

**UPDATE ON THE AD HOC WORKING GROUP ON GOVERNANCE**

Mr President, Distinguished Governors, Honourable Delegates, ladies and gentlemen:

The Governing Council established the Ad Hoc Working Group on Governance at its thirty-eighth session held in February 2015. I had the honour of being elected to chair the group at its first meeting, and I thank List C for nominating me and the other Lists for supporting my nomination.

The working group was tasked with considering governance issues, and 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 IFAD11 and beyond; and making proposals thereon for consideration by the Executive Board for submission to the Governing Council, as appropriate.

The group is to 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 to be held in February 2017 for consideration and endorsement.

The Working Group has held four formal meetings, in April, June and December 2015 and this past January, as well as a series of informal meetings.

The first meetings focused on the List system, reviewing documentation provided by the Office of the Secretary of IFAD. The objective of the review was to seek ways to improve the representation of Member States in the Fund's governing bodies.

Among the issues considered were changes in the international system since IFAD was established to the present day, and whether the Lists System continues to reflect the Fund's current situation, in particular the number of Member States and their respective contributions.

The suggestions put forward included setting criteria to determine the membership of each List; increasing List C participation and representation in IFAD's governing bodies; facilitating transfers by countries from one List to another; and, in particular, generating new incentives for financial contributions to IFAD based on an analysis of incentives and disincentives. Some members also underscored the link between increasing representation and the contributions made, and consideration was given to the voting system and the weight of historical contributions.

In view of the diversity of opinions and the importance of the question of governance, an international consultant, Mr Emmanuel Maurice, was recruited to carry out a thorough review of systems of representation at IFAD and other organizations, such as global environment funds and multilateral development banks, in order to consider alternatives for representation

and for the duration of replenishment cycles. The report was to take into account primarily the aim of ensuring and increasing the effectiveness of IFAD and its pro-rural development mandate, as well as improving incentives for financial contributions to the Fund.

The preliminary reports prepared by Mr Maurice put forward alternatives to the Lists system, such as rebalancing representation – by facilitating transfers from List to List, reallocating Board seats, abrogating the List system or establishing extra seats, among others – and underscored the importance of incentivizing contributions to the Fund. On the question of replenishment, Mr Maurice suggested, inter alia, increasing the number of List C participants, using IFAD's digital platforms more effectively and delinking participation in consultations from the List system. Also on the question of replenishment, all of the discussions underscored the importance of considering the existing link between seats on the Board and contributions or the lack thereof.

In particular, the consultant indicated that extending the replenishment cycle could have a positive, neutral or negative effect on replenishment levels, funding adequacy, the efficiency and cost of the replenishment process and IFAD's dialogue with Member States. He stated that a longer cycle would make it easier to match funding to country programmes, and a shorter cycle could pose a challenge for long-term development planning.

Mr Maurice noted that a longer cycle could bring about some savings from holding fewer meetings, though not a significant amount, and that extending the replenishment cycle at the Asian Development Fund and European Development Fund had not led to lower contributions. Finally, a longer cycle could be beneficial to the quality of dialogue between IFAD and the Membership as it would be based on a midterm review covering two years, i.e. 50 per cent of the period rather than the current 33 per cent.

The essential point to be kept in mind is that changing the replenishment cycle from three to four years must under no circumstances jeopardize IFAD's contributions, and therefore some kind of compromise needs to be reached with the Member States in order to adjust their contributions to a longer cycle.

On the question of coordinating with other international financial institutions (IFIs), although it was underscored that it would be positive, Mr Maurice reported that the working groups on governance at comparator IFIs had already completed their work. Their replenishment periods were about to begin and therefore they would not be creating new working groups until, perhaps, the end of the replenishment period.

The consultant has submitted a draft report and will submit his final report in March 2016 for consideration at the fifth official meeting of the Working Group to be held in April.

In view of the foregoing, Distinguished Governors, it is of critical importance to involve the Member States, and this Governing Council provides a unique opportunity, given the presence of the Governors, to take cognizance of the crucial issues concerned.

We are considering ways to make IFAD more efficient and more participatory in fulfilling its mandate. We are being asked to reach a decision on the Lists System we now have, which

reflects a world that no longer exists, and we have to decide if this Lists System is working well or needs to be corrected.

In addition, we are being asked to discuss and decide on the optimal duration of IFAD's replenishment cycle – three years, as is currently the case, or four years, following the example of other IFIs that have made this change.

I consider fundamentally important the involvement of the Member States and their delegates in the Working Group, as well as any review undertaken by each of the capitals and their governments on these two critical issues under the mandate of the Working Group on Governance.

We are faced with formidable challenges. We have approved the Agenda 2030 and the 17 Sustainable Development Goals. We need to contribute, through IFAD, to rural development and to combating food insecurity and poverty.

Distinguished Governors, we are counting on the participation, collaboration and opinions of your Governments to ensure the successful deliberations of the Ad Hoc Working Group so that it may make realistic recommendations to the next session of the Governing Council to be held in February 2017. Ultimately, our goal is to contribute to improving IFAD's efficiency and effectiveness through greater participation by the Member States of the Fund.

Many thanks.