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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-Sixth Session

Rome, 12-13 December 2005

**REPORT ON THE FOURTH SESSION OF THE
CONSULTATION ON THE SEVENTH REPLENISHMENT OF IFAD'S RESOURCES**

1. The following is a progress report on the Fourth Session of the Consultation on the Seventh Replenishment of IFAD's Resources, which was held in Doha, Qatar, on 1-2 October 2005.
2. The Consultation was honoured to begin with an inaugural address by His Highness Sheikh Abdullah Bin Khalifa Al-Thani, Prime Minister of the State of Qatar, delivered on his behalf by His Excellency Dr Sultan Bin Hassan Al-Dhabit Al-Dousari, Minister for Municipal Affairs and Agriculture. Qatar was the first Member State to announce its pledge to the Seventh Replenishment of IFAD's Resources. Its generous pledge of USD 10 million represents a significant and most welcome increase from past replenishments.
3. The Consultation expressed sincere gratitude to the State of Qatar for its gracious hospitality in hosting the session and applauded the excellent organization of this session.
4. Regarding the replenishment level, the Consultation considered the work programme and financing requirements for the Seventh Replenishment period. To facilitate consideration of these issues, Dr Keith Bezanson presented the Consultation with an overview of the current international development context and the growth that had taken place in official development assistance flows, particularly since the adoption of the Millennium Development Goals and as a result of the Monterrey Consensus of 2002. Many Members welcomed an increased work programme during 2007-2009, noting that this would enable the Fund to reach 13 million rural poor people each year. Several Members made specific pledges while others reiterated their strong support for the Fund and indicated that they would announce their exact pledges at a subsequent date.

5. The Consultation was then provided with a presentation on the road map for implementing the action plan for management's response to the Independent External Evaluation of IFAD. The presentation was welcomed by the Consultation as a helpful clarification of the plan's key components and issues. Members indicated during the discussion that the presentation had provided an improved definition of the reform process, the management of that process and the key deliverables. Some emphasized that the action plan is a necessary part of the Replenishment and asked for further clarification on what will be provided at the December session of the Consultation and how the action plan will be linked to the Report of the Consultation on the Seventh Replenishment of IFAD's Resources. In addition, they noted that the deliverables were linked to a specific time frame with decision and approval points for review by the Executive Board. Further definition and elaboration of the resources required to ensure the effectiveness and timely delivery of the change management programme would be provided at the December 2005 and April 2006 Executive Board sessions as agreed by the Executive Board in September.

6. With respect to the debt sustainability framework (DSF), many Members supported IFAD's adoption of such a framework but underlined the need to have a clear commitment to compensate IFAD for principal payments and service charges forgone. Members also emphasized the importance of ensuring that implementation of the framework would not have adverse consequences on the volume of financial support to DSF-eligible countries. They further asked for greater clarity of information on the relationship between the DSF and the grant programme under the IFAD Policy for Grant Financing approved by the Executive Board in December 2003 as several suggested that the Policy for Grant Financing may need to be adjusted when the DSF is adopted/implemented.

7. An update was provided to the Consultation on IFAD's participation in the Heavily Indebted Poor Countries (HIPC) Debt Initiative. In this context, the Consultation urged the Fund to continue its efforts to gain access to the core resources of the World Bank-administered HIPC Trust Fund. The continued assistance by Member States in ensuring a successful outcome in this regard was strongly welcomed.

8. The Consultation had a rich and productive discussion on the role of the Executive Board. The Consultation emphasized the need for the Board to focus on providing strategic and policy guidance, on the one hand, and monitoring development effectiveness and efficiency, on the other. A number of proposals and suggestions were made in this regard, and it was agreed that a summary will be made thereof for consideration by an appropriate mechanism to be established by the Executive Board in order to elaborate specific proposals, bearing in mind their cost implications.

9. The Consultation was also presented with a document on the management of risk at IFAD, which described the management of financial and fiduciary risks by the Fund, provided information on IFAD's internal control practices (focusing on recent improvement initiatives), and outlined its approach to improving the effectiveness of such practices. The Consultation noted the Fund's efforts to enhance the internal control systems and to finalize the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

10. The Consultation was presented with an analysis of IFAD's current policy concerning the disclosure of documents and a comparison with the disclosure policies and procedures of selected international financial institutions and United Nations agencies. It was noted that the disclosure policy will be reviewed by the Executive Board in 2006, and that the Consultation's comments and suggested enhancements will be incorporated in the revised policy.

11. The Consultation then considered the draft report of the Consultation on the Seventh Replenishment of IFAD's Resources. There was an extensive discussion and many useful comments and suggestions were offered that will be kept in mind when preparing the next draft. In particular, the document will be shorter, more action-oriented and more reader-friendly, and will show how IFAD

would change in the coming three years in response to the evolving international architecture and the implications of the Paris Declaration on Aid Effectiveness. In addition, it will focus on items for consideration by the Consultation rather than those in the remit of the Executive Board and IFAD management.

12. During consideration of the draft report of the Consultation on the Seventh Replenishment of IFAD's Resources, it was proposed that the issue of the performance-based allocation system should be included in the discussion on the draft Consultation report to be considered at the December session. An information note will be prepared for discussing this issue.

13. The Consultation was also presented with a draft resolution on the Seventh Replenishment of IFAD's Resources. A separate paper was provided that gave information regarding the exchange rates applicable for the conversion of freely convertible currency contributions into United States dollars and special drawing rights. It was agreed that a revised draft resolution would be presented at the December session containing the agreements reached by the Consultation, including asset liability management/advance commitment authority, and comments made in writing by Members. The Consultation decided to fix the six-month exchange rate reference period for the Seventh Replenishment at 1 April to 30 September 2005.

14. The Consultation was presented a document on the Associate Professional Officer Programme, taking into account the comments and suggestions made at the Third Session of the Consultation. While there was broad support for the concept, it was felt that further consideration was required before taking a view on this matter.

15. Regarding the voting rights of Member States and membership of the Executive Board, the Consultation agreed that a working group be established on this matter with the mandate agreed (see annex). Subsequent to the session, List A communicated that it would be represented by Belgium, France, Ireland and the United States of America with its support group consisting of the Netherlands, Sweden and the United Kingdom of Great Britain and Northern Ireland. List B advised that it would be represented by Indonesia and Saudi Arabia. List C representatives are expected to be announced shortly.

16. The Consultation noted that the pledge made by the State of Qatar to the Seventh Replenishment was an inspiration to all Members as they considered their contribution to the replenishment. Further, strong hope was expressed that Member States currently not in a position to announce specific pledges would be able to do so in the coming weeks, in order to enable the Consultation to complete its work on schedule.

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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT Consultation on the Seventh Replenishment of IFAD's Resources – Fourth Session

Doha (Qatar), 1-2 October 2005

PROPOSAL FOR A WORKING GROUP OF THE SEVENTH REPLENISHMENT

1. The replenishment consultation struck a working group to explore:
 - (a) proposals by Lists B and C on voting rights and Board representation;
 - (b) the role and effectiveness of the Executive Board.
2. This working group will report to the December replenishment consultation meeting, without prejudice to the successful completion of the replenishment process.
3. The group will be constituted of four members from List A, two members from List B and three members from List C. It may request support from IFAD staff as necessary.

