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Closing statement

**by the President of the
International Fund for Agricultural
Development,
Mr Lennart Båge,
at the eighty-ninth session of the
Executive Board**

Executive Board — Eighty-ninth Session
Rome, 12-14 December 2006

For: **Information**

Distinguished Directors,

I would now like to summarize our deliberations and briefly highlight the decisions taken at this session.

The Executive Board began its consideration of the Action Plan deliverables submitted to the session by reviewing the IFAD Strategic Framework 2007-2010 (EB 2006/89/R.2 to be revised as EB 2006/89/R.2/Rev.1). It was recognized that the document provides clarity on IFAD's comparative advantage and its thematic areas of focus; that it builds on experience and lessons learned by IFAD and other comparable organizations; and that it also provides a basis for alignment of resources, and enhanced accountability, within the organization.

There was rich discussion on the hierarchy of development objectives that lies at the heart of the framework. It was explained that the goal of food security is captured in Millennium Development Goal 1, and IFAD aims to contribute to the achievement of this goal, as it relates specifically and solely to food security for poor rural households – a long-standing objective of IFAD. IFAD's experience in providing targeted support to the rural and agricultural sector was also highlighted, and the need for increased agricultural productivity was emphasized. These points will be made explicit in the finalization of the revised document.

It was also agreed that innovation and scaling up, and other principles of engagement such as empowerment, partnerships and sustainability, are all critical to IFAD's achieving its goals. As such, they should be considered as cross-cutting principles for IFAD engagement and will be reflected in an amended hierarchy of development objectives.

The Strategic Framework 2007-2010 was approved, subject to modifications that will be made to the document to reflect the points made during the Board session. The revised version will be posted on the IFAD website.

A comprehensive results measurement framework, which will bring together corporate, country, project and organizational performance, will be submitted to the Board for approval in September 2007. With a view to facilitating participation by the Board in the development of the framework, an informal consultation will be held in conjunction with the April 2007 session of the Board.

It was also agreed that IFAD Management will report back to the Board on progress made in key related areas of the Action Plan. These include IFAD's plan for improved collaboration with the other Rome-based United Nations agencies, aimed at promoting United Nations system-wide coherence, efficiency gains and cost savings, and its plan for the alignment of human resources with its corporate strategic priorities.

The IFAD Strategy for Knowledge Management (EB 2006/89/R.3), also a deliverable of the Action Plan, was then discussed. Directors appreciated the effort that had gone into developing the draft and recognized that the subject was a difficult one. Several issues still needed to be further addressed. Among these issues were a strengths, weaknesses, opportunities and threats (SWOT) analysis, learning at the field level, cultural change, incentives for fostering knowledge-sharing and learning, the human and financial resource implications inherent in the strategy and the development of a realistic implementation plan. An ad hoc working group of the Board is to be established in order to provide guidance and to ensure that the concerns expressed are adequately dealt with in the revised knowledge management strategy to be submitted for approval by the Board at its April 2007 session.

The IFAD Policy on Supervision and Implementation Support (EB 2006/89/R.4 to be revised as EB 2006/89/R.4/Rev.1) was discussed by Directors at an informal seminar on 12 December prior to its consideration at the Board session. As requested by several Directors, the final policy document will be clearer in the way it uses the definition of supervision and implementation support to highlight the close linkages that exist between these activities. Furthermore, the policy will be complemented by comprehensive guidelines, with close monitoring and evaluation. A business plan detailing the time frame, milestones and resource requirements for implementation of the policy will be prepared by Management. On this basis, the Board approved the supervision and implementation support policy.

The Board then turned to a review of the IFAD Policy on the Disclosure of Documents (EB 2006/89/R.5 and its corrigendum, to be revised as EB 2006/89/R.5/Rev.1). The revisions proposed in document R.5 and its corrigendum were approved, and the new policy was welcomed as a means of enhancing transparency and promoting knowledge-sharing and learning.

The Board then considered the programme of work, Programme Development Financing Facility (PDFF) and administrative budget of IFAD and its Office of Evaluation for 2007 (EB 2006/89/R.6/Rev.1 and its corrigendum, to be revised as EB 2006/89/R.6/Rev.2), together with the report of the Audit Committee thereon (EB 2006/89/R.7). Appreciation was expressed for the considerable work undertaken by both the Committee and IFAD staff, which greatly facilitated the Board's review of the proposals put forward.

IFAD's planned programme of work for 2007 was approved by the Board at a target level of US\$605 million, comprising a lending programme of US\$544.5 million and a grant programme of US\$60.5 million, the latter to be equally distributed between the global/regional grants window and the country-specific grants window, inclusive of the PDFF grant component. This represents a 10 per cent increase over the programme of work for 2006 and is in line with the Fund's target annual increase during the Seventh Replenishment period. Management reiterated that the planned programme of work for 2007 was subject to adjustment during the year in accordance with the level of resources available.

The Board further approved a total PDFF in the amount of US\$33.8 million. This amount responds to the recommendation of the Audit Committee that the nominal increase in the PDFF should not exceed 10 per cent. The Board expressed the firm expectation that the proportion of administrative costs allocated to operational requirements would continue to increase.

Directors welcomed the reduction in the ratio between administrative/PDFF costs and the programme of work and budget from the agreed cap of 17.1 per cent to 16.8 per cent net of the effects of exchange rate fluctuations. The Board noted that the Audit Committee would discuss ways in which this ratio could be approached independently of the effects of such fluctuations. Directors looked forward to the outcome of these discussions as well as the review of the structure and presentation of IFAD's budget, to be undertaken by the Audit Committee in 2007. Management committed to increasing its efforts to further reduce the ratio in the future.

Having reviewed the Fund's proposed administrative budget for 2007 of US\$67.49 million, the Board authorized its submission to the thirtieth session of the Governing Council. The abstention of the United States of America to the proposed budget, based on non-adherence to a zero real growth budget, will be recorded in the minutes of the session.

Finally, the Board reviewed the work programme and the administrative budget of the Office of Evaluation (OE) for 2007 at the level of US\$5.687 million, representing an increase of 11 per cent in real terms. Recognizing that the main cost driver of this exceptional increase was the joint evaluation to be undertaken with the African Development Bank, the Board approved the OE work programme and authorized submission of its administrative budget to the forthcoming session of the Governing Council.

Taking up the agenda items on evaluation matters, the Board endorsed the reports of the Chairperson of the Evaluation Committee on the Committee's forty-fifth session (EB 2006/89/R.8), held on 10 October, and its forty-sixth session (EB 2006/89/R.9), held on 8 December 2006. In so doing, the Board approved the recommendation that the evaluation of the Action Plan be removed from the OE work programme.

Directors commended the Office of Evaluation on the quality of the annual report on results and impact of IFAD's operations (ARRI) (EB 2006/89/R.10 and its addendum, which contained Management's response to the report). They noted that the report provided a very useful overview of the results based on evaluations undertaken in 2005, and underlined the need for IFAD to make concerted efforts to further enhance the sustainability of IFAD operations.

As requested by the Board in April 2006, the presentation of the portfolio performance report (PPR) (EB 2006/89/R.11 and its addendum) was further aligned with that of the annual report on results and impact of IFAD's operations. Directors welcomed this initiative and expressed their appreciation for the substantially improved overall quality of the report. The Board also commended IFAD for reporting on both development effectiveness and management issues and providing a clear and factual picture of the Fund's portfolio, highlighting both its strengths as well as weaknesses. In this regard, the presentation of the achievements made against the Action Plan targets for development effectiveness was welcomed. Directors drew confidence from the fact that the key messages coming out of the ARRI report and the portfolio review were broadly consistent, despite having been arrived at through separate processes.

In assessing IFAD's performance, the Board noted the significant improvements in areas such as overall project performance – encompassing relevance, effectiveness and efficiency – and further noted the emphasis Management has given to bringing similar improvements in sustainability. Finally, the Board also noted that the PPR will be subsumed in the development effectiveness report, to be submitted to the Board in December 2007.

Turning to the review of IFAD's participation in the Debt Initiative for Heavily Indebted Poor Countries (HIPC) (EB 2006/89/R.12), Directors welcomed the news that the donors of the World Bank-administered HIPC Trust Fund had agreed that IFAD should be allowed access to the core resources of the Trust Fund as an eligible creditor. The Trust Fund's contribution has been agreed at 67 per cent of IFAD's outstanding costs. The Board emphasized the importance of continued support to the financing of the Trust Fund to meet its future obligations, particularly for those countries at pre-decision point. This is indeed excellent news, and I would once again like to thank all of you for your consistent and invaluable support in this regard.

The Board then considered the report contained in document R.12 and approved the contribution to the reduction of the Republic of the Congo's debt to IFAD and a top-up debt-relief proposal for Malawi. The Board also endorsed the submission to the Governing Council of the progress report on the Fund's participation in the HIPC Debt Initiative, as amended by the oral update provided.

The country strategic opportunities programmes (COSOPs) for Madagascar (EB 2006/89/R.13) and Nepal (EB 2006/89/R.14 to be revised as EB 2006/89/R.14/Rev.1) were then reviewed. Both COSOPs were formulated in accordance with the new format for results-based COSOPs approved at the September 2006 session of the Board.

The resources available for commitment at this session (EB 2006/89/R.15 and its addendum) were then reviewed, and the Board approved the use of the advance commitment authority (ACA) for an amount of up to US\$102.2 million. Directors noted that the net use of additional ACA in 2006, on the basis of expected net inflows by the end of December, was expected to be US\$181.6 million.

Sixteen projects and programmes were approved at this session: six in Africa, four in Asia and the Pacific, three in Latin America and the Caribbean, and three in the Near East and North Africa. The abstention of Germany on the approval of the programme proposal for Sri Lanka and that of Germany, the Netherlands, Sweden and the United Kingdom of Great Britain and Northern Ireland on the project proposal for the Sudan will be recorded in the minutes of this session. In accordance with legislation of the United States of America, the United States wishes the minutes to record its opposition to the Sudan project proposal. The Board also reviewed and approved four President's memorandums, resulting in the approval of the fiduciary arrangements for the Agricultural Support Programme in Mozambique; of direct supervision by IFAD of the Rural Microenterprise Assets Programme: Capitalization, Technical Assistance and Investment Support in Colombia; and the extension by six months of the time limit for signature of the loan agreements for the Development of the Central Corridor Project in Ecuador and the National Rural Development Programme: Central and Eastern Regions in Guatemala.

Fifteen grant proposals were approved at this session. Nine are under the global/regional grants window, namely two to the Consultative Group on International Agricultural Research (CGIAR)-supported international centres, six to non-CGIAR-supported international centres and one to the International Land Coalition. One grant was approved under the country-specific grants window, while the other five grants form part of the project and programme proposals for Egypt, Eritrea, the Niger, Uganda and the United Republic of Tanzania.

Directors considered the report on IFAD's plan for its future relationship with the International Land Coalition (ILC) (EB 2006/89/R.36). The external evaluation of the ILC recommended that IFAD continue as transitional host to the Land Coalition. The plan provides clear objectives, milestones and reporting requirements with a view to contributing to strengthening the future performance and programmatic improvement of the ILC, while at the same time progressing towards establishing IFAD's relationship with ILC comparable to that with any other grant recipient. The Board then reviewed the report on lessons learned by the International Land Coalition (EB 2006/89/R.38) and recommended that it be submitted to the thirtieth session of the Governing Council.

The Board reviewed the document on planned project activities for 2006-2007 (EB 2006/89/R.39), taking note of the information provided on the projects in the pipeline and COSOPs under preparation and planned for 2007.

The Board began its consideration of the financial matters on the agenda by reviewing the proposed Liquidity Policy (EB 2006/89/R.40). The prudent approach proposed in the policy was noted and the Board approved that IFAD's minimum liquidity level be set at 60 per cent of the total annual cash outflows plus potential additional requirements due to liquidity shocks. Directors noted that the liquidity status would be monitored and reported on through the regular reports on IFAD's investment portfolio and that the policy would be reviewed at the end of the Seventh Replenishment period to

take account of changes in financial requirements and possible changes in the risk profile.

The status of contributions to both the Seventh (EB 2006/89/R.41) and Sixth (EB 2006/89/R.42) Replenishments of IFAD's resources were then considered. Directors noted that for the Seventh Replenishment instruments of contribution and payments not supported by instruments of contribution amounted to US\$272.7 million or 45 per cent of pledges. The replenishment will become effective once instruments of contribution totalling 50 per cent of pledges have been received. The Board was informed that several Member States had indicated that the deposition of their respective instruments of contribution was imminent and it was hoped that the replenishment would be declared effective in the very near future. I would take this opportunity to once again thank Greece and Mali for the substantial increase in their contributions, as announced during this session.

With respect to the status of contributions to the Sixth Replenishment of IFAD's resources, pledges had been received in an amount equivalent to US\$509.1 million. To date, the aggregate amount of instruments of contribution deposited and payments not supported by instruments of contribution totalled US\$468.9 million or 92 per cent of pledges. As the Sixth Replenishment period ends on 31 December 2006, Members with payments outstanding were urged to complete their contributions as soon as possible.

The Executive Board reviewed the report on IFAD's investment portfolio for the third quarter of 2006 (EB 2006/89/R.43) and noted that cumulative net income for the first nine months of the year amounted to US\$41 million. It noted, moreover, that as at 30 November 2006, estimated net investment income amounted to approximately US\$59 million, corresponding to an annualized net rate of return of 2.73 per cent.

The Board then took note of the report on the special expenditure for IFAD's new headquarters as contained in document EB 2006/89/R.44.

The Chairperson of the Audit Committee presented the Committee's report on its ninety-fifth meeting (EB 2006/89/R.45), held on 11 December 2006. The Board took note of the information provided in document R.45 and endorsed the recommendation made by the Committee that IFAD's General Reserve be maintained at the current level of US\$95 million.

The Board took note of the report of the Ad hoc Committee to Review Member States' Voting Rights and the Role, Effectiveness and Membership of the Executive Board (EB 2006/89/R.46). The recommendation on the purpose and procedures of meetings of Convenors and Friends contained therein was duly confirmed. More time was required to allow for adequate consideration of the report, which will be discussed by the Convenors and Friends, to agree on a future process to consider these issues. I would like to take this opportunity to thank the Committee members for their commitment and dedication to seeking concrete measures for improving the effectiveness of this body.

Directors expressed appreciation for the advances being made in the implementation of IFAD's Action Plan for Improving its Development Effectiveness, as reported in document R.47. The Board noted that progress was on target and activities undertaken were within the approved budget. The emphasis placed on cross-cutting issues such as human resources, quality of outputs, and increased and sustainable development impact during implementation was commended.

The progress report on implementation of the performance-based allocation system (EB 2006/89/R.48 and its addendum) was then reviewed. Directors took note of the provisional country scores and allocations for the 2007-2009 allocation period, which had been calculated with the revised weight of population at 0.45 and on the basis of a three-

year lending/allocation framework, as agreed by the Board at its eighty-seventh session in April 2006. The presentation of the progress report together with the country scores and allocations to the thirtieth session of the Governing Council was then approved.

The Board then turned to a review of the items for consideration on the Global Mechanism of the United Nations Convention to Combat Desertification. The Board approved the modification of the procedures for managing funds under the Global Mechanism's Special Resources for the CCD Finance (SRCF) Account, as presented in document R.56. It then considered the progress report on the activities of the Global Mechanism during 2006 (EB 2006/89/R.49) and approved its submission to the Governing Council in 2007.

The Board then authorized the President to negotiate an inter-institutional cooperation agreement with Banco de Desarrollo Económico de Venezuela (EB 2006/89/R.50) and a cooperation agreement with the Community of Portuguese-speaking Countries (EB 2006/89/R.51). It approved the invitation of two new observers to future sessions of the Governing Council (EB 2006/89/R.52) and also approved the dates for the Executive Board's 2008 sessions (EB 2006/89/R.53). Directors then agreed that the Board would meet on 16 February 2007 for informal discussions on the proposed debt sustainability framework (DSF) at IFAD. The Secretariat will provide complete details as to the timing and venue of this meeting in the invitation letter that will be sent out shortly. A report on the DSF will also be provided, as agreed, in February 2007 to facilitate these discussions.

Finally, the Board approved the disclosure on IFAD's public website of the documents submitted to this session, with the exception of document R.3 on IFAD's knowledge management strategy, which will be revised and resubmitted to the Board for approval in April 2007.

Before closing this session I would like to take a moment to bid farewell to some of our friends and colleagues. Mr Phrang Roy will retire from IFAD at the end of this year. Phrang first joined IFAD 25 years ago as an Associate Professional Officer, under the Swedish partnership programme, in the Programme Management Department, where he later became a project controller in the Africa Division. After a secondment to the United Nations Development Programme, he returned to IFAD as Director of the Asia and the Pacific Division, where he developed a focus in the division on gender and indigenous people in the most marginalized regions of Asia. In 2002, he was appointed Assistant President of the External Affairs Department, and in 2005, at his own request, he took up a special assignment to work on indigenous peoples and tribal issues. Recognizing that indigenous peoples comprise 15 per cent of the world's poor and that their voices are rarely heard in international forums, Phrang championed their cause. His dedication and commitment have resulted in many success stories, including the important role played by IFAD in the establishment of the United Nations Permanent Forum on Indigenous Issues. We will continue to build on the strong foundations that Phrang has left behind and we wish him every success in his future endeavours.

We must also bid farewell to Ms Caroline Heider, Deputy Director of the Office of Evaluation, who will take up the position of Director of Evaluation at the World Food Programme. During her time at IFAD, Caroline has stood out as a consummate professional, who has worked consistently to help IFAD to respond to the challenges it faces in carrying out its mandate. In evaluating the results and impact of IFAD operations, she has shown a sense of teamwork that is admirable. We wish her every success in her new role and look forward to working together in the true spirit of collaboration between the Rome-based agencies.

I have to say with personal regret that one of the most long-standing representatives on this Board, Mr Lothar Caviezel, who has been Executive Board

Director for Switzerland since 1996, is attending his last session of the Board. Throughout his time with us, his contributions to the deliberations of this body have been invaluable. In addition, Mr Caviezel was actively involved in the deliberations of not one but four replenishment consultations, starting with the Fourth Replenishment. His hard work and commitment to IFAD have been unwavering and he will be sorely missed.

Another familiar face to all of you, Professor Gabriel Lombin, will also take his leave of us. Professor Lombin has represented Nigeria on this Board since 2000 and has shown consistent dedication in providing constructive support to IFAD over the years. I would like to convey, personally and on behalf of all those present, our sincere thanks to both of you. I would also like to pay tribute to the positive contributions made by the representative of South Africa, Ms Margaret Mohapi, who is leaving Rome to assume other duties. We truly wish you every success in the future.

I now close this session and wish you all a safe journey home and a very happy and prosperous new year.