CHAIRMANSHIP OF REPLENISHMENT CONSULTATIONS:
COMPARISON OF PRACTICES AT
SELECTED INTERNATIONAL FINANCIAL INSTITUTIONS

For: Information
Note to Executive Board Directors

This document is submitted for the information of the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session.

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ABBREVIATIONS AND ACRONYMS

AfDF  African Development Fund (African Development Bank)
AsDF  Asian Development Fund (Asian Development Bank)
FSO   Fund for Special Operations (Inter-American Development Bank)
GEF   Global Environment Facility
IDA   International Development Association (World Bank Group)
IFI   international financial institution
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I. INTRODUCTION

1. The Executive Board, at its April 2006 session, asked that a paper be prepared and submitted to it on the chairmanship of replenishment consultations. The present information note discusses the practices and procedures of selected international financial institutions (IFIs) in this area. As part of the analysis, IFAD’s process for selecting the chairman of its replenishment consultations was also reviewed.

2. Specifically, this report presents information on:
   • International Fund for Agricultural Development
   • International Development Association (of the World Bank Group)
   • Asian Development Fund (of the Asian Development Bank)
   • African Development Fund (of the African Development Bank)
   • Fund for Special Operations (of the Inter-American Development Bank)
   • Global Environment Facility
   • Poverty Alleviation Fund (of the Islamic Development Bank)

3. The information included in this report is based on documentation provided by the relevant financial institutions. Where source documentation was limited, and to confirm information, consultations were held with relevant executive director offices and replenishment-related staff. Owing to incompleteness of records and lack of access to information, it was not possible however to present a full description of each organization covered in this report.

II. BACKGROUND ON IFAD REPLENISHMENTS AND CHAIRMANSHIP SELECTION EXPERIENCE

4. Established in 1977, IFAD has had seven replenishments in its history. According to the Agreement Establishing the International Fund for Agricultural Development, Article 4.3:

   “In order to assure continuity in the operations of the Fund, the Governing Council shall periodically, at such intervals as it deems appropriate, review the adequacy of the resources available to the Fund; the first such review shall take place not later than three years after the Fund commences operations. If the Governing Council, as a result of such a review, deems it necessary or desirable, it may invite Members to make additional contributions to the resources of the Fund…”

5. Consistent with the practice of previous consultations, the twenty-eighth session of the Governing Council decided: “A Consultation on the Seventh Replenishment of IFAD’s Resources (the Consultation) shall be established under the chairmanship of the President of IFAD to discuss all aspects of the Seventh Replenishment of IFAD’s Resources and to negotiate the conclusion of that replenishment.” (Resolution 137/XXVIII)
6. All IFAD replenishment negotiations have thus far been chaired by the President of IFAD: Mr Abdelmuhsin al-Sudeary for the First and Second Replenishments; Mr Idriss Jazairy for the Third Replenishment; Mr Fawzi H. al-Sultan for the Fourth and Fifth Replenishments; and Mr Lennart Båge for the Sixth and Seventh Replenishments.

III. REPLENISHMENT CHAIRMANSHIP PRACTICES AT SELECTED IFIS

A. International Development Association

7. A member of the World Bank Group, the International Development Association (IDA) was established in 1960 “with a Board of Governors, Executive Directors, a President and such other officers and staff of IDA to perform such duties as the Association may determine”.¹ In 1962, the President of IDA (the President of the World Bank ex officio²) requested the Board of Governors to direct IDA’s Executive Directors to embark on deliberations for the first replenishment of IDA’s resources. IDA’s Articles specify that it should provide for additions to its funds through periodic reviews of the adequacy of resources and that replenishments should be considered “at intervals of approximately five years”. The First Replenishment covered a four-year period (1964-1968); after that, a three-year interval became the norm.³

8. Throughout IDA’s history, the chairmen of its replenishments have been drawn from the World Bank. Traditionally, IDA replenishments have been chaired by the Managing Director or a Senior Vice-President of the Bank. Until the most recent replenishment (IDA 14), the President has exercised sole authority in appointing the chairman of IDA replenishment consultations.

9. The IDA 1 and IDA 2 replenishment negotiations were chaired by Mr Burke Knapp, Vice-President of the World Bank and Chairman of its Loan Committee. Beginning with IDA 2, the deliberations and conclusions of the Deputies have been included in a replenishment report that sets forth the agreed arrangements among donors, “including the size of the replenishment and relative burden-sharing among donors, effectiveness and advance commitment mechanisms and payment procedures, as well other matters which are not related to the financial terms and conditions of the replenishment.”⁴

10. The consultations for IDA 3 and IDA 4 (1972-1975 and 1976-1978 respectively) were chaired by Sir Denis Rickett, Vice-President of the Bank. The IDA 5 negotiations (1979-1981) were chaired by Mr Peter Cargill, Senior Vice-President, Finance. The consultations for IDA 6, IDA 7 and IDA 8 (1982-1984⁵, 1985-1987, 1988-1990) were chaired by Mr Moeen Qureshi, Senior Vice-President, Finance. The Senior Vice-President, Finance, Ernest Stern, chaired the discussions on IDA 9 and a portion of IDA 10.

11. In 1991, the Office of the President was reorganized by the then-President, Mr Lewis T. Preston, to comprise three Managing Directors (Mr Attila Karasmonoglu, Mr Sven Sandstrom and Mr Ernest Stern). Following the retirement of Mr Stern in 1995, the President appointed Mr Sandstrom, Managing Director, to complete the IDA 10 negotiations and to chair the IDA 11 and 12 replenishments (1997-1999 and 2000-2002).

¹ IDA Articles of Agreement, Article VI, Section 1.
² IDA Articles of Agreement, Article VI, Section 5.
³ IDA, The IDA Deputies: An Historical Perspective, November 2001, 2; Article III, Section 1, IDA Articles of Agreement.
⁴ Ibid, 2-3.
⁵ IDA 6 payments by the United States of America were stretched over a four-year period, thus extending the IDA 6 period, and making fiscal year 1984 a year of special contributions by donors.
12. During the IDA 13 negotiations: “Deputies agreed that, at the time of the 2002 Annual Meetings, they would undertake an informal process to select a chairperson on a consensus basis for the IDA 13 Mid-Term Review and the IDA 14 Replenishment. In order to facilitate the selection of the best qualified chairperson, Deputies are invited to propose candidates with appropriate experience before the 2002 Annual Meetings. The President of the Association may also propose a candidate for consideration from among officials of the World Bank Group.”

13. Pursuant to a review of the list of proposed candidates by Deputies according to the election procedure introduced in IDA 13, Mr Jeffrey Goldstein, Managing Director, Finance, World Bank, was selected to be the IDA 14 Chairman. When Mr Goldstein left the World Bank in the fall of 2004, he was replaced by Mr Geoffrey Lamb, Vice-President for Concessional Finance and Global Partnerships, and Senior Counsellor for IDA.

B. Asian Development Fund

14. The Asian Development Fund (AsDF) was established in 1973 as the concessional fund of the Asian Development Bank (AsDB). AsDF has had eight replenishments (ADF II – IX), with each covering a four-year period of operation.

15. Sir John Chadwick, Special Adviser to the President of AsDB, presided over AsDF I consultations among developed country representatives on the arrangements for the new fund and mobilizing initial resources for 1973–1975.

16. Sir John held consultations with donors to replenish the Fund (referred to as AsDF II, covering 1976–1978), and the AsDB President convened two meetings of donors to finalize the resolution for the AsDF for consideration by the Executive Directors and Board of Governors.

17. The negotiations for AsDF III to AsDF VI were chaired by a special adviser to the President appointed for that purpose. The consultation on AsDF VII (1997–2000) was chaired by the AsDB President, Mr Mitsuo Sato.

18. The Eighth Replenishment of AsDF (2001–2004) was co-chaired by Mr John Lintjer, Vice-President of AsDB, and the Deputy Director for the replenishment was Mr Peter McCawley, Deputy Director General, Australian Agency for International Development. AsDF IX (2005–2008) continued the practice of having co-chairpersons. The designated chairperson for the replenishment was Mrs Huguette Labelle, Chancellor of the University of Ottawa and former President of the Canadian International Development Agency. The Vice-Chairman was Dr Peter Hawley, Dean of the AsDB Institute. AsDB’s President Tadao Chino attended all of the meetings of the Ninth Replenishment, where he made opening remarks.

C. African Development Fund

19. The African Development Fund (AfDF) was established in 1972 as the concessional fund of the African Development Bank Group. AfDF received its initial resources through subscriptions from the Bank and from the original non-African States party to the AfDF Agreement. The Fund’s resources have been replenished through one Special General Increase and ten general replenishments.

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7 IDA 14, Report from the Executive Directors of the International Development Association to the Board of Governors, Additions to the IDA Resources: Fourteenth Replenishment, Working Together to Achieve the Millennium Development Goals, March 10, 2005, 1.
8 The anomaly between the number of consultative meetings of donors with AsDF management and the actual replenishments of AsDF continues to the present. For example, AsDF III refers to the Second Replenishment of AsDF, and AsDF IV to the Third Replenishment of AsDF, and so on.
20. The President of the Bank Group is the President of the Fund and the Chairman of the Board of Directors of the Fund. The Fund is normally replenished on a three-year basis, unless the participating States decide otherwise. The African Development Bank Presidents chairing AfDF replenishment negotiations have been: Mr Abdelwahad Labidi, 1970-1976; Mr Kwame Donkor Fordword, 1976-1979; Mr Wila D. Mungomba, 1980-1985; Mr Babacar Ndiaye, 1985-1995; and Mr Omar Kabbaj, 1995-2005.

21. With a function similar to that of a chairman, AfDF Deputies select a coordinator to manage the Fund’s replenishment negotiations. According to the information available, the selection process is not based on a specific AfDF policy. Traditionally external to the Fund, the coordinator is selected in close consultation with the Deputies and AfDF management.

22. For example, the coordinator for the AfDF VIII negotiations was Mr J. Preuss, of Germany, while that for AfDF IX was Mr Karel van Kesteren, of the Netherlands. The consultation on the Tenth Replenishment of the Fund (2005-2007) was coordinated by Mr Sven Sandstrom, former Managing Director, World Bank. The report of the Consultation on AfDF X states, under “Selection of the Coordinator for the ADF XI Consultations,” that “Deputies agreed that they would decide on a chairperson for the ADF XI Replenishment negotiations by the time of the ADF X mid-term review.” The ADF X mid-term review is scheduled to take place in the Hague on 7 and 8 December 2006.

D. Fund for Special Operations

23. In 1960, the Fund for Special Operations (FSO) was created as the concessional arm of the Inter-American Development Bank (IDB). The FSO is an integral part of the IDB; it shares the same Board of Governors, Board of Executive Directors and President as the IDB. The President of the IDB is also the Chairman of the Board of Executive Directors.

24. Since its inception, the FSO has followed a standard selection procedure for the chairmen of its replenishments. The practice is for the FSO replenishment to take place at the site where the IDB holds its annual meeting and for the Governor for that Member State to serve as the presiding Governor of the Committee of the Board of Governors and as the Chairman of the FSO Replenishment. Traditionally, the presiding Governor and Chairman of the FSO Replenishment maintains that status until the following annual meeting. IDB Governors are usually Ministers of Finance of their respective countries, and they participate in replenishment meetings, making use of reports that have been reviewed by the Board of Executive Directors.

25. FSO replenishment periods have generally run four years. The FSO has paid-in contributions from all IDB member States and has had eight replenishments. The Fifth Replenishment (1979-1982) negotiations were held in Washington, D.C., and chaired by Mr Fred Bergsten, Undersecretary of the United States Treasury.

26. The consultation on the Sixth Replenishment (1983-1986) was chaired by the Governor for Barbados. From 1987 to 1989, the FSO tapped unused resources, including reflows, to finance its activities. The Seventh Replenishment (1990-1993) was chaired by the Governor for the Netherlands.

27. The Eighth Replenishment (1994-present) may be divided into three periods: the initial four years of 1994-1997; 1998-1999; and 2000-2008. The first period of the replenishment was chaired by the Governor for Mexico; the second period was chaired by the Governor for Colombia. A two-year FSO lending programme was authorized, based on FSO reflows and unused resources from 1994-1997. The remaining resources were transferred to the next programming cycle beginning in 2000.

E. Global Environment Facility

29. The Global Environment Trust was established in 1991 as a pilot programme in the World Bank to assist in protection of the global environment and its sustainable development. The first meeting was chaired by the World Bank’s Vice-President for Resource Mobilization to formalize the Trust and accept voluntary contributions (1992-1994).

30. In 1994, the Trust was restructured on the basis of the “Instrument for the Establishment of the Restructured Global Environment Facility” and subsequently became known as the Global Environment Facility (GEF).

31. The First Replenishment of GEF (1995-1998) formally recognized the restructuring. The Instrument was accepted by 73 countries and adopted by the World Bank, United Nations Development Programme and United Nations Environment Programme, which were deemed the implementing agencies. The Instrument established the governance and structure of the GEF and outlined the responsibilities of its financial trustee, which include “the mobilization of resources for the Fund and the preparation of such studies and arrangements as may be required for this purpose”. The Instrument indicates that the trustee must work with the chief executive officer and other implementing agencies to ensure the proper use of Fund resources. The trustee is the sole fiscal agent for the Fund. The World Bank was designated trustee of the GEF and established the GEF Trust Fund, which is paid into by its participants.

32. Since its restructuring, the GEF has had three replenishments, all co-chaired by the Chief Executive Officer and Chairman of the GEF and the Vice-President, Concessional Finance and Global Partnerships of the World Bank (trustee of the GEF). Although a three-year replenishment was authorized by the Instrument, a four-year replenishment period has been followed in practice.

33. The consultation on GEF 2 (1999-2002) was co-chaired by Mr Mohamed T. el-Ashry, Chief Executive Officer and Chairman of the GEF, and Mr Hiroo Fukui, Vice-President, Resource Mobilization and Cofinancing, World Bank. The co-chair arrangement recognized the programmatic capabilities of the GEF and the financial capabilities of the World Bank. The GEF 3 negotiations (2003-2006) were co-chaired by Mr el-Ashry, in his same capacity as before, and Mr Motoo Kusakabe, Vice-President, Resource Mobilization and Cofinancing, World Bank.

34. The negotiations for GEF 4 (2007-2010) were co-chaired by Mr Leonard Good, Chief Executive Officer and Chairman of the GEF, and Mr Geoffrey Lamb, Vice-President, Concessional Finance and Global Partnerships of the World Bank. Mr Philippe Le Houerou replaced Mr Lamb, as Vice-President, Concessional Finance and Global Partnerships, World Bank, and as the Trustee Chairman for the last meetings of GEF 4, because of Mr Lamb’s retirement from the World Bank.

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9 The Instrument, Section III and Annex B.
10 The title of Vice-President, Finance, changed over time from Resource Mobilization and Cofinancing to Concessional Finance and Global Partnerships.
11 The Instrument, Section II, paragraph 10, Section III, paragraph 20(e) and Annex B, paragraph 4(a).
12 Mr el-Ashry came to the GEF from the World Bank where he had been the Chief Environmental Advisor to the President and Director of the Environment Department. He had served as Senior Vice-President of the World Resources Institute. Mr Fukui was seconded to the World Bank from Japan’s Ministry of Finance.
13 Mr Good came to the GEF from the Canadian International Development Agency.
F. Poverty Alleviation Fund

35. The Islamic Development Bank was established by the Second Foreign Ministers Conference in Karachi as the international bank for the Organization of the Islamic Conference (OIC) member countries. The Bank was formally opened in October 1975. Its members have grown from 22 founding members to 53 members currently. Its objective is to foster economic development and social progress. In June 2006, the Islamic Development Bank announced the establishment of the Poverty Alleviation Fund, with Saudi Arabia announcing that it would make available US$1 billion for the Fund’s activities. Further information on its capitalization and replenishment process are not yet available.

IV. SUMMARY

36. From a review of the information available, IFIs generally seek chairpersons for their replenishments who are experienced and knowledgeable in the development architecture and are informed of the organization’s specific programmatic and funding requirements. That being said, some specific practices, however, are firmly in place at one or the other of the organizations.

37. The Instrument for the Establishment of the Restructured Global Environment Facility (1994) specifies that GEF replenishments are to be co-chaired by the Chief Executive Officer-Chairman of the GEF and the Vice-President of the World Bank (trustee to the GEF). Another practice that appears to be long-standing is the FSO’s appointment of an IDB Governor (from the country hosting the annual meeting) as presiding Governor of the Committee of the Board of Governors and Chairman of the FSO replenishment. AfDF has, in recent years, appointed external and internal co-chairs to manage its replenishment negotiations. AfDF selected an external chairman for its most recent replenishment.

38. IDA and IFAD select their replenishment consultation chairmen from among internal senior managers. During IDA 13, Deputies agreed to undertake an informal process to select a chairperson on a consensus basis for the IDA 14 Replenishment Consultation; as a result, the Managing Director of Finance for the World Bank was selected.

39. The table below shows the chairmanship pattern of the selected IFIs over their replenishment periods.

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14 Islamic Development Bank and Its Role in Financing Projects.
<table>
<thead>
<tr>
<th>Year</th>
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<th>AsDF</th>
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<th>FSO&lt;sup&gt;b&lt;/sup&gt;</th>
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<sup>a</sup> Information is not yet available on the Poverty Alleviation Fund of the Islamic Development Bank.

<sup>b</sup> Reference to chairman undocumented or incomplete.


<sup>d</sup> World Bank as trustee of the GEF.