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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Eighty-Fourth Session**

Rome, 18-20 April 2005

**CLOSING STATEMENT  
BY THE PRESIDENT OF  
THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT,  
MR LENNART BÅGE,  
AT THE EIGHTY-FOURTH 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 reviewed the Report on the Seventh Replenishment of IFAD's Resources (document EB 2005/84/R.3) which provided an account of the organizational session of the Consultation held on 18 February 2005.

The Executive Board considered the document presenting IFAD's Private-Sector Development and Partnership Strategy (document EB 2005/84/R.4) and commended Management on the document's transformation, vis-à-vis the version presented in September 2004, into a more simplified, change-specific and operational document. The paper reviewed included, as requested by the Board, a results framework by which the planned private-sector activities could be monitored and evaluated. While broadly endorsing the strategy proposed, Directors made various comments and suggestions on how the results framework could be strengthened further – not the least of which was the inclusion of results and impact management system (RIMS) indicators.

Recognizing that the framework was indeed a living document subject to evolution, the Board approved the strategy with the amendments made to the results framework as contained in document EB 2005/84/C.R.P.1. It further agreed that next year's portfolio performance report would contain a section on the progress achieved regarding the private-sector development and partnership strategy, together with a revised results framework that would incorporate more specific indicators and the baseline for the first year of implementation of the strategy, as well as the targets that were achieved during that first year. Subsequent portfolio performance reports would continue to report on the strategy's implementation. It was also agreed that an evaluation of the strategy be undertaken by the Office of Evaluation at the end of 2008.

The Executive Board considered the IFAD Policy on Sector-wide Approaches for Agriculture and Rural Development (document EB 2005/84/R.5). During discussion, it was confirmed that IFAD's resources would be provided in support of sector-wide *programmes*: concrete initiatives focusing on the reduction of rural poverty. Such programmes are considered wholly consistent with IFAD's mandate and do not represent a substantive departure from IFAD's traditional way of doing business. In supporting sector-wide programmes, IFAD will know precisely to what its funding will be contributing; and in doing so, the investment activities it will finance will be the same ones as those it supports under traditional projects, in support of similar goals and objectives.

The policy does *not* permit IFAD to provide general or sector budget support to its Member States. IFAD resources will be provided either within a pooled funding arrangement – at the level either of the programme as a whole or of a subsectoral project making up a part of the programme – or using traditional joint or stand-alone financing arrangements. This is all the more important given IFAD's commitment to the Paris Declaration on Aid Effectiveness, which has been supported by all members on IFAD's Executive Board. However, IFAD will enter a pooled funding arrangement only where the World Bank is also participating, or is separately providing budget support to the government.

The Board also noted that work is ongoing in terms of modifying the RIMS to accommodate IFAD funding in support of sector-wide programmes; and it was confirmed that it is planned for the independent Office of Evaluation to undertake an evaluation of the policy in 2008.

The policy on IFAD's participation in sector-wide approaches (SWAs) for agriculture and rural development was approved by the Executive Board on clarification that IFAD would not contribute to sector budget support. Such clarification would be recorded in the minutes of this session and be attached to document EB 2005/84/R.5 before it was posted on the web site. In view of this, the representative of the United States of America withdrew her country's abstention and supported the approval of the policy.

The Chairman of the Evaluation Committee presented the Board with the Committee's reports on its thirty-eighth and thirty-ninth sessions (documents EB 2005/84/R.6 and EB 2005/84/R.7), the latter of which reviewed, in accordance with the Committee's new terms of reference, the portfolio performance report. The Chairman also provided feedback on his participation in, and highly complimented the organization of, the regional workshop on decentralization held in Uganda in March 2005.

The Executive Board considered the country strategic opportunities paper (COSOP) for Albania (document EB 2005/84/R.8), which was widely welcomed by Directors. It then turned to a review of the resources available for commitment at this session (document EB 2005/84/R.9 and its addendum). With net flows from January to March 2005 estimated at USD 89.5 million and a required total for loan and grant proposals at this session of approximately USD 184 million, the Board approved the use of advance commitment authority (ACA) for an amount of up to USD 94.5 million. This brings the level of ACA carried forward to USD 231.3 million.

Fourteen project and programme proposals were approved at this session: three in Africa; two in Latin America and the Caribbean; two in the Near East and North Africa; and seven in Asia and the Pacific, four of which constituted part of IFAD's response to the tsunami disaster of December 2004.

The proposal for the Philippines, for which negotiations had not been 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 during loan negotiations, these would be brought to the attention of the Board at a future session.

Directors commended the Fund on the rapid action taken in response to the tsunami disaster in the Asia and the Pacific region. In this regard and due to severe time constraints, the post-tsunami programme proposals for India, Maldives and the two for Sri Lanka were approved without loan negotiations. The Board will be advised, at a future session, of the results of the negotiations with each of the relevant countries.

The Executive Board also approved the recommendation that 50% of the financing for the proposals presented as part of this response – of approximately USD 34 million – be outside the countries' allocations under the performance-based allocation system (PBAS) and additional to the programme of work for 2005. IFAD will make every effort to mobilize external funding for the remaining 50% and keep the Board informed accordingly. Should there be any shortfall, however, the Board would be requested to approve the funding thereof from the programme of work for 2006.

Finally, the Board also approved the revised scope of work, geographical coverage and implementation arrangements of phase III of the Income-Generating Project for Marginal Farmers and Landless (P4K – Phase III) in Indonesia, and adopted a resolution to amend its financing conditions from intermediate to highly concessional terms.

The Board was also informed that the loan agreement for the Western Sudan Resources Management Programme had been signed as the conditions regarding a comprehensive peace agreement – the condition on which the programme proposal was approved – had been fulfilled.

With respect to project/programme proposals approved, Directors noted that, as agreed at the December 2004 session of the Board, a number of projects approved at this session exceeded the agreed parameters of the performance-based allocation (PBA) framework. It was also noted that proposals submitted to future Board sessions would conform to agreed PBA parameters, including the three-year time frame of replenishments, with the exception of small states when a USD 6 million project is considered the minimum project.

The Executive Board also approved fifteen grant proposals: six under the global/regional grants window and nine within the project/programme proposals approved. During the discussion on loans with grant components, it was agreed that grant component logical frameworks would also be included in the President's reports. The representative for the United States of America abstained from the approval of the grant proposal for the International Land Coalition.

The Board then reviewed the information provided in the document on planned project activities for 2005-2006 (document EB 2005/84/R.30) regarding projects and programmes in the pipeline and COSOPs planned for submission to forthcoming Board sessions.

The Executive Board reviewed the status of contributions to the Sixth Replenishment of IFAD's Resources (document EB 2005/84/R.31) and the updated information provided in an oral statement, noting that, to date, aggregate pledges, including complementary contributions, amounted to USD 508.4 million – almost 91% of the target amount of USD 560 million. Instruments of contribution deposited and payments made against pledges not supported by instruments of contribution amounted to USD 443.1 million, or 87.2% of pledges. Member States that had not yet

announced their pledges to the Sixth Replenishment were urged to do so promptly; while those that had not yet 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 2004 and for the first quarter of 2005 (documents EB 2005/84/R.32 and EB 2005/84/R.33). Directors were pleased to note that the aggregate income from investments in 2004 amounted to USD 109 million, representing a net rate of return of 4.54% – compared with the target return of 3.5% for that year. They also welcomed the fact that the first quarter of 2005 had shown a positive return resulting in an aggregate investment income of USD 10 million.

In accordance with decisions made in 2004 based on IFAD's asset liability management review and additional analyses, the remaining equities portfolio and a portion of government bonds were liquidated on 1 March 2005. The resulting proceeds of approximately USD 414 million were subsequently invested in a held-to-maturity portfolio of high-quality bonds. The Board greatly appreciated the significant reduction of risk in the investment portfolio that this represented.

In reviewing the status report on arrears in principal, interest and service charge payments (document EB 2005/84/R.34), the Board noted the overall increase in arrears of USD 7 million at year-end 2004. It further noted that 84% of the amount overdue comprised the outstanding arrears of eight countries for which no settlement plans had so far been possible. Directors welcomed the information that, over the past few months, several borrowers had made payments on overdue charges, while others sought to prepay outstanding balances of their loans, which would have a positive impact on the Fund's reflows figure for 2005. While recognizing Management's efforts to resolve outstanding arrears, Directors reiterated their call for these efforts to be reinforced.

The Board reviewed the requirements for the Twenty-Sixth Drawdown of Members' Contributions in 2005 (document EB 2005/84/R.35), approved the drawdown of 35% of the Sixth Replenishment contributions in May 2005 to meet loan and grant disbursements for 2005, and authorized the use of the Fund's liquid assets to fund disbursement needs not covered by the drawdown.

The Chairman of the Audit Committee presented the Board with a report on the Committee's recent meeting (document EB 2005/84/R.36), at which it reviewed the audited financial statements of IFAD for 2004 and recommended that the Board endorse them; the reappointment of the external auditor; and preventing and combating fraud and corruption in IFAD's activities and operations, for which a policy would be presented to the Board in September 2005. The Committee and its Chair were commended for the work done and congratulated for the comprehensive report presented. The Board endorsed the Committee's report and approved the external auditor's fee of EUR 115 000.

The Executive Board then considered the audited financial statements of IFAD for 2004 (document EB 2005/84/R.37) and the report of the external auditor. On the recommendation of the Audit Committee, it agreed to submit the statements to the Twenty-Ninth Session of the Governing Council for approval.

In reviewing the portfolio performance report (document EB 2005/84/R.38), the Executive Board congratulated Management on submitting a substantially improved report that had taken account of the annual report on results and impact of IFAD's operations (ARRI) and included, for the first time, results of the results and impact management system (RIMS). The report further strengthened the learning loop and identified highly relevant emerging issues, and the extent of information it presented was such that it could very well be used as a tool kit when considering evaluation findings.

Considering the importance of this report and appreciating its transitional nature, the Executive Board highlighted the need to continue improving its presentation which, inter alia, should include a section dealing with the actions taken against ARRI recommendations, clearly separating the conclusions and recommendations, and specifying time frames for the implementation of the recommendations. The need for a more detailed report on the RIMS and the need for an evaluation of the performance of the RIMS initiative were also highlighted.

While noting significant improvement in portfolio performance, some Directors also saw a need to further reduce delays in declaring projects effective, for more timely cancellations, and to manage the portfolio more strategically. The need to develop a policy on targeting and to prioritize the development of a robust knowledge management strategy as part of a new operating model was further emphasized.

The Executive Board reviewed the progress report on IFAD's Field Presence Pilot Programme (document EB 2005/84/R.39) noting that, with the design work on all fifteen initiatives now complete, six initiatives had already become operational: three in Latin America and the Caribbean, two in Eastern and Southern Africa and one in the Asia and the Pacific region. Directors appreciated the efforts that were being made to ensure that all fifteen initiatives would be in place by June 2005.

The Chairman of the Ad-Hoc Working Group on Field Presence, Mr Peter Reid of the United Kingdom of Great Britain and Northern Ireland, gave a short report on the group's recent meeting and announced his imminent departure. While his colleagues thanked Mr Reid for his unflinching commitment to the field presence initiative, I must once again thank him on behalf of the Board and the staff of IFAD for his dedication, passion and hard work. His contribution to the work of IFAD has been quite significant.

The Board also reviewed the report on the Exposure and Dialogue Programme (document EB 2005/84/R.40), which took place in India in December 2004. Directors welcomed the report and the powerful testimonies made by their five colleagues, and congratulated Management on the initiative. Those Directors who had not yet had the opportunity to go on field visits organized by the Fund were encouraged to do so, as this type of interaction increased understanding of the work undertaken in the Fund's programmes and projects.

The report on the Independent External Evaluation (IEE) of IFAD (document EB 2005/84/R.2), as submitted by the Director of the Office of Evaluation, was initially reviewed at an informal meeting with Members of the Consultation on the Seventh Replenishment of IFAD's Resources. Presentations and introductions were given on the four parts of the document, followed by a question-and-answer discussion period. The Board subsequently formally considered the draft final report at its reconvened session, when Directors provided their comments both to the service provider team – Information Training and Development (ITAD) Ltd. – and to Management on, respectively, the external evaluation and Management's response to it.

The Executive Board commended the Office of Evaluation for effectively managing the IEE process within the established time frame and budget, as well as in accordance with the terms of reference and within the overall provisions laid out by the Board. It also congratulated ITAD for an extremely useful and high-quality evaluation report. The Executive Board welcomed Management's response to the IEE and endorsed it as the framework for developing an action plan that would be presented to the Board in September 2005 for its consideration.

The draft final report would be duly revised by ITAD Ltd. to reflect the comments made at the Board session, in accordance with standard evaluation practice and, in particular, in line with the provisions of IFAD's Evaluation Policy. The comments made by Directors this afternoon will naturally be recorded in the minutes of this session, and relevant excerpts thereof would also be

included in the final report of the Independent External Evaluation of IFAD, which would then be disclosed.

I must repeat my thanks to you for the considerable number of comments you provided on this report. In both laudatory and critical feedback, you have once again shown just how important this Fund's work is to our Member States.

Finally, the Board approved the disclosure, on IFAD's public website, of the documents submitted to this session, inclusive of the revisions required.

Distinguished Directors,

Before I close this session, and having already bid farewell to Peter Reid, I must also bid farewell to two of our Executive Board Directors, Mr Charles Parker of Canada and Mr Jeroen Steeghs of the Netherlands, who have both been Convenors of List A. They have actively contributed to the deliberations of this Board and hence to the evolution of our Fund. Their commitment, dedication and plain hard work have set high standards for us all. On a more personal note, I have had the pleasure of working with each of them individually and have drawn benefit from their consistent cooperation and strong involvement in all the important changes we have recently undergone. I would also like to pay tribute to the constructive contributions made by the representative of the United States of America, Mr David Bloomgarden, who has assumed other duties. I join with all of you in wishing our four colleagues every success in their future endeavours.

And now we come to the end of a long and busy session. Let me thank you all for a most productive meeting and wish each of you a safe journey home and an enjoyable summer. Before that, however, I look forward to seeing you next – if not all of you – at the session of the Consultation these next two days.

