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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-Second Session

Rome, 8-9 September 2004

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

Distinguished Directors,

I now wish to summarize our deliberations and briefly highlight the decisions taken at this session.

Before doing so, however, I would like to recall my words at the opening of this session and reiterate the Fund's stance with regard to the desert locust emergency in North Africa and in the Sahel region, which poses a direct risk to smallholder farmers and herders – IFAD's target group. We are, in coordination with the Food and Agriculture Organization of the United Nations (FAO) and bilateral donors, helping the countries concerned to respond to this threat in a number of different ways, building on the experience IFAD has gained in past years. We are using, as appropriate, country programmes or specific grants, and although our contribution will support the ongoing effort of chemical spraying our overriding strategy will always be to enhance the capacity of the threatened countries to find a sustainable, safe, environmentally-friendly and long-lasting solution to the desert locust threat.

The Board reviewed document EB 2004/82/R.2 on IFAD's Private-Sector Development and Partnership Strategy, and welcomed the broad thrust presented therein. After a rich exchange of views, it was agreed that more work was needed on some elements of the document and that it would need to be augmented by a results framework by which the planned private-sector activities can be monitored and evaluated. The paper, together with the results framework, will be brought to the Board at its April 2005 session for approval.

Board Directors complimented the document on Strategic Priorities and Programme of Work and Budget of IFAD and its Office of Evaluation for 2005 (EB 2004/82/R.3 and its corrigendum), which was found to be far more strategic and therefore an improvement over last year's presentation. There was general appreciation of the levels of the lending programme and administrative budget proposed for the Fund, and Directors were reassured that it was Management's intention to maintain as high a lending programme as available resources would allow for.

The document also provided the Board with the allocation, to date, of funds carried over from the 2003 administrative budget as well as a preview of the 2005 work programme and budget for the Office of Evaluation. The latter would not entail any increase in real terms.

Directors looked forward to receiving, at the December Board, final proposals that would be presented both in the traditional budget category format and in the new activity-based format. As decided in April of this year, the budget proposals to be presented for consideration at our next session will be first reviewed by the Audit Committee at its meeting on Wednesday, 3 November 2004.

The Executive Board considered the reports of the chairperson of the Evaluation Committee on the Committee's Thirty-Sixth and Thirty-Seventh Sessions (documents EB 2004/82/R.4 and EB 2004/82/R.5). In endorsing the reports, the Board agreed to postpone the evaluation of the flexible lending mechanism by the Office of Evaluation until 2006/2007.

The second Annual Report on the Results and Impact of IFAD Operations – Operations Evaluated in 2003 (document EB 2004/82/R.6) was reviewed. The Board commended the Office of Evaluation on the report, which provided in a transparent and succinct manner an account of the results and impact of IFAD operations based on evaluations undertaken in 2003. Directors took note of the important recurrent issues and implications for IFAD raised in the document. In this context, it was agreed that IFAD Management would provide a response to the issues raised in the above-mentioned reports in the annual Progress Report on the Project Portfolio.

The Board was also presented with the Fourth Status Report on the Progress of the Independent External Evaluation of IFAD (document EB 2004/82/R.7) by the Director of the Office of Evaluation. While taking note of the timely progress of the Independent External Evaluation (IEE), the Board requested that the terms of reference of the IEE human resources consultant be provided to the Board in December, together with the next status report.

In line with the new IFAD evaluation policy, the Board reviewed the first Report of the President on the Status of Implementation of Evaluation Recommendations (document EB 2004/82/R.8). Directors welcomed the summary of cross-cutting themes that had emerged from 2002 evaluations, as well as the main highlights regarding implementation of the various evaluation recommendations. As stipulated in the evaluation policy, the comments of the Office of Evaluation on the report were also provided.

The Executive Board reviewed the Country Strategic Opportunities Papers (COSOPs) for Mozambique (document EB 2004/82/R.9) and Uganda (document EB 2004/82/R.10). Directors expressed appreciation of the Fund's continued efforts to ensure that COSOPs represent a strategic framework for its country programmes, and put forward for consideration suggestions and ideas for improving the existing COSOP framework.

The Executive Board then reviewed the document on Resources Available for Commitment (EB 2004/82/R.11) and noted that total net flows from January to August 2004 were estimated at USD 252.6 million, which were sufficient to cover the amount required for the proposals submitted to this session.

Four programmes and projects were approved for: Burundi (document EB 2004/82/R.12 and its addendum and supplementary assurances); Sri Lanka (document EB 2004/82/R.15 and its addendum and supplementary assurances); Azerbaijan (document EB 2004/82/R.17 and its addendum and supplementary assurances); and Yemen (document EB 2004/82/R.18 and its supplementary assurances and corrigendum). The Board also approved a proposal for revising the scope and implementation arrangements for the Umutara Community Resource and Infrastructure Development Project in Rwanda (Loan No. 537-RW) (document EB 2004/82/R.13). While, for logistic reasons, it was not possible to negotiate the proposals for Brazil and Nepal, Directors provided comments and considerations that will expedite the approval process of the proposals, which will be finalized and submitted to the December 2004 session of the Board.

Eight grant proposals were also approved at this session: three research grants to CGIAR-Supported International Centres (document EB 2004/82/R.19), two to Non-CGIAR-Supported International Centres (document EB 2004/82/R.20) and one to the International Land Coalition (ILC) (document EB 2004/82/R.21). The other two grants are in support of the Medicinal Plants Development Network (document EB 2004/82/R.22) and the Regional Unit for Technical Assistance (document EB 2004/82/R.23) in Latin America.

The Board considered the document on Planned Project Activities 2004-2005 (EB 2004/82/R.24) and noted the information it provided on the projects and programmes in the pipeline and the COSOPs under preparation and planned for 2004 and 2005. Directors welcomed the plans for an in-house review of the project development process with a view to identifying areas that might be streamlined, thus ensuring a more even distribution of proposals for presentation to the Board sessions in 2005.

The Executive Board reviewed the Report on the Status of Contributions to the Sixth Replenishment of IFAD's Resources (EB 2004/82/R.25). In the oral report provided, Directors noted that instruments of contribution deposited and payments made to date against pledges not supported by instruments of contribution amounted to USD 420.4 million, or 84% of pledges. Aggregate pledges, including complementary contributions, amounted to USD 500.3 million or 89.3% of the target amount of USD 560 million. This represents an improvement over the position that the Fund was in at the same stage of the Fifth Replenishment. While this is encouraging, it does not, however, allow for complacency. Member States that had not yet announced their pledges to the Sixth Replenishment were urged to do so as soon as possible, while those that had not yet deposited their respective instruments of contribution or paid their contribution to the Sixth Replenishment were invited to do so promptly.

The Report on IFAD's Investment Portfolio for the Second Quarter of 2004 (document EB 2004/82/R.26) was reviewed. An oral report also provided up-to-date figures. Directors noted that while in the second quarter of 2004, in aggregate, the investment portfolio generated a net investment loss of USD 14.4 million, net investment income as at 31 August 2004 was estimated at USD 54 million. Furthermore, in June 2004, the last portion of inflation-indexed bonds was funded in the amount of USD 180 million, thus bringing the portfolio's allocation for such bonds closely in line with the 18% allocation stipulated by the investment policy.

The Chairman of the Audit Committee presented the Committee's report on its Eighty-Sixth Meeting (document EB 2004/82/R.27). As part of the report, the Executive Board endorsed the Committee's recommendations on the level of the General Reserve and on the After-Service Medical Coverage Scheme. The Board also noted the Committee's intention to continue obtaining consensus on the Guidelines for the Procurement of Goods, Works and Consulting Services under IFAD Loans and Grants and to report to the Board on the matter in December 2004.

Directors commended IFAD Management on the work involved in compiling the Human Resources Policy (document EB 2004/82/R.28) and, in approving the policy, offered various views and comments that will be taken into consideration as the procedures are amended. Once the supporting procedures have been completed, the policy, with the minor editorial changes discussed, will enter into force and replace the current Personnel Policies Manual.

The Executive Board approved the Draft Provisional Agenda for the Twenty-Eighth Session of the Governing Council (document EB 2004/82/R.29), to be held on 16-17 February 2005. It noted that the programme of events for the Governing Council would be provided at the December session of the Board.

Directors expressed appreciation of the work that had gone into the preparatory phase of implementing the performance-based allocation system (PBAS) (document EB 2004/82/R.30). At the same time, it was recognized that the process of consultations and validation of all data had not yet been completed and it was therefore agreed not to publicly disclose the above document at this stage. The PBAS allocations and all components of country scores will be presented as a Board document and subsequently disclosed at the next Board session after the process (including the planned consultations) has been completed.

With regard to the proposals made in paragraph 12 of document EB 2004/82/R.30, the Board agreed to the second and fourth proposals, namely, on the pragmatic approach to small island developing countries and other countries with extremely small populations, and with reference to the consideration of projects that are already at an advanced stage of preparation and whose planned loan amounts may exceed the PBAS allocation. As a transitional measure, these projects will be considered by the Board. Management's intention to bring such projects before the Board in April 2005 was noted. In addition, the Board supported the view that there should be a six-year perspective, that is, two replenishment cycles, for the application of the PBAS.

The Executive Board reviewed the application for non-original membership (document EB 2004/82/R.35) of the Fund submitted by the Republic of Kiribati and recommended its submission to the Twenty-Eighth Session of the Governing Council for approval.

Mr Dunnzlaff of Germany, H.E. Perera of Sri Lanka and Dr Al-Aquil of Saudi Arabia were appointed by the Board as, respectively, Member and first and second Alternate Members to represent the Governing Council on the IFAD Staff Pension Committee (document EB 2004/82/R.31) for a three-year period ending September 2007. The Board authorized the President to negotiate and finalize the legal documentation required for IFAD to become a partner in the Financial and Administrative Framework Agreement (FAFA) between the European Union and the United Nations (document EB 2004/82/R.32), and to finalize a cooperation agreement between IFAD and the German Agency for Technical Cooperation (document EB 2004/82/R.33).

The Executive Board considered the document on Special Expenditure for IFAD's New Headquarters (EB 2004/82/R.34) and recommended that the Governing Council approve a special expenditure of EUR 4.4 million to finance the common areas and facilities of IFAD's new headquarters over the period 2005-2007. Directors expressed their appreciation of the generosity of IFAD's host country and looked forward to receiving more detailed information in December on the costs involved.

Directors welcomed the oral reports provided on the Informal Executive Board Seminars on the Asset Liability Management (ALM) Review and Sector-Wide Approaches (SWAs) in Agriculture. With regard to the former, the Board noted the progress made with respect to the ALM review's four action points.

With regard to the Informal Executive Board Seminar on Sector-Wide Approaches in Agriculture, I would firstly like to thank the Government of Ireland for its support and active involvement in the form of a broad overview paper and the presentation of two sets of experiences in the implementation of social sector SWAps in Africa. Discussions at the seminar made it clear that SWAps can play an important role in harmonizing efforts to achieve both the Millennium Development Goals and Poverty Reduction Strategy Paper objectives. IFAD will support effective SWAps where they exist, and indeed governments have approached IFAD to participate in SWAps in order to help make them better instruments for rural poverty reduction. In this context, it was noted that IFAD does not provide, or intend to provide, budgetary support under SWAps.

Factors bearing upon success in SWAp-based and other similar or more limited processes include IFAD's capacities in policy dialogue, knowledge management, partnership development and management for impact. All these issues are currently being reviewed in-house and are also covered by the Independent External Evaluation of IFAD. We expect discussion of areas for deepening these capacities, including the issue of field representation, to be an important element of Seventh Replenishment discussions. The informal seminar concluded that it might be better to address these issues in one coherent process rather than holding a further partial debate on SWAp issues alone.

The updates on progress made in both the Strategic Change Programme and the work on field presence – the latter provided by the Chairman of the Ad-hoc Working Group of the Executive Board, Mr Peter Reid – were also appreciated. Directors looked forward to further written reports on both subjects at the next session of the Board.

Finally, the Board approved the disclosure on IFAD's public website of the documents submitted in hardcopy to the current session, with the exception of documents R.2, R.30 and R.34 on IFAD's Private-Sector Development and Partnership Strategy, Progress Report on Implementation of the Performance-Based Allocation System and the Special Expenditure for IFAD's New Headquarters, respectively. Public disclosure of the information papers posted on the Fund's restricted website was also approved.

Distinguished Directors,

Before I close this session, I wish to bid farewell to the Executive Board Director for Sweden, Mr Michael Odevall, and to convey, on behalf of all present, our thanks to him for the constructive inputs he has consistently made to the deliberations of this Executive Board. We truly wish him every success in his future endeavours.

And now let me thank you all for a most productive session and wish you a safe journey home.