



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Seventy-Seventh Session**

Rome, 10-11 December 2002

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

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 (document EB 2002/77/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 78.5% of the revised total pledges of approximately USD 443.1 million. It further noted that payments had been received representing 76.4% of the total complementary contributions that were pledged.

The Board then reviewed the Report on IFAD's Investment Portfolio for the Third Quarter of 2002 (document EB 2002/77/R.3) that indicated a net loss of USD 2 million thus bringing cumulative losses for the first nine months of the year to USD 11 million. The Board also noted however that with reversed trends from October onwards, cumulative income reached USD 2.5 million by end November and was expected to reach USD 6 million by year's end.

Directors very much welcomed the completion of the implementation of the new investment policy with the reduction of equity holdings, from 45% to slightly under 10% of the overall portfolio. They further appreciated that, on an aggregate basis, no capital losses were incurred on the sales made to lower the percent of holdings in equities.

The Resources Available for Commitment (document EB 2002/77/R.4 and addendum) were considered and the Board approved the use of advance commitment authority (ACA) for an amount of up to USD 176.2 million. It also noted that, with the expected inflows by end December, total ACA use at 31 December 2002 would be about USD 283 million. This compares to the USD 299 million projected in the Programme of Work and Administrative Budget of IFAD for 2002.



The Programme of Work and Administrative Budget of IFAD for 2003 (document EB 2002/77/R.5) was highly commended by Board Directors not only for the clarity and conciseness of the document presented, but also for the clear link it provided between resource allocations and the strategic priorities. We very much appreciate the valuable comments provided by Directors both at the informal seminar held the day before the Session and during the meeting. We are pleased that the new process has been well received, and on our part we will use the guidance provided to refine and further strengthen the process for next year.

The Board approved the planned 2003 programme of work of USD 450 million noting that the level may be adjusted during 2003 in accordance with the level of resources available. It also noted, in this respect, the planned overall limit for ACA, in 2003, of USD 400 million. The Board also approved a total Programme Development Financing Facility (PDFF) of USD 27.6 million.

The Executive Board further recommended to the Governing Council the approval of an administrative budget for 2003 of USD 45.2 million, representing zero real growth over the 2002 budget. With respect to the request made by some Directors to relax somewhat the now longstanding trend of zero real growth in the budget, I would reiterate here that I very much appreciate the trust the Board is thus showing in management. However, we believe further study of our internal resource use and assessing the impact of the Strategic Change Programme (SCP) is required before taking possible steps in that direction.

During discussion there was concern over the financing of the external independent evaluation of IFAD requested by the Consultation on the Sixth Replenishment of IFAD's Resources during its recent deliberations. This concern centred on whether the voluntary contributions foreseen for the financing of the evaluation would suffice. To this effect the Board decided to recommend to the Governing Council, within the administrative budget proposal that will be submitted, that it authorize the Executive Board to approve any funding still required for the evaluation after the receipt of voluntary contributions. This will be indicated as a one-time, below the line costs, in the 2003 budget.

As requested by several Directors during the discussions on strategic priorities in September, the Board was provided further information on supplementary funding and the purposes for which these funds are being used in IFAD's Policy Framework for Supplementary Resources (document EB 2002/77/R.6). The information provided was welcomed and management was encouraged to consider including information on all supplementary and complementary resources in future programme of work and administrative budget documents. Directors encouraged the expansion of the associate professional officer scheme to include more associate professionals from developing countries. There was also appreciation of the importance of donor coordination in the provision of supplementary funds. Some felt that IFAD should streamline the number of supplementary funds in favour of a few well-focused multi-donor funds. However, it was emphasized that replenishments are the ultimate multi-donor funding that confirms membership support of IFAD operations.

In conclusion there was general agreement that three criteria were important with respect to supplementary funds: first, that the policy for their use should be coherent with IFAD's general operational policies and priorities; second, that funds should be managed on a cost recovery basis; and, third, that the volume of supplementary funds should be a reasonable share of the total of IFAD resources.

The Report of the Audit Committee (document EB 2002/77/R.7) was presented to the Board by its Acting Chairman, Mr Alain Guillouët, who began his report with praise for the work and dedication of the outgoing Chairman of the Committee, Mr Anthony Beattie. Directors joined in the appreciation for the tireless efforts that Mr Beattie contributed to the work of the committee during his five years as its Chairman and I must reiterate here my own personal profound gratitude for the service Mr Beattie has rendered IFAD.



In endorsing the Audit Committee's report the Executive Board also authorized the transfer of USD 3.6 million from IFAD's resources in 2002 as a one-off cost to fund the actuarial deficit of the After-Medical Coverage scheme as at 31 December 2001. In this respect, it further recommended to the Governing Council that it set up a trust fund into which assets for the scheme will be transferred in future. The Board also approved the change in the accounting principle for the non-PDFF grants as stipulated in the report.

The Executive Board was presented with an oral update to complement the written Report on the Fourth Session of the Consultation on the Sixth Replenishment of IFAD's Resources (document EB 2002/77/R.8). The update indicated work currently in progress and the expectations for the forthcoming Fifth Session of the Consultation. Related to the Consultation's Fourth Session, the Board also reviewed and expressed its appreciation for the Proposal to Enhance IFAD's Field Presence by Strengthening In-Country Capacity (document EB 2002/77/R.9) summarizing the findings and recommendations resulting from the deliberations during the past two Consultation sessions.

Noting that the Fund has innovative arrangements to strengthen in-country capacity in several countries, the Board requested that a rapid country analysis of 15 countries with pertinent activities in the different regions and the preparation of recommendations based on this analysis be undertaken to enable further consideration of the issue by the Executive Board in September 2003. In this context it was suggested to establish an ad hoc working group of the Executive Board with representatives of the three Lists to accompany the process.

The Board was also presented with a summary version of the Decision Tools in Rural Finance (document EB 2002/77/R.10) – a set of guidelines defined to implement the IFAD Rural Finance Policy within the context of the Fund's programmes. Directors expressed their appreciation for the effectiveness of such tools. Particularly as the tools will be used to provide operational guidance to country portfolio managers, project staff and consultants on key rural finance issues and on their significance for IFAD interventions at all stages of the project cycle.

The Executive Board considered the 2002 Progress Report on IFAD's Participation in the Debt Initiative for Heavily Indebted Poor Countries (document EB 2002/77/R.11) also providing the status of implementation and further policy developments in the Initiative. There was, once again, discussion on the Fund's efforts to mobilize additional external resources to help finance IFAD's participation in the Initiative. Japan, on the contrary, insisted that IFAD's financial situation allows it to cover the necessary costs for heavily indebted poor countries (HIPC) debt relief by mobilizing its own internal resources, recognizing that this will lead to a lower lending programme which, however, could be offset by a higher use of ACA. While it was generally agreed that earmarking funding for IFAD in the World Bank-administered HIPC Trust Fund should ideally not be necessary, it was equally recognized that as a short-term measure it was nonetheless an option. To this effect, the Director for Norway announced that her country was considering earmarking the equivalent of between USD 5 and USD 6 million for debt owed to IFAD in its contribution to the Trust Fund. Finally, the Board agreed that an information paper on the substance of the progress report could be submitted to the forthcoming session of the Governing Council.

The Board considered the Procedure for the Review of Country Strategic Opportunities Papers (COSOPs) by the Executive Board (document EB 2002/77/R.12), which had undergone a trial period since April 2001. It approved the recommendations set out in the document on the scope, contents and use of COSOPs; the process in which they are to be developed; how the Board should review COSOPs; and their disclosure. In reviewing these recommendations Directors provided further suggestions on the possible prioritization of the review of COSOPs by the Board, taking into consideration the number of COSOPs in question, and on the extent to which the formulation of



COSOPs need to be linked with poverty-reduction strategy papers (PRSPs). I would take the opportunity to once again emphasize that the connection between the two should and must ultimately result in country ownership of the strategy – central to the effectiveness of the IFAD-supported country programme.

The Executive Board considered the COSOPs for the Dominican Republic (document EB 2002/77/R.13) and Rwanda (document EB 2002/77/R.14) and approved 11 programmes and projects: four in Africa; two in Asia and the Pacific; two in Latin America and the Caribbean; and three in the Near East and North Africa region. Within the review of programme and project proposals, the Director for the United States stated that he could not join the consensus approval of the project proposal for Syria and, accordingly, abstained from the approval.

The programme proposal for Indonesia was formulated and approved under the flexible lending mechanism. The programme proposal for Nigeria, the loan for which had not been negotiated prior to the Board's consideration, was 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 Board at its next session, for approval. The Board also approved four grant proposals.

The Board then reviewed the documents on Planned Project Activities (document EB 2002/77/R.29 and addenda) giving information on programmes and projects in the pipeline. I would stress here the importance we attach to receiving feedback from our Directors on pipeline activities and to this effect will make every effort to provide this information in future on a timely basis. I would also reiterate our intention to present, with the forthcoming document on planned project activities, an overview section linking pipeline activities to the Fund's Strategic Framework.

The Board welcomed the introductory powerpoint presentation for the Progress Report on the Process Re-Engineering Programme (Strategic Change Programme) (document EB 2002/77/R.30) highlighting the results of the recently completed blueprint phase of the programme and the various aspects of the subsequent realization phase, scheduled to be completed by October 2003. The Board also noted that the progress report would be submitted to the forthcoming Governing Council session.

The Executive Board then considered the Progress Report on the IFAD V: Plan of Action (2000-2002) (document EB 2002/77/R.31), as well as the Progress Reports on the Global Mechanism of the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (document EB 2002/77/R.32) and on the Popular Coalition to Eradicate Hunger and Poverty (document EB 2002/77/R.33). In so doing, the Board also recommended that these progress reports be submitted to the Governing Council session in February 2003.

The Board considered the Application for Non-Original Membership (document EB 2002/77/R.35) made by the Democratic Republic of Timor-Leste and recommended the Governing Council approve the application. It then approved the Draft Provisional Agenda and Programme of Events for the Twenty-Fifth Anniversary Session of the Governing Council (document EB 2002/77/R.34/Rev.1) and noted with appreciation, that the Council's Programme of Events maintained the new format for the proceedings of the Council successfully introduced at its last session.

The Executive Board then approved the dates for its 2004 sessions (document EB 2002/77/R.36) and provisionally agreed to bring up by one week the dates of the April 2003 session. The Board also noted the latest oral report on the renovations being done in the Fund's headquarters buildings.



On the request of the Convenor of List C, the Board noted the view of several Directors with respect to the geographic distribution of staff in IFAD and another suggestion to review the composition of the Executive Board to allow for more representation of the List C membership. It was agreed that the Board would be presented with a report, at its April 2003 session, including information on the current composition of the Fund's staff as a basis for further discussion. With respect to the membership of the Board it was agreed that further consultation amongst Member States was required.

Finally, the Board approved the disclosure, on IFAD's public website, of the documents submitted to this Session.

Before I close this Session, I would like to bid farewell to the Executive Board Director for Germany, Mr Rudolf Josef Huber. I am certain I speak on behalf of all present in thanking Mr Huber for his always thoughtful and constructive contributions he has made to the deliberations of this Board. We wish him every success in his future endeavours.

Distinguished Directors,

This Session was not only the last for 2002 but also the last session for this Executive Board membership. I thank you for the excellent work we have accomplished over the past two years. Let me take this opportunity to express to each of you how much I have enjoyed working with you and how much I have appreciated your guidance in our proceedings. May I wish you all a good year's end, an even better New Year, and a safe return home.