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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT,
Executive Board – Eighty-seventh Session
Rome, 19-20 April 2006

CLOSING STATEMENT BY THE PRESIDENT OF THE
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT,
MR LENNART BÅGE,
AT THE EIGHTY-SEVENTH 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 Executive Board began its proceedings by considering the issues on which it had requested elaboration with respect to IFAD's Action Plan for Improving its Development Effectiveness (EB 2006/87/R.2). While several Directors pointed out the need for more specificity with regard to certain issues, it was recognized that the document before the Board represented the results of just over two months of work on these issues.

Concern was voiced with respect to the size of the task at hand and IFAD's capacity, in terms of both financial and human resources, to carry out this task. The Board was assured that IFAD not only was committed to ensuring that the deliverables of the Action Plan were achieved but was also fully aware of the risks inherent in this increased workload.

The Board was informed that the terms of reference of the Steering Committee had been modified, and the Action Plan structure revised with a view to streamlining it and better defining accountability, and these were made available to Directors. The Board was further advised that key performance indicators had been identified for review by management at the end of April, with a view to implementing their use in the preparation of the programme of work and budget for 2007. This would facilitate the process of preparing the 2008 results-based programme of work and budget.

As regards quality assurance, it was recognized that a set of quality assurance processes were in place with the ultimate aim of enhancing the quality of country programmes at the entry, design and implementation stages. These processes will be strengthened as an important aspect of the Action Plan. In addition, quality control will be enhanced through a single quality assurance group within IFAD that assesses, through an arm's length process, compliance with agreed quality norms and processes. Moreover, IFAD will utilize external quality assurance entities to reinforce these processes.

On the issue of reform within the United Nations and system-wide coherence, IFAD will consult with other institutions with a view to analysing best practices that could be adapted to IFAD's needs, thus ensuring cost effectiveness.

In reviewing the Office of Evaluation's proposed approach to the evaluation of the Action Plan, and based on the concerns and questions raised, the Board called for further consideration of the proposal and agreed that the Evaluation Committee would identify the best approach and provide its recommendations to the Board.

The Board then considered the IFAD Policy on Crisis Prevention and Recovery (EB 2006/87/R.3) and commended the positive evolution of the document vis-à-vis the one considered at the September 2005 session of the Board. A number of clarifications were requested by the Board and textual amendments to the document were presented in a conference room paper (EB 2006/87/C.R.P.1) subsequently approved by the Board. These amendments further emphasized that IFAD's role would be to promote medium- to long-term sustainable development in support of rehabilitation of agricultural capacity and livelihoods rather than short-term relief operations. Given IFAD's specific mandate, the importance of agricultural production and food security was emphasized. The Fund's activities would be coordinated with those of other development partners in-country in order to ensure complementarity of approaches and to avoid duplication of efforts.

The Chairperson of the Evaluation Committee presented two reports on behalf of the Committee. The first provided an account of the Committee's field trip to Mexico (EB 2006/87/R.4, to be revised as EB 2006/87/R.4/Rev.1). All members who participated in the field trip expressed appreciation for the valuable opportunity provided to them to see the work of the Fund on the ground, and commended the Government of Mexico and the Office of Evaluation for the excellent arrangements made. The country programme evaluation workshop also proved to be a productive forum for an exchange of views. A number of recommendations had emerged, especially regarding the need for IFAD to develop a strategy for its engagement with middle-income countries.

The report on the forty-third session of the Evaluation Committee (EB 2006/87/R.5), held on 7 April, was then presented to the Board. The Evaluation Committee had reviewed the portfolio performance report for 2005 at its recent meeting and welcomed the report's increased effectiveness as a management tool. Among the issues flagged by the Committee, with a view to further improving the Fund's portfolio performance, were the development of guidelines for strengthening partnerships, a strategy for targeting, an increased emphasis on grass-roots institutions, and country ownership through harmonization with Member States' poverty reduction strategies.

The Executive Board then considered the appointment of members of the Evaluation Committee (EB 2006/87/R.6) and appointed the following nine members: Belgium, Germany, Sweden and Switzerland from List A; Indonesia and Nigeria from List B; and, within List C, from sub-List C1, Cameroon for 2006 and 2007 and Mali for 2008; India from sub-List C2; and Mexico from sub-List C3. The chairperson of the new Committee will be elected at its first meeting. The Board expressed deep appreciation to the outgoing members of the Committee for their dedication to the Committee's work and congratulated the new members on their appointments. It also thanked the two representatives of India who had served as chairpersons of the Committee for the past three years.

The interim report on IFAD's participation in the Debt Initiative for Heavily Indebted Poor Countries (HIPC) (EB 2006/87/R.7 and its corrigendum) was reviewed, and a debt relief proposal for Burundi approved. Noting the possibility of future increases in HIPC Debt Initiative costs for IFAD, the Board welcomed the steps being taken by management with a view to mitigating the impact of debt relief on IFAD's resources. Board Directors expressed hope for a positive outcome of the Fund's efforts to access the core resources of the World Bank-administered HIPC Trust Fund. The Board will be informed at a future session of the conclusions reached at the forthcoming technical meeting scheduled to be held with the World Bank in this regard.

Modifications to the Performance-Based Allocation System for IFAD (EB 2006/87/R.8) were reviewed. After consultations, a text was agreed upon, which will be included in the minutes of this session.

The Executive Board considered the country strategic opportunities papers (COSOPs) for Bangladesh (EB 2006/87/R.9), Egypt (EB 2006/87/R.10) and Ghana (EB 2006/87/R.11). Directors provided comments, which will be recorded in the minutes of this session, and looked forward to considering the new results-based COSOP, which forms part of the new operating model and which will be presented to the Board in September 2006.

The Board then turned to a review of the resources available for commitment at this session (EB 2006/87/R.12 and its corrigendum and addendum). With net inflows from 1 January to 31 March 2006 estimated at USD 98.5 million and a required total for loan and grant proposals at this session of approximately USD 147.6 million, the Board approved the use of advance commitment authority (ACA) for an amount of up to USD 49.1 million. This brings the level of ACA carried forward to USD 345.1 million.

Ten project and programme proposals were approved at this session: three in Africa; one in Latin America and the Caribbean; one in the Near East and North Africa; and five in Asia and the Pacific. Four of the Asian programmes represented the approval of the financing of the remaining 50% of the proposals, already approved by the Board in April 2005, for the countries affected by the December 2004 tsunami. It was pointed out that negotiations for these second loan proposals had not been finalized prior to Board approval; should any important variations to the terms presented to this session arise during negotiations, these would be brought to the attention of the Board at a future session.

The Board approved that the loan proposal for Pakistan for rehabilitation from the disastrous earthquake of last October be additional to the country's performance-based allocation. It further approved modifications to the programme in Guatemala, as a result of the reduced amount of cofinancing received and the damage caused by Hurricane Stan.

Six grant proposals were approved at this session. Four are under the global/regional grants window, namely, three research grants to CGIAR-supported international centres and one to the Regional Programme for Rural Development Training (PROCASUR) for the Learning Routes Training Programme. The other two grants form part of the project proposals for Brazil and Madagascar.

Directors then noted the information provided in the document on planned project activities for 2006-2007 (EB 2006/87/R.23) regarding projects and programmes in the pipeline, COSOPs reviewed to date and those planned for submission to forthcoming Board sessions. The Executive Board Director of Japan expressed his country's cautious position about the proposed project for the Democratic People's Republic of Korea, scheduled to be presented to the Board in December 2006, and requested a detailed description of the proposal.

The Executive Board considered the report on the Seventh Replenishment of IFAD's resources (EB 2006/87/R.24) as well as the status of contributions (EB 2006/87/R.25). Directors welcomed the recent pledges from Italy and Ireland and noted that – as at 19 April 2006 – aggregate pledges, including complementary contributions, amounted to USD 550 million equivalent. Member States that had not yet announced their pledges were encouraged to do so as soon as possible.

Directors were reminded that the Seventh Replenishment would become effective once instruments of contribution had been deposited in an amount equivalent to 50% of the total pledged contributions. Member States were therefore strongly encouraged to deposit their instruments of contribution with the shortest possible delay.

The Board also reviewed the status of contributions to the Sixth Replenishment of IFAD's resources (EB 2006/87/R.26), noting that, to date, pledges amounted to USD 509.1 million, or 91% of the Sixth Replenishment target of USD 560 million. Instruments of contribution and payments not supported by instruments of contribution had been deposited in an amount equivalent to USD 453.8 million, or 89% of pledges, whereas payments had been received totalling USD 400.9 million, or 79% of pledges.

The Executive Board then reviewed the reports on IFAD's investment portfolio for 2005 (EB 2006/87/R.27) and for the first quarter of 2006 (EB 2006/87/R.28). It noted that the aggregate income from investments in 2005 amounted to USD 68 million, representing a net rate of return of 2.95% and included an outperformance of 23 basis points compared with the return of the portfolio's aggregate benchmark. The net rate of return for 2005 was lower than IFAD's target return of 3.5% per annum. The remaining equities portfolio was liquidated in 2005 and a held-to-maturity portfolio of high-quality bonds was funded for approximately USD 414 million. While this reduced the risk level in the investment portfolio significantly, it also entailed a somewhat lower return expectation. In this respect, Directors noted with satisfaction the work under way with the World Bank as investment advisor with respect to the benchmark for the held-to-maturity portfolio and different asset allocation scenarios to improve return prospects. The Board further noted that the first two months of 2006 had shown a positive return resulting in aggregate investment income of USD 6.6 million.

In reviewing the status report on arrears in principal, interest and service charge payments (EB 2006/87/R.29 and its corrigendum), the Board noted that while the number of loans in arrears at year-end 2005 had remained stable at 55, there was an overall increase in arrears of USD 5.8 million. It further noted that 81.4% of the total amount overdue comprised the outstanding arrears of eight countries for which no settlement plans had so far been possible. Directors welcomed the update that, over the past few months, several borrowers had made payments on overdue charges in an amount of USD 1.8 million. While commending the Fund's efforts to resolve outstanding arrears, Directors urged management to reinforce these efforts.

The Board then reviewed the requirements for the twenty-seventh drawdown of Member States' contributions in 2006 (EB 2006/87/R.30). It approved the drawdown of the remaining 35% of the Sixth Replenishment contributions in May 2006 and authorized the use of the Fund's liquid assets to finance disbursement needs not covered by the drawdown.

The Chairman of the Audit Committee presented a report on its recent meeting (EB 2006/87/R.31), at which the Committee had reviewed the audited financial statements of IFAD for 2005 and recommended that the Board endorse them. Information was also provided to the Board to clarify the effects of a revision to the international accounting standard, which requires IFAD to restate its loans, certain receivables and liabilities, and deferred revenues at initial fair value and subsequent amortized cost in its 2005 financial statements. The Board endorsed the Committee's report. The Chairman of the Audit Committee noted that the Committee had been mandated by the Executive Board, in 2004, for a two-year trial period, to review the Fund's annual budget prior to its submission to the Board. This experience had been found to be positive, and he proposed that the

Audit Committee's role in this regard should be continued in the future. The Board approved this suggestion.

The Executive Board then reviewed the audited financial statements of IFAD for 2005 and the report of the external auditor thereon (EB 2006/87/R.32 and its corrigendum) and, in accordance with the recommendation of the Audit Committee, endorsed the financial statements and agreed to submit them to the thirtieth session of the Governing Council for approval.

The Board then considered the appointment of members of the Audit Committee (EB 2006/87/R.33) and appointed the following nine members: France, Italy, the Netherlands and the United States of America from List A; Algeria and Venezuela (Bolivarian Republic of) from List B; and, within the List C Members of the Board, from sub-List C1: Egypt for 2006 and 2007, and South Africa for 2008; China from sub-List C2; and Argentina from sub-List C3. The representative for France was elected as the Chairperson of the Audit Committee. The Board thanked the outgoing Committee members for their commitment and welcomed the new Committee members.

The Board then considered the portfolio performance report (EB 2006/87/R.34), and Directors commended the Fund on the improvements in the document. While acknowledging the significant progress made in 2005, in particular the record levels of approvals and disbursements, Directors called for management to take steps towards improving the delays in effectiveness of projects and programmes. The agreement between the Programme Management Department and the Office of Evaluation to harmonize self-evaluation and independent evaluation systems was also welcomed. In this regard, the Board looked forward to considering both the annual report on results and impact and management's response thereto at its December session.

The Board noted the advances in the implementation of the private-sector strategy and of the results and impact management system, which would further strengthen the portfolio management system as a whole.

The Executive Board reviewed the progress report on IFAD's Field Presence Pilot Programme (EB 2006/87/R.35), noting that all 15 initiatives were now operational. Directors welcomed the operational lessons learned through the pilot programme and the positive effects flowing therefrom. This related to areas such as communications with the countries concerned, knowledge management and partnership-building, including improved donor coordination. The Board further welcomed the oral report given by the Chairman of the Ad Hoc Working Group of the Executive Board on Field Presence, Mr Philip Heuts, on the Group's recent meeting.

The Board then reviewed the recommendations contained in document EB 2006/87/R.36, which had been prepared in consultation and in agreement with List convenors. The Board noted the importance of the issues of Member States' voting rights and the role-effectiveness and membership of the Executive Board, and approved the recommendation to establish an ad hoc committee to review these issues. It further decided that the committee would be comprised of four Board members from List A, two from List B and three from List C. A chairperson would be chosen from among these nine members to serve on a rotation basis. The committee would meet with the objective of concluding its discussions and recommendations by the end of 2006.

At the request of the Executive Board Director for the Federal Republic of Germany, it was agreed that IFAD would provide a paper on the chairmanship of the Replenishment consultations for the Board's consideration at its September session.

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

I would now like to take a moment to bid farewell to one of our colleagues, Mr Joseph Yayock, who retires from IFAD after 11 years of dedicated service. Joe started his career in IFAD as a country portfolio manager in the Eastern and Southern Africa Division and took on the role of interim Director of the division in 2004. IFAD's mandate has always been Joe's priority, and his thorough understanding of the process of partnership-building with governments and other actors in the field, together with his solid technical knowledge of agricultural and rural development issues, have contributed greatly to IFAD's success in the region. On behalf of all present here, I extend to him our very best wishes for the future.

I would also take this opportunity to bid farewell to Ms Eva Qvarnström, who is a familiar face to all of you. Eva retires from IFAD after 27 years of service. For the past 11 years, she has worked as conference and administrative assistant, and the smooth running of our meetings is very much thanks to her behind-the-scenes coordination and implementation of logistical and administrative arrangements. Thank you, Eva, and we wish you all the very best for the future.

Distinguished Directors,

Before I close this session, I would also like to bid farewell to the Executive Board Director for Norway, Ms Margaret Slettevold. I am certain I speak on behalf of all present in thanking Ms Slettevold for the constructive and thoughtful contributions she has made to the deliberations of this Executive Board, as well as the important role she played as Convenor and co-Convenor of List A. On a personal note, I have enjoyed the very cooperative and strong involvement she has shown in all IFAD matters. We truly wish her every success in her future endeavours.

And now let me thank you all for a most productive session and wish each of you a safe journey home and an enjoyable summer.

