



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Sixth Session

Rome, 4-5 September 2002

CLOSING STATEMENT
BY PRESIDENT BÅGE
TO THE SEVENTY-SIXTH SESSION OF THE EXECUTIVE BOARD

Distinguished Directors,

I would now like to summarize our deliberations briefly and highlight the decisions taken at this Session.

The Session opened with the Executive Board Director for France recounting his field visit to IFAD projects in Viet Nam and sharing with the Board his favourable impression of the impact these projects had on their beneficiaries. He suggested, as did some of his colleagues, that all Board Directors take the opportunity, whenever possible, to make similar field visits. He assured his colleagues that such visits provided profound and in-depth understanding of the projects they discussed and approved in the Board Room.

Let me once again thank Mr Guillouët for bringing his experience to the Board and reiterate my support and that of the Fund's Secretariat in assisting other Directors who may wish to visit the field.

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 2002/76/R.2 and addendum), noting that the instruments of contribution deposited, including payments in cash and promissory notes against pledges not supported by instruments of contribution amount so far to 78% of the revised total pledges of USD 442.6 million. It further noted that under complementary contributions, payments represented 76% of the total pledged.

It was recalled that the second instalments of contributions are payable in September 2002, and members who had not yet done so were requested to proceed with this payment as soon as possible.

During the discussion on the status of this replenishment, several Directors, while regretting the delays in depositing instruments of contribution and effecting payments, reiterated their governments' intention to honour the commitments made for the Fifth Replenishment. Information was requested on the status of pledges and payments on an individual member basis. It was felt that if Member States shared this information with each other, there would be a more consolidated understanding of the



current position. The importance of full knowledge about Fifth Replenishment payments was underlined with respect to the ongoing negotiations for the Sixth Replenishment. Directors also urged those countries that had yet to make payments for the Fifth Replenishment to expedite their processes.

The Board then reviewed the Report on IFAD's Investment Portfolio for the Second Quarter of 2002 (EB 2002/76/R.3). The report showed a net loss on investments of USD 19.1 million, representing a net negative rate of return of -1.02%. On a cumulative basis, the investment portfolio suffered a loss of USD 9.1 million during the first four months of 2002, representing a net negative rate of return of -0,51%. However, the Board was also informed that during July and August the portfolio showed net gains on investments that reduced cumulative loss on investments to USD 4.5 million.

Due to market conditions in the second quarter, it was noted that it had not been possible to sell further equity holdings without incurring losses and that, as of 30 June, equity mandates represented 17.5% of the portfolio. Directors once again expressed their hope that the target equity allocation of 10% under the new investment policy could be realized as soon as possible while avoiding unnecessary losses. There was a consensus that current market conditions represented a difficult challenge and that close monitoring of this situation, with a view to achieving the investment allocations agreed in the new investment policy, should be entrusted to management. There was, however, a request for more complete information in future investment portfolio reports on the Fund's equity holdings and their respective market value.

The Resources Available for Commitment (EB 2002/76/R.4 and addendum) were considered at this Session, and the Board approved the use of advance commitment authority (ACA) for an amount of up to USD 105.7 million. Concern was raised over the now repeated use of ACA. While fully recognizing and appreciating the financial constraints the Fund presently faces as a result of investment losses and delays in Fifth Replenishment payments, and therefore the need to resort to ACA, Directors felt that a review of ACA and the guidelines for its use needs to be undertaken within the context of Sixth Replenishment negotiations.

The Executive Board endorsed the Report of the Audit Committee (EB 2002/76/R.5) presented by its chairperson and approved the proposed new terms of reference for the committee for a period of two budget cycles. It also approved the committee's recommendation that it meet for four full days per year, as well as the external auditor's fee for the 2002 audit. The chairperson of the committee was highly praised by colleagues for the time he had dedicated over the past 18 months and the amount of work he had put into reshaping the committee's mandate. I would like to take this opportunity to join others and express my personal appreciation for the efforts and contributions Mr Beattie has made, which have been extremely valuable to the work of the Board.

The Executive Board was presented with an oral update to complement the written Report on the Sixth Replenishment of IFAD's Resources (EB 2002/76/R.6). The update indicated work currently in progress on documentation for the forthcoming Fourth Session of the Consultation and the issues to be covered at that Session. With respect to the report on the Consultation's Third Session, the convenor of List C Member States requested that a clarification be recorded regarding his List's position. While some individual List C members had indicated their willingness to enhance their contributions, List C as a whole was not yet in a position to confirm its collective contribution to the Sixth Replenishment.

In addition, the chairperson of the Evaluation Committee informed the Board that the committee intended to hold a special session on 23 September 2002 to review evaluation-related issues brought up during the Consultation's deliberations at its Third Session.



Directors welcomed the document on the Strategic Priorities and Programme of Work of IFAD for 2003 (EB 2002/76/R.7), which replaces the “preview of the programme of work and budget” document normally presented at September sessions of the Executive Board. Directors commended the newly introduced strategic planning and resource-allocation process, intended to link annual resource allocation more explicitly to identified strategic priorities. Directors provided concrete and productive guidance in regard to this new process, both at the informal seminar held before the session and during Board discussions. I take this opportunity to once again thank you for your interest in and endorsement of the process. It is a work in progress that we hope to have fine-tuned next year.

With respect to our specific priorities for 2003, again we will keep in mind the comments made on the aspects discussed when formulating the programme of work and administrative budget for 2003, to be submitted to the Executive Board in December. We will also schedule an informal seminar before the December Board Session to review the new document. As regards the proposed programme of work for 2003 of USD 435.5 million, this level will be reviewed and adjusted in the light of the resource situation. Finally, we take note of the objection raised by the Director for India regarding the title of a project planned in 2003 and will ensure correct terminology in accordance with United Nations practice.

We will also present a document to the December Session describing the range of supplementary funds provided to IFAD by its bilateral donors and the purposes for which these funds are being used.

The Executive Board reviewed the Status Report on the Flexible Lending Mechanism (FLM) (EB 2002/76/R.8), which elaborated the major characteristics of the mechanism, provided a summary of ongoing FLM projects and an analysis of pertinent issues. Directors noted that the first eight of the 19 approved FLM projects will have completed their first phase only by June 2004.

Some Directors emphasized the need for Executive Board oversight of FLM projects and programmes. In the light of this, it was reconfirmed that the Board be provided with comprehensive information on each FLM project at the completion of its first phase. Directors were invited to participate in the workshop that is foreseen to take place in Mali at the end of the first phase of the Sahelian Areas Development Fund Programme. An information paper on the workshop will be presented to the Board. It was agreed that loans under the FLM be restricted to those already in the pipeline, namely one, for The Comoros, in December 2002 and three in 2003. It was further agreed that the Office of Evaluation and Studies would carry out an evaluation of FLMs in 2004. Subsequent FLM financing decisions would be made in the light of the findings of this evaluation.

In the context of IFAD’s Participation in the Debt Initiative for Heavily Indebted Poor Countries (EB 2002/76/R.9), the Executive Board approved debt-relief proposals for Ghana and Sierra Leone. The debt relief for Sierra Leone will internalize its arrears settlement plan. It further approved the revised debt-relief proposal for Burkina Faso. Some Directors reiterated their concern regarding the internal resources required for debt relief. They agreed that a fuller discussion on mobilizing additional external resources to help finance the Fund’s participation in the Debt Initiative was required at the forthcoming Fourth Session of the Consultation on the Sixth Replenishment of IFAD’s Resources.

The Board was provided with an oral report on the informal seminar, held before the session, on country strategic opportunities papers (COSOPs) and noted that a formal policy proposal on the review of COSOPs and projects by the Board would be presented at the December Session. It then considered the COSOPs for the Republics of Kenya (EB 2002/76/R.10) and The Sudan (EB 2002/76/R.11). During the review, the Executive Director for the United States stated that his country would vote against lending to the Government of the Republic of The Sudan and therefore opposed the COSOP for The Sudan.



The Executive Board approved seven programmes and projects: four in Africa; one in Asia and the Pacific; and two in the Near East and North Africa region. The Board also approved the expansion of the project area of the Rural Finance and Small Enterprise Development Project in the Republic of Moldova and four grant proposals – including one for the Rehabilitation and Development Project in Gaza and the West Bank.

The chairperson of the Evaluation Committee presented a summary of the discussions held at the committee's Thirty-First Session on the Executive Summary of the Evaluation of IFAD's Technical Assistance Grant Programme for Agricultural Research. The committee fully endorsed the recommendations of the evaluation and had made other relevant recommendations that management will be reviewing.

The Executive Board considered the documents on Planned Project Activities for 2002 and 2003 (EB 2002/76/R.24 and addendum) and decided to review the COSOP for the Dominican Republic at its Seventy-Seventh Session.

The Board welcomed the oral report on IFAD's Headquarters Buildings regarding the renovation work due to begin shortly. Finally, it approved the disclosure, on IFAD's public website, of the documents approved at this Session.

Ladies and Gentlemen,

We have dealt with a wide range of issues at this Session and I would like to express my appreciation for the work accomplished not only during the Session but also in the two seminars and two committee meetings held just prior to it. Let me now wish each of you a safe return home.

