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

### Note to Governors

#### Focal points:

#### Technical questions:

Ra it Pertev  
Secretary of IFAD  
Tel.: +39 06 5459 2254  
e-mail: r.pertev@ifad.org

#### Dispatch of documentation:

Alessandra Zusi Bergés  
Officer-in-Charge  
Governing Bodies Office  
Tel: +39 06 5459 2092  
e-mail: gb\_office@ifad.org

Ad Hoc Working Group on Governance – Fourth Meeting  
Rome, 20 January 2016

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For: Information

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

1. The fourth meeting of the Ad Hoc Working Group on Governance was held on 20 January 2016 at IFAD headquarters. Members participated from Angola, Argentina, the Bolivarian Republic of Venezuela, Denmark, Indonesia, Italy, Pakistan, United Kingdom and United States. Representatives for Brazil, Canada, China, Dominican Republic, France, Norway, South Africa, Spain, Sudan, Switzerland and Yemen attended as observers.
- A. Opening of the meeting**
2. Before beginning discussions, the Chair of the Working Group, His Excellency Claudio Rozencwaig of Argentina, informed participants of the recent demise of the Vice-Chair of the Working Group, Mr Tazwin Hanif, from Indonesia. He expressed sorrow at the sad news and asked the Indonesian delegation to convey the deepest sympathies of working group members, IFAD Management and the Chair to Mr Hanif's family.
  3. The Chair provided an overview of the envisaged timeline for the working group as contained in its workplan.<sup>1</sup> He also informed participants of the receipt of the draft report prepared by the international governance consultant, Mr Emmanuel Maurice. The report would be made available in English first, and then posted in the four official languages on 2 February as a restricted document for members. Members would have the possibility to provide their comments within a two-week time frame.
  4. The Secretary of IFAD shared a summary of the third formal meeting of the Working Group, as well as information on the revised timeline of deliverables by the consultant.
- B. Adoption of the agenda**
5. The agenda of the meeting was adopted without amendment.
- C. Review of IFAD's Replenishment process**
6. The international governance consultant recapped on some issues pertinent to the replenishment process and the possible implications of an extended replenishment cycle as raised at the December meeting. Information was also shared on the discussions and decisions regarding the replenishment cycles at other international financial institutions (IFIs).
  7. Mr Maurice underlined that an extension of the replenishment cycle could have a positive, negative or neutral effect on replenishment levels, the adequacy of funding, the efficiency and cost of the replenishment process and dialogue with members. He emphasized that reducing the number of consultation meetings from four to three in a four-year replenishment cycle would bring some – albeit limited – cost savings and reiterated that the issue should be examined within the framework of a broader reform of the consultation process. He suggested considering an extension of IFAD's replenishment cycle in coordination with comparable IFIs, such as the African Development Fund (AfDF) and the International Development Association (IDA).
  8. The Director, Partnership and Resource Mobilization Office (PRM) informed members that IFAD was already coordinating with other IFIs on replenishment matters. In this regard, the examples provided by the consultant of the Asian Development Fund and European Development Fund as agencies with four-year cycles may not be adequate comparators given the unique nature of those institutions. He agreed that a four-year replenishment would bring only limited cost savings and noted that the same result could perhaps be achieved by organizing

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<sup>1</sup> WGG 2015/3/L.2/Rev.1.

fewer meetings during the replenishment consultations. Notwithstanding the view that the effects of a longer replenishment cycle would be difficult to predict, he summarized Management's concerns as being reduced dialogue with Membership and risks of delinking IFAD's replenishment process from the two other similar IFIs. He recommended that:

- (i) Any extension be considered in the context of a broader reform involving the coordination of the extension of replenishment periods with other IFIs, with perhaps IDA taking the lead; and
- (ii) The replenishments focus on a limited number of strategic issues.

9. Some views voiced by members are summarized below.

- While some members supported extending the replenishment cycle to four years, others raised concerns about the possible negative impact of a longer cycle on the level of contributions, also given the current challenges in reaching the target for IFAD10.
- Replying to a member's proposal to extend the replenishment cycle to four years on a pilot basis and go back to three if necessary, the consultant strongly advised against this option because of the difficulties involved in the process.
- Some members suggested that the replenishment issue should be considered as a "package" of which cycle length would be only one element; discussions should therefore also consider the effectiveness and efficiency of the consultation process. On this note, while commending IFAD Management for the good progress made, in particular regarding the last two replenishment exercises, it was suggested that there was still margin for improvement, in particular regarding the need for Member States to obtain a clearer picture of the outcomes of the replenishment processes.
- The cost-savings aspect of an extended replenishment cycle was welcomed, although it was recognized that such savings would be limited.
- With respect to Management's concern regarding possible reduced dialogue, a member suggested making enhanced use of the Governing Council as a forum for consultation.
- The opinion was expressed that Management should have a frank and open dialogue with each Member State, as well as with sister agencies, on the possible consequences of a longer cycle. With regard to the suggestion to harmonize with other IFIs and establish a dialogue with them on this issue, one member pointed out that the equivalent governance working groups of these institutions had already completed their tasks. Their replenishment periods were about to start and therefore these WGs would not be re-established until perhaps the end of the replenishment. The view was also expressed that it would be advantageous for IFAD to take the lead in this issue and differentiate itself from other institutions, especially the bigger IFIs.

10. In conclusion, it was decided that some questions would be included in an annex to the upcoming consultant's draft report to allow members to provide their views on a possible extension of the cycle as well as any comments on the draft report itself.