Deliberations of the Informal Seminar on a Code of Conduct for Executive Board representatives

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For: Information
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Deliberations of the Informal Seminar on a Code of Conduct for Executive Board representatives

Background

1. Following a request for guidance received from the Audit Committee, the Executive Board, at its 99th session in April 2010, decided that the issue of a Code of Conduct for Executive Board representatives should be taken up in an Informal Seminar.  
2. On 13 September 2011, the requested Informal Seminar was held at IFAD headquarters under the chairmanship of IFAD’s Chief Development Strategist.

Deliberations

3. The Secretary of IFAD introduced the topic with a presentation on the historical background of the IFAD consideration of a Code of Conduct for Executive Board Representatives (attached hereto for reference as annex I). The Secretary noted that the issue has its origins in the deliberations of the seventh replenishment and that the Board in September 2009 had agreed that the Audit Committee should proceed with the development of a code of conduct for the Executive Board Representatives.

4. The General Counsel of IFAD provided an overview of legal issues to be considered when developing a code of conduct for Executive Board members. This overview was based on a document drafted for the Audit Committee and shared with the Executive Board in April 2010 (EB 2010/99/R.40, relevant excerpts attached hereto for reference as annex II).

5. The General Counsel noted that the status of the members of the IFAD differs significantly from that of other boards of other international financial institutions (IFIs). In IFAD, members of the Executive Board are states not individuals. The organization does not therefore have jurisdiction over the representatives. Nonetheless, the General Counsel noted that there is a legal basis for the Governing Council to spell in more detail the competencies required from representatives as well as prescribe the expected conduct of representatives.

6. During the ensuing discussion, the following points were raised:
   (a) The List C Convenor, on behalf of List C, indicated that List C countries were not yet comfortable with the ideas of a code of conduct.
   (b) The issue was raised as to whether the Executive Board had the authority to discuss and decide on this matter, or whether it should be decided by the Governing Council;
   (c) Participants were reminded that the issue of a possible Code of Conduct had originally been raised as part of the Report of the ad hoc committee of the Executive Board to review Member States’ voting rights and the role, effectiveness and membership of the Executive Board. This report had been considered at both the Board’s 89th session in December 2006 and its 90th session in April 2007;
   (d) It was agreed that the Minutes of the Board’s 90th session would be shared with the Executive Board in order to make available the outcome of these deliberations (Relevant excerpt of EB/90 minutes attached hereto for reference as annex III);

1 See EB 99/Rev.1.
(e) Some representatives stressed their status as representatives directly appointed by and accountable to their national governments. They indicated that they would therefore not accept any conditions that would be seen as an infringement of the rights of their governments to appoint their representatives.

(f) In response to the query as to whether similarities could be found between IFAD and other UN organizations, it was clarified that the comparator IFIs reviewed were also specialized agencies of the UN and governed by the same conventions as IFAD. However, in these other IFIs, the representatives were officials of the IFIs and were therefore subject to the organic jurisdiction of their respective organizations. IFAD is, however, the only IFI of which the Board members are states and not individuals. As such, the unique structure of the IFAD Executive Board with respect to other IFIs was recognized.

(g) While noting the unique feature of the Executive Board in IFAD, other representatives nonetheless underlined the importance of putting into place measures to, inter alia, avoid possible conflicts of interest and/or personal gain, the need to introduce a cooling off period for persons who had previously carried out an oversight role as representative of a Member State on IFAD’s Executive Board prior to their becoming eligible for employment within IFAD and the need to establish guidelines with respect to hospitality and gifts;

(h) In the light of the differing positions of Board members, it was suggested as a compromise solution it may be best not to adopt a formal code of conduct - as this could prove problematic for a number of governments -- but to address the key issues of concern such as conflict of interest, employment in IFAD, accepting gifts, etc., through existing procedures or guidelines.

(i) The General Counsel indicated that such an approach may indeed be feasible but he would need time to study further the proposed option.

Conclusions

7. It was agreed that a report on the deliberations of the Informal Seminar would be presented to the Executive Board to seek guidance on next steps.

8. It was also agreed that the General Counsel would explore the possibility of addressing the issues of concern – such as conflict of interest, employment in IFAD, accepting gifts etc., not through a formal Code of Conduct but by incorporating guidelines into existing Rules of Procedure.
IFAD consideration of a Code of Conduct for Executive Board Representatives Historical Background

Presentation to an Informal Seminar of the Executive Board
Rome, 13 September 2011

- **April 2006:** Executive Board establishes ad hoc Committee to review the voting rights of IFAD Member States as well as the role, effectiveness and membership of the Executive Board [IFAD 7 recommendation].

- **December 2006:** Ad hoc Committee reports to Executive Board and identifies a Code of conduct for Executive Board as a major issue. Executive Board decides to task Convenors and Friends with further consideration of the Committee’s report and recommendations.

- **April 2007:** Report of ad hoc Committee re-presented to the Executive Board. No agreement reached on either re-establishing the committee, or on considering governance issues at Convenors and Friends.

- **July 2009:** Audit Committee requests background paper on a Code of Conduct for Executive Board representatives.

- **September 2009:** Audit Committee agrees to seek guidance from the Executive Board on how to proceed further on the issue of a Code of Conduct.

- **September 2009:** Executive Board agrees that Audit Committee should proceed with the development of a Code of Conduct for Executive Board representatives, while noting opposition to this.

- **November 2009:** Audit Committee requests the preparation of framework document to cover: “(i) the legal and institutional parameters for a code of conduct; and (ii) a comparative overview of codes of conduct in other international financial institutions.”

- **March 2010:** Audit Committee, decides to report to Executive Board for guidance.

- **April 2010:** Executive Board decides to discuss item further at an informal seminar, prior to formal consideration.

- **July 2010 – April 2011:** Feedback is requested of Convenors and Friends on possible dates for an informal seminar on the Code of Conduct.

- **July 2011:** Convenors and Friends are informed of an informal seminar being prepared for the September session of the Executive Board.
Legal issues to be considered when developing a code of conduct for Executive Board members

1. The Committee was requested by the Board to look into the legal issues involved in developing a code of conduct for Executive Board members. At the 109th meeting, the Committee requested Management to examine this matter. The General Counsel introduced the document that has been prepared to assist the Committee in this task. The analysis involved comparisons with other IFIs. However, it was pointed out that IFAD differs from other multilateral organizations in that IFAD’s Executive Board members are Member States and not individuals. IFAD lacks the power to regulate Member States; however, its by-laws can be used to establish conduct for Member States. The relevant clause allows the Governing Council to require Member States to appoint members with necessary competence in IFAD’s areas of activity. He went on to emphasize the importance of having technically competent and ethical members – as per the Governing Council’s guidance – to benefit from the guidance of the Executive Board.

2. In response to a question as to whether United Nations agencies have been considered in addition to the IFIs mentioned, the General Counsel replied that the Food and Agriculture Organization of the United Nations and the World Food Programme were not taken into account as they are not financial institutions, but they will be included for completeness. It was further explained that the Board was authorized to create an ethics committee, which will serve as the body that oversees the code of conduct, should the latter be adopted by the Governing Council.

3. The General Counsel also indicated to the Committee that notwithstanding the need to obtain Governing Council approval of a code of conduct and to amend the Agreement Establishing IFAD, the Executive Board may proceed with the amendment of the Human Resource Policy if it wishes to immediately require a “cooling-off period” for Board members before they can be considered for a position in IFAD.

4. The Committee commended Management on the document and decided that it would report to the Executive Board for guidance.
Legal issues to be considered when developing a code of conduct for Executive Board members
Note to Audit Committee members

This document is submitted for review by the Audit Committee.

To make the best use of time available at Audit Committee meetings, members are invited to contact the following focal point with any technical questions about this document before the session:

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Legal issues to be considered when developing a code of conduct for Executive Board members

I. Executive summary

1. This document reviews the legal issues that need to be considered when developing a code of conduct for members of the IFAD Executive Board. Codes regulating the conduct of executive board members have commonly been adopted by other multilateral financial institutions (MFIs). Such codes provide guidance on the standards of ethical conduct expected of board members, including requirements that they comply with the highest standards of integrity, avoid situations where their personal interests conflict with those of the MFI, and disclose their personal holdings. The codes also provide for an ethics committee, which is authorized to make recommendations regarding the conduct of board members, including possible sanctions.

2. It must be recognized when developing a code of conduct for IFAD Board members that their status differs significantly from that of board members within other MFIs. First, members of the IFAD Board consist of Member States, which, in accordance with the Fund’s rules and regulations, have discretion to choose their representatives for each Executive Board session. MFI board members, in contrast, are employed full time, generally for a period of several years, and are required to devote all of their working time to the activities of the MFI. Second, the Fund does not remunerate the Member States’ representatives and lacks power to regulate their behaviour, whereas MFI board members receive remuneration from the MFI and are subject to its internal rules and regulations.

II. Introduction

3. For the purpose of the deliberations of the Audit Committee, this document reviews the legal issues, derived from the basic texts of the Fund as well as from the relevant rules of international law, to be considered when developing a code of conduct for members of the IFAD Executive Board. It analyses these issues and makes some suggestions on how they could be handled.

4. It has now become common for multilateral financial institutions (MFIs) to adopt codes of conduct for their executive board members. Such codes invariably provide executive directors with guidance on ethical standards in connection with their roles and responsibilities within the MFI. The codes – which apply to executive board members, their alternates and advisors to the executive directors – typically mandate regular financial disclosure reports and underline the importance of the observance of the highest standards of ethical conduct.

5. At its ninety-seventh session (14-15 September 2009), the Executive Board, while noting Cameroon’s opposition to this idea,² agreed that the Audit Committee should proceed with the development of a code of conduct for IFAD’s Executive Board members.

6. A fact that will impact significantly on the development of a code of conduct for IFAD Executive Board members is that their status differs significantly from that of board members within other MFIs. For the present purposes, it suffices to refer to MFIs that, like IFAD, are also specialized agencies of the United Nations,³ i.e. the International Monetary Fund (IMF),⁴ the International Bank for Reconstruction and

² Minutes of the ninety-seventh session of the Executive Board, document EB/97 minutes, paragraph 69.
³ Specialized agencies may or may not have been originally created by the United Nations, but they are incorporated into the United Nations system by the United Nations Economic and Social Council acting under articles 57 and 63 of the Charter of the United Nations.
Annex II

III. The legal situation in the other multilateral financial institutions

A. The board members are individuals, not States

7. In three of these organizations, the individual composition of their executive organs is first expressed in their denomination, which is referred to simply as “executive directors” in the case of IBRD (World Bank) and “board of directors” in that of IFC. Only in the case of IMF is the term “executive board” used to refer to the executive organ. Still, article XII, section 3(b) of the IMF Articles of Agreement introduces the office of executive directors by stipulating that the executive board will consist of five executive directors appointed by the five members having the largest quotas and that 15 will be elected by the other members, with the Managing Director as chairman. One clear indication that the term “executive directors” found in the constituent instruments of the other MFIs refers to individuals, not States, can be found in their provisions concerning succession and vacancies. The charters of those institutions provide that the executive directors will continue in office until their successors are appointed or elected. The IMF and World Bank charters specify, for instance, that, if the office of an elected executive director becomes vacant more than 90 days before the end of his term, another executive director will be elected for the remainder of the term by the members that elected the former executive director. While the office remains vacant, the alternate will exercise the powers of the former executive director, except that of appointing an alternate. Obviously, there would be no need for any such transitional measures if board members were States rather than individuals. Another indicator can be found in the provision that specifies that executive directors and their alternates will be entitled to remuneration in the form of salary and supplemental allowances at such annual rates as will be determined from time to time by the board of governors. Moreover, there are provisions that specifically speak of “individuals” when referring to the executive directors of those institutions.

5 World Bank became a specialized agency of the United Nations on 15 November 1947, 16 UNTS 341.
6 IDA became a United Nations specialized agency on 27 March 1961, 224 UNTS 582.
7 IFC became a specialized agency of the United Nations on 12 February 1957, 265 UNTS 312.
8 Similarly, according to section 4(b) of article V of the articles of Agreement of the World Bank, there shall be 12 executive directors of whom five shall be appointed, one by each of the five members having the largest number of shares, and seven shall be elected according to schedule B by all the Governors other than those appointed by the aforementioned members. It is stated in IDA’s charter that the Board shall be composed ex officio of each executive director of the World Bank who shall have been (i) appointed by a member of the Bank that is also a member of the Association, or (ii) elected in an election in which the votes of at least one member of the Bank that is also a member of the Association shall have counted towards his election. The alternate to each such executive director of the World Bank shall ex officio be an Alternate Director of the Association. Finally, by virtue of article IV, section 4(b) of the IFC Articles of Agreement, the Board of Directors of the Corporation shall be composed ex officio of each executive director of the Bank who shall have been either appointed by a member of the Bank that is also a member of the Corporation, or elected in an election in which the votes of at least one member of the Bank that is also a member of the Corporation shall have counted towards his election. The Alternate to each such executive director of the Bank shall ex officio be an alternate director of the Corporation. Any Director shall cease to hold office if the member by which he was appointed, or if all the members whose votes counted towards his election, shall cease to be members of the Corporation.
9 IMF Articles of Agreement: article XII, section 3(f); World Bank charter: article V, section 4(d).
10 e.g. IMF, By-Laws of the International Monetary Fund, section 14(e)(i).
11 e.g. IMF, By-Laws of the International Monetary Fund, section 14(h) and (i).
8. Thus, in these MFIs, the membership of the executive organ is for individuals, who are formally called “executive directors”, and not for countries.12

B. Executive directors are officials of the organization

9. The executive boards of the Bretton Woods institutions were designed to ensure, as far as possible, that executive directors’ exclusive loyalty would be to the institution rather than to their own capitals. Some countries, however, have not consistently abided by this model. This has created some problems. Some directors, moreover, have expressed a sense of having been treated more like ambassadors sent by their capitals than representatives of their constituency members and the institution.13 Notwithstanding this practice, the fact remains that technically the executive directors are international officials. The World Bank General Counsel has explained this situation by pointing out that the status of executive directors as officials of the institution does not mean that they are detached from their government authorities.14 However, the international status is underscored by the fact that all the executive directors of the comparator MFIs, whether elected or appointed, are remunerated by those institutions.15 Under the by-laws of the respective institutions, executive directors and alternates are required to devote all the time and attention to the business of the institution that its interests require, and between them to be continuously available at the principal office of the concerned institutions. In 1987, the General Counsel succinctly stated the status of the World Bank executive directors:

"An Executive Director, as an official of the Bank who is appointed or elected by a member or members of the Bank, and whose votes depends on voting strength of the member or members who appointed or elected him, owes his duty both to the bank and his ‘constituency’ and votes on its instructions, but he may not split the votes. However, he is not to act simply as an ambassador of the government or governments which appointed or elected him, and is expected to exercise individual judgment in the interest of the Bank and its members as a whole."16

10. The conclusion that these executive directors are international officials has far-reaching legal consequences, the most important being that they are fully subject to the organic jurisdiction of the organization concerned. In other words, their legal status is not regulated by the rules and principles reflected in the Vienna Convention, nor is it regulated by article V, sections 13-17 (Representatives of Members) of the Convention on the Privileges and Immunities of the Specialized Agencies. Executive directors are instead subject to the rules of the organizations and those set out in article VI, sections 18-23 (Officials) of the Convention on the Privileges and Immunities.

C. The power to regulate the conduct of executive directors

11. As executive directors are officials of these organizations, their conduct may be regulated by the organization, and sanctions administered by the organization in case of non-compliance. It is by virtue of this organic jurisdiction over the executive

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16 Prohibition of political activities in the Bank’s work, Legal opinion of the General Counsel, dated 21 December 1987, reproduced in Shihata, op.cit., p. 244.
directors that IMF, IFC and the World Bank had the power to promulgate the codes of conduct for the members of their executive organs.

IV. The legal situation in IFAD

A. Members of the Executive Board are States, not individuals
12. Contrary to the situation in IMF, IDA and IFC, in IFAD the Executive Board is composed of members “elected from the Members of the Fund”. 17 Accordingly, when the Governing Council elects members of the Executive Board through the process set forth in schedule II of the Agreement Establishing IFAD, it does not elect particular individuals, but States. 18 The Executive Board acknowledged this particularity at its first session on 14 December 1977, noting that membership in the Executive Board consisted of the Member States of IFAD. 19 It is to be noted that, unlike the case of the aforementioned organizations, none of IFAD’s basic documents employs the term “executive director” to refer to Executive Board members, although that term is sometimes used colloquially at IFAD. The official denomination used by the Agreement Establishing IFAD, the By-laws for the Conduct of the Business of IFAD and, most notably, rule 7 of the Rules of Procedures of the Executive Board is “representatives of Members and alternates.” 20

a. Representatives of Members and their alternates are not officials of IFAD
13. The foregoing implies that the representatives of Members and their alternates are not officials of IFAD. This is underscored in section 5(e) of article 6 of the Agreement Establishing IFAD and in section 5 of the IFAD By-laws, which state that – unlike the case in the other MFIs – the representative of a Member or of an alternate Member of the Executive Board will serve without remuneration from the Fund. The Governing Council subsequently decided that they would be entitled to receive actual expenses incurred for travel by the most direct route to and from the place of the meeting, unless such right is waived by the Member or alternate Member concerned.

b. Lack of power to regulate the conduct of representatives of Member States
14. Since the members of the Executive Board are representatives of Member States and their alternates, rather than officials of IFAD, they are subject to the rules and principles set out in the Vienna Convention and in article V, sections 13-17 (Representatives of Members) of the Convention on the Privileges and Immunities of the Specialized Agencies. This means that the conduct of those representatives is not within the organic jurisdiction of any of IFAD’s bodies, be it the Governing Council, the Executive Board or the President. This lack of organic jurisdiction also means a lack of enforcement power.

V. A possible approach within IFAD’s legal framework
15. The fact that members of the Executive Board are Member States, not individuals, and that representatives of Members and their alternates are not officials of IFAD, does not mean that the objectives pursued by the codes of conduct in other MFIs cannot be achieved within IFAD’s legal framework. In the following paragraphs, an approach that is compatible with that framework will be developed for consideration by the Audit Committee.

17 Section 5(a) of article 6, Agreement Establishing IFAD.
18 See schedule II 3(a)-(b), Agreement Establishing IFAD.
19 Minutes of the First Session of the Executive Board of IFAD, EB/1, 6 February 1978, paragraph 9, http://intradev.ifad.org/ifbibl/
20 See article 6, section 5(e), Agreement Establishing IFAD; section 4, By-laws for the Conduct of the Business of IFAD.
A. **Legal basis and competent authority**

16. The representatives of Members in the IFAD Executive Board are entrusted by the Member States that have selected them with responsibilities for ensuring that the Fund carries out the mandate prescribed in the Agreement Establishing IFAD. Therefore, Member States bear responsibility for ensuring that their representatives satisfy personal and professional conduct that meets the highest standards. Thus, although IFAD’s organic jurisdiction does not extend over the Member States’ representatives, the Governing Council has assumed the power to prescribe, in section 4 of IFAD’s By-laws, that each Member and alternate Member of the Executive Board shall appoint “a person competent in the fields of the Fund’s activities” to represent it on the Board. This decision expresses the Governing Council’s understanding that, notwithstanding the principle of Member States’ freedom of appointment, the organization has an interest in requiring Member States to designate representatives who have the necessary technical and personal competencies to serve in the Executive Board. The phrase “a person competent in the fields of the Fund’s activities” suggests several fundamental elements that are necessary but not sufficient for proper discharge of the responsibilities of the Executive Board, such as technical competence, ethical understanding, communication skills, excellence, humanism, accountability and altruism. If freedom of appointment meant that Member States could ignore these elements when designating their representatives in the Executive Board, achievement of the organization’s objectives and the proper administration of business could not be guaranteed. Hence, it was in IFAD’s interests to require its Member States to designate persons with the necessary competence in the fields of its activities.

17. Admittedly, section 4 of the By-laws is currently couched in rather broad language, but nothing prevents the Executive Board from proposing to the Governing Council that it spell out in greater detail the ethical dimensions of the competencies Member States are expected to ensure when designating their representatives in the Executive Board. The By-laws were adopted by the Governing Council pursuant to article 6, section 2(f) of the Agreement Establishing IFAD, which states that the Governing Council may, by a two-thirds majority of the total number of votes, adopt such regulations and by-laws not inconsistent with the Agreement, as may be appropriate for the conduct of the business of the Fund. When delegating its powers to the Executive Board under article 6, section 2(c) of the Agreement, the Governing Council expressly reserved this power. Accordingly, any amplification of section 4 of the By-laws has to be adopted by the Governing Council. There are nevertheless two aspects of a code of conduct that may only be regulated by the Executive Board. The first aspect concerns the issue of post-service employment within IFAD. It would be the responsibility of the Executive Board to act under article 6, section 8(d) of the Agreement in order to amend the Human Resources Policy so that it stipulates the necessary regulation. Similarly, an ethics committee could be established by the Board pursuant to rule 11 of its Rules of Procedures.

B. **Contents of a code of conduct**

(a) **Application**

18. Because of the international status of the executive directors in the other MFIs, the codes of conduct adopted in these organizations apply to executive directors, alternates and advisors unless otherwise indicated. With respect to assistants to...
executive directors, the provisions of the various staff codes of conduct normally apply to assistants in the executive directors’ own offices, and it is up to the directors themselves to take such measures as are necessary and appropriate. Since representatives of Members, alternates and their assistants are not officials of IFAD, the foregoing cannot be replicated in IFAD. The scope of IFAD’s code will have to be restricted to the persons designated as representatives of Members and alternates.

a. Basic standard of conduct

19. Typically, the codes of conduct of the other MFIs stipulate that the executive directors should observe the highest standards of ethical conduct and that, in the performance of their duties, they are expected to carry out the mandate of the institution to the best of their ability and judgement, and to maintain the highest standards of integrity. In the case of IFAD, this will have to be phrased differently. A possible articulation could be:

“Member States shall require that their representatives observe the highest standards of ethical conduct and that, in the performance of their duties, they carry out the mandate of the institution to the best of their ability and judgement, and maintain the highest standards of integrity.”

b. Conduct within IFAD

20. The codes adopted by the other MFIs contain provisions stating that the executive directors should treat their colleagues and the staff with courtesy and respect, without harassment, physical or verbal abuse. Moreover, they provide that the executive directors should exercise adequate control and supervision over matters for which they are individually responsible, and they should ensure that property and services of the institution are used by themselves and persons in their offices for official business only. Clearly, as the prescriptions presume that the executive directors are officials of the institution and are resident, they are not relevant to IFAD.

c. Protection of confidential information

21. Codes of conduct adopted in the other MFIs also provide that, in line with the rules and guidelines of the organization concerned, executive directors have the responsibility to protect the security of any confidential information provided to, or generated by, the organization. In the case of IFAD, this requirement could be stated as follows:

“Member States shall require their representatives to protect the security of any confidential information provided to, or generated by, the Fund in accordance with the rules and guidelines of the organization.”

d. Public statements

22. In IFAD, the Executive Board operates exclusively on a collective basis, and the representatives of Members and alternates are not externally recognizable as such. Since the representatives remain officials of the designating Member States, unlike


IBRD code, paragraph 5; IMF code, paragraph 4; EBRD code, rule 11; AfDB code, article 4; and AsDB code, paragraph 9.

IBRD code, paragraph 4; IMF code, paragraph 5; EBRD code, rule 10; AfDB code, article 15; AsDB code, paragraph 7.
in the case of the other MFIs, there would appear to be no useful purpose in stipulating that they should, when making public statements or speaking to the media on Fund-related matters, make clear whether they are speaking in their own name or on behalf of the Executive Board.

e. Conflicts of interest

23. It is common for codes of conduct of MFIs to provide that, in performing their duties, executive directors will carry out their responsibilities to the exclusion of any personal advantage, and that they should avoid any situation involving a conflict, or the appearance of a conflict, between their personal interests and the performance of their official duties. The codes further provide that, if such a conflict arises, executive directors should promptly inform the board’s ethics committee and withdraw from participation in decision-making connected with the matter. If the conflict is potential rather than actual, executive directors should seek the advice of the ethics committee about whether they should exclude themselves from the situation that is creating the conflict or the appearance of conflict.

24. It is to be presumed that, as they are serving government officials, the persons that represent Member States in IFAD’s Executive Board are subject to the professional codes of conduct of their State and that, by virtue thereof, they are supposed to avoid conflicts of interest as described above. This presumption could be restated in the following terms in an IFAD code:

“Member States shall ensure that they have in place appropriate rules and procedures to require that their representatives carry out their responsibilities to the exclusion of any personal advantage and avoid any situation involving a conflict, or the appearance of a conflict, between their personal interests and the performance of their official duties. Similarly, in the event that such a conflict arises, Member States shall require that their representatives should promptly inform the national authority and withdraw from participation in decision-making connected with the matter.”

25. It must be conceded, however, that from a purely legal standpoint, applying the concept of conflict of interest to the representatives of Member States is somewhat contradictory. As these representatives are officials of their governments, they owe loyalty to those governments and act upon the latter’s instructions. Thus, requiring persons who are executing government instructions at an IFAD meeting to abstain from participating on account of something related to their personal lives does not fully fit into the image of delegates. It must be presumed that the Member State, irrespective of the personal circumstances of its envoy, is the master of the contents of the instructions and will thus be able to manage the conflict of interest at national level, without the need for this to reflect in any IFAD meeting.

f. Personal financial affairs

26. The MFI comparators provide varyingly that executive directors should not use, or disclose to others, confidential information to which they have access, for purposes of carrying out private financial transactions. To capture this principle, the Governing Council could state in the code to be developed that:

"Member States shall require their representatives to avoid having any direct or indirect financial interest in an IFAD operation and to refrain from using information obtained in the discharge of their duties, which is not otherwise available to the public, for the purpose of directly or indirectly furthering their personal interests or the personal interests of any other person or entity,

26 IBRD code, paragraph 2(4)(c); IMF code, paragraph 6; EBRD code, rule 2(c); AfDB code, article 11; AsDB code, paragraph 7.
27 IBRD code, paragraph 18; IMF code, paragraph 7; EBRD code, rule 3(a) and (b); AfDB code, article 12; AsDB code, paragraph 4(a) and (b).
28 IBRD code, paragraph 8(b)(i)-(iii); IMF code, paragraph 8; EBRD code, rule 8; AfDB code, article 14(i) and (ii); AsDB code, paragraph 5."
including but not restricted to where this might lead to actual or perceived preferential treatment.”

(h) Disclosures

27. Given that the representatives of Member States are not remunerated by IFAD and are not officials of the Fund, IFAD has no legal authority to require financial disclosure in the same way as is done by the other MFIs. However, it is to be expected that officials of the level of the persons eligible for designation as representatives of their government are already subject to requirements under national law to make written disclosure to a compliance officer of any financial or business interests of their own or their immediate family members. Unlike persons who are MFI officials, representatives would remain bound by such a national requirement while serving on the Executive Board. Thus, in the case of IFAD, the following provision could be adopted:

“It is incumbent upon Member States to have mechanisms in place to ensure that their representatives, upon assumption of office, make written disclosure to a competent authority of any business interests of their own or of their spouses that may give rise to a conflict of interest in IFAD. Upon the request of the Executive Board, the Member shall share that information with the President.”

(i) Gifts and entertainment

28. As with financial disclosure, it must be presumed that, in regard to acceptance of favours, gifts and entertainment, representatives of Member States are required under national laws to exercise tact and judgement to avoid the appearance of improper influence on the performance of their official duties. It must be equally presumed that the ordinary courtesies of international business and diplomacy may be accepted, but substantial and unusual gifts, favours and entertainment, as well as loans and other services of significant monetary value, should not be accepted. Therefore, for the same reasons as stated in relation to financial disclosure, a provision stating the responsibility of the Member State should suffice:

“It is incumbent upon Member States to have rules in place in regard to acceptance of favours, gifts and entertainment by their representatives and to require under national laws that representatives exercise tact and judgement to avoid the appearance of improper influence on the performance of their official duties.”

(j) Post-IFAD employment

29. As representatives of Member States remain officials of their countries, unlike in the other MFIs, IFAD lacks the legal authority to require that, when negotiating for, or entering into an arrangement concerning, prospective employment outside the Fund, representatives should not allow such circumstances to affect the performance of their duties. However, IFAD has an interest in ensuring that, where involvement in a Fund matter could benefit, or could be perceived as benefiting, the prospective employer, regardless of whether there is detriment to the Fund or their constituents, representatives should exclude themselves from, and be replaced in, the corresponding session or item. Thus, the Governing Council could provide as follows:

“Member States shall require that, when negotiating for or entering into an arrangement concerning prospective employment outside of the Fund, representatives should not allow such circumstances to affect the performance of their duties. They shall ensure that, where involvement in a Fund matter

28 IBRD code, paragraph 10; IMF code, paragraph 10; EBRD code, rule 7; AfDB code, article 16; AsDB code, paragraph 8.

30 IBRD code, paragraph 9(c); IMF code, paragraph 11; EBRD code , rule 6(a)-(b); AfDB code, article 17(i)-(ii); AsDB code, paragraph 6(a).
could benefit, or be perceived as benefiting, the prospective employer, regardless of whether there is detriment to the Fund or their constituents, representatives should exclude themselves from, and be replaced in, the corresponding session or item.”

30. The other MFIs also have a cooling-off period for post-service employment with the institution. In the case of the Fund, this can be achieved in the following way by a provision in the Human Resources Policy adopted by the Executive Board:

“In the exercise of the appointment and contracting authority under the Agreement Establishing IFAD, the President shall not consider eligible for appointment as a staff member or for contracting as a consultant any representative of a Member State who has served on the Executive Board and has ended such service less than two years earlier.”

C. Ethics committee

31. A non-plenary ethics committee of the executive board to consider matters relating to the codes of conduct is also standard in the other MFIs. In addition, ethics committees are authorized to give recommendations on the ethical aspects of the executive directors’ conduct, including the conduct of their alternates, advisors and assistants. It is common for the codes to provide that the General Counsel of the institution, or if absent his or her representative, should be the permanent secretary of the committee. (It appears that the Asian Development Bank and the World Bank differ from this rule. In those institutions the Secretary/Corporate Secretary of the institution acts as secretary of the Ethics Committee, with the General Counsel acting as counsel to the Committee.) The meetings of the ethics committee are generally restricted to members only and to the committee's permanent secretary, except at the committee's invitation. The responsibility of the ethics committees is to consider any alleged misconduct by an executive director, and any matters brought to its attention by the compliance officer concerning the disclosures made by executive directors about any actual or potential conflict of interest. The executive director concerned should, in all cases, be given the opportunity to present his or her views to the committee. If the ethics committee concludes that misconduct has been committed, it will make recommendations to the executive board – taking into account both the nature and seriousness of the misconduct and the executive director’s prior record of conduct – regarding whether a warning should be issued to the executive director concerned, and whether such warning should be conveyed to the governor(s) of the Member State (or States) that appointed, elected or designated the executive director.

32. As stated above, in IFAD, a similar ethics committee could be established by the Board pursuant to rule 11 of its Rules of Procedures. In the other institutions, such ethics committees operate as follows. Upon receiving the recommendations of the ethics committee, the executive board considers which of the following actions to take: (i) no further action in the matter; (ii) issuance of a warning to the executive director; or (iii) issuance of a warning to the executive director and transmittal of the warning to the governor(s) of the member country (or countries) that appointed, elected or designated the executive director. The executive director concerned would, in all cases, have the opportunity to present his or her views to the committee of the whole, but would not participate in the deliberations on the case. Given that no sanction will have to be imposed, but rather that the Member State concerned will be informed of any recommended action, there is no legal objection against replicating the above system within IFAD. The question is, however, whether such a committee would be needed in IFAD, given that the

31 IBRD code, paragraph 9(e); IMF code, paragraph 11; EBRD code, rule 6(c); AfDB code, article 17(iii); AsDB code, paragraph 6(b).

32 IBRD code, paragraph 17(c); IMF code, paragraph 12; EBRD code, rule 14; AfDB code, article 18(iv); AsDB code, paragraph 10.
Executive Board is not composed of individuals but of Member States. Thus in the case of IFAD such a committee would not be overseeing activities of officials of the organization itself, but of representatives of Member States, although it would have no power over such representatives.

D. Sanctions

33. The fact that Board members are representatives of Member States and not officials of the Fund could potentially preclude attaching consequences to a finding of misconduct. Nevertheless, inspiration can be drawn from EBRD. Rule 17 of its Code of Conduct for Officials of the Board of Directors provides that investigation reports concerning a director should be sent by the president, “together with any written comments of the Director, to the Governor(s) that voted for the Director for his or her directorship. It is for such Governor(s) to decide, having heard and duly considered representations from the Director what, if any action should be taken against him or her. The President shall ascertain the decision of the Governor(s).” This means that it will be incumbent upon the authority that voted for the director to adopt the necessary measures. Translated to the situation in IFAD, this principle could be articulated as follows:

“Findings of the Ethics Committee of the Executive Board shall be sent to the Member State through the official channel of communications foreseen in section 2(1) of the By-laws for the Conduct of the Business of IFAD. It is for such Member State to decide, having heard and duly considered the arguments of the representative, what, if any, action should be taken against him or her. The President shall ascertain the decision of the Member State.”

VI. Next steps

34. If the foregoing approach is agreeable to the Audit Committee, the necessary draft for the following instruments will be developed for its next meeting:

- By-laws for the Conduct of the Business of IFAD.
- Human Resources Policy.
Table of comparison

This table of comparison compares the codes of conduct of certain selected international and regional MFI. The comparison focuses on typical provisions that are of material relevance and that may be of interest when contemplating the possible contents of a prospective code of conduct for members of the Fund’s Executive Board.

As a main rule, the wordings in the tables do not represent the original wordings of the respective codes, as they are rewritten and standardized for better comparability and comprehensibility.

Also, it should be noted that the comparison is focused exclusively on the contents of the codes of conduct of the MFI’s concerned, meaning that an apparent lack of a provision in a certain MFI’s code of conduct does not imply the complete lack of such a provision in the context of the legal regime of the MFI, as such a provision may have been included in the MFI’s other internal rules and regulations that are applicable from time to time.

The IBRD, IDA and IFC share the same code of conduct, and are therefore all represented in the same column.

Definitions

- ADB means Asian Development Bank
- AFDB means African Development Bank
- EBRD means European Bank for Reconstruction and Development
- EC means committee performing the functions of an Ethical Committee of the respective MFI.
- Fund means the International Fund for Agricultural Development
- IBRD means International Bank of Reconstruction and Development
- IDA means International Development Association
- IDB means Inter-American Development Bank
- IFC means International Finance Corporation
- IMF means International Monetary Fund
- MB means member(s) of the board of an MFI
- MFI means Multilateral Financial Institution and is used as a generic term to indicate the relevant MFI
<table>
<thead>
<tr>
<th>General provisions</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
<th>IBRD, IDA, IFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duty of MB</td>
<td>MB shall carry out his to the best of his ability and judgment, and shall maintain the highest standards of integrity in his personal and professional conduct and observe principles of good governance.</td>
<td>MB shall observe the highest standards of ethical conduct. In the performance of his duties, he is expected to carry out the mandate of MFI to the best of his ability and judgment, and maintain the highest standards of integrity. He shall perform his official functions with impartiality and utmost discretion.</td>
<td>MB shall observe the highest standards of personal and professional ethical conduct. He shall carry out his mandates to the best of his ability and judgment. He shall at all times maintain the highest standards of integrity and exercise his fiduciary responsibility to MFI with objectivity and impartiality.</td>
<td>MB shall at all times observe the highest standards of personal and professional ethical conduct. He shall carry out his mandates to the best of his ability and judgment. He shall at all times maintain the highest standards of integrity and exercise his fiduciary responsibility to MFI with objectivity and impartiality.</td>
<td>MB shall act honestly and with propriety. MB’s official duties should be carried out in a manner that preserves and enhances public confidence in MB’s integrity and the integrity of the MFI. MB’s duties should be discharged with the interests and objectives of the MFI in view and should be consistent with MB’s obligations to his constituency.</td>
<td>MB should observe the highest standards of ethical conduct. In the performance of their duties, they are expected to carry out the mandate of the MFI to the best of their ability and judgment, and to maintain the highest standards of integrity.</td>
</tr>
<tr>
<td>Devotion of time to the MFI</td>
<td>MB shall devote such time and attention to the activities of the MFI as its interests may require.</td>
<td>MB shall devote all his time to the service of the MFI. MB’s shall take up and maintain residence at the MFI’s headquarters.</td>
<td>MB shall devote such time and attention to the activities of the MFI as its interests may require.</td>
<td>-</td>
<td>-</td>
<td>MB shall devote such time and attention to the activities of the MFI as its interests may require.</td>
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<thead>
<tr>
<th>Confidentiality</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
<th>IBRD, IDA, IFC</th>
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<tr>
<td>MB shall not disclose confidential information to outsiders, except as required to perform his duties as MB, and except in regard of his constituency.</td>
<td>MB shall not disclose any confidential information to outsiders, except as required to perform his duties as MB, and except in regard of his constituency.</td>
<td>MB shall not disclose any confidential information to outsiders, except as required to perform his duties as MB, and except in regard of his constituency.</td>
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<td>MB shall not disclose any confidential information to outsiders, except as required to perform his duties as MB, and except in regard of his constituency.</td>
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<tr>
<th>Conflicts of Interest</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
<th>IBRD, IDA, IFC</th>
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<tr>
<td>Duty to avoid conflicts of interest</td>
<td>MB shall avoid any situation involving an actual conflict, or the appearance of a conflict, between his personal interests and the performance of his official duties.</td>
<td>MB shall avoid any situation involving an actual conflict, or the appearance of a conflict, between his personal interests and the performance of his official duties.</td>
<td>MB shall avoid any situation involving an actual conflict, or the appearance of a conflict, between his personal interests and the performance of his official duties.</td>
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<td>MB shall avoid any situation involving an actual conflict, or the appearance of a conflict, between his personal interests and the performance of his official duties.</td>
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<tr>
<td>Required action in case of conflict of interest</td>
<td>ADB</td>
<td>AFDB</td>
<td>IDB</td>
<td>EBRD</td>
<td>IMF</td>
<td>IBRD, IDA, IFC</td>
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<td>In case of conflict, MB should promptly inform the EC and, if required, withdraw from participation in decision-making connected with the matter.</td>
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<td>Same applies for the personal interests of members of immediate family of MB.</td>
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<tr>
<td>In case of conflict, MB should promptly inform the EC and, if required, withdraw from participation in decision-making connected with the matter.</td>
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<td>In case of conflict, MB should promptly inform the Chief Compliance Officer and, if required, withdraw from participation in decision-making connected with the matter.</td>
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<tr>
<td>In case of conflict, MB should promptly inform the EC and, if required, withdraw from participation in decision-making connected with the matter.</td>
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<td>In case of conflict, MB should promptly inform the EC and, if required, withdraw from participation in decision-making connected with the matter.</td>
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<tr>
<th>Outside activities</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
<th>IBRD, IDA, IFC</th>
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<tr>
<td>MB shall refrain from participating in active politics in his home country or elsewhere.</td>
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<td>MB shall not engage in outside activities incompatible with the proper discharge of his duties and responsibilities to the MFI.</td>
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<td>MB shall resign from any position if required so as to perform his duties with integrity, impartiality and objectivity.</td>
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<td>MB shall not engage in self-employment or perform services for any public or private entity.</td>
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<td>MB may teach, publish and hold lectures outside official duties.</td>
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**Personal Financial Affairs**

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
<th>IBRD, IDA, IFC</th>
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<tr>
<td>MB shall disclose any financial interests of his own or his spouse that may give rise to a conflict of interest.</td>
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<tr>
<td>MB shall disclose any financial interests of his own or his immediate family that may give rise to a conflict of interest and recuse themselves from deliberation of the matter.</td>
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<td>MB shall disclose any financial interests of his own or his immediate family that exceeds a de minimis threshold, determined by the MFI from time to time.</td>
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<thead>
<tr>
<th>Financial interest in transactions related to MFI</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
<th>IBRD, IDA, IFC</th>
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<tbody>
<tr>
<td>MB shall avoid having any financial interest in transactions, projects or enterprises involving the MFI.</td>
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<tr>
<td>MB shall divest himself of any financial interest if required so as to perform his duties with integrity, impartiality and objectivity.</td>
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<tr>
<td>MB shall avoid conflicts of interest between his personal financial affairs and the interests of the MFI.</td>
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<tr>
<td>MB shall not engage in short-term trading in gold, foreign currencies, and closely related financial instruments, for speculative purposes.</td>
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<tr>
<td>MB shall disclose any financial interests of his own or of his immediate family.</td>
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**Annex II**
<table>
<thead>
<tr>
<th>Securities issued by MFI and short term trading</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
<th>IBRD, IDA, IFC</th>
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<tbody>
<tr>
<td>MB may trade in securities issued by MFI.</td>
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<td>-</td>
<td>-</td>
<td>MB shall not acquire Financial Interest in a loan made by the MFI, or securities of any entity engaged in a financial transaction or other financial or supplier relationship with the MFI.</td>
<td>-</td>
<td>MB may trade in securities issued by MFI.</td>
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<tr>
<td>MB shall not engage in short-term trading in securities issued by MFI.</td>
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<td>-</td>
<td>-</td>
<td>MB shall not engage in short-term trading in securities issued by MFI.</td>
<td>-</td>
<td>MB shall not engage in short-term trading in securities involving the MFI.</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Insider information obtained in the discharge of duties at the MFI</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
<th>IBRD, IDA, IFC</th>
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<tr>
<td>MB shall not use any insider information to further his private interests or those of any other person or entity.</td>
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<td>-</td>
<td>-</td>
<td>MB shall not use any insider information to further his private interests or those of any other person or entity.</td>
<td>-</td>
<td>MB shall not use any insider information to further his private interests or those of any other person or entity.</td>
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<tr>
<th>Employment</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
<th>IBRD, IDA, IFC</th>
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<tbody>
<tr>
<td>General</td>
<td>MB shall not allow prospective employment outside the MFI (including for immediate family members) to influence the performance of his duties.</td>
<td>MB shall not allow prospective employment outside the MFI influence the performance of his duties.</td>
<td>MB shall not allow prospective employment outside the MFI influence the performance of his duties.</td>
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<td>MB shall not allow prospective employment outside the MFI influence the performance of his duties.</td>
<td>MB shall not allow prospective employment outside the MFI influence the performance of his duties.</td>
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<td></td>
<td>MB shall recuse themselves from deliberation on matters involving a prospective employer.</td>
<td>MB shall recuse themselves from deliberation on matters involving a prospective employer.</td>
<td>MB shall recuse themselves from deliberation on matters involving a prospective employer.</td>
<td>-</td>
<td>MB shall recuse themselves from deliberation on matters involving a prospective employer.</td>
<td>MB shall disclose prospective employment to the EC and recuse himself from deliberation on matters involving a prospective employer.</td>
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<tr>
<th>Cooling off period vis-à-vis previous employment</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
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<td>For a period of one year after appointment, MB shall recuse himself from involvement in matters related to MFI dealings with his former employers and clients.</td>
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<tr>
<th>Cooling off period vis-à-vis future employment</th>
<th>ADB</th>
<th>AFDB</th>
<th>IDB</th>
<th>EBRD</th>
<th>IMF</th>
<th>IBRD, IDA, IFC</th>
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<td>-</td>
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<td>MB who, within six months from his separation from the Bank, has been involved in deliberations in respect of a financial transaction with an MB who leave the MFI should not use or disclose confidential information known to him by reason of his service with the MFI, and should not contact MB or other</td>
<td>MB who leave the MFI should not use or disclose confidential information known to him by reason of his service with the MFI, and should not contact MB or other</td>
<td>For a period of one year from his separation from the Bank, MB shall not use or disclose confidential information known to him by reason of his service with the MFI, and should not contact MB or other.</td>
</tr>
<tr>
<td>Future employment within the MFI</td>
<td>ADB</td>
<td>AFDB</td>
<td>IDB</td>
<td>EBRD</td>
<td>IMF</td>
<td>IBRD, IDA, IFC</td>
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<tr>
<td>MB shall not take up appointment at the MFI, within one year following the end of his service.</td>
<td>MB shall not take up appointment at the MFI, within two years following the end of his service.</td>
<td>-</td>
<td>MB shall not take up appointment at the MFI, within six months following the end of his service.</td>
<td>-</td>
<td>MB shall not take up appointment at the MFI, within one year following the end of his service.</td>
<td></td>
</tr>
</tbody>
</table>

**Gifts and Entertainment**

- MB shall not accept gifts, favours and entertainment, and other services of significant monetary value.
- MB shall not accept substantial and unusual gifts, favours and entertainment, and other services of significant monetary value.
- MB shall not accept substantial and unusual gifts, favours and entertainment, and other services of significant monetary value.
- MB shall not accept substantial and unusual gifts, favours and entertainment, and other services of significant monetary value.
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- MB shall not accept substantial and unusual gifts, favours and entertainment, and other services of significant monetary value.

**Ethics Committee**

- MFI has an Ethics Committee: Yes, Yes, Yes, Yes, Yes, Yes, Yes
- EC shall recommend to the Board of Directors whether a warning should be issued to an MB, and conveyed to the MB’s constituency.
- EC shall recommend to the Board of Directors whether a warning should be issued to an MB, and conveyed to the MB’s constituency.
- The MFI President shall send a copy of an Inquiry Officer’s Report, together with any written comments of the MB to the MB’s constituency.
- EC shall recommend to the Board of Directors whether a warning should be issued to an MB, and conveyed to the MB’s constituency.
- In cases of misconduct by an MB, measures may include a written censure and provision of notice of such censure or other action to the constituency of the MB.
(d) Ad hoc Committee of the Executive Board to review Member States’ Voting Rights and the Role, Effectiveness and Membership of the Executive Board

48. The Board considered the report of the Ad hoc Committee of the Executive Board to review Member States’ Voting Rights and the Role, Effectiveness and Membership of the Executive Board (EB 2007/90/R.36), which had been submitted to the December 2006 session of the Board. Disappointment was expressed by the Convenor of List C, on behalf of that list, and by two List B countries that a commitment made under the Seventh Replenishment on these issues had not, in their view, been fulfilled.