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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-Third Session

Rome, 1-2 December 2004

**CLOSING STATEMENT
BY PRESIDENT BÅGE
TO THE EIGHTY-THIRD 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 Board began its proceedings with the consideration of the operational framework for the IFAD Initiative for Mainstreaming Innovation (document EB 2004/83/R.2) and approved its operationalization as laid out in the framework. Directors very much welcomed the initiative, launched with the generous support of the Government of the United Kingdom, which aims to strengthen IFAD's capacity to promote innovations that will have a positive impact on rural poverty, recognizing it as an important step in the Fund's evolution. They commended both the document and the presentation given at the session. As requested by some of the Directors, this presentation will be made available on the Fund's public website.

During the comprehensive discussion on the initiative and its operational framework, the operating principles and the approval, monitoring and evaluation procedures of the initiative were flagged, including reference to the selection criteria for projects (as well as cofinancing from IFAD's other budget lines). Many Directors underlined the importance of effective monitoring and reporting to the Board.

The Programme of Work and Budget of IFAD and its Office of Evaluation for 2005 (document EB 2004/83/R.3), together with the reports of the Audit Committee (document EB 2004/83/R.4 and its corrigendum) and the Evaluation Committee (document EB 2004/83/R.6) thereon, were considered by the Board. Directors felt that the document, coupled with the comprehensive reviews of the proposals, was a major step forwards. They commended the committees' interactive work with Fund staff and congratulated all concerned for the considerable task undertaken.

The Board approved the Fund's planned 2005 programme of work at a level of USD 500 million, comprising a lending programme of USD 450 million and a grant programme of USD 50 million, the latter to be equally distributed between the global/regional window and the country-specific window inclusive of the Programme Development Financing Facility (PDFF) grant component. In addition, while recognizing that the level of the programme of work had been progressively increasing (18% over 2003-2005 and 28% over 2002-2005), some Directors expressed hope that the increase planned for 2005 could be further enhanced. Management reiterated that the planned level of the programme of work for 2005 was subject to adjustment during the year in accordance with the level of resources available. In this regard, it would seek to assure the highest level possible within this constraint.

A total Programme Development Financing Facility was approved in the amount of USD 29.9 million. The use of USD 1.2 million, plus any uncommitted balance from 2004, for the Field Presence Pilot Programme was also approved, as was the proposed use of complementary contributions from Canada and the United Kingdom in accordance with paragraphs 75 and 76 of document EB 2004/83/R.3.

Directors provided comments and suggestions for future presentations of zero real growth and one-time costs, within the administrative budget, which we will take into consideration for next year's proposals. The Board then authorized the submission to the Twenty-Eighth Session of the Governing Council of the administrative budget of IFAD for 2005 of USD 53.3 million, as well as USD 3.6 million to cover one-time costs.

Finally, the Board reviewed the administrative budget of the Office of Evaluation for 2005, in the amount of USD 4.69 million, and noted its plans to undertake a corporate-level evaluation of IFAD's Rural Finance Policy in 2005 and 2006. The Board then authorized the submission of the Office's 2005 administrative budget to the Governing Council for its approval.

The Executive Board decided to submit to the Governing Council a draft resolution on the Establishment of the Consultation on the Seventh Replenishment of IFAD's Resources (document EB 2004/83/R.5) for its adoption in February 2005, noting the proposed increase in List C representation in the Consultation. During discussion, a proposal was made to consider having the Seventh Replenishment Consultation meetings chaired by a chairperson independent of the Presidency of IFAD. As such a proposal would entail a more in-depth consideration than was possible by the Board and in order not to jeopardize the timing of the establishment of the Seventh Replenishment Consultation, it was decided to defer the consideration of the proposal for the Eighth Replenishment.

The Executive Board considered and endorsed the Report of the Chairperson on the Fifth Special Session of the Evaluation Committee (document EB 2004/83/R.6). It then approved, on the Committee's recommendation, the revised terms of reference and rules of procedure of the Evaluation Committee as contained in document EB 2004/83/R.7, and amended by document EB 2004/83/C.R.P.1, to come into effect as of 1 January 2005. Under these new terms of reference, the scope of the Committee's work would be expanded to include: the review of the progress report on the project portfolio and any future revision to the results and impact management system; and the review of operation policy proposals, arising from evaluation lessons and recommendations, before they are considered by the Executive Board. Such reviews will focus on the internalization of evaluation-based lessons and recommendations.

The Board took note of the information contained in the Fifth Status Report on the Progress of the Independent External Evaluation (IEE) of IFAD (document EB 2004/83/R.8) presented by the Director of the Office of Evaluation. The President emphasized the importance management attaches to the IEE. To this effect, management's response to the evaluation will be discussed together with the

IEE draft final report at the April 2005 session of the Board. In view of the significance of the IEE, the Board highlighted the need to reserve sufficient time during the April Board session to allow a thorough discussion of the IEE's findings and recommendations.

The Executive Board reviewed the report on IFAD's Participation in the Debt Initiative for Heavily Indebted Poor Countries (document EB 2004/83/R.9) and approved the two top-up debt relief proposals for Ethiopia and Niger. It noted the Fund's continued efforts to assure the financing required for it to meet its debt relief obligations, in particular to secure access to the core resources of the World Bank Trust Fund. The Board approved the submission to the forthcoming Governing Council session of the progress report reviewed.

The Executive Board had a rich discussion on the Progress Report on Implementation of the Performance-Based Allocation System (document EB 2004/83/R.10 and its addendum). It was agreed that management would send communications immediately to the responsible authorities of each eligible borrowing country, setting out the process with regard to the country performance ratings. It was emphasized that these ratings related only to the year 2005 and that they would be reviewed for the following year as further information and data became available.

In this context, it was further agreed that the country performance ratings, scores and allocations for 2005 would be disclosed by 15 January 2005. This would include the total performance rating together with all the components shown in Attachment I and Attachment II of document EB 2004/83/R.10/Add.1. The Board also recommended the submission of a progress report to the next session of the Governing Council.

The Executive Board then reviewed the country strategic opportunities papers (COSOPs) for Costa Rica (document EB 2004/83/R.11), Georgia (document EB 2004/83/R.12) and Paraguay (document EB 2004/83/R.14) as well as the first subregional strategic opportunities paper (SRESOP) to be presented to the Board, which discussed the Pacific Islands (document EB 2004/83/R.13). Comments and suggestions by Directors with regard to the integration of new requirements such as the performance-based allocation system, the results and impact management system and the Field Presence Pilot Programme into this process were greatly appreciated and will be taken into consideration in the future evolution of these strategic framework documents.

The Executive Board then reviewed the documents on resources available for commitment (document EB 2004/83/R.15 and its addendum) and noted that total net flows from January to December 2004 were estimated at USD 522.5 million, which were sufficient to cover the amount required for the proposals submitted to this session as well as loan and grant commitments approved to date. Net advance commitment authority (ACA) utilization in 2004 was zero. Moreover, it was expected, due to exceptionally large contributions in 2004, that IFAD would be able to cover some USD 55 million in ACA, thus reducing the ACA carry-forward at 31 December 2004 to approximately USD 276.1 million. However, for next year an additional USD 150 million of ACA may be needed.

Seventeen programmes and projects were approved at this session: five in Africa, four in Asia and the Pacific, four in Latin America and the Caribbean, and four in the Near East and North Africa. The proposal for The Sudan was approved but with a clear agreement that the loan will not be signed until the conditions regarding a comprehensive peace agreement, set out in operative paragraph 3 of UN Security Council Resolution 1574 of 2004, have been fulfilled. The abstention of the United States on the approval of the programme proposals for The Sudan and the United Republic of Tanzania will be recorded in the minutes. In response to concerns raised on the absence of a policy framework for sector-wide approaches (SWAp), IFAD will submit to the April 2005 session of the Board a policy on SWAp. No further SWAp proposals will be considered by the Board until a policy is approved. It was reiterated that the Tanzanian SWAp was not budget support.

The minutes will also reflect the abstention of Sweden on the approval of the programme proposal for Zambia, while it will be further recorded that the Executive Board Director for Switzerland could not join in the consensus to approve the project for Ecuador.

The proposals for Brazil and Indonesia, for which negotiations had not been finalized prior to the Board's consideration, were 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 attention of the Board at a future session.

Eight grant proposals were also approved at this session: four included in the project/programme proposals presented, two under the global/regional grants window and two under the country-specific grant window, in line with the new grant financing policy.

The Board reviewed the document on planned project activities for 2004-2005 (document EB 2004/83/R.39), noting the information it provided on the projects in the pipeline and COSOPs under preparation and planned for 2005.

The Executive Board then reviewed the status of contributions to the Sixth Replenishment of IFAD's Resources (document EB 2004/83/R.40). 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 434.6 million, or 86% of pledges. Aggregate pledges, including complementary contributions, amounted to USD 505.4 million or 90.2% of the target amount of USD 560 million. Once again, Member States that had not yet announced their pledges to the Sixth Replenishment were urged to do so as soon as possible.

The Report on IFAD's Investment Portfolio for the Third Quarter of 2004 (document EB 2004/83/R.41 and its addendum) was reviewed. An oral report also provided up-to-date figures. Directors noted that the actual cumulative net investment income amounted to USD 80 million as at 31 October 2004, representing a cumulative net rate of return of 3.45% for the first ten months of 2004, which equals an estimated annualized return of 4.14%. This compares favourably with the target return of 3.5% for the calendar year 2004.

Directors welcomed the efforts of the Fund to reduce volatility of the investment portfolio by holding a portion of investments until maturity in the amount of USD 400 million. Subsequent to analyses of different funding scenarios for the held-to-maturity portfolio, a decision was taken to liquidate the equities portfolio and a portion of the current government bonds portfolio and to invest the liquidation proceeds in the held-to-maturity portfolio. It was recognized that this approach would help to further reduce the volatility of the portfolio. A report on the implementation status will be presented to the Board in April 2005.

The Executive Board was presented with a report on the special expenditure for IFAD's new headquarters (document EB 2004/83/R.42), which provided additional information on the estimated renovation expenses for the new building. Directors appreciated the news that the revised budget now amounted to EUR 3.4 million – a reduction of EUR 1 million vis-à-vis the estimate put forward in September. The proposal going to the Governing Council for approval will reflect this new estimate.

The Report of the Audit Committee (document EB 2004/83/R.43) was then reviewed by the Board and, upon the recommendation of the Committee, the Guidelines for the Procurement of Goods, Works and Consulting Services under IFAD Loans and Grants, inclusive of the changes listed in paragraph 29 of document EB 2004/83/R.43, were approved. In this connection it was agreed that the policy and implementation of these guidelines would be reviewed in three years' time. The abstention of the United States will be recorded in the minutes of this session.

The Executive Board reviewed the Progress Report on the IFAD Field Presence Pilot Programme (document EB 2004/83/R.44) and welcomed the progress made in completing the design of all 15 initiatives, four of which had become operational. In responding to the discussion on the virtual extended IFAD, it was clarified that the emphasis was on ensuring that all those concerned in implementing IFAD-assisted projects were involved. On monitoring aspects of the Field Presence Pilot Programme, it was agreed that, while there were common denominators for all initiatives, specific indicators may vary with individual country contexts.

The progress reports on the Process Re-Engineering Programme (Strategic Change Programme) (document EB 2004/83/R.45), the Global Mechanism of the United Nations Convention to Combat Desertification (document EB 2004/83/R.46) and the International Land Coalition (document EB 2004/83/R.47) were reviewed by the Board. It recommended that the first two reports be submitted to the Twenty-Eighth Session of the Governing Council as presented to the Board, and that a more comprehensive report on the International Land Coalition be drawn up for the Governing Council.

The Executive Board then authorized the President to negotiate and finalize a memorandum of understanding between the International Bank for Reconstruction and Development and IFAD (document EB 2004/83/R.48) as well as a cooperation agreement with the Organisation for Economic Co-operation and Development (document EB 2004/83/R.52).

The Board then noted the outline of events foreseen for the 2005 Governing Council (document EB 2004/83/R.49), approved the dates for its 2006 sessions (document EB 2004/83/R.50) and changed the dates of its September 2005 session to 7-8 September 2005. It also approved a change in the composition of the Evaluation Committee wherein Ireland replaces Canada as a member.

Finally, the Executive Board approved the disclosure, on IFAD's public website, of the documents submitted to this session. Document EB 2004/83/R.10 and its addendum, containing the Progress Report on Implementation of the Performance-Based Allocation System, will be disclosed by 15 January 2005.

Distinguished Directors,

With this session, Sri Lanka comes to the end of its term of office as Alternate Member. I would therefore like to thank its representative and, through him, Ambassador Rodney Perera for the constructive guidance you have provided our proceedings this year.

I wish to bid farewell to the Executive Board Director for Argentina, Mr Ariel Fernández, who has been a long-standing representative on this Board as well as the Convenor for the List C Member States for five years. Throughout this time, his hard and dedicated work has greatly contributed to the deliberations of this body. In addition, Mr Fernández ably represented both his country and his List throughout the deliberations of the Fifth and Sixth Replenishment negotiations. His interventions have been, at one and the same time, stimulating and challenging, but always conducive to consensus-building. I would like to convey, on behalf of all present, our thanks to a colleague, a friend and, above all, "*un señor*". We truly wish him every success in his future endeavours.

Ladies and Gentlemen,

Before I close this session, and particularly as it has been a rather arduous one, I must also thank the many staff members that work relentlessly to ensure the smooth running of our proceedings. I am certain you have, as have I, appreciated their efforts and professionalism. A special word of thanks I believe should go to Ms Karen Gimona who has, over many years, assisted not only the Secretary, but indeed myself, in conducting these meetings and who has been a main point of

reference for many Executive Board Directors. As Karen retires next March, this is her last Board session.

Finally, I must thank each of you for the valuable contributions you have made to this session of the Board, wish you all a good year's end, an even better New Year, and a safe return home.

