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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Consultation on the Seventh Replenishment of IFAD's Resources – Third Session**

Rome, 5-7 July 2005

**VOTING RIGHTS OF MEMBER STATES  
AND MEMBERSHIP OF THE EXECUTIVE BOARD**

**PROPOSAL OF LISTS B AND C**

Attached is the proposal of Lists B and C to the Consultation on the Seventh Replenishment of IFAD's Resources with regard to voting rights of Member States and membership of the Executive Board, as submitted by the Convenor of List C on behalf of both Lists.

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24 June 2005

**I. Introduction**

1. The Consultation on the Seventh Replenishment of IFAD's Resources, at its Second Session held on 21-22 April 2005, agreed, in document REPL.VII/2/C.R.P.2, that it would consider the proposal of Lists B and C for review of the current basis of calculation and allocation of the voting rights of Member States and the membership of the Executive Board at its Third Session on the basis of a document to be submitted to it containing purely factual background information. IFAD management has responded to this requirement by producing a document (REPL.VII/3/R.6) presenting the evolution of the current situation in IFAD.
2. The present background paper, which utilizes the data provided in the factual paper prepared by the Secretariat, aims at introducing the detailed proposals of Lists B and C for generating and feeding discussions on the issues. The voting rights of Member States and the membership of the Executive Board, by virtue of their political nature, are issues that are exclusively of the competence of IFAD's membership. The Secretariat can, therefore, play only a facilitating role by providing the necessary required information.
3. Being "the only international organization established to focus exclusively on the situation of the rural poor", IFAD has a special role in meeting the Millennium Development Goals of reducing hunger and alleviating poverty in the world. "Reaching the un-reached and amplifying the voice of the voiceless is IFAD's unique role in the development system."<sup>1</sup> In the global development dialogue, IFAD must strongly and consistently advocate the needs and concerns of the rural poor and, to this end, can be a torch-bearer for other international institutions and donors.

**II. The Rationale for List B and C Proposal**

**A. Voting Rights**

4. IFAD's broad membership and the active role traditionally played by developing Member States in its governance distinguish it from other institutions. In financial terms, loan repayments and replenishment contributions of developing countries constitute the major proportion of the resources available to IFAD annually for extending loans and grants. There has always been some recognition of the special place of developing countries in IFAD, by attempting a balance between developed

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<sup>1</sup> Report on the Independent External Evaluation of IFAD (document EB 2005/84/R.2), *The Comments of the IEE Senior Independent Advisors* (Part III, paragraph 11).

and developing countries in the voting system and in the representation of Member States on the Executive Board of the organization.

5. Being a specialized organization within the UN system, IFAD, as a development institution, should continue to fulfil its mandate of enabling the rural poor to overcome their poverty and ensuring that developing countries participate fully in the governance of the organization and that their voices are heard.
6. The principle laid down in paragraph 7(iii) of IFAD's factual paper, by which it is purported that all Member States have "equal access" to membership and contribution votes, is not realistic, given the fact that Member States find themselves at different stages of development. On the one hand, the access of List C members to membership of the IFAD Executive Board is limited by the comparatively few seats available therein and, on the other hand, developing countries obviously do not have the same capacity as developed countries to make replenishment commitments.
7. The uniqueness of the organization is underscored by the significant proportion of its financial resource that is contributed by developing countries. As mentioned in paragraph 4, the major portion of funds available annually to IFAD for extending loans and grants comes from developing countries. Furthermore, in the total value of projects, domestic contributions and cofinancing constitute a large share. Here again, the input of developing countries needs to be acknowledged. However, it is difficult to translate these contributions into vote shares and it is probably for this reason that the rights of List C members are attempted to be safeguarded by allocating to them a fixed proportion of total votes as membership votes.
8. Since 1997, (the Fourth Replenishment) the balance in vote shares and representation on the Executive Board has shifted perceptibly, at the expense of developing countries.
9. The history of vote distribution as shown in the table below gives an interesting picture of how the changes occurred in the course of successive replenishments. Since the Fourth Replenishment, List A votes have increased in proportionate terms by 3.2 percentage points while List C's have only increased by 1.2 points and, in the meantime, List B's have decreased by 4.4 points. A higher proportion of voting rights is thus accruing to List A, mainly at the expense of List B. Extending the analysis further, figures show that increases in contributions in the same proportion in each of the three lists will be followed by a more than proportionate increase in List A's share of the total votes. If this trend continues, a higher proportion of voting rights will continue to accrue to List A, thus violating, in the long run, the principle of ensuring that no single list shall be in a position to make decisions alone. If the present trend is not checked, List A will find itself in a position to unilaterally take decisions.

**Current Status of Cumulative Votes, Based on Actual Status of Payments  
(as at 11 May 2005)**

| List<br>Countries | Initial Votes |              | Fourth<br>Replenishment |              | Fifth Replenishment |              | Sixth<br>Replenishment |              |
|-------------------|---------------|--------------|-------------------------|--------------|---------------------|--------------|------------------------|--------------|
|                   | Votes         | % of Total   | Votes                   | % of Total   | Votes               | % of Total   | Votes                  | % of Total   |
| A                 | 752.4         | 41.8         | 887                     | 42.9         | 1029.8              | 44.0         | 1184.3                 | 45.0         |
| B                 | 386.5         | 21.5         | 408.5                   | 19.8         | 427                 | 18.3         | 451.3                  | 17.1         |
| C                 | 661           | 36.7         | 770.1                   | 37.3         | 882.7               | 37.7         | 998.9                  | 37.9         |
| <b>Total</b>      | <b>1799.9</b> | <b>100.0</b> | <b>2065.6</b>           | <b>100.0</b> | <b>2339.5</b>       | <b>100.0</b> | <b>2634.5</b>          | <b>100.0</b> |

**B. Membership of the Executive Board**

10. Until 1997, each of the three Lists had 6 members and 6 alternate members on the Executive Board. Since 1997, however, on the recommendation of the Special Committee, the balance has swung in favour of List A, which is allocated more seats than the other Lists.
  
11. While considering the proposal for revision of representation in the Executive Board of the organization, the following elements should be taken into consideration: (i) the number of IFAD members from developing countries keeps increasing, making the election process for designating their respective representatives, within Lists B and C, very difficult; (ii) the relatively reduced membership from List B (four members and four alternates) and from List C (six members and six alternates) minimizes their ability to effectively represent large constituencies and to participate effectively in committees of the Board and working groups; (iii) the reporting procedure to the various sub-constituencies, especially within List C, is cumbersome, in the sense of a very few people having to report to a large and diverse group. It is therefore obvious that the present composition of the Executive Board does not reflect the actual architecture of the Lists and creates an imbalance that needs to be corrected. The table below shows the actual situation relating to representation in the Board as per the number of countries forming each constituency.

**Actual List Representation in the Executive Board by  
Constituency**

| List | Number of Countries | EB Membership | % Representation |
|------|---------------------|---------------|------------------|
| A    | 23                  | 16            | <b>69.6</b>      |
| B    | 12                  | 8             | <b>66.7</b>      |
| C    | 129                 | 12            | <b>9.3</b>       |

12. IFAD is an organization made up of a combination of donor and recipient countries. Recipient countries, through their representation in the Executive Board, articulate the voices of the poor. They not only express the needs and aspirations of IFAD's target groups, but also provide feedback on programme impact and implementation.
  
13. As long as the number of representatives of various lists in the Executive Board does not influence the process of decision-making when it comes to voting (each member representing exclusively the agreed votes in its constituency), and inasmuch as decisions are generally taken by consensus, an additional number of members will not cause any distortion in the decision-making process. On the contrary, an expanded Executive Board, within acceptable proportions, will add value to the deliberations.

### **III. Proposals for Addressing the Issues**

#### **A. General Considerations and Basic Principles**

14. In addressing the issues of voting rights of Member States and membership of the Executive Board, some basic principles shall be adhered to, namely:
- the classification of the membership by constituency, made up of three Lists (A, B and C), shall be preserved;
  - the financial weight per List as well as the total number of countries composing each List shall be given adequate consideration;
  - the structure of the Executive Board shall reflect the role of developing countries in the governance structure of the organization;
  - the link between individual contributions and voting rights shall be maintained;
  - efforts shall be made to encourage competition within lists so as to avoid distortions generated by putting countries at different stages of development at the same level of comparison. In so doing, contribution votes shall be divided among members of the same List;
  - the Executive Board shall include at least one member or one alternate member from among the Member States in each sub-List of List C making the highest substantial contributions to the resources of the Fund;
  - a seat on the Executive Board shall continue to be guaranteed to the highest contributor within the sub-lists of List C;
  - in preserving the important role played by developing countries in the governance of the institution, List C membership votes shall represent one third of the total membership votes and of replenishment votes;
  - no single List should be able to take decisions unilaterally; decisions should be collectively taken by the three Lists;
  - members' cumulative paid contributions should continue to be given due consideration and weight;
  - eligibility for membership on the Executive Board shall be restricted to members who are not in contribution payment arrears against whom accounting provisions are not made. If the situation of a member being in arrears is noted while that member is sitting in the Executive Board, their membership on the Board shall be suspended and replaced by another eligible member from the same List.

#### **B. Voting Rights**

15. In line with the above-mentioned basic principles and with the aim of ensuring equity and encouraging solidarity in contributing to IFAD's resources, Lists B and C propose adoption of a standard distribution of replenishment votes among Lists A, B and C in the ratio 40% : 20% : 40%, from the Seventh Replenishment onwards.
16. The formula for calculating membership votes and contribution votes based on cumulative contributions until (including) the Sixth Replenishment will be the same as at present. Additional votes created in the Seventh Replenishment and beyond will be distributed as follows: membership votes will be created and distributed among Lists as per the earlier practice, but contribution votes shall not be applied as a general principle for the determination of total votes but shall be adapted to reflect the

country's contribution within its constitutional List. The denominator in the fraction to determine a member's contribution vote shall therefore be the total List contribution and not the total membership contribution as is the case presently.

17. In other words, the allocation of replenishment votes created from the Seventh Replenishment onwards will be made within the overall distribution ratio of 40:20:40 among Lists A, B and C. Membership votes will be distributed in the same manner as before, with List C receiving in the form of membership votes 33% of the votes created, which will be divided equally among all members of the List. Individual members of the other Lists will receive the same number of contribution votes as is allocated to List C members. Contribution votes (i.e. the difference between the designated vote share of the List and its membership votes) will be distributed in proportion to each member's contribution within the given List.

**C. Membership of the Executive Board**

18. Lists B and C recommend an increase in the total number of seats from the present level of 36 (18 members and 18 alternates) to 44. There will be 22 members and 22 alternates with the following composition by List: List A, 16 seats (8 members and 8 alternates); List B, 10 seats (5 members and 5 alternates); and List C, 18 seats (9 members and 9 alternates).
19. The expansion in the composition of the Executive Board will therefore modify the percentage representation as presented in the following table:

**Proposed change in List Representation on the Executive Board  
by Constituency**

| List | Number of Countries | EB Membership | % Representation |
|------|---------------------|---------------|------------------|
| A    | 23                  | 16            | <b>69.6</b>      |
| B    | 12                  | 10            | <b>83.3</b>      |
| C    | 129                 | 18            | <b>14.0</b>      |