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

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Ad Hoc Working Group on Governance – Seventh Meeting
Rome, 10 October 2016

For: Information

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

1. The seventh meeting of the Ad Hoc Working Group on Governance was held on 10 October 2016 at IFAD headquarters. Members participated from Angola, Argentina, Denmark, Indonesia, Italy, Pakistan, the United Kingdom, the United States and the Bolivarian Republic of Venezuela. Representatives for Brazil, Canada, China, Cuba, Egypt, Germany, Lesotho, Norway, Peru, the Russian Federation, Switzerland and Uruguay attended as observers.

A. Adoption of the agenda

2. The agenda of the meeting was adopted with the inclusion by the Chairperson of an item related to the extension of the working group's mandate under other business, further to a query raised by one representative.

B. Draft report of the Ad Hoc Working Group on Governance

3. The Chairperson provided a comprehensive overview of the discussions held at the informal gathering on 14 September 2016. Consensus had been reached on several replenishment matters, as stated in paragraphs 7 and 8 below. Furthermore, with respect to the format and structure of the replenishment consultation meetings, measures had been agreed to ensure greater effectiveness and cost efficiency as described in the draft report, which substantially involved: (i) greater participation by Member States in developing the agenda through informal discussions and open consultations with Management, and a more targeted focus on agenda items; (ii) fewer but more focused meetings during replenishment consultations; (iii) a reduction in the number and length of documents produced for the replenishment consultations; and (iv) more effective use of IFAD's digital platforms between and during replenishment consultations to carry on a substantive dialogue between IFAD Management and Member States.

4. The draft report of the working group, which covered mainly issues related to IFAD's replenishment, was tabled at the meeting. The Secretary of IFAD, a.i. explained that as consultations on the List system were still ongoing, the relevant section had not been included in the draft report.

5. Some members suggested postponing the discussions as they had not had sufficient time to consult with their Lists and capitals on the draft report. The Chairperson reminded members that the draft report covered uncontentious issues that had been agreed upon at the informal gathering. On the other hand, he acknowledged the need to fine tune the document and consult with the Lists on two main aspects that required further discussion, namely the criteria for participation in replenishment consultations for each List, and the List system, including rules and procedures for implementing changes.

6. In this light, the discussion focused on IFAD replenishments and the List system, as summarized below.

Replenishment issues

7. Noting that other international financial institutions (IFIs) had decided to retain a three-year replenishment cycle, the working group confirmed that an extension of the IFAD replenishment cycle to four years would not be desirable at this stage as it would delink IFAD from IFI comparators. Additionally, such an extension could create difficulties for IFAD in mobilizing resources to maintain the programme of work at the current or a higher level.

8. The Chairperson recalled the agreement reached at the recent informal gathering on the principles for participation in replenishment consultations, drawing on

suggestions made in the consultant's report, and requested that these be included in the final report, namely:

(i) Limiting the number of non-contributing Member States and making participation in the consultation conditional on their eligibility for highly concessional or blend lending terms, and their ability to promote programmes of particular interest to IFAD (as determined by IFAD); and

(ii) Redistributing some seats and allocating them to low-income List C countries and to potential or major List C contributors, with a view to encouraging Member States to contribute to IFAD's resources.

9. In response to a question regarding the criteria to determine each List's participation, it was agreed that each List would define its own criteria and implementing modalities.

10. In response to one List C member's suggestions to increase the number of seats in the replenishment consultation, List B members recalled the agreement reached at the informal meeting on the desirability of finding ways to facilitate participation by low-income countries (LICs) while maintaining the current number of seats.

11. It was also agreed that any such changes would be effective as of the Twelfth Replenishment of IFAD's Resources (IFAD12).

List system

12. The working group was informed that the Office of the Secretary had been carrying out consultations with the Bureau and Management on the List system, particularly regarding the definitions for List membership, and the rules and procedures for joining a List and for transferring from one List to another. As a result of these consultations, two options had been set forth and were presented at the meeting.

13. The first option called for distinctions between the Lists based on members' eligibility for IFAD financing. This option would define List C as a group of countries that are eligible for IFAD financing on highly concessional, blend and ordinary terms in accordance with the criteria set in the Policies and Criteria for IFAD Financing (2013).

14. The second option introduced the concept of net contributors, namely those countries whose cumulative paid contributions exceed their cumulative borrowings and grants. Accordingly, List A would consist only of net contributors, except those net contributors that are already List B members; and List C would comprise those members that are not net contributors. This could result in the transfer of some countries, such as the Republic of Korea and Israel, from List C to List A.

15. Under both options, List B would retain its current composition.

16. The List membership of a new Member State would be determined before its IFAD membership application is considered by the Executive Board and approved by the Governing Council. List composition would be reviewed on a regular basis, preferably before the election of the Executive Board, to ensure that countries continue to be in the appropriate List.

17. Changes in List membership for the current IFAD Member States, based on the objective criteria outlined in paragraph 13 or 14 above, would be made following such reviews. While expressing divergent views regarding these proposals, members noted the need to consult with each respective List.

18. One member welcomed the idea of introducing eligibility for IFAD financing as a criterion, as a clear way to distinguish between Member States. One List A member stated that in accordance with this option some List C members, such as Malta, would be more appropriately based within List A. On the other hand, List A members expressed concern that these options could risk eroding list identities,

and that some members may prefer to remain with their current regional sub-List that will be maintained in the proposed way forward.

19. List A also recognized List B's wish to retain its current composition and voiced the hope that this would lead to further strengthening List B's engagement with IFAD. Although it was suggested that some List C countries might wish to join List B on the basis of like-mindedness, List B members indicated that they would prefer to keep the reference to the Organization of the Petroleum Exporting Countries (OPEC) in the definition of their List.

Representation issues

20. While acknowledging the role of List B countries as significant contributors, List A noted that, according to the consultant's report, List B was overrepresented at the Board by two seats, and welcomed the compromise solution suggested by the Chairperson to transfer one Board seat from List B to List C, to be allocated to a LIC. List B acknowledged that the large number of List C countries pointed to the need for additional representation on the Board. List B did not support the proposal to allocate an additional seat to List C based on different percentage contributions between List C and List B, given that the data provided showed that List B's cumulative contribution to IFAD over time was significantly larger than List C's. The Chairperson reminded participants, however, that according to the consultant's report List B's overrepresentation was based on the calculation of voting power, and the relationship between voting power and number of seats. He reiterated the proposal to transfer one seat from List B to List C, and suggested that, should this proposal not be accepted by List B, members consult with their capitals, taking into account IFAD's mandate and the possible positive impact of creating an additional seat for LICs in the Audit and Evaluation Committees and possibly on the Executive Board.

21. In the event of a transfer of a seat from List B to List C, the proposal to create an additional seat on the subsidiary committees for a LIC would be supported by List A. Additionally, it was suggested that available means of grouping members within Lists, such as constituencies, could also be used to enhance the representation of those countries that did not hold Board seats.

C. Other business

22. The possibility of extending and widening the working group mandate was raised by one representative and considered.

23. Although some members expressed support for this option, no consensus was reached. Members felt that, while noting the value of the continuing dialogue and discussion, it should be kept in mind that the review of governance was an ongoing process that would continue after the working group had ceased. In addition, the extensive discussions held by the group had already led to agreement on important aspects and some changes within its mandate, as well as the recognition that the way forward required a gradual approach.

24. Moreover, given that the IFAD11 Consultation would also take place in 2017, one member highlighted the additional work that a possible extension of the working group's mandate would entail for both members and Management, and the possible spill-over effects of a review of sensitive governance issues held in parallel to replenishment negotiations. It was therefore suggested to take stock again upon conclusion of the IFAD11 Consultation.

D. Next steps

25. It was decided that an additional meeting would be held on 4 November to discuss and finalize the report. To this end, the Chairperson requested that Convenors and working group members hold consultations with their Lists on the pending issues.

26. It was also decided that the Office of the Secretary would submit a draft on the List options by 14 October. Members would send their feedback, including criteria for participation in replenishment consultations, by 26 October and a final draft document would be dispatched on 31 October.