

a

IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Consultation on the Seventh Replenishment of IFAD's Resources – Fourth Session

Doha (Qatar), 1-2 October 2005

ROLE OF THE EXECUTIVE BOARD OF IFAD

I. INTRODUCTION

1. Pursuant to the report of the Consultation on the Sixth Replenishment of IFAD's Resources, an Independent External Evaluation (IEE) of IFAD was carried out during 2004; and the IEE report was finalized in 2005. The IEE reviewed inter alia the role played by the Executive Board at IFAD and concluded that: "there is a clear need to improve the orientation of the work of the Executive Board and enable the Board to lead in the pursuit of performance". In IFAD's management response to the IEE, a key result sought was that the "Executive Board provides more effective oversight of IFAD's efforts to improve direct and indirect development effectiveness".

2. The functioning of the Board is a matter for the Member States to review and agree upon. The purpose of this note is to facilitate consideration of this issue by reviewing the present functioning of the Board and examine the proposals for enhancing it.

II. CURRENT ROLE OF THE EXECUTIVE BOARD

3. The Agreement Establishing IFAD sets out and delineates, in Article 6 thereof, the responsibilities and roles of the Governing Council and the Executive Board. In this regard, it states that "the Executive Board shall be responsible for the conduct of the general operations of the Fund, and for this purpose shall exercise the powers given to it by this Agreement or delegated to it by the Governing Council".

4. In carrying out this role, the Executive Board reviews and either approves or recommends to the Governing Council for approval the Fund's policies on operational issues, financial matters and human resource management, as well as policies dealing with specific matters such as the IFAD Policy on the Disclosure of Documents.

5. The Board furthermore exercises responsibility over the Fund's projects and programmes, financial management, quality control and effectiveness.

6. With regard to operational matters, the Board holds responsibility inter alia to:

- (a) approve the level of the Fund's programme of work and individual loans and grants;
- (b) review country strategic opportunities papers; and
- (c) authorize cooperation agreements with other institutions and organizations.

7. With respect to financial matters, the Board oversees the Fund's financial position and is empowered to:

- (a) authorize the submission of annual audited financial statements to the Governing Council for approval;
- (b) authorize the submission of the annual administrative budget and Programme Development Financing Facility (PDFF) to the Governing Council for approval;
- (c) approve the use of advance commitment authority and related operational matters;
- (d) recommend the appointment of the external auditor;
- (e) approve drawdowns of contributions;
- (f) review replenishment contributions and loan arrears; and
- (g) approve internal control and risk management systems as well as procurement guidelines for IFAD-financed projects.

8. In terms of quality monitoring and control, the Executive Board reviews the performance of the Fund's projects and programmes through the annual portfolio performance report. The Board also reviews evaluation reports on IFAD's operations, including the annual report on results and impact, the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and evaluations at the project, country and thematic levels. Moreover, since 2003, with the establishment of the independent Office of Evaluation (OE) in IFAD, the Board has approved the programme of work of OE and reviewed the annual OE administrative budget for submission to the Governing Council for approval.

9. From time to time, the Governing Council has also delegated certain specific responsibilities to the Board. Some examples are the elaboration of the performance-based allocation system (PBAS) and deciding on the modalities for structuring and managing the Independent External Evaluation of IFAD. The Board assists with the preparations for sessions of the Governing Council by approving the provisional agenda and approving the attendance of observers. The Board furthermore has the responsibility to review all issues being proposed to the Governing Council, including membership applications and amendments to the Agreement Establishing IFAD. In addition, the Executive Board is responsible for interpretation of the Agreement Establishing IFAD in case of any dispute.

10. Two standing committees help the Board carry out its functions: the Evaluation Committee and the Audit Committee. Each is composed of nine Member States: four from List A, two from List B and three from List C. Traditionally, the Evaluation Committee focused essentially on evaluation reports prepared by OE, while the Audit Committee focused on systems and processes for management of risk in the Fund.

11. More recently, however, the two committees have broadened their scope of work. Since 2003, the Evaluation Committee is responsible for monitoring the programme of work and administrative budget of OE and, in addition to its review of OE evaluations, now reviews the PRISMA report, the annual portfolio performance report and other selected self-assessments, including revisions to the Results and Impact Management System (RIMS).

12. In a significant expansion of its role, the Audit Committee began in 2004 to review, on a two-year trial basis, management's proposals for the annual administrative budget and the PDFF.

III. IEE RECOMMENDATIONS

13. The thrust of the suggestions made by the IEE to enhance the role of the Executive Board is that the Board should concentrate on providing policy and strategic guidance to the Fund on the one hand, while strengthening its role in monitoring the development effectiveness of the Fund's operations on the other.

14. Some constraints have been identified in this connection. The number of meetings of the Board per year (three) and the "crowded" agenda, it is argued, do not leave enough time for Executive Board Directors to engage in effective discussions on strategic issues. With regard to strengthening the Board's oversight role, the IEE highlighted the efficient formulation of new loans, grants, policies and other instruments; the effectiveness of programme implementation; and development outcomes and effectiveness. The IEE noted that the Board's ability to provide guidance depends on the type and quality of information it receives. The IEE also called for establishing terms of reference for the post of Executive Board Director and a programme of training and support for new Directors. Setting standards for developing new partnerships and, more generally, greater benchmarking to the standards of other international financial institutions were also emphasized to provide a framework in which to review IFAD's performance.

IV. ENHANCING THE BOARD'S FUNCTIONING

15. Taking into account the present functions of the Board, the constraints identified and the recommendations of the IEE, enhancing the Board's functioning could be approached from three aspects: knowledge of the Fund and its activities; strategic and policy guidance and decision-making on loans and grants; and monitoring of efficiency and development effectiveness.

16. Executive Board Directors should have an in-depth knowledge of IFAD, its activities and its processes. This underscores the importance of Directors being afforded greater access to information on IFAD processes upon their initial appointment as well as broader opportunities to visit IFAD projects. It may also be useful for Directors to participate in IFAD-organized workshops, seminars and the like. The Office of the Secretary of IFAD has already undertaken some initiatives to prepare materials to help introduce new Directors to IFAD. These efforts could be made more systematic and structured. Regarding field visits, a programme was set up in 2003 to afford Directors greater opportunities to visit IFAD projects. Similarly, members of the Evaluation Committee attend evaluation workshops held in borrowing Member States. Such visits to projects, workshops, etc., could be increased and made more comprehensive if Directors found this to be useful. Against this backdrop, the question of the usefulness of establishing terms of reference for Executive Board Directors, as suggested by the IEE, is a matter on which the Consultation may wish to reflect. In this regard, it is noted that there are no terms of reference for the Executive Board Directors at either the World Bank or the World Food Programme.

17. Strengthening the Executive Board's role in providing policy and strategic guidance to the institution was emphasized by the IEE. As the Evaluation noted, holding three Board sessions a year of two days each with a "crowded agenda" allows too little time for in-depth review of the Fund's

strategic direction and policies. In this regard, Board sessions could be increased to three days each. Moreover, greater use could be made of the modality of Board seminars – initiated in recent years – which would allow Directors to consider policy and strategic issues in depth prior to formal consideration by the Board. There would of course be significant cost implications in this. At an approximate calculation, the expenditure for each additional day of an Executive Board session totals about USD 80 000, not including the indirect costs for staff time.

18. Apart from providing the Board more time, changes could also be made in the way its time is deployed. Although the IEE report proposed that the authority to approve loans and grants be delegated to the President of IFAD, the management response to the IEE proposed that such authority remain with the Board but be streamlined. For instance, loan and grant proposals could be approved by the Board on a “no objection” basis whereby Directors could, if they wished, raise questions regarding a specific proposal. In the absence of any questions, the proposal would be approved without discussion, thus freeing up time to focus on broader policy and strategy issues. It would also permit the Board to allocate more time to review the efficiency of the Fund’s corporate processes and the development effectiveness and impact of its operations.

19. To monitor efficiency and effectiveness, the Board would require more analytic documentation on results, impact and project performance. IFAD management’s response to the IEE contains a commitment to enhance such analytic inputs in several ways. A major innovation will be a three-year medium-term plan – to be submitted for Board consideration – as a framework for the Fund’s annual work programme and budget. The planning, budgeting and monitoring system would be consolidated to focus on clear results, impact and performance targets through the annual and three-year plans, together with quantitative monitoring and reporting on corporate performance. A strategy to enhance the impact of IFAD’s projects and programmes and an accountability framework will also be prepared; these would provide the Board with a basis on which to monitor the efficiency of the formulation of IFAD projects and programmes and their development outcomes and effectiveness.

20. As regards supporting the Board’s role in monitoring development effectiveness, the Fund’s own system of self-evaluation will be strengthened on the basis of regular programme reviews. To this end, programme reviews and project reporting processes will be enhanced and, together with the RIMS, would provide the Board with data on results and impact on a regular and consistent basis. Management will also prepare benchmarks for the evaluation and improvement of IFAD performance and submit regular reports to the Board on IFAD’s development effectiveness.

21. With these enhanced modalities and systems in place, the Board will be provided with regular analytic reports on the Fund’s development effectiveness as well as comprehensive data on the results and impact of its project portfolio.

22. IFAD’s programme of work is likely to increase substantially in the coming years, together with a closer engagement in country-level processes, such as supervision and policy dialogue derived from or necessary for project success. These activities will also increase the responsibility of the Board for monitoring efficiency and effectiveness and providing policy direction.

23. If the Board’s sessions are extended, there may be more time for the Board as a whole to consider these issues in plenary. The Board may also, however, need to consider whether to use its committees more intensively. As noted earlier, both the Evaluation Committee and the Audit Committee have expanded their scope in recent years. This background provides a good basis for further development by the two committees to respond to the challenges discussed earlier in providing policy and strategic guidance and monitoring efficiency and development effectiveness.

24. The Evaluation Committee, for example, could review development effectiveness reports and other documents on impact and results before they are submitted to the Board. This may require

longer or more frequent meetings of the Evaluation Committee which would have cost implications. At an approximate calculation, the expenditure for an additional day of an Evaluation Committee meeting is about USD 20 000, whereas that for a full two-day separate meeting of the Evaluation Committee is about USD 45 000.

25. The Audit Committee, as noted earlier, has started to review, on a two-year trial basis, management's administrative budget and PDFF proposals. As this exercise commenced only in 2004, it may be appropriate to assess the experience after the Committee completes its review of the budget proposals this year, in order to establish modalities for its operation in the longer term.

V. CONCLUSION

26. The Consultation is invited to consider ways to enhance the role of the Executive Board in improving IFAD's impact and development effectiveness and to make appropriate recommendations in this regard, including the following issues (as elaborated in paragraphs 16 to 25 above):

- (a) brief newly-appointed Executive Board Directors on the Fund's activities and processes;
- (b) expand the field-visit programme to allow as many Directors as possible to visit IFAD projects;
- (c) enhance participation of Directors in IFAD-organized workshops in borrowing Member States;
- (d) establish terms of reference for Executive Board Directors;
- (e) extend Executive Board sessions to three days;
- (f) organize more frequent seminars to consider policy and strategic issues prior to formal consideration by the Board;
- (g) approve loan and grant proposals on a "no objection" basis;
- (h) hold longer or more frequent meetings of the Evaluation Committee, which could also review development effectiveness reports and other documents on impact and results prior to formal consideration by the Board; and
- (i) assess the Audit Committee's two-year trial, currently under way, of reviewing administrative budget and PDFF proposals prior to their formal consideration by the Board with a view to establishing longer-term modalities for the Committee.