting to the Board. With regard to the independence of IFAD's evaluation function, management would provide the committee with information relating to the practice in other international institutions on the reporting of evaluation to their governing bodies as well as an analysis of the relevant considerations in this regard.

The Board approved the contribution to the reduction of Ethiopia's debt to IFAD under the Debt Initiative for Heavily Indebted Poor Countries (EB 2002/75/R.14). It also noted the status of IFAD's participation in the Initiative and the external resources pledged to help fund its participation. In discussing the mobilization of additional external resources, the Board expressed its appreciation of the debt relief provided by the Italian Government under the Jubilee initiative.

The Executive Board considered the Country Strategic Opportunities Papers (COSOPs) for the Arab Republic of Egypt (EB 2002/75/R.15) and the Republic of Peru (EB 2002/75/R.16 and corrigendum). During discussions it was suggested that a workshop with Board Directors might be appropriate to review both the structure and contents of COSOPs as well as the procedure for their review by the Board.

The Board approved six programmes and projects: two in Africa, two in Asia, and one each in Latin America and the Caribbean and the Near East and North Africa regions. The loans for the programmes in Haiti and India were formulated and approved under the flexible lending mechanism. The Board also approved seven grant proposals.

With respect to the Review of the Flexible Lending Mechanism (FLM) (EB 2002/75/R.26), it was decided to present a report on the status of the projects formulated under FLM at the next Board session. This report would be used to decide, *inter alia*, when a full analytical evaluation of the mechanism would be appropriate.

The Executive Board considered the documents on Planned Project Activities for 2002 and 2003 (EB 2002/75/R.32 and addenda) and decided to review the COSOPs for Kenya and The Sudan at its Seventy-Sixth Session. It also noted the Progress Report on the IFAD/NGO Extended Cooperation Programme (ECP) (EB 2002/75/R.33), whose activities in 2001 focused on capacity-building of beneficiaries and their organizations, as well as institutional development to enable poor rural people to improve their livelihoods.

In response to the concerns raised on recent events in Gaza and the West Bank, the Executive Board was presented with an oral update on the Fund's current operations in the area and the effects these events have had on them. IFAD was already preparing to take an active part in the assistance foreseen by the international community and, more specifically, within the United Nations-wide approach envisioned. In view of the urgency of the situation, management will seize the opportunity to meet with Palestinian Authority representatives at the forthcoming Regional Rural Poverty Assessment and Strategic Opportunity Workshop in Beirut, on 8-9 May 2002, to discuss best possible alternatives, and will consider presenting a relief and development proposal to the Board at its next session in September.



Finally, the Board took note of the oral update on the renovation work scheduled for the Fund's headquarters building and approved the disclosure, on IFAD's public website, of the documents approved at this Session.

Distinguished Directors,

This brings us to the end of our business. Before I close the Session, however, I would like to bid farewell to two of our Executive Board Directors: Ambassador Jan Berteling of The Netherlands, the convenor for List A countries, and Mr Dag Briseid of Norway. I am certain I speak on behalf of all present in thanking them for the valuable contributions each has made to the deliberations of the Executive Board. We wish our colleagues every success in their future endeavours.

May I thank you for a most productive Session and wish you all a happy summer and, for those Directors who have come from outside Rome, a safe journey home.