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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-eighth Session

Rome, 13-14 September 2006

**CLOSING STATEMENT BY THE PRESIDENT OF THE
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT,
MR LENNART BÅGE,
AT THE EIGHTY-EIGHTH 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 and approving the IFAD Policy on Targeting (EB 2006/88/R.2, to be revised as EB 2006/88/R.2/Rev.1). The fundamental importance of this policy to the work of IFAD and to ensuring the Fund's development effectiveness in rural poverty reduction was emphasized. There was extensive discussion and a number of issues were raised relating to the policy's future implementation.

Several Directors underscored the difficulty of targeting and the importance of monitoring and continuous learning. Directors urged management to pay close attention to promoting a participatory approach to targeting and to ensuring enhanced partnerships and synergies with other agencies. The importance of explicitly linking the targeting process to interventions designed to boost productive activities and livelihoods was stressed. Monitoring and evaluation were also highlighted as key factors in the success of the targeting policy, as was the issue of benefit capture and the need for it to be contained. The results framework for the policy will be revised, taking into account the comments made by Directors, and circulated for the information of the Board shortly (EB 2006/88/R.2/Add.1, to be revised as EB 2006/88/R.2/Add.1/Rev.1 and subsequently included in the policy document). In addition, these comments will be integrated into the operational guidelines. A checklist and composite scoring system to assess targeting performance will also be developed in this context.

The Board welcomed the document on the strategic priorities and programme of work and budget of IFAD and its Office of Evaluation for 2007 (EB 2006/88/R.3). The levels of the Fund's programme of work for 2007 of US\$605 million, subject to the availability of resources, and of the proposed administrative budget were generally supported. Directors commended the reduction in the administrative costs (administrative budget plus Programme Development Financing Facility [PDFF]) ratio to 16.8%, in accordance with the Board's recommendation in December 2005 and, within this framework, some Directors expressed the need to adhere to a zero real growth budget. Guidance was provided on the preparation of the final document for submission to the forthcoming December session of the Board. The Board expressed the desire for more budget transparency and clarification with respect to the use of the PDFF and its relation to administrative costs and calculation of the relevant deflator. These and other issues raised by Directors will be addressed in the final document. It was agreed that in the first half of 2007 the Audit Committee would consider possible improvements in the organization and presentation of the IFAD budget to further clarify both the distribution of budget resources between administrative and programme costs and the funding sources for activities.

The Board also discussed, and expressed its overall agreement with, the proposed work programme and resource issues for the Office of Evaluation (OE) for 2007. In particular, while conveying interest in the planned joint evaluation with the African Development Bank, some Directors expressed concern about the proposed OE budget increase. OE was asked to provide the Evaluation Committee, at its forty-fifth session in October, with further details about the objectives, scope and modalities of cooperation, and about the budget and timetable of this joint evaluation, including the proposed share for each organization. Furthermore, OE was requested to consider delaying the beginning of some of the evaluations planned for next year so as to reduce the overall level of resources it would require to implement its work programme in 2007.

In accordance with the decision made by the Board in April of this year, the Audit Committee will review the final programme of work and budget in November 2006. In this regard, Directors are invited to address their comments and questions to the Committee in advance of the meeting.

An oral update was then provided to the Board on the progress made in implementing IFAD's Action Plan for Improving its Development Effectiveness. Directors welcomed the news that work on the deliverables was on track and that activities were within the approved budget ceiling. As was advised at the Board's April session, an analysis was carried out to assess the need for a medium-term plan. The Board recognized that a framework existed both for the programme of work and budget during the Seventh Replenishment period and for the medium-term effectiveness targets established in the Action Plan. Board Directors, therefore, agreed that there was no need for a new instrument of a medium-term plan.

The issue of quality assurance has also been studied in consultation with external partners. As a result, a quality assurance team will be established in 2007, which will initially focus on appraising the effectiveness of IFAD's approach to the quality agenda in the Action Plan itself – and exploring the best modalities for assessing the quality of project design and implementation support. The team will bring together external and internal experts, and will be located within IFAD but outside of the Programme Management Department.

The Board was assured that risk management and mitigation, integration and consistency, and the involvement of staff across the entire institution to ensure broad ownership of the Action Plan were all important issues cutting across all of the activities being carried out.

The Board then considered and approved the new framework for results-based country strategic opportunities programmes as provided in document EB 2006/88/R.4. The broad consultative process that had led to the finalization of the framework was complimented. Directors appreciated in

particular the enhanced importance given to country ownership, alignment with national poverty reduction strategies and harmonization with the activities of other partners in development, which should reinforce IFAD's comparative advantage through innovative, scalable projects. Both the seminar and the Board session had provided useful comments that would assist in completing the operational guidelines.

The revised approval format for projects (EB 2006/88/R.5) was then reviewed. While approving the new format, some Directors expressed concern that the focus of the revised President's report on key institutional issues rather than on operational matters might hinder a thorough review of proposals. These Board Directors emphasized their responsibility for project proposal oversight and performance results, thus the need for adequately detailed and timely information. The new format will be reassessed in September 2007, in the context of Action Plan progress reporting, in order to assess its effectiveness. Management has affirmed its commitment to provide timely responses to written comments from the Board, to post appraisal reports and key files of project design documents on the restricted website in accordance with document EB 2006/88/R.5 and to make more comprehensive and regularly updated information available on projects in the pipeline. All proposals for submission to the December session of the Board will observe the new format, and confidential electronic access to the background documentation will be granted in a timely fashion to Executive Board Directors.

In accordance with the recommendation of the Consultation on the Seventh Replenishment of IFAD's Resources, the Board considered the pilot proposal for an enhanced Associate Professional Officer (APO) Programme (EB 2006/88/R.6) that would include participants from developing countries. The concept of offering broader and equal opportunities to candidates from all Member States was well received. These APOs will be well-qualified candidates, responding to organizational needs and recruited on the basis of merit, and we expect that they will have advanced university degrees. The Board approved the proposal described in document EB 2006/88/C.R.P.1/Rev.1, as amended during the discussion (EB 2006/88/C.R.P.1/Rev.2).

The report on the forty-fourth session of the Evaluation Committee (EB 2006/88/R.7), held on 8 September 2006, was then presented to the Board by its newly elected Chair, Mr Vladimir Hernández-Lara of Mexico. The Board was informed that as a result of the election held for the Chair of the Committee, Mexico would hold the seat until August 2007, after which Indonesia would take over until the end of the Committee's term of office. I would like to take this opportunity to congratulate Mr Hernández-Lara once again and wish him every success in his new role.

The Board endorsed the recommendations contained in the Evaluation Committee's report. Some questions were raised regarding the proposed approach to the evaluation of the Action Plan, which will be reviewed at the next Committee session.

The Board was informed that the Evaluation Committee had reviewed the evaluation of IFAD's regional strategy for Asia and the Pacific (EB 2006/88/R.8) at its recent meeting. Directors recognized that the evaluation provided interesting and far-reaching conclusions that would prove valuable in guiding IFAD's strategic direction in the region. At the recommendation of the Committee, the Board broadly endorsed the key recommendations made in the agreement at completion point (ACP), noting, however, that the usefulness of developing a new regional strategy required further consideration.

The Executive Board then considered the President's report on the implementation status of evaluation recommendations and management actions (EB 2006/88/R.9), inclusive of comments from the Office of Evaluation. Improvements made in the presentation of the report were widely welcomed. Both high compliance with ACP recommendations and the document's increased potential as a management tool were also commended, particularly as recommendations are prioritized. It was

agreed that in future the report would not contain detailed information on the status of the implementation of operational recommendations.

The Executive Board considered the country strategic opportunities programme (COSOP) documents for Eritrea (EB 2006/88/R.10), Swaziland (EB 2006/88/R.11), Turkey (EB 2006/88/R.12) and the Bolivarian Republic of Venezuela (EB 2006/88/R.13). Appreciation was expressed in particular for the COSOPs that had successfully piloted the new framework. The various comments made will be recorded in the minutes of this session.

The Board then turned to a review of the resources available for commitment (EB 2006/88/R.14 and its addendum). With net inflows from 1 January to 31 August 2006 estimated at US\$172.8 million and a required total for loan and grant proposals presented for approval at this session of approximately US\$96.6 million, resulting in a cumulative total for the year to date of US\$252.2 million, the Board approved the use of advance commitment authority (ACA) for an amount of up to US\$30.3 million. This brings the level of ACA carried forward to US\$375.4 million.

Five project and programme proposals were approved at this session: three in Western and Central Africa; one in Asia and the Pacific; and one in Latin America and the Caribbean.

The Board also approved the revised programme proposal for the Rural Empowerment and Agricultural Development Programme in Central Sulawesi, Indonesia. It further approved modifications to the Development of the Central Corridor Project in Ecuador.

Thirteen grant proposals were approved at this session. Seven are under the global/regional grants window, namely, two research grants to CGIAR-supported international centres; four to non-CGIAR-supported international centres; and one to the Global Mechanism of the United Nations Convention to Combat Desertification. Two grants were approved under the country-specific grants window, while the other four grants form part of the project and programme proposals for the Gambia, Nigeria, Senegal and Viet Nam.

The Board also approved the proposal for retroactive financing, effective 1 June 2005, in the amount of US\$200,000, of the grant to the International Centre of Insect Physiology and Ecology (ICIPE) approved at the Board's eighty-sixth session in December 2005.

Directors then noted the information provided in the document on planned project activities for 2006-2007 (EB 2006/88/R.28) regarding projects and programmes in the pipeline, COSOPs reviewed to date and those planned for submission to forthcoming Board sessions.

The Executive Board considered the report on the Seventh Replenishment of IFAD's Resources (EB 2006/88/R.29), which provided information on the status of contributions and on the votes created under the Seventh Replenishment. In accordance with the decision of the Governing Council, the target level of the Seventh Replenishment was adjusted on the basis of pledges received by 16 August 2006. As at that date, pledges of approximately US\$612.5 million had been received. The target level was therefore set at US\$720 million. Members welcomed the successful outcome of the Seventh Replenishment, which is the largest since the Fund's First Replenishment. In this regard, Member States that had not yet announced their pledges were encouraged to do so as soon as possible.

Directors noted that – as at 6 September 2006 – instruments of contribution deposited and payments not supported by instruments of contribution totalled US\$120.6 million equivalent, approximately 20% of the total amount pledged for the Seventh Replenishment. Directors were reminded that the replenishment would become effective once instruments of contribution had been deposited in an amount equivalent to 50% of the total pledges. Member States were therefore urged to deposit their instruments of contribution.

The Board also reviewed the status of contributions to the Sixth Replenishment of IFAD's Resources (EB 2006/88/R.30), noting that, to date, pledges amounted to US\$509.1 million, or 91% of the Sixth Replenishment target of US\$560 million. Instruments of contribution and payments not supported by instruments of contribution had been deposited in an amount equivalent to US\$467.5 million, or 92% of pledges, whereas payments had been received totalling US\$427 million, or 84% of pledges.

The report on IFAD's investment portfolio for the second quarter of 2006 (EB 2006/88/R.31 and its corrigendum) was reviewed. Directors noted that at 31 August 2006, the estimated net income was US\$35 million.

The newly elected Chair of the Audit Committee, Mr Augusto Zodda of Italy, presented a report on the Committee's recent meeting (EB 2006/88/R.32), at which the reappointment of the external auditor was reviewed. In endorsing the Committee's report, the Board approved the appointment of PricewaterhouseCoopers as external auditor for the 2006 financial statements and the related fee of EUR 132,000, and also reappointed PricewaterhouseCoopers as external auditor of the financial statements for 2007-2011. Allow me to congratulate Mr Zodda once again on his appointment and to wish him every success in his new capacity.

The Board then considered the retroactive adjustment of the General Service salary scale (EB 2006/88/R.33) in response to the 12.16% increase recommended by the International Civil Service Commission (ICSC) with an effective date of 1 November 2005. After extensive consideration, the Board authorized the submission to the Governing Council, for a vote by correspondence, of a request to approve a special retroactive expenditure on staff costs of US\$1.4 million to cover the costs for November-December 2005. Concern was expressed about the budgetary consequences of a significant retroactive increase and some Directors urged consideration of less disruptive alternatives (such as interim cost-of-living adjustments) as well as performance-based salary increases. In this regard, management reiterated its commitment to undertake an in-depth workload analysis, to be completed by the fourth quarter of 2006. The Board also noted that under IFAD's current status as observer to the ICSC, acceptance by IFAD of ICSC recommendations is not automatically mandatory.

The Board noted the advances made by IFAD in its engagement with indigenous peoples (EB 2006/88/R.34), which would further strengthen the voices of marginalized rural people in the rural development context. Management was urged to continue and, indeed, reinforce its efforts to champion the needs of indigenous peoples in its projects and programmes.

The Board then reviewed the item on the debt sustainability framework at IFAD (EB 2006/88/R.35) and agreed to defer formal consideration of a proposal in this regard to April 2007. Management will provide Board Directors with a report on this in February 2007 to facilitate an informal discussion on the framework on a date to be decided at the December 2006 session of the Board. The importance of having the framework in place before Board consideration of projects was stressed.

The President's report on the external evaluation of the International Land Coalition (EB 2006/88/R.36) was reviewed. Directors noted that, subsequent to a thorough analysis of the evaluation and its implications, proposals would be presented to the Board in December on the best way to proceed regarding IFAD's collaboration with the Land Coalition.

The Executive Board approved the draft provisional agenda for the thirtieth session of the Governing Council (EB 2006/88/R.37), to be held on 14-15 February 2007. Ms Siti Nugraha

Mauludiah of Indonesia was then elected by the Board to represent the Fund's Governing Council on the IFAD Staff Pension Committee as second alternate member (EB 2006/88/R.39).

In response to a request made at its last session, the Board considered document EB 2006/88/R.38 on the chairmanship of replenishment consultations. Directors welcomed the information provided in the report, and noted its usefulness for the Consultation on IFAD's Eighth Replenishment, to be launched in 2008.

The Executive Board then approved the contribution from the International Bank for Reconstruction and Development for the transfer of the World Bank's Grants Facility for Indigenous Peoples to IFAD, as set forth in the letter agreement contained in document EB 2006/88/R.40. In this regard, it was noted that the operation of the grant facility in IFAD was time-bound in the sense that when the financing available through the facility was exhausted, operations under the facility would come to an end. IFAD is not taking on any longer-term obligations. The Board further authorized the President to negotiate and finalize a cooperation agreement with Agence Française de Développement (EB 2006/88/R.41) and approved the provisions of the agreement with the OPEC Fund for International Development for the purpose of cofinancing the Marine Resources Management Programme in the Red Sea (EB 2006/88/R.42).

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

Distinguished Directors,

Before I close this session, I wish to bid farewell to the Director for Argentina, Ms Hilda Gabardini, and to convey, on behalf of all present, our thanks to her for the constructive inputs she has consistently made to the deliberations of this Board. We wish her every success in her future endeavours.

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

