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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-First Session

Rome, 21-22 April 2004

**CLOSING STATEMENT
BY PRESIDENT BÅGE
TO THE EIGHTY-FIRST SESSION OF THE EXECUTIVE BOARD**

Distinguished Directors,

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

The Executive Board began its proceedings with the consideration of the Third Status Report on the Progress of the Independent External Evaluation of IFAD (document EB 2004/81/R.2) and expressed appreciation for the progress made since December 2003.

Directors welcomed the Report of the Chairperson of the Evaluation Committee on the Field Visit to Indonesia (document EB 2004/81/R.3) noting the success of the field visit and the National Round-Table Workshop. Directors commented on the innovative nature and overall quality of the Indonesia country programme evaluation. Requests were made to have the final report, together with the agreement at completion point of this evaluation, submitted to the Board.

The Board reviewed the Status of Contributions to the Sixth Replenishment of IFAD's Resources (document EB 2004/81/R.4 and its addendum), noting that, to date, instruments of contribution deposited and payments made against pledges not supported by instruments of contribution amounted to USD 377.1 million, or 75.4% of pledges. Aggregate pledges, including complementary contributions, amounted to USD 500.2 million, or 89.3% of the target amount of USD 560 million. Member States who had not yet announced their pledge to the Sixth Replenishment were urged to do so promptly while those who had not deposited their respective instruments of contribution or paid their contribution were also requested to do so as soon as possible.

The Executive Board then reviewed the reports on IFAD's investment portfolio for 2003 (document EB 2004/81/R.5) and for the first quarter of 2004 (document EB 2004/81/R.6). It noted that the aggregate income from investments in 2003 amounted to USD 108 million, representing a net rate of return of 4.90% – compared with the aggregate income on investments of USD 26 million in 2002. Directors appreciated the fact that the 2003 net rate of return showed a clear outperformance over the relevant benchmarks and exceeded the investment policy target of 3.5%. The Board further noted that the first quarter of 2004 had also shown a positive return resulting in an aggregate investment income of USD 41 million.

The selection of two external investment managers for the inflation-indexed bonds was welcomed, as the completion of this funding will bring the portfolio's allocation of inflation-indexed bonds in line with the 18% allocation envisaged in the investment policy. With respect to the investment policy, there was some discussion on its periodic review and Directors were assured that the effects of the policy on the performance of the portfolio were under continual study in-house and that it is reviewed on a regular basis, normally every three years.

Within the context of the discussion on the investment portfolio, the Board was also advised that an informal Executive Board seminar will be held on 17 June 2004 to present the analysis made by the asset liability management group.

The Resources Available for Commitment (document EB 2004/81/R.7 and its addendum) were reviewed. Total net flows expected up to 31 March are estimated at USD 151.1 million, which are sufficient to cover the amount required for the proposals submitted at this Session. No additional advance commitment authority therefore was required at this Session of the Board.

In reviewing the Status Report on Principal and Interest Payments (document EB 2004/81/R.8 and its addendum), the Board noted the overall increase in arrears at year-end 2003 of USD 4 million. It further noted that 68% of the total amount overdue comprised the outstanding arrears of five countries for which no settlement plans had, so far, been possible. Directors welcomed the update that over the past few months several borrowers had made payments on overdue charges in an amount of USD 3.5 million, while others sought to prepay outstanding balances of their loans. While welcoming the Fund's efforts to resolve outstanding arrears, Directors urged Management to reinforce these efforts.

The Executive Board considered the Audited Financial Statements of IFAD for 2003 (document EB 2004/81/R.9) and the Report of the External Auditor thereon. On the recommendation of the Audit Committee it then agreed to submit the statements to the Twenty-Eighth Session of the Governing Council for approval. The new format of the statements was welcomed by the Board. Directors were also invited to note that, subsequent to the Governing Council's approval of the 3% carry-over policy of available funds from the 2003 administrative budget, USD 1.464 million would be carried over into the 2004 Budget. Details as to the activities to be financed using these funds will be communicated to the Board at a future session.

The Board then reviewed the Requirements for the Twenty-Fifth Drawdown of Members' Contributions in 2004 (document EB 2004/81/R.10) and approved the drawdown of 30% of the Sixth Replenishment contributions in May 2004 to meet loan and grant disbursements for 2004.

The Chairman of the Audit Committee presented a report (document EB 2004/81/R.11) on its recent meetings. After reviewing the committee's recommendations included therein, the Board approved the Guidelines for the Procurement of Goods, Works and Consulting Services under IFAD Loans and Grants, with the modifications recommended by the committee. As some members have requested the opportunity to review further the procurement guidelines and possibly provide additional comments, the new guidelines will not come into effect until these possible further comments have been considered and, if necessary, taken back to the Board.

The Board thanked the committee for its comprehensive review of the IFAD budget process and agreed that, for the following two budget cycles, the committee would examine in November the budget document submitted to the December Board Session and that the committee would submit a report to that same Session containing an account of its meeting. Finally, the Board approved the external auditor's fee of EUR 118 000 and noted that the external auditor would organize a half-day seminar for the Audit Committee in June on benchmarking and the impact of exchange-rate movements on financial accounts.

The Executive Board considered the country strategic opportunities papers (COSOPs) for Argentina (document EB 2004/81/R.12), Ecuador (document EB 2004/81/R.13), Senegal (document EB 2004/81/R.14) and Zambia (document EB 2004/81/R.15). Directors expressed their appreciation of the initiative to implement interim measures to improve the contents of COSOPs which were based on the review of key issues raised and observations made in recent Board sessions in relation to the evolving policy environment. A proposal to revise guidelines will be presented to the Board once the assessment of COSOPs and the recommendation of the Independent External Evaluation are completed, the ultimate goal being to make COSOPs more strategic.

The Board was also informed of a request made by Ireland to have IFAD further examine sector-wide approaches and poverty reduction strategy processes, and their implications for the Fund's operations. This suggestion followed the successful outcome of the round-table discussion on "Sector-Wide Approaches and Budget Support Mechanisms: Challenges and Opportunities for Rural Development", held at IFAD's recent Governing Council Session. In this context Directors welcomed the suggestion to hold an informal Executive Board seminar in conjunction with the September Board Session on this subject.

The Board then approved four programmes and projects: three in Africa for Congo (document EB 2004/81/R.16 and its addendum and supplementary assurances), D.R. Congo (document EB 2004/81/R.17 and its addendum and supplementary assurances) and The Gambia (document EB 2004/81/R.18 and its addendum and supplementary assurances); and one in Asia and the Pacific for China (document EB 2004/81/R.19 and its addendum and supplementary assurances). The proposal for China, for which negotiations had not been formally finalized prior to the Board's consideration, was approved on the condition that should any important variations to the terms presented to this Session arise prior to the signature of the loan agreement, these would be brought to the Board at a future session.

Eight grant proposals were also approved at this session: four research grants to CGIAR-Supported International Centres (document EB 2004/81/R.20) and two to Non-CGIAR-Supported International Centres (document EB 2004/81/R.21). The two remaining grants are to the United Nations Office for Project Services (document EB 2004/81/R.22) and to the Global Mechanism of the United Nations Convention to Combat Desertification (CCD) (document EB 2004/81/R.23).

In response to an enquiry by the Director for France about IFAD's operations in Haiti, the Board was informed that the Fund's activities in Haiti had remained uninterrupted during the latest political events. Indeed a mission was currently being mounted to review existing operations with the new Government and to launch new initiatives. In addition, work would soon commence on a revised COSOP for Haiti.

Directors noted the information provided in the document on Planned Project Activities 2004-2005 (document EB 2004/81/R.24) regarding projects and programmes in the pipeline, COSOPs reviewed to date and those planned for submission to forthcoming Board Sessions. In this respect, it is anticipated that five COSOPs will be presented to the September Board Session.

The Progress Report on the Project Portfolio (document EB 2004/81/R.25) was commended by Directors both as regards content and quality and particularly with respect to the progress of the implementation of the gender plan of action 2003-2006. With the advent of the performance-based allocation system, the results management system and the field presence pilot programme, it was proposed that future progress reports on the project portfolio provide information and analysis on the results being achieved by the Fund's projects both at the individual project level and in totality. These proposals will be taken into account in revising the outline and content of the portfolio report, as will suggestions made by Directors to include relevant information and reports on the restricted website.

The Executive Board reviewed the Progress Report on the IFAD/NGO Extended Cooperation Programme (ECP) (document EB 2004/81/R.26), noting that under the revised IFAD Policy for Grant Financing, the ECP would no longer be considered a separate grant category and that this was the last report of its kind. Directors noted however that civil-society organizations would continue to be eligible recipients of IFAD grant financing for activities in line with the strategic objectives of the IFAD grant programme and that IFAD might consider a more comprehensive strategy in its collaboration with NGOs.

Directors then considered the Progress Report on the Implementation of the Performance-Based Allocation System (PBAS) (document EB 2004/81/R.27) and complimented the Fund on the progress being made. Directors appreciated being kept abreast of developments in the implementation process. They looked forward to the informal seminar foreseen in conjunction with the September Board Session, on the review of the first PBAS cycle.

The Progress Report on the Process Re-Engineering Programme (Strategic Change Programme) (document EB 2004/81/R.28) was then reviewed and the Board noted that, notwithstanding the recalibration of the programme, the Strategic Change Programme (SCP) remained within the established budget parameters and that the recalibrated SCP was working on schedule.

In reviewing the report on the IFAD headquarters building (document EB 2004/81/R.29), Directors welcomed the news of the headquarters offered by the Italian Government. IFAD's move from three buildings to a single location will allow it to enhance the security of its staff – a critical issue at this time – and to increase the efficiency of its work and of its overall internal communication. I take this opportunity to thank once again our Host Country for this strong expression of support.

I am happy to inform the Board that Mr Carlos Pozzo Bracho, of Venezuela, has been nominated as the new Convenor for List B. I take this opportunity to wish Mr Pozzo, and once again Margaret Slettevold, of Norway, new Convenor of List A, every success in their new capacities. We look forward to working together.

Finally, the Board approved the disclosure, on IFAD's public website, of the documents submitted to this Session. Here I would add that we are initiating a review of the format and length of our documents with a view to making them more succinct and readable, including an initial one-page summary with recommendations. We aim to start this on a trial basis in September.

I would now like to take a moment to bid farewell to three of our colleagues, Mr Alan Prien, Ms Raquel Peña-Montenegro and Mr Abdelmajid Slama. Those of you who attended the recent Governing Council Session will have heard of Mr Prien's retirement after more than 19 years of devoted service. In recent years, as Secretary of IFAD, he became a familiar and friendly face to all of you, consistently cooperative and committed to the vision of the Fund. Unfortunately, Alan could not be with us here today but nonetheless I would like to convey to him on my own behalf and, I am sure, on behalf of all of you, our heartfelt thanks for his loyal and dedicated service. We wish him all the very best for the future.

Raquel Peña-Montenegro started her career with IFAD in 1988 as a Country Portfolio Manager in the Latin America and the Caribbean Division and became Director of this division in 1994. Improving the lives of the rural poor of this region has always been Raquel's top priority and her achievements in this field have been many and important; building strong and constructive relations with all the countries of the region. Raquel has also been a dynamic member of the Fund's management team. On behalf of all present here, I extend to her our very best wishes for the future.

Abdelmajid Slama is also well known to Directors, having enjoyed a distinguished career with IFAD of over 21 years. Majid started with the Fund as a Country Portfolio Manager in the Near East and North Africa Division, then became Director of the Technical Advisory Division and, since 1999, has been Director of the Near East and North Africa Division. His profound understanding of IFAD's mandate and his contributions in-house, at the policy level and, most importantly, at the grass-roots level have made him a valuable asset to the Programme Management Department. Again, I am certain I can speak on behalf of all of us in wishing him the very best for the future.

Distinguished Directors,

Before I close this Session, I would also like to bid farewell to the Executive Board Director for Japan, Mr Masaharu Sato. I am certain I speak on behalf of all present in thanking Mr Sato for the constructive and thoughtful contributions he has made to the deliberations of this Executive Board. On a personal note, I have enjoyed the very cooperative and strong involvement he has shown in all IFAD matters. We truly wish him every success in his future endeavours.

And now let me thank you all for a most productive Session and wish each of you a safe journey home and an enjoyable summer.