



Statement by
Gilbert F. Houngbo
President of the
International Fund for Agricultural Development
(IFAD)

to the
Opening of the forty-second session
of the
Governing Council

FAO headquarters,
Rome, Italy
14 February 2019

Distinguished Members of the Governing Council Bureau,
Excellencies,
Governors,
Ladies and gentlemen,

Once again, welcome to the forty-second session of IFAD's Governing Council.

His Holiness Pope Francis has reminded us not to be complacent, but to search for innovations that can end hunger and poverty, respect human dignity, and safeguard the Earth's natural resources. I hope these sentiments will guide us, not just at this Governing Council, but throughout the years ahead.

Allow me also to thank our keynote speakers for their inspiring words, and Midori for her moving music.

I would also like to take this opportunity to warmly welcome the Republic of Poland as the 177th Member of IFAD. We look forward to many years of constructive partnership to end hunger and poverty.

And a warm welcome to the indigenous peoples' representatives who have just finished their own meeting.

As you are all too aware, rates of extreme poverty and food insecurity remain persistently high.

An estimated 736 million people live on less than US\$1.90 a day. Almost 80 per cent are in rural areas.

The progress we once claimed in reducing hunger has stalled. Today nearly 821 million people suffer from chronic under-nutrition. This is 37 million more than in 2014 and brings us back to levels last seen a decade ago.

At the same time, scarcity of natural resources is increasingly a driver of migration. According to the International Organization for Migration (IOM), about 15 per cent of the world population is currently on the move. And it has been estimated that up to 1 billion people could be displaced by climate change and environmental pressures.

To reach the zero hunger Sustainable Development Goal alone, an annual investment of US\$180 billion is needed for rural areas. Of this, two-thirds is required for agriculture alone.

Although official development assistance (ODA) to agriculture has increased by 30 per cent over the past five years, it remains only about 5 per cent of total ODA.

My question to you is: shall we take action to address this shortfall — and use all of the creativity at our disposal? Shall we invest more to avert future crises in hunger, poverty and migration? Or shall we just make statements and continue with business as usual?

It is in this context that we have chosen rural innovation and entrepreneurship as the topic for our Governing Council — innovation at all levels, from the ground up.

Since we last met, IFAD has made great strides in its comprehensive programme of reform to make the Fund fit for the challenges ahead.

In 2018, with a delivery of US\$1.13 billion, we completed the remainder of our IFAD10 programme of loans and grants, which amounted to US\$3.2 billion.

The AgriBusiness Capital (ABC) Fund, spearheaded by IFAD little more than a year ago, is now ready to be launched tomorrow.

We have conducted two separate financial reviews — namely the review of financial architecture by the Independent Office of Evaluation of IFAD; and the review of financial risk management by the firm of Alvarez & Marshal — and we have started to implement their recommendations.

In 2018, the disbursement ratio stood at 17.7 per cent, above the IFAD10 target of 15 per cent.

With regard to decentralization, today, 30 per cent of IFAD staff are in the field or in the process of moving there, compared with 18 per cent a year ago. This is not only in line with UN Reform, but also allows IFAD to be closer to the communities we serve and to be more effective and fully engaged in policy dialogue.

Looking ahead, we expect to deliver a record US\$1.7 billion for programmes and projects in 2019, thanks to the progress in IFAD's reform agenda. This is part of our commitment of US\$3.5 billion for IFAD11.

We will also be consolidating the reform agenda that started last year and continue putting in place the building blocks for the credit-rating process. These include:

- Continuing to strengthen our global Enterprise Risk Management (ERM) architecture, particularly in responding to financial, reputational and operational risks
- And implementing our improved Social, Environmental and Climate Assessment Procedures (SECAP).

We are taking these steps for the sake of good governance, and also to position the institution better for credit rating.

Let us remember that the reform of IFAD's financial strategy is not an end in itself; it is a means to achieving greater impact in rural areas for the populations we serve – particularly the rural poor.

A strong credit rating, coupled with appropriate leveraging strategies, would allow IFAD to channel a greater portion of its core resources to low-income countries. At the same time, it would allow IFAD to offer an increased volume of loans along with differentiated financial products and financing terms to all of our borrowing Member States.

There is also an urgent need for a long-lasting solution to the financial risk currently posed by the Debt Sustainability Framework (DSF) which – as you may recall – differs from other international financial institutions, while at the same time posing a significant threat to IFAD's long-term financial viability.

Clearly, solutions to the DSF challenge must address the structural risks. At the same time, we must avoid placing an unacceptable financial burden on low-income countries that need DSF.

In addition to the DSF, please allow me to draw your attention to what I consider to be a shortcoming in our current business model:

Firstly, despite our efforts to increase the programme of loans and grants by 10 per cent in IFAD11, and despite the efforts of the global development community, a number of IFAD's borrowing countries are still severely threatened by food insecurity, as highlighted by the last two State of Food Security and Nutrition in the World (SOFI) reports.

Most – if not all – are low-income countries. And most are extremely vulnerable to climate change. Some are also in fragile situations.

Secondly, for countries in fragile situations, our current modus operandi too often requires IFAD to suspend operations – not on the basis of security concerns, but because fragility has pushed these countries into arrears.

In other words, ladies and gentlemen, at the time when some of our borrowing countries need IFAD the most, we suspend our support.

Thirdly, there is the issue of climate change. According to the Climate Policy Initiative, out of the estimated US\$463 billion invested annually in global climate finance, only US\$22 billion is earmarked for climate adaptation in all sectors.

In other words, people in rural communities – particularly women and girls and indigenous peoples' – are at the forefront of the impact of climate change. Yet those who are suffering the most are also the ones receiving the least amount of climate financing to cope.

Taking these three factors into account – and after almost two years at the helm of our institution, I am convinced that our current business model needs to be complemented by a grants window to "turbo charge" progress in the lowest income countries that are suffering most from food insecurity, climate change and fragility with particular focus on women and girls and marginalized communities or people. And this should be in addition to our current operations.

We cannot and shall not return to a world where hunger increases every year.

Furthermore, innovation in our business model requires a deeper outreach to the private sector because we know that ODA alone is not enough. Our Private Sector Strategy, which will be presented to the board in May, will be pivotal.

In this context, let me thank you in advance for agreeing to the proposed Amendment to the Agreement Establishing IFAD, which enables IFAD's engagement with the ABC Fund being launched tomorrow.

The ABC Fund is an impact fund designed to help agripreneurs and rural small- and medium-sized enterprises in developing countries access capital, grow their businesses and create jobs, especially for young people, who too often are forced to migrate in search of work.

IFAD's mission remains its guiding light in a rapidly changing world. But to continue to deliver – and to do more, and to do it better – we must adapt to the times. Innovation is essential for IFAD to continue to invest in rural people and their communities, and to do its part to end poverty and hunger.

In closing, let me thank you once more for giving me the opportunity to lead this institution and to oversee its evolution as IFAD contributes more significantly to solving pressing issues of our day – hunger, poverty, climate change and migration.

We have serious business ahead, but I hope you will also find a few moments to enjoy the beauty of Rome, the Eternal City.