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## IFAD

### INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

#### Executive Board – Eighty-Fifth Session

Rome, 6-8 September 2005

### REPORT ON THE SECOND AND THIRD SESSIONS OF THE CONSULTATION ON THE SEVENTH REPLENISHMENT OF IFAD'S RESOURCES

1. The following is a progress report on the Second and Third Sessions of the Consultation on the Seventh Replenishment of IFAD's Resources. The Second Session of the Consultation was held in Rome on 21-22 April 2005 immediately following the Eighty-Fourth Session of the Executive Board; and the Third Session was held on 5-7 July 2005, also in Rome.
2. During the Second Session, the Government of Qatar extended the generous offer to host the Consultation's Fourth Session in Doha, on 1 and 2 October 2005.
3. The proceedings of the Second Session began with a review of the paper entitled *The Way Forward* (document REPL.VII/2/R.2), which, taking into consideration the findings of the Independent External Evaluation (IEE), was welcomed as a reflective and comprehensive background document for the session. A consensus emerged on the issues that required further elaboration, which would form the basis of the first outline of the draft report of the Consultation for the Third Session.
4. The Consultation also considered the asset liability management (ALM) framework as set forth in document REPL.VII/2/R.3, which proposed to revisit the definition of committable resources, with the understanding that the utilization of resources would be monitored by the Executive Board. The proposal represented a way in which IFAD could optimize the use of resources by including contributions receivables and a portion of loans outstanding as part of committable resources. The proposal was based on the Fund's 28-year track record of payments of Instruments of Contribution and loan repayments. The Consultation requested that additional details on the financial scenarios proposed and the related assumptions be presented to the Third Session.
5. The Second Session produced many valuable and constructive comments and demonstrated a very strong commitment to IFAD and to its goals. This commitment was reflected in the determination to achieve a timely agreement on the Seventh Replenishment, which will allow IFAD to be even more effective, and better equipped, to serve the needs of the millions of rural poor who depend on it for the opportunity to improve their productivity and incomes and thus work their way out of poverty.

6. Based on the session's discussions, and after consultation with the Convenors, issues to be discussed at subsequent sessions were identified and set forth in document REPL.VII/2/C.R.P.2 (see annex).

7. At its Third Session, the Consultation offered its deepest sympathy to the families of the victims of the tragic events that took place on 7 July in London; and extended its sincerest condolences to the Government of the United Kingdom of Great Britain and Northern Ireland.

8. The Third Session began with a seminar on the asset liability management framework, which provided additional and more detailed information on the proposal to revisit the definition of committable resources with a view to enabling more effective use of the Fund's financial resources for enhanced development efforts. The Consultation broadly endorsed the thrust of the proposal to use IFAD's financial resources efficiently. It was envisioned that a final decision on the definition of committable resources would form part of the Consultation report and that a liquidity policy for the Fund would be developed during the Seventh Replenishment period.

9. The Consultation considered two related reports: *Rural Poverty Reduction: IFAD's Role and Focus* and *Overall Structure and Components of IFAD's Operating Model*. The documents built on the recommendations of the Independent External Evaluation (IEE) of IFAD, management's response to the IEE, and *The Way Forward*. The Consultation commended the presentations on these two reports.

10. The first presentation addressed *Rural Poverty Reduction: IFAD's Role and Focus* and set forth the organization's role and focus in enabling the rural poor to increase productivity, income and food security. The Consultation expressed support for IFAD's bottom-up, participatory approach to development, working with community-level organizations of the poor with emphasis on risk-taking, innovation and building partnerships for replication and scaling up. The constructive dialogue on a number of issues highlighted the need for a clearer articulation of IFAD's comparative advantage and greater specificity in defining its target group, with the recognized dollar-a-day poverty level as the reference, while taking into account the variations of local contexts. There was support for the Fund to help replicate and scale up its operational experience and results through more effective knowledge management and selective, strategic policy dialogue, derived from or required for project success at the local, national and global levels. In the light of this discussion, the Consultation agreed that issues related to IFAD's *role and focus* would be incorporated into the draft Consultation report to be presented at the Consultation's Fourth Session in October.

11. The second presentation was on the *Overall Structure and Components of IFAD's Operating Model*. The operating model reflects a commitment to obtaining measurable results and a sustainable impact on the target group, with country ownership and within the framework of poverty reduction strategy papers and other strategic frameworks. Taking account of comments made during the session, this framework has been elaborated in the action plan. While recognizing that the operating model was still a work-in-progress, the Consultation commended its major elements, including the country programme approach. At the same time, the Consultation suggested strengthening the model through greater clarification of quality assurance mechanisms, measurement indicators and linkage to the implementation of human resource policies. The Consultation discussed enhanced country presence and direct supervision, noting their importance to implementing these new modalities.

12. Concerns were raised, however, that implementing an operating model of this scope during the Seventh Replenishment might be overly ambitious. It was suggested that a phased approach would be more appropriate, based on a realistic assessment of the costs and resources required and identification of potential savings that could be used to help finance them.

13. The Consultation then discussed the geographic distribution and gender balance of IFAD staff and the enhanced Associate Professional Officer (APO) Programme. The Fund was commended for its efforts to achieve gender balance among its staff, and it was noted that the ratio between staff from Member States of the Organisation for Economic Co-operation and Development (OECD) and other was more balanced than in IFAD's sister organizations in Rome. Nevertheless, the Consultation endorsed management's commitment to proactive recruitment efforts to enhance the balance further. The most striking imbalance was found within the APO Programme, where participants were exclusively drawn from the OECD countries that funded their participation. There was a general consensus on the need to remedy the situation either by eliminating the current programme or by enhancing it so that the programme would enable IFAD to engage young professionals from both OECD and non-OECD countries. Some Members expressed preference for a different programme altogether, geared towards young professionals with the necessary skills to meet institutional needs: a transparent and competitive programme open to all Member States and funded by the core budget. There were differing perspectives on appropriate modalities, size, name and, in particular, funding for an enhanced programme. A more concrete and concise proposal, taking account of the Consultation's comments, concerns and recommendations together with a proposed timeframe for the implementation of key human resource reforms, would be prepared for presentation to the Fourth Session in October.

14. Concerning debt sustainability and grants, the Consultation expressed appreciation with regard to the clarity of the report and information provided on initiatives taken by the International Development Association, the Asian Development Fund and the African Development Fund on these issues. A number of valuable comments on the feasibility and benefits of IFAD adopting a comparable approach were offered. On the basis of these comments, a document addressing this issue would be prepared for presentation in October.

15. The Fund was urged by some delegations to continue its efforts to gain access to the core resources of the World Bank Debt Initiative for Heavily Indebted Poor Countries (HIPC) Trust Fund. This issue was expected to be discussed at the HIPC technical meeting later this year, the outcome of which would be reported to the Consultation.

16. As a result of an agreement between the three Lists, the agenda item on Members' voting rights and membership of the Executive Board was discussed in a combined meeting of members of the three Lists chaired by the Convenor for List A. Lists B and C presented their joint proposal for a revision of the voting system and an increase in the membership of the Executive Board. A discussion followed in which details of the proposals and the consequences and motivations for it were clarified. Some List A Members provided personal, unofficial reactions to the proposals, as List A Member States needed to seek instruction from their capitals before providing an official response. In accordance with the agreement reached among the Lists, this item was placed on the agenda for the Fourth Session with modalities for its consideration to be discussed with the List Convenors. Lists B and C requested that the comments of List A Member States be provided preferably prior to the October session.

17. The Consultation reviewed a draft outline of the Consultation report and Members provided many constructive comments on it. These comments would be reflected in the revised draft to be presented at the October session.

18. The delegate from the State of Qatar reaffirmed his Government's commitment to hosting the Fourth Session of the Consultation in October. The Consultation very much appreciated the Government of Qatar's offer to ensure the success of the Consultation, and noted that it would both provide logistical support and meet the secretariat expenses involved in holding the session outside headquarters. The representative of Qatar provided assurances that the possibility of reducing the accommodation costs for all participants and defraying the full costs of participation for Members

from developing countries would be explored. At the time of dispatch of this document, negotiations with the Government of Qatar were ongoing; an oral update will be provided at the session.

19. The Consultation noted that the first item on the agenda of the Fourth Session would be the replenishment level, as that is at the centre of the Consultation's work. The amount of USD 800 million has been proposed as the target level for the Seventh Replenishment. Announcements regarding pledges to the Seventh Replenishment are expected to be made in Doha, so that the Consultation can complete its work according to the agreed schedule, that is, by December 2005.

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ANNEX

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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Consultation on the Seventh Replenishment of IFAD's Resources – Second Session**

Rome, 21-22 April 2005

**LIST OF ISSUES RESULTING FROM THE  
SECOND SESSION OF THE CONSULTATION  
ON THE SEVENTH REPLENISHMENT OF IFAD'S RESOURCES**

**A. Issues for the July session of the Consultation**

1. IFAD's role, mandate, focus and targeting
2. Overall structure and components of the operating model (including knowledge management, policy dialogue, partnership and innovation, harmonization and coordination, supervision, country presence and quality assurance)
3. Human resources management, enhanced Associate Professional Officer (APO) programme and recruitment policy
4. Grants and debt sustainability (information note)
5. Draft outline of the Consultation report
6. Asset liability management (committable resources) (half-day seminar to be organized prior to the session)
7. Members' voting rights and Board membership\* (Secretariat to prepare factual background note)

**B. Issues for the October session of the Consultation**

1. Replenishment level (including HIPC issues)
2. IFAD's grant policy (debt sustainability, fragile states)
3. Role of the Executive Board (enhanced Board oversight in development effectiveness)
4. Management of risks (financial, fiduciary and internal controls)
5. Disclosure policy
6. Action plan of the Replenishment as part of the Consultation report

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\* Modalities for the discussion of this item will be defined with the List Convenors and Friends.

**INFORMATION NOTE FOR THE CONSULTATION****Issues scheduled for consideration at the September 2005 session of the Executive Board**

1. Action plan for management's response to the Independent External Evaluation (IEE)
2. Review of the performance-based allocation system (PBAS)
3. Review of the grant policy approved at the December 2003 session of the Board
4. Office of Evaluation's review of pilot programme for direct supervision
5. IFAD's policy for fragile states (planned)
6. IFAD's anti-corruption policy

