

Document: EB 2006/89/R.46
Agenda: 18
Date: 14 December 2006
Distribution: Restricted
Original: English

E



Enabling the rural poor
to overcome poverty

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

Executive Board — Eighty-ninth Session
Rome, 12-14 December 2006

For: **Approval**

Recommendation for approval

The Executive Board is invited to take note of this report and endorse the recommendation contained in paragraph 41 of the current document.

Report of the Ad hoc Committee to Review Member States' Voting Rights and the Role, Effectiveness and Membership of the Executive Board

A. Introduction

1. The Ad hoc Committee to Review Member States' Voting Rights and the Role, Effectiveness and Membership of the Executive Board was established in April 2006 with the following mandate:

"to review the following two central issues: (i) voting rights of Member States and membership of the Executive Board, and (ii) the role and effectiveness of the Executive Board. In addition to the two central issues and subsidiary thereto, the ad hoc committee may also review the organization of the Governing Council, it being understood that this additional issue shall not be considered mandatory to the committee's deliberations and may be addressed by the committee on a time permitting basis. Any deliberations on this subsidiary item should not interfere with the effective and timely conclusion of the review on the two central issues."¹

2. Further details of the Committee's terms of reference are attached (annex I).
3. At the outset, the Committee realized that the limited time available would not allow for a long and detailed analysis. It set out therefore to review the background, additional information and alternatives on the various issues it had identified. On major issues, the Committee would limit itself to indicating the various alternatives to the Board. On other issues, it would make practical recommendations. The Committee did not find time to discuss the organization of the Governing Council.
4. The following major issues were identified:
 - (a) Voting rights and membership of the Executive Board.
 - (b) Possibility of – or need for – an intermediary body or mechanism between the Executive Board and the President of IFAD.
 - (c) Function, role, nature (i.e. standing or ad hoc) and number of committees of the Board.
 - (d) Code of conduct for Executive Board Directors.

B. Progress made

5. The Committee noted that improving the effectiveness of the Executive Board is an ongoing process. A number of measures have already been taken to enhance the effectiveness of the Board and have helped to improve oversight:
 - (a) Presentation of Action Plan deliverables:
 - (i) Adoption of a results-based country strategic opportunities programme (COSOP) framework and new streamlined format that allows for better review by the Board.
 - (ii) Improvements in the content and format of project documents, along with Web-posting of project appraisals; loans and grant proposals presented in a new format.

¹ EB 2006/87/R.36.

- (b) Adoption of a results-based management approach to planning and budgeting.
 - (c) Clear identification of Board documents as being for information, for consideration or for approval, and a focal point for technical questions indicated in each document.
 - (d) Increase in the number of informal seminars, e.g. on the performance-based allocation system (March 2006), on the targeting policy (June 2006), and on the strategic framework and knowledge management (October 2006).
 - (e) Flexibility in extending the length of Board sessions when business so warrants.
 - (f) Posting of a new document on the website showing agenda items for upcoming Board sessions.
6. Other measures considered include:
- (a) Preparation of a compendium of Board decisions, presently being updated by the Office of the Secretary.

C. Voting rights, voice and seats in the Executive Board

7. This was defined as a major issue and had been referred to in a proposal by Lists B and C (REPL.VII/3/C.R.P.1 of 6 July 2005).
- (i) Voting rights**
8. The proposals by Lists B and C were not agreed to by List A, although there was a clear recognition of the underlying concerns expressed in the paper.
9. On voting rights, Committee members expressed a range of views and assessments, notably on general principles, such as:
- (a) votes should serve to act as incentives to increase contributions;
 - (b) membership should be recognized in the allocation of voting rights;
 - (c) no List should have an absolute majority, now or in the future; and
 - (d) IFAD's rules and regulations should serve to enhance dialogue among Member States.
10. The following possible alternatives were raised and could be examined in the future:
- (a) a mechanism whereby new contributions would count more than old contributions;
 - (b) the applicability of a system of dual voting similar to the European Union model;
 - (c) abolishing the Lists and adopting a system of voting constituencies, as at the World Bank; and
 - (d) greater recognition of the voice and participation of countries with no or little ability to make contributions.
11. While a variety of alternatives passed the review, there was no agreement on a single best option.

(ii) Voice and seats on the Executive Board

12. Members' views ranged from increasing the size of the Board in order to strengthen representativity, to decreasing the number of Board seats in order to enhance efficiency.
13. Several alternatives were considered, including:

- (a) increasing the total number of seats from 36 to 44;
 - (b) leaving the number of seats unchanged;
 - (c) reducing the membership of the Board, for instance by limiting the role of alternates; and
 - (d) redistributing seats among Lists.
14. There was, however, no agreement. List A members do not support increasing the size of the Board, and thus the proposals of Lists B and C were not supported by List A.

(iii) Role of observers and other Member States on the Board

15. The Committee's discussions noted that it was difficult for non-Member States to participate in Board-related activities. Smaller countries with only slight prospects for securing a seat on the Board feel excluded. The Board should expand the possibilities for participation by observers, through such measures as:
- (a) allow observers to attend Board meetings (although space limitations may still be a problem);
 - (b) create better opportunities for contacts with List members;
 - (c) allow observers to participate in the work of Board committees and attend related discussions of the Board; and
 - (d) create more effective constituencies in which inputs and feedback are better organized.

Follow-up

16. After a general discussion in the Executive Board, a decision could be taken as to further discussion of the voting rights, voice and seats.

D. The interface between President/Secretariat and Executive Board

The issue

17. There is currently no formal mechanism or "body" or "interface" between the President of IFAD and the Executive Board. At stake is the further improvement of effective consultations in between Board sessions and of communications between IFAD Management and the Board. At present there exists an informal forum of List Convenors and Friends.

Possible alternatives

18. Three alternatives have been mentioned:
- (a) create a formal bureau;
 - (b) work through the current informal List Convenors and Friends forum; and
 - (c) devise improved/enhanced procedures for the current informal List Convenors and Friends forum, with clear terms of reference and frequency of meetings.

Follow-up

19. On 17 November 2006, the Acting Secretary submitted to the Convenors and Friends forum a proposal for enhancing the interface function between the President and the Board, which could function as the aforementioned alternative (c). The proposal – as revised to reflect discussions on that date and at a later meeting of Convenors and Friends on 7 December 2006 – is attached as annex II.
20. The Committee's preference is for alternative (c) as outlined in annex II. The Committee emphasized the need to be flexible and to incrementally improve the functioning of the interface with the aim of providing optimal consultations and

communications. We recommend that the Board endorse alternative (c) under these conditions.

E. Practical improvements for Board activities

The issue

21. The agenda of Executive Board sessions is typically very crowded, with the result that not all agenda items receive adequate attention. The work of the Board could be enhanced by introducing a number of practical rules and measures.

Possible measures

(i) Practical rules to be added to the rules of procedure of the Executive Board

22. Some lessons could be learned from the experience of other governing bodies in terms of improving governance, for instance the addition of concrete rules of procedure that enhance board effectiveness. With regard to the IFAD Rules of Procedure of the Executive Board, these could include:
- (a) Debate should be confined to the question before the Board, and the President would call a speaker to order if his or her remarks are not relevant to the subject under discussion.
 - (b) The Board could limit the time allowed to speakers and the number of times that each member may speak on any question.
 - (c) Interventions on procedural questions should not exceed five minutes. When a speaker exceeds the allotted time, the President would call him or her to order without delay.
 - (d) During the course of a debate, the President may announce the list of speakers and, with the consent of the Board, declare the list closed. When there are no more speakers on the list, the President would, with the consent of the Board, declare the debate closed.
 - (e) All decisions and substantive amendments should always be submitted in writing and circulated to all Board members, including the draft decision and giving the key aspects and the cost implications, before a decision is taken, preferably in the text of the relevant document submitted to the Board.
 - (f) Proposals and substantive amendments should be formally introduced to the Board. The Chairman may announce deadlines for the submission of proposals and substantive amendments to ensure sufficient time for circulation and for consideration by Board members.

(ii) Practical measures for improving the Board's efficiency

23. In addition to concrete rules, there are a number of practical measures that could be considered to enhance the Board's efficiency.

(a) Informal sessions of the Executive Board

24. The effectiveness of informal sessions was discussed. Informal meetings held well in advance of formal sessions would allow the secretariat to revise or amend documents in order to reflect comments made by Board Directors, thus facilitating consensus-building.

(b) Time management during Board sessions

25. Time could be better managed if there is consensus among the Board members. For example, time limits for interventions could be introduced along the example of some multilateral development banks, e.g. five minutes.

(c) Constituency

26. Placing greater emphasis on constituencies would help to save time. Joint preparation of the Board by each constituency would improve proceedings. For instance, alternate members would speak only after the principals have spoken. The Board may wish to reconsider the constituency system.

(d) Cost savings and cost effectiveness

27. It was acknowledged that translation costs for committees and other bodies are significant and constitute the largest cost in the management of committees. Under the Agreement Establishing IFAD, the Executive Board and Governing Council enjoy full translation and interpretation services. For other bodies, however, there was agreement to promote restraint, selectivity and flexibility in defining where translation/interpretation services are needed. As a rule, no translation/interpretation services are provided to committees or working groups. The need would be established on a case-by-case and meeting-by-meeting basis.

(e) Work plan

28. An annual plan of the Board's work could be prepared that would provide for a predictable workload that can be monitored.

(f) Policy framework

29. A policy framework could be compiled reflecting all Board decisions on policy.

Follow-up

30. The Board could approve all or some of the rules and measures proposed and ask the secretariat to incorporate them. Alternatively, the secretariat could be asked for a further proposal at its next session.

F. Constitution and role of Board committees

31. The Ad hoc Committee discussed the division between strategy, policy and oversight but, recognizing the difficulty of distinguishing among them, reviewed the respective roles of the Governing Council, the Executive Board and the Board committees. While the division among strategy (which is the focus of the Governing Council), policy (which is the focus of the Executive Board) and oversight (which is the focus of the Board and its committees) seems attractive, members agreed that it will always be difficult to discern between strategy and policy.
32. The main focus on policy development and oversight lies with the Board. In reviewing the role of the committees and working groups, the division of work and responsibilities is to be kept in mind. Members agreed that the Executive Board shall always maintain its accountability and oversight role for all matters affecting the institution.
33. At the same time, work by committees has been shown to facilitate the Board's work in terms of effectiveness and time-saving. The committees can be seen as facilitators for discussion and decision-making and as instruments in oversight, while actual responsibility lies with the Board itself and ultimately with the Governing Council.
34. There are at present five subsidiary bodies: two committees (Audit Committee and Evaluation Committee) and three working groups (on field presence, the performance-based allocation system, and voting rights); and the informal forum of Convenors and Friends (with the President) is being proposed.

The issue

35. The constitution and role of the committees needs to be reviewed for the following reasons:
- (a) the need to focus on development effectiveness;
 - (b) the need to periodically update and review the role of the committees; for instance, the Audit Committee could be reviewed in the light of recent best practices in international organizations on keeping the audit and finance functions separate;
 - (c) the need to provide an adequate forum to discuss COSOPs and projects in sufficient detail, which is at present not possible at Board sessions;
 - (d) the need to ensure cost-effectiveness and transparency in all committee work, stipulating that all minutes of all committee meetings will be posted on the Internet and that all committee meetings will be open to members and observers; and
 - (e) the need to prevent the proliferation of committees and working groups, bearing in mind that all Lists have serious difficulties in filling vacancies in the committees.

Possible alternatives

36. The following were considered:
- (a) Streamline the committees and ad hoc working groups. Committees should have a finite duration. The number of committees should be limited.
 - (b) Create a separate forum where projects and COSOPS can be discussed prior to approval by the Board, leaving to the Board the discussion of contentious projects/COSOPS. Consider holding more informal meetings in advance of Board sessions. Consider organizing a monthly forum to allow staff to discuss upcoming projects/COSOPS with interested Board members.
 - (c) Introduce a Development Effectiveness Committee to review the formulation, implementation and outcomes of projects, programmes and policies. Alternatively, meetings of the Evaluation Committee (possibly renamed the Committee on Evaluation and Development Effectiveness) could be made longer or more frequent, and could also review development effectiveness reports and other documents on impact and results prior to formal consideration by the Board.
 - (d) Limit the number of committees or subforums: the Evaluation Committee; the Audit Committee; the Project/Programme Committee, which could include COSOPs and finance matters; and the Development Effectiveness Committee. This last committee would deal with all issues not under the ambit of the other three.

Follow-up

37. The Committee recommends that the Board should have a general discussion on the subject. While considering the revision of the terms of reference, the Board should take into consideration audit and finance matters. Thereafter, the secretariat could draft a proposal on the basis of the directions indicated by the Board.

G. A code of conduct for Executive Board Directors

38. During the sessions of the Ad hoc Committee, the issue of a code of conduct for Directors was brought up. It was pointed out that all major multilateral banks (World Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, African Development Bank and Asian Development Bank) have such a code of conduct. All such codes address issues such as conflicts of interest, acceptance of gifts, future employment, etc. Time did not permit to fully discuss or

elaborate a code of conduct, but the Board is recommended to take a decision on the need for pursuing this matter.

H. Conclusions and recommendations

39. Governance is critical and requires ongoing attention. The Executive Board may wish to consider a method in which adequate attention can be given to governance issues.
40. There is a need to reach consensus among the Board members. Possible steps in the process include:
 - (a) an initial discussion at the December 2006 session of the Board;
 - (b) possible further elaboration in a standing or ad hoc committee; in addition, more attention would have to be given to consensus-building within the Board as to possible changes in governance; and
 - (c) decision-taking in the Board in 2007, including amendments of the rules of the Board, if deemed appropriate.
41. The Board is requested to approve the implementation of annex II, under the conditions outlined in paragraph 20 above.

Terms of Reference of the Ad hoc Committee

(from EB 2006/87/R.36)

Pursuant to Rule 11 of the Rules of Procedure of the Executive Board and further to the recommendation on IFAD's Governance Structure and the Role of the Executive Board contained in Annex II to the report, "IFAD's Contribution to Reaching the Millennium Development Goals: Report of the Consultation on the Seventh Replenishment of IFAD's Resources (2007-2009)", as approved by the Governing Council in Governing Council Resolution 141/XXIX, the Executive Board hereby

DECIDES

to establish an ad hoc committee from among its members to review the following two central issues:

- (i) voting rights of Member States and membership of the Executive Board; and
- (ii) the role and effectiveness of the Executive Board.

In addition to the two central issues and subsidiary thereto, the ad hoc committee may also review the organization of the Governing Council, it being understood that this additional issue shall not be considered mandatory to the committee's deliberations and may be addressed by the committee on a time permitting basis. Any deliberations on this subsidiary item should not interfere with the effective and timely conclusion of the review on the two central issues.

It is further **DECIDED** that the ad hoc committee will be comprised of representatives to be selected from among the Executive Board members from Lists A, B and C as follows:

- (i) four members from List A;
- (ii) two members from List B; and
- (iii) three members from List C;

and that a chairperson from among these nine be chosen to serve on a rotation basis.

The ad hoc committee will meet with the objective of concluding its discussions and recommendations by the end of 2006.

Purpose and procedures of meetings with Convenors and Friends

Purpose

1. It is proposed to have more regular meetings with the established group of Convenors and Friends of IFAD's Executive Board, particularly representatives from each of the three sub-Lists making up its membership. Such meetings should be scheduled regularly, have specific items for substantive discussion, and be jointly planned. The primary purposes would be to: enhance the functioning of the Fund through coordination, transparency and effectiveness; facilitate the work and decisions to be taken in the Executive Board and other governing bodies, such as decisions on procedural issues; improve communications between IFAD Management and the Board; and enhance consultation.

Procedures

2. It is proposed that meetings should be held every second month. This could either be on an agreed date and time each month or it could be adjusted in order to convene the greatest number of participants possible.
3. Meetings should be notified to all concerned two weeks in advance, unless the date for the next meeting can be agreed upon at the previous meeting.
4. The duly elected Convenors (including Co-Convenors, if any) of the Lists would be the focal points for the membership. The focal point for the secretariat would be the Secretary of IFAD.
5. There should be continuity of participation to the greatest extent possible.
6. Convenors would bring a small number of Friends to the meetings.
7. The President of IFAD would normally chair the meetings.
8. Agendas for the meetings could be initially drafted by the Secretary of IFAD, and then shared with Convenors to seek their input and proposals.
9. Notes would be prepared subsequently by the Secretary of IFAD, indicating conclusions and/or follow-up required.