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Enabling poor rural people
to overcome poverty

Closing statement

**by the President of the
International Fund for Agricultural
Development
Mr Lennart Båge
at the ninety-second session of the
Executive Board**

Executive Board — Ninety-second Session
Rome, 11-13 December 2007

For: **Information**

Distinguished Directors,

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

The Executive Board began its proceedings with the consideration of the evaluation-related items on the agenda and endorsed the reports of the Chairperson of the Evaluation Committee on the Committee's forty-ninth (EB 2007/92/R.5) and fiftieth (EB 2007/92/R.6) sessions.

It then reviewed the fifth Annual Report on Results and Impact of IFAD Operations (ARRI) (EB 2007/92/R.7 and its addendum), covering operations evaluated in 2006, together with Management's response to the report. The Office of Evaluation was commended on the quality and transparency of the ARRI. Directors welcomed the fact that 80 per cent of evaluated projects were rated as satisfactory in the areas of project performance and rural poverty impact, and recognized the challenges of benchmarking with other development agencies and of measuring social benefits. It was noted that projects should be assessed on the basis of original objectives rather than current design standards. The importance of establishing realistic objectives and formulating appropriate exit strategies at the design stage was underscored.

Concern was expressed as regards performance in the area of sustainability, a challenge faced by all development agencies. The Board encouraged Management's efforts to strengthen the Fund's performance in this area and endorsed the recommendation that an overall approach to sustainability be developed. In this regard, the importance of supportive national policy frameworks and the development of systems that sustain project benefits was highlighted. The Board also approved the recommendations that were made in the report and endorsed by the Evaluation Committee with regard to the format and content of future ARRI reports.

The Board then turned to the review of both the Portfolio Performance Report (PPR) (EB 2007/92/R.8/Rev.1 and its addendum) and the Report on IFAD's Development Effectiveness (RIDE) (EB 2007/92/R.9 and its addendum to be consolidated as EB 2007/92/R.9/Rev.1). Directors complimented the Secretariat on the quality of these performance monitoring documents, which served as excellent accountability tools, presenting factual and candid information on results achieved, and strengths and weaknesses as regards impact on the ground and organizational effectiveness. It was proposed that IFAD could share the lessons it has learned with development partners.

In assessing IFAD's performance, the Board noted the progress being made in implementing the "partnership commitments" under the aid effectiveness agenda. The importance of partnerships, particularly in relation to national and international policy issues, was also highlighted. This – together with enhanced country presence – would be crucial to reversing the downward trend that had been noted in mobilizing cofinancing and to reducing time delays between loan approval and effectiveness.

There was rich discussion on the concept of results-based management and the Board commended the broad scope of the RIDE, which brings together information on results achieved in operational and institutional effectiveness. As such, it was seen as an important and useful tool for setting priorities, particularly in the light of the upcoming replenishment consultations. Further information was provided as regards the indicators for institutional effectiveness and it was clarified that final key performance indicators would be defined with the implementation of the new Human Resources Strategy so that all resources would be fully aligned with IFAD's strategic priorities.

Noting the similarities between the PPR and the RIDE, a number of proposals were made with regard to the timing and frequency of the presentation of the reports to the Board. In this regard, we will consider possibilities for streamlining in the future.

This session of the Board marked the final occasion for reporting back on the commitments made by Management in December 2005, when IFAD's Action Plan for

Improving its Development Effectiveness was approved. All 14 deliverables to the Board and the majority of those for approval by Management have been completed, while others, mainly in the area of human resources reform, are expected to be finalized early in 2008. Directors commended Management on the implementation of the Action Plan (EB 2007/92/R.10 and its addendum, to be consolidated as EB 2007/92/R.10/Rev.1), highlighting in particular the unity of objective that has emerged, which focuses on the strategic priorities outlined in the Strategic Framework 2007-2010. Management recognized that there was no room for complacency and assured the Board that it would rise to the challenges of ensuring the sustainability of the reforms put in place and of translating organizational effectiveness into development effectiveness. The Action Plan Management Team and Secretariat will continue to guide and monitor implementation across the house.

The Programme of work, Programme Development Financing Facility (PDFF) and the administrative and capital budgets of IFAD and its Office of Evaluation for 2008 (EB 2007/92/R.2 and its addendum, to be consolidated as EB 2007/92/R.2/Rev.1), together with the report of the Audit Committee thereon (EB 2007/92/R.3), were considered by the Board. Appreciation was expressed to both the Audit Committee and the Evaluation Committee for their efforts in considering the proposals put forward and also to staff for the comprehensive reviews provided to the Board.

The Board approved the Fund's planned 2008 programme of work at a target level of US\$650 million, which is in line with the Fund's target annual increase during the Seventh Replenishment period. The programme of work comprises a lending programme of US\$607.8 million for up to 34 projects, and a grant programme of US\$42.2 million. The latter represents 6.5 per cent of the programme of work, thus allocating 5 per cent to the global/regional grants window and 1.5 per cent to the country-specific grants window, in accordance with the modifications to the IFAD Policy for Grant Financing in the light of the adoption of the Debt Sustainability Framework at the Board in April 2007 and the elimination of the transfer to the PDFF from the grants portion of the programme of work. We will also consider how to follow up on the Audit Committee recommendation regarding the need to review how the value of the programme of work could be expressed in more stable terms in the context of changing exchange rates.

Document EB 2007/92/R.2 and its addendum contain the first results-based programme of work and budget and Directors commended the focus on the alignment of resources with results at the programme and operational levels. The increase in expenditures allocated to operations and to staff training was also welcomed.

Some Directors expressed concern with respect to the increase in the PDFF of 13.9 per cent in nominal terms over the 2007 approved PDFF budget. In this regard, it was noted that this increase was in response to the drive to raise the impact of the programme of work. As such, it covered the costs relative to the mainstreaming of country presence and implementation of the changes introduced under the Action Plan. It was expected that cost-savings would be identified in the proposal for 2009. In this context, the Board approved a total PDFF in the amount of US\$38.8 million.

The Board authorized the submission to the thirty-first session of the Governing Council of the administrative budget of IFAD for 2008 in the amount of US\$72.3 million – which represents an increase in nominal terms of 2 per cent with respect to the approved 2007 budget – and of the capital budget of IFAD for 2008 in the amount of US\$2.0 million. With respect to the latter, the Board welcomed the associated benefits with respect to transparency and discipline and looked forward to the efficiency gains expected in the areas of financial administration and human resources management.

The representative for the United States of America stated that the United States could not support a growth of the PDFF that was higher than that of the programme of work; the United States therefore could not join the consensus and so abstained on the PDFF and budget.

The Board also reviewed, under this item, the administrative budget of the Office of Evaluation (OE) for 2008 in the amount of US\$5.47 million. While expressing its appreciation for the 13 per cent decrease in the budget, the Board requested OE to explore the possibility of developing indicators and benchmarks to assess the efficiency of its budget in the context of the preparation of the 2009 submission. In approving OE's work programme for 2008, the Board took note of the corporate-level evaluations planned for 2008 and then authorized the submission of OE's 2008 administrative budget to the Governing Council for approval.

After a review of the report on IFAD's participation in the Debt Initiative for Heavily Indebted Poor Countries (EB 2007/92/R.11), along with the oral update provided on countries due to reach decision point in the near future and the funding needs this would entail, the Board approved submission of the document to the forthcoming Governing Council session.

The Executive Board considered the country strategic opportunities programmes (COSOPs) for Bolivia (EB 2007/92/R.14 and its corrigendum, to be revised as EB 2007/92/R.14/Rev.1), Cambodia (EB 2007/92/R.13 and its corrigendum, to be revised as EB 2007/92/R.13/Rev.1), Jordan (EB 2007/92/R.16), Mali (EB 2007/92/R.12), Mexico (EB 2007/92/R.15), Moldova (EB 2007/92/R.17) and Yemen (EB 2007/92/R.18).

The Board then turned to a review of the resources available for commitment at this session (EB 2007/92/R.19 and its addendum) and approved the use of the advance commitment authority (ACA) for an amount of up to US\$119.1 million. Directors noted that the net use of additional ACA in 2007, on the basis of expected net inflows by the end of December, was expected to be US\$142.8 million.

Fifteen programmes and projects were approved at this session: six in Africa, four in Asia and the Pacific, three in Latin America and the Caribbean and two in the Near East and North Africa.

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

The Board also reviewed and approved the President's memorandums on the modification of supervision arrangements for a total of 60 projects whereby these projects would now be directly supervised by IFAD. It also approved the extension by six months of the time limit for signature of the loan agreement for the National Rural Development Programme: Central and Eastern Regions in Guatemala.

With respect to the approval process for project and programme proposals, it was agreed that this would be further discussed with Convenors and Friends.

Five grant proposals were approved at this session. Three of these were under the global/regional grants window to non-CGIAR-supported international centres, one under the country-specific grants window to Iraq and one grant under the Debt Sustainability Framework to the International Labour Organization for the Skills Enhancement for Employment Project in Nepal.

The Board then reviewed the document on planned project activities for 2007-2008 (EB 2007/92/R.41), noting the information provided therein on the projects in the pipeline and COSOPs under preparation and planned for 2008.

Under financial matters, the Board took note of the status of contributions to the Seventh Replenishment of IFAD's resources (EB 2007/92/R.42) for which pledges have been received in an amount equivalent to US\$642.3 million. To date, the aggregate amount of instruments of contribution deposited and payments not supported by instruments of contribution total US\$511.3 million or 83.5 per cent of pledges, while payments have been received in an amount equivalent to US\$263.9 million or 41.1 per cent of pledges.

The report on IFAD's investment portfolio for the third quarter of 2007 (EB 2007/92/R.43) was reviewed. Directors noted that, during the third quarter of 2007, the investment portfolio generated a positive net investment income of US\$53.5 million. Continuing this positive trend, on a year-to-date basis at 30 November 2007, the estimated net income was US\$133.4 million, representing an estimated rate of return of 5.7 per cent.

The Board then considered the report on the special expenditure for IFAD's new headquarters (EB 2007/92/R.44), which included a draft resolution for the extension of the period for the use of the uncommitted amount of the special expenditure by one year, to 31 December 2008. The Board welcomed the support provided by our host country, Italy, and was grateful to those countries that have sponsored meeting rooms, noting the recent pledges received from Belgium and Qatar in this regard. The Board approved the submission of the report to the forthcoming session of the Governing Council and recommended the draft resolution for adoption by the Governing Council at that session.

The self-assessment of the Flexible Lending Mechanism (FLM) (EB 2007/92/R.45 to be revised as EB 2007/92/R.45/Rev.1) was reviewed and Directors welcomed the lessons learned from the exercise. With the clarifications provided, the Board approved that FLM financing be continued in the projects already approved under the FLM, that no new projects be approved under the FLM and that key positive features of the FLM be integrated into IFAD project design. It was further agreed that should the presentation of any proposals combining the programmatic approach with the use of triggers be foreseen, the Board would be duly informed in advance.

The Executive Board then considered the progress report on implementation of the performance-based allocation system (EB 2007/92/R.46 and its addendum). Directors took note of the 2007 country scores, the annual country allocations for 2008 and the updated country allocations for the 2007-2009 allocation period. The details of the rural development sector framework assessments for 2007 contained in the addendum to the progress report were also welcomed. The presentation of the report together with the country scores and allocations to the thirty-first session of the Governing Council was duly approved. Directors noted that the working group on the performance-based allocation system will continue its work according to its mandate. The Board welcomed the practice of Member States, who wished to do so, to participate as observers, and also welcomed the working group to report on its further progress at the April 2008 session. The chairperson of the working group will inform Members of the arrangements for the next meeting, and the Secretariat will continue to provide technical support.

Turning to the item on the activity plan for IFAD's country presence (EB 2007/92/R.47), Directors noted that activities in 2008 would focus on consolidation, including the outposting of two country programme managers to the United Republic of Tanzania and Viet Nam as agreed at the Board in September and the relocation of up to three initiatives in response to the programmatic needs of the regions. This consolidation will also take into account the lessons learned as regards planning, budgeting and monitoring and aims at improving human resources management and IFAD's visibility on the ground. Management reiterated its commitment to monitoring implementation of the initiatives.

The Board took note of the 2007 progress report on the operations and institutional change agenda of the International Land Coalition (EB 2007/92/R.48 and its addendum, to be revised as EB 2007/92/R.48/Rev.1) and approved the submission of the progress report on the ILC's operations to the forthcoming session of the Governing Council.

After considering the progress report on the activities of the Global Mechanism during 2007 (EB 2007/92/R.49), the Board approved the submission of the report to the Governing Council in 2008.

The Board noted the programme of events for the thirty-first session of the Governing Council, which marks the launch of the Fund's thirtieth anniversary year, and approved the provisional agenda (EB 2007/92/R.50), revised to include an item on the Emoluments of the President (EB 2007/92/R.51 to be revised as EB 2007/92/R.51/Rev.1) in the light of the Presidential election scheduled for February 2009. With respect to the latter, the Board approved the submission of the draft resolution on the re-establishment of the Emoluments Committee, contained in document EB 2007/92/R.51/Rev.1, to the forthcoming session of the Governing Council.

Recalling the Executive Board's consideration in December 2004 of an independent chair for the consultation on the replenishment of IFAD's resources, and the document prepared by Management on this matter for the Executive Board in September 2006 (EB 2006/88/R.38), the Executive Board considered document EB 2007/92/R.4 on the establishment of the Consultation on the Eighth Replenishment of IFAD's Resources and the paper tabled by List A on the proposal for an independent chair of the Consultation (EB 2007/92/R.57). After extensive deliberations among the Member States of all three Lists, it was agreed that the President of IFAD would chair the Eighth Replenishment Consultation. Thus, the Executive Board decided to submit for the adoption of the Governing Council in February 2008, the draft resolution on the Establishment of the Consultation on the Eighth Replenishment of IFAD's Resources, contained in document EB 2007/92/R.4/Rev.1, amended to specify that the Consultation will be held under the chairmanship of the President of IFAD. Some Board Members expressed the view that the issue of an independent chairperson of the Consultation should be further considered for the subsequent replenishment.

There was a discussion on IFAD's collaboration with the Food and Agriculture Organization of the United Nations and World Food Programme as set out in document EB 2007/92/R.52 (to be revised as EB 2007/92/R.52/Rev.1). Having considered conference room paper 1, tabled during the session, the Board approved the proposed text for decision contained therein and called on Management to consult with the Rome-based agencies with a view to preparing a document on the direction that future purpose-driven partnerships could take at the global, regional and country levels.

Note was taken of the update on IFAD's 2009 publication on rural poverty as contained in document EB 2007/92/R.53 and Directors welcomed the participatory approach being promoted through multi-stakeholder consultations.

Finally, the Board authorized the President to negotiate and finalize a cooperation agreement with the Council of Europe Development Bank (EB 2007/92/R.55) and approved the dates for the Board's 2009 sessions (EB 2007/92/R.56).

Distinguished Directors,

With this session, Yemen comes to the end of its term of office as Alternate Member. I would therefore like to thank Ambassador Abdulrahman Mohammed Bamatraf for the constructive guidance he has provided during our proceedings.

I would also like to bid farewell to Ms Ann Uustalu who has represented Sweden on this Board. This is the tenth session that she has attended and is also, I am sorry to say, the last. Your contributions to our deliberations have always been positive, practical and valuable. On my own behalf and on behalf of all those present, I wish you every success in your future endeavours.

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