Minutes of the tenth special session of the Executive Board

Note to Executive Board representatives

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Executive Board – Tenth Special Session
Rome, 30 October 2017
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Minutes of the tenth special session of the Executive Board

I. Introduction
1. The tenth special session of the Executive Board was opened by the President of IFAD and Chairperson of the Board, Gilbert F. Houngbo.
2. The Executive Board had before it as the main document, the Proposal for a Concessional Partner Loan Framework (EB 2017/S10/R.2), and later a conference room paper to reflect changes proposed during the session, as listed in annex II.

II. Opening of the session (agenda item 1)
3. The Chairperson welcomed participants to the special session, including those following the session from the salle d’écoute.
4. The Chairperson spoke of Management's strategy to diversify IFAD's funding through various instruments such as the Sovereign Borrowing Framework, and the proposed Concessional Partner Loan (CPL) Framework. This would contribute to positioning IFAD to actively support the achievement of the Sustainable Development Goals and the realization of Agenda 2030 in the context of a reformed United Nations System.
5. Having briefly recapped the steps taken in consultation with the Board to finalize the proposal, and noting that this was also in line with trends at other international financial institutions (IFIs), the Chairperson declared the special session of the Executive Board open.

III. Decisions of the Executive Board
A. Adoption of the agenda (agenda item 2)
6. The Executive Board adopted the agenda as proposed in document EB 2017/S10/R.1, and noted that it would be revised to include a proposed item under other business on the time line for adoption of the minutes of the tenth special session of the Executive Board. The revised agenda would be posted as EB 2017/S10/R.1/Rev.1.

B. Framework for Concessional Partner Loans (agenda item 3)
7. The Board reviewed the Proposal for a Concessional Partner Loan Framework as presented in document EB 2017/S10/R.2 and were provided with an oral report by the Chairperson of the Audit Committee on the second special meeting held on the same day and dedicated to this topic. The Board commended Management for preparing the document in a short time, and approved the proposed Framework. A summary of the deliberations is provided below.
8. The Chairperson of the Audit Committee thanked Management, in particular the Treasury Services Division, for their availability and timely responses to inquiries. He highlighted the following:
   (a) The Audit Committee agreed that the document adequately covered all aspects of a well-devised framework, and from the Committee’s point of view, it offered sufficient assurances that the risk profile of the CPL instrument had been adequately understood and sufficient risk mitigation measures were in place.
   (b) In response to some members’ remarks, Management had confirmed that existing policies for risk management, including liquidity and leverage ratios, would be reviewed.
   (c) The Committee had noted the additional layer of assurance to be provided by an external independent review to be conducted in 2018.
(d) The Chairperson of the Audit Committee noted that approval of this Framework would mean another important step for IFAD in diversifying its financial sources. In this respect, he informed the Board that the Committee would discuss how to enhance its role and effectiveness.

9. The Board noted that the main features of the proposed CPL Framework were based on approaches at other IFIs, including the substitution rule, the attribution of voting rights to the grant element of the CPL, the methodology for the calculation of discount rates and the financial terms of the CPL itself. The features unique to the IFAD CPL Framework were establishment of a minimum amount threshold for CPL at US$20 million to prevent excessive fragmentation of loan contracts, and calculation of the benchmark contribution to ensure mitigation of the substitution risk in the national currency, for simplicity.

10. One representative proposed edits to the document, which were captured in a conference room paper, EB 2017/S10/CRP. The Board agreed to the proposed changes. A revised document incorporating these changes would be posted after the session as EB 2017/S10/R.2/Rev.1.

11. The Board reiterated the need for IFAD to maintain focus on its mission as a development fund whose bedrock was Member States’ core contributions.

12. One representative voiced concern regarding a possible implication of the minimum amount (US$20 million) required for CPLs, noting that this could lead to an even greater imbalance of power among IFAD Member States, as this threshold would be difficult to reach for many developing countries. Consequently, lower-income countries would be unlikely to take advantage of CPLs to increase their voting rights. This view was shared by several representatives. Management provided clarification on how CPLs would generate voting rights. When contribution votes would be created to reward the grant element of a CPL, the one-third rule would apply and, accordingly, List C countries would continue to receive one third of the total votes created, as membership votes. Management further explained that the minimum threshold of US$20 million was mainly for efficiency considerations, and would not compromise the governance structure of the Fund.

13. The Board emphasized the need for an approach for long-term sustainability and stability, with an overall financial framework that included the borrowing tools and how they would be used efficiently and effectively, as well as the risk management and internal capacity.

14. The Board welcomed the proposal to conduct an external independent review. In this respect, some members underlined the need for an accurate and careful monitoring phase and for involvement of the Audit Committee in implementation of the CPL Framework.

15. Management also provided clarification on the calculation of the 80:20 rule. Unlike the International Development Association (IDA), IFAD would take into account only contributions in national currencies, and not in special drawing rights.

16. The President underlined that during IFAD12, the Framework would be assessed in the light of lessons learned.

C. Other business (agenda item 4)

17. The Board approved the proposal for a one-time waiver of the time line specified in the Rules of Procedure of the Executive Board to approve minutes of the Executive Board. Accordingly, the draft minutes of the special session would be posted by 20 November, and Board members would be expected to provide any corrections by 4 December. Should no requests for correction be received by that date, the draft minutes would be deemed approved by the Board and posted publicly. Otherwise,
the draft minutes, together with the requested amendments, would be submitted to the Board for approval at its December session.

D. Closing of the session
18. The President thanked members for their flexibility in agreeing to hold the special session of the Board specifically to review and approve the CPL Framework. He also thanked members for their support, feedback and contributions throughout the process of drafting and revising the CPL document as presented at the session, and assured them that all comments made would be taken into consideration during implementation of the Framework.

19. The President further noted that, in the context of the proposed external review, issues related to the process leading to market borrowing would also be reviewed to provide a comprehensive picture.

20. One representative asked how members could further support IFAD Management to ensure that the IFAD11 replenishment was successful. In response, the President urged members to: discuss options through an informal consultation among the three IFAD Lists; refer to the 2017 State of Food Security and Nutrition in the World (SOFI) report to make a case for increased support to IFAD beneficiaries; and use the current draft of the commitments made in the IFAD11 Results Management Framework to communicate IFAD’s commitment and planned actions to address issues of rural poverty.

21. The President also thanked staff members that had worked intensively on the CPL document, as well as the Audit Committee for the special role it had played in providing timely guidance and feedback. He then declared the session closed.
Delegations at the tenth special session of the Executive Board

Délégations à la dixième session spéciale du Conseil d'administration

Delegaciones en el décimo período de sesiones especial de la Junta Ejecutiva

Executive Board – Tenth Special Session
Rome, 30 October 2017

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* Participated by videoconference.
List of documents placed before the tenth special session of the Executive Board

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Provisional agenda

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Executive Board — Tenth Special Session
Rome, 30 October 2017

For: Approval
Provisional agenda

I. Items for approval or review
1. Opening of the session
2. Adoption of the agenda [A]
3. Framework for Concessional Partner Loans (CPLs) [A]
4. Other business

II. Information note
   Arrangements for the tenth special session of the Executive Board
Annotations

I. Items for approval or review

1. **Opening of the session**
   The tenth special session of the Executive Board will be convened on Monday, 30 October, in the Oval Room (S-120) at IFAD headquarters, Via Paolo di Dono 44, Rome. The session will commence at 3.30 p.m.

2. **Adoption of the agenda [A]**
   The provisional agenda is contained in the present document (EB 2017/S10/R.1).

3. **Framework for Concessional Partner Loans (CPLs) [A]**
   The Executive Board is invited to approve the Framework for Concessional Partner Loans (CPLs), as contained in document EB 2017/S10/R.2. This document was reviewed after the informal consultation held on 6 October. The framework is also included as annex I of document IFAD11/3/R.3 + Add.2 to be submitted for review at the forthcoming session of the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11). The document will be reviewed by the Audit Committee at its second special meeting, and the Committee’s Chairperson will report orally to the Board on the outcome of the discussions.

   Any comments or requests from the Consultation and/or the Audit Committee will be included in an addendum, which will be posted and tabled at the session.

4. **Other business**
   Under this item, the Board may consider additional topics not included in the provisional agenda that may be proposed by members of the Board and/or Management.

II. Information note

   **Arrangements for the tenth special session of the Executive Board**
   This note will contain information on the arrangements for the tenth special session of the Executive Board.