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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Eighty-Sixth Session**

Rome, 12-13 December 2005

**CLOSING STATEMENT BY THE PRESIDENT OF THE  
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT,  
MR LENNART BÅGE,  
AT THE EIGHTY-SIXTH 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 IFAD's Action Plan for Improving its Development Effectiveness (document EB 2005/86/R.2/Rev.1). Directors welcomed the document and recognized it as much improved and a concrete step forward in the reform process foreseen over the next two years. They commended the document's greater clarity in the definition of the objectives of the Action Plan, the sequencing of the priority activities and the key deliverables of the three main action areas.

While recognizing that there was a good basic framework, the Board flagged a number of issues that required further elaboration, such as the need to define clear, measurable and achievable performance targets in the areas of sustainability, targeting of beneficiaries and innovation. In this context the Board was informed that work on targeting modalities was currently under way and a paper would be submitted for the Board's consideration in September 2006. More clarity was also sought with respect to the composition, functioning and accountability structure of the proposed country teams. A quality assurance system reflecting the best practices of international financial institutions would also be developed. Annual progress reports would be submitted for the Board's review, with updates provided at other sessions when appropriate. Management expressed its commitment to ensuring that the risks and costs inherent in the implementation of the Action Plan would be contained so that the Fund's total administrative expenditures do not increase as a proportion of its programme of work.

During the comprehensive discussion on the Action Plan, the Board also underlined the importance of evaluation and it was proposed that a specific framework for the overall performance indicators for the evaluation of the Action Plan by the Office of Evaluation would be finalized, including the methodology to be applied. The indicators of outputs would also be made specific.

Accordingly, these elements were outlined in a conference room paper (document EB 2005/86/C.R.P.2/Rev.1) that was approved by Directors and will be annexed to the Action Plan. A paper elaborating these issues will be presented to the Board at its session in April 2006.

The 2006 Programme of Work and Budget of IFAD and its Office of Evaluation (document EB 2005/86/R.3), together with the reports of the Audit Committee (document EB 2005/86/R.4) and the Evaluation Committee (document EB 2005/86/R.5) thereon, were considered by the Board. Directors commended the committees' interactive work with Fund staff and congratulated all concerned for the exhaustive analysis undertaken of the proposals put forward.

Several Directors expressed concern with respect to the increase in the Programme Development Financing Facility (PDFF) and administrative budget. Subsequent to consultation, and recognizing the need for IFAD to increase its direct assistance and investment in rural and agricultural development while enhancing the quality of that assistance, the Board approved the Fund's planned 2006 programme of work at a level of USD 550 million, comprising a lending programme of USD 495 million for 32 proposed projects and a grant programme of USD 55 million, the latter to be equally distributed between the global/regional window and the country-specific window inclusive of the PDFF grant component. The planned level of the programme of work for 2006 was subject to adjustment during the year in accordance with the level of resources available. It was further agreed that administrative and PDFF costs would be contained and the ratio between administrative/PDFF costs and the programme of work and budget would be maintained at the level projected for 2005, that is 17.1%, as outlined in document EB 2005/86/C.R.P.1. Directors emphasized the need to attach priority to expenditures supporting the increase in the programme of work and in the quality of projects.

In this context, a total Programme Development Financing Facility was approved in the amount of USD 30.4 million. The Board also authorized the submission to the Twenty-Ninth Session of the Governing Council of the administrative budget of IFAD for 2006 in the amount of USD 61.1 million, as well as USD 0.4 million to cover one-time costs. The representative for the United States of America expressed her country's opposition to the level of increase of the IFAD administrative budget and PDFF, which will be recorded in the minutes of the session.

The Board also reviewed under this item the administrative budget of the Office of Evaluation for 2006 in the amount of USD 4.79 million; in approving the Office's work programme for 2006, the Board took note of the planned corporate-level evaluations for 2006 and up to 2009-2010. The Board then authorized the submission of the Office's 2006 administrative budget to the Governing Council for approval.

The Executive Board considered and endorsed the reports of the Chairperson of the Evaluation Committee on the Committee's Forty-First (document EB 2005/86/R.5) and Forty-Second Sessions (document EB 2005/86/R.6). It then reviewed the third Annual Report on the Results and Impact of IFAD Operations (ARRI), covering operations evaluated in 2004 (document EB 2005/86/R.7 and its corrigendum). Directors commended the Office of Evaluation on the quality of the report, acknowledging it as an excellent accountability tool that gave further proof of IFAD's commitment to results-based management. The Board noted that work was ongoing to review and update the evaluation methodology used.

While it was recognized that the strategic issues raised in the report would be dealt with through the implementation of the Action Plan, it was further noted that management would, in

accordance with standard procedure, provide its response to the report in the annual Portfolio Performance Report that would be presented to the Board at its session in April 2006. Efforts will be made to align the presentation of ARRI reports and management comments thereon at future Board sessions, as well as to harmonize methodologies used by the Office of Evaluation and the Programme Management Department.

The Executive Board considered the report on IFAD's participation in the Debt Initiative for Heavily Indebted Poor Countries (document EB 2005/86/R.8) and approved its submission to the forthcoming Governing Council session. Directors took note of the potential impact on IFAD's resources resulting from the extension of the "sunset clause" and the possible inclusion of additional countries over and above the existing 38 countries in the Initiative. In this respect, the Board welcomed IFAD's continued efforts to gain access to the World Bank-administered HIPC Trust Fund.

The Executive Board considered the subregional strategic opportunities paper for the Central Asian countries (document EB 2005/86/R.9) as well as the country strategic opportunities papers (COSOPs) for China (document EB 2005/86/R.10 and its corrigendum), India (document EB 2005/86/R.11), Mauritius (document EB 2005/86/R.12) and Nicaragua (document EB 2005/86/R.13). It then turned to a review of the resources available for commitment at this session (document EB 2005/86/R.14 and its addendum) and approved the use of advance commitment authority (ACA) for an amount of up to USD 92.1 million. As a result, net ACA utilization in 2005 amounts to USD 186.6 million and the level of ACA carried forward is estimated to total USD 323.4 million.

Twelve programmes and projects were approved at this session: five in Africa, three in Asia and the Pacific, and four in the Near East and North Africa. In response to the approval in September 2005 – subject to presentation of a written report from management to the Board in December 2005 – of the Agricultural Sector Development Programme in the United Republic of Tanzania, a report containing clear commitments in terms of actions and milestones agreed jointly through the Food and Agricultural Sector Working Group structure at the country level was submitted to the Board. The approval process for this proposal was thus completed.

The proposal for Bangladesh, 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 the session arise during the negotiations, these would be brought to the attention of the Board at a future session.

The Board also approved the extension of the effectiveness date for the Social and Economic Development Programme for Vulnerable Populations in the Border Provinces in the Dominican Republic as well as the extension of the time limit for signature of the loan agreement for the National Rural Development Programme – Phase I: The Western Region, in Guatemala.

Eleven grant proposals were also approved at this session. Seven are under the global/regional grants window, namely, two research grants to CGIAR-supported international centres, three to non-CGIAR-supported international centres, one in support of pro-poor policy formulation, dialogue and implementation at the country level and one to the International Farming Systems Research Methodology Network for the FIDAMERICA network. Two grants are under the country-specific grants window and two within the project/programme proposals for the Democratic Republic of the Congo and Kenya.

The Board then reviewed the document on planned project activities for 2005-2006 (document EB 2005/86/R.35), noting the information it provided on the projects in the pipeline and COSOPs under preparation and planned for 2006.

Under financial matters, the Board considered and took note of the report on the Seventh Replenishment of IFAD's Resources (document EB 2005/86/R.36), which summarized the deliberations of the Fourth Session of the Consultation. The report on the status of contributions to the Sixth Replenishment of IFAD's Resources (document EB 2005/86/R.37) was then reviewed. In the oral report provided, Directors were informed that to date, including complementary contributions, Instruments of Contribution deposited and payments not supported by Instruments of Contribution amounted to USD 451.2 million, or 88.6% of pledges. Aggregate pledges amounted to USD 509 million, representing 90.9% of the target amount of USD 560 million. Every effort is being made to reach a total amount of pledges as close as possible to the replenishment target.

The report on IFAD's investment portfolio for the third quarter of 2005 (document EB 2005/86/R.38) was reviewed. Directors noted that, during the third quarter of 2005, most fixed-interest investments performed positively and the overall investment portfolio generated a positive net investment income of USD 5 million. However, due to a decrease in bond market prices during the month of October, there had been an estimated net loss of USD 1 million for the period 1 October to 30 November. On a year-to-date basis at 30 November 2005, the estimated net income was USD 56 million, representing an estimated annualized rate of return of 2.68%. Directors welcomed the forthcoming analysis of the rate of return on the investment portfolio, which would be carried out in the first quarter of 2006 with a view to securing an appropriate expected return while maintaining a prudent risk level.

The Executive Board then took note of the report on the special expenditure for IFAD's new headquarters (document EB 2005/86/R.39) that was approved by the Governing Council at its Twenty-Eighth Session in February 2005.

The Board considered the report and recommendation of the Executive Board on supervision (document EB 2005/86/R.40), which included a draft resolution on the extension of the implementation period for the Direct Supervision Pilot Programme. It subsequently approved the submission of the report to the forthcoming session of the Governing Council with a recommendation that the Council adopt the draft resolution contained therein.

The progress report on implementation of the Performance-Based Allocation System (document EB 2005/86/R.41) was then reviewed. Directors took note of the progress being made in applying the system across the lending programme. The Board requested that the updated country scores, which would serve as a basis for revised allocations for those countries in the active lending programme framework, be presented with the progress report to the Governing Council.

The Executive Board reviewed the report on the Process Re-Engineering Programme (Strategic Change Programme) (document EB 2005/86/R.42) and welcomed news of the successful implementation of phase I of the programme. In the light of the discussions on the Action Plan and recognizing that the Action Plan would cover the implementation of changes initially envisaged to be part of a second phase of the programme, the Board authorized the appropriation of the amount of USD 9.5 million remaining under the Capital Budget of IFAD contained in Governing Council Resolution 116/XXIII for implementation of the Action Plan.

The Board then considered the report on the evaluation of the International Land Coalition (document EB 2005/86/R.43) and noted that the report on the independent external evaluation of the Coalition would no longer be submitted to the Board at its session in April 2006, as issues had been brought to the attention of management which had resulted in the decision to retender the evaluation. In consequence, it is now planned to present the evaluation report to the September 2006 session of the Board.

The report on lessons learned by the International Land Coalition (document EB 2005/86/R.44) and the progress report on the Global Mechanism of the United Nations Convention to Combat

Desertification (document EB 2005/86/R.45) were reviewed by the Board, which recommended that both reports be submitted to the Twenty-Ninth Session of the Governing Council as presented to the Board.

The Executive Board also recommended that the application for non-original membership received from Niue (document EB 2005/86/R.50) be submitted to the Governing Council for approval, and approved the invitation of five new observers to future sessions of the Governing Council (document EB 2005/86/R.49). The Board also approved the dates for its 2007 sessions (document EB 2005/86/R.46).

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

Before closing this session, I would like to bid farewell to Mr Govindan Nair, Alternate Permanent Representative of the Republic of India to the United Nations Food and Agriculture Agencies, who is attending his last session of IFAD's Executive Board. Mr Nair has consistently provided constructive and valuable guidance both to the proceedings of the Board and as Chairman of the Evaluation Committee. I would also like to pay tribute to the positive contributions made by the participant from the United States of America, Mr Andrew Brubaker, who will no longer be participating in our Executive Board. On my own behalf and on behalf of all those present, I wish both our colleagues every success in their future endeavours.

I would also like to take a moment to bid farewell to one of our colleagues, Mr Siva Thampi, who over the past two years as Secretary of IFAD has become a familiar and friendly face to all of you. I am sure you join me in conveying our heartfelt thanks for his dedicated service to this Board and to the Fund. We wish him all the very best for the future.

Distinguished Directors,

This session was not only the last one for 2005 but also the last session for this Executive Board membership. I thank you for the excellent work we have done over the past three years. Let me take this opportunity to express to each of you how much I have enjoyed working with you and how much I have appreciated your guidance in our proceedings. May I wish you all a safe return home, a good year's end and an even better New Year.