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## Progress report of the Ad Hoc Working Group on Governance

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For: Information

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# Progress report of the Ad Hoc Working Group on Governance

## Background

1. The Ad Hoc Working Group on Governance was established by the Governing Council at its thirty-eighth session in February 2015.
2. The Working Group has been tasked with considering governance issues, in particular: reviewing and assessing the structure, appropriateness and relevance of the IFAD List system; reviewing and assessing the composition of the Replenishment Consultation and the length of replenishment cycles in the Eleventh Replenishment of IFAD's Resources (IFAD11) and beyond; and making proposals thereon for the consideration of the Executive Board for submission to the Governing Council, as appropriate. In so doing, the Working Group may also review current practices of other international financial institutions and consult relevant experts with respect to governance structure, replenishment procedures and composition.
3. In accordance with the terms of reference of the Ad Hoc Working Group on Governance Issues (contained in annex IV of GC 38/L.4/Rev.1, Report of the Consultation on the Tenth Replenishment of IFAD's Resources):

The Working Group ... will brief the Executive Board regularly on progress. It will submit a report on the results of its deliberations and any recommendations thereon to the Executive Board in December 2016 for submission to the fortieth session of the Governing Council in February 2017 for endorsement, and with a view to adopting such resolutions as may be appropriate.
4. The syntheses of the two meetings held by the working group on 14 April 2015 and 17 June 2015 are presented in annexes I and II of this document.

## Synthesis of deliberations at the first meeting of the Ad Hoc Working Group on Governance

1. The first meeting of the Ad Hoc Working Group on Governance was held on 14 April 2015, at IFAD headquarters. Members participated from Angola, Argentina, Denmark, Indonesia, Italy, Pakistan, the United Kingdom, the United States of America and the Bolivarian Republic of Venezuela. Representatives for Benin, China, France, Germany, India and Norway attended as observers.
- A. Opening of the meeting and election of the Chair and Vice-Chairpersons of the Working Group**
2. As prescribed by its terms of reference, the working group elected ad personam His Excellency Claudio Rozencwaig of Argentina, as Chair from List C; Ms Elizabeth Nasskau of the United Kingdom to represent List A as Vice-Chair, and Mr Tazwin Hanif, of Indonesia, to represent List B as Vice-Chair.
- B. Adoption of the agenda**
3. The agenda of the meeting was adopted without amendment.
- C. Terms of reference of the Working Group**
4. The Secretariat delivered detailed PowerPoint presentations on (i) the Working Group on Governance and IFAD's List system; and (ii) a review of IFAD's replenishment process.
  5. Members found both presentations very useful, and requested that the contents of each be turned into more comprehensive background documents, to be used as a basis for discussion at subsequent meetings. Members were invited to submit their comments to the Secretariat so that these could be taken into consideration in finalizing the documents in question.
  6. During deliberations, a number of issues were raised, including the need to:
    - (a) Look for flexibility within the existing parameters of the Agreement Establishing IFAD and avoid the need to amend the Agreement;
    - (b) Clarify further the benefits of a four-year replenishment cycle versus a three-year cycle. In this regard, Management informed participants that a meeting of representatives of various international financial institutions was scheduled to take place in Rome in May, with a view to sharing views on reform implementation in terms of resource mobilization and other issues;
    - (c) Compile comparative data on the Lists with respect to contributions and number of contributing Member States over time; and
    - (d) Provide further information on IFAD's vote allocation system.

The Secretariat would take these issues into consideration in drafting documentation for the Working Group's consideration at future meetings.
  7. Members were reminded that a dedicated section for background documentation, open to all Member States, had been created on the working group's home page on the Member States Interactive Platform. This documentation pertained to prior reviews that had been undertaken with respect to IFAD's governance and provided historical context. Members' proposals for inclusion of additional documentation were welcome.
- D. Workplan for 2015 and the way forward**
8. The meeting considered the proposed Workplan for 2015 (WGG 2015/1/L.2). There was broad agreement that a systematic approach should be adopted and that a comprehensive and accurate review of the List system would be required before addressing other topics, including the duration of replenishment cycles. Some

flexibility on the content of the meetings would therefore be necessary. To ensure timely and thorough preparation, members requested that documents for consideration at working group meetings be provided two weeks in advance of each meeting. Resource people should be present from the Office of the General Counsel at each meeting, and the Independent Office of Evaluation of IFAD would be invited to present relevant findings of the corporate-level evaluations on efficiency and on IFAD's replenishments.

9. Procedures for reporting on the deliberations of the working group were discussed and it was agreed that:
  - (a) A synthesis of the deliberations of each meeting would be prepared for the approval of the Chair and Vice-Chairs. This document would form the basis of the progress reports to be delivered by the Chair to the Executive Board.
  - (b) The final report to be provided to the Executive Board in December 2016, including conclusions and recommendations, would be considered in a meeting of the Working Group, prior to its submission to the Executive Board. Member States that were not members of the Working Group would be able to submit their views through their List representatives in the Working Group.
10. Bearing in mind cost-efficiency principles and the importance of language parity, it was agreed that interpretation services would be provided for working group meetings on a demand-driven basis. Member States would be requested to confirm their attendance at working group meetings one month in advance, indicating whether and in which of the Fund's official languages interpretation was required.
11. In conclusion, the meeting approved the proposed workplan for 2015, with the following amendments: (i) the second meeting scheduled for 3 June would be moved to 17 June; (ii) alternative dates for the October meeting would be identified bearing in mind possible conflicts with International Monetary Fund/World Bank meetings; and (iii) a date for a possible additional meeting in December would be identified. Informal seminars on specific topics would also be arranged if appropriate and required.

## Synthesis of deliberations at the second meeting of the Ad Hoc Working Group on Governance

1. The second meeting of the Ad Hoc Working Group on Governance was held on 17 June 2015 at IFAD headquarters. Members participated from Angola, Argentina, Denmark, Indonesia, Italy, Pakistan, the United Kingdom, the United States of America and the Bolivarian Republic of Venezuela. Representatives of Burkina Faso, Burundi, Cameroon, Canada, China, Colombia, Costa Rica, the Dominican Republic, France, Germany, Kenya, Liberia, Mexico, Netherlands, Norway, the Russian Federation, South Africa, Switzerland and Zimbabwe attended as observers.
- A. Opening of the meeting**
2. The Chair of the working group, His Excellency Claudio Rozenca of Argentina, gave an overview of decisions made during the first meeting of the working group and progress made during the intervening period. Reference was made to the informal consultative meetings that the Bureau of the Working Group would hold on 22 June with the Lists of IFAD's Member States: Lists A, B and C and countries for whom the List membership process was ongoing.
- B. Adoption of the agenda**
3. The agenda of the meeting was adopted without amendments.
  4. Following the request made by members at the first meeting of the working group, the Director of the Independent Office of Evaluation of IFAD made a presentation on governance-related main findings and recommendations of the corporate-level evaluations on efficiency (CLEE, 2013) and on IFAD's replenishments (2014). Members noted that some important measures had been taken since the CLE on efficiency, and that recommendations on governance focused mainly on the replenishment consultation.
- C. IFAD's List system**
5. Based on the review of document WGG 2015/2/L.2, a discussion was held on IFAD's List system and on ways to improve representation of Member States in IFAD's governing bodies. Numerous views were expressed and several options were raised, with the general understanding that this issue needed comprehensive analysis and extensive discussion.
  6. While some representatives differentiated the issue of representation from the issue of the List system, many highlighted that the two issues were closely related.
  7. Some members expressed the view that the IFAD List system did not reflect changes that had occurred since the establishment of the Fund, including with regard to financial contributions and the number of Member States.
  8. The number of countries in List C and the volume of financial contributions from List A Member States was noted. This should be taken into consideration during the discussion of a possible modification of the List system.
  9. Some representatives emphasized the need to balance past and current contributions made by Member States in the context of the voting system. On this issue, other members highlighted that all contributions – past, current, and future – were important in maintaining or augmenting IFAD's programme of work.
  10. Suggestions from members included: (a) increasing the participation and representation of List C in IFAD's governing bodies; (b) moving some of the List C countries to Lists A and B; and (c) subdividing List C based on levels of financial contribution. The need to create additional incentives for financial contributions to IFAD was highlighted. One option could be the possibility of increasing representation in IFAD's governing bodies.

11. Members commended the work carried out by the Office of the Secretary, and requested additional information regarding background documents and access to the Member States Interactive Platform. It was clarified that the documentation posted for the Working Group on Governance was accessible, with the exclusion of the invitation letters and the comment feature.

12. The possibility was raised of recruiting an international consultant to provide a broader analysis of the representation systems of IFAD and other organizations, such as global environmental funds and development banks, so as to explore options for the representation issue. Budgetary implications of any possible alternatives should also be considered.

#### D. Representation of Member States in IFAD's governing bodies

13. Members considered document WGG 2015/2/L.3 on the representation of Member States in IFAD's governing bodies.

14. There was general consensus on developing a more flexible mechanism to address representation, which, however, should not lead to cost increases for IFAD. In addition, the issues of representation and voting rights should remain distinct, while exploring any implications for the Executive Board.

15. It was agreed that the main underlying principles should be identified before considering additional options on representation. The informal consultative meetings, to be held on 22 June 2015, would focus on setting these principles. Some List A representatives noted that more effective use of existing mechanisms could be made, including constituency groups.

#### E. Other business

16. The Working Group agreed on the following dates for its third and fourth meetings in 2015:

(a) Third meeting: 1 October;

(b) Fourth meeting: during the week of the December Board session. The specific date would be selected at the October meeting.

17. Before closing, participants were reminded of the informal Bureau meetings with the different Lists, scheduled to take place on Monday, 22 June.