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Investing in rural people

Draft report of the Ad Hoc Working Group on Governance

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

For: Approval

Contents

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Recommendation for approval

The Executive Board is invited to approve the transmittal of the final report of the Ad Hoc Working Group on Governance, including a draft resolution contained in annex I, to the fortieth session of the Governing Council in February 2017 for adoption.

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I. Background

1. Among the issues highlighted during the review of the report on the Corporate-level evaluation on IFAD replenishments (CLER) at the 111th session of the Executive Board in April 2014 was IFAD's governance structure, including the participation and representation of IFAD's Member States in governance processes and replenishment consultations. Many representatives raised questions regarding the relevance of the List system in light of current economic developments, and several spoke about the potential benefits of moving to a four-year replenishment cycle. A decision was taken to establish a working group to follow up on the List system[1] and the governance-related recommendations arising from the CLER.

2. The Consultation on the Tenth Replenishment of IFAD's Resources (IFAD10) considered these recommendations at its second session in June 2014 and Consultation members expressed their broad support for the proposal of setting up a working group to address some aspects of the replenishment process and governance issues.[2]

3. As suggested in the Report of the Consultation on the Tenth Replenishment of IFAD's Resources,[3] the Governing Council, at its thirty-eighth session in February 2015, established an inter-consultation working group to consider governance issues.

4. Per its Terms of Reference,[4] the Ad Hoc Working Group on Governance would, in particular:

    (a) review and assess the governance-related recommendations arising from the CLER, particularly with regard to the structure, appropriateness and relevance of the IFAD List system. … [and] also review and assess the implications and potential impact on all IFAD governing bodies with regard to any changes to the List system as well as Member State representation;

    (b) review and assess the composition and representation of the replenishment consultation and the length of replenishment cycles in IFAD11 and beyond; and

    (c) make proposals on (a) and (b) above for consideration by the Executive Board for submission to the Governing Council, as appropriate.

5. The Working Group was tasked with briefing the Executive Board regularly, and with submitting 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 in February 2017 for endorsement, and with a view to the adoption of such resolutions as may be appropriate.

6. Since its establishment, the Ad Hoc Working Group on Governance has held seven formal meetings, and more than 10 informal meetings and consultations with the Lists. The deliberations of the Working Group were documented by syntheses of

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[1] Minutes of the 111th session of the Executive Board, EB/111.
[2] Summary of the Chairperson: Second session of the Consultation on the Tenth Replenishment of IFAD's Resources, IFAD10/2/INF.3/Rev.1.
[3] GC 38/L.4/Rev.1.
[4] Ibid., p.62-63.

deliberations presented to the Working Group and by progress reports presented to the Executive Board.[5]

7. As stipulated in the Terms of Reference, the Executive Board is hereby invited to consider this final report containing the results of the deliberations and recommendations of the Working Group, and to recommend its submission to the Governing Council at its fortieth session in February 2017, for adoption of the draft resolution attached thereto.

II. Deliberations of the Ad Hoc Working Group on Governance

8. Building on its Terms of Reference, the members of the Working Group worked together and in close consultation with the Lists of IFAD Membership and IFAD Management to ensure a decision-making process based on consensus. The consultative process was a fundamental part of the proceedings, thus reflecting the unique partnership among Member States upon which IFAD was founded.

9. As noted above, the Working Group held seven meetings, and a number of informal meetings and consultations with the Lists. At the first two formal meetings, presentations and background documentation were provided on IFAD's List system, presenting the historical context and its development over time; on the representation of Member States on IFAD's governing bodies and its evolution over time; and on IFAD's replenishment process. Furthermore, at the request of Working Group members, the Independent Office of Evaluation of IFAD made a presentation on the governance-related findings and recommendations of the corporate-level evaluation on IFAD's institutional efficiency and efficiency of IFAD-funded operations (2013) and the CLER.

10. At the Working Group's second meeting in June 2015, during discussions on the List system and on ways to improve representation of Member States on IFAD's governing bodies, it was suggested that an international governance consultant be recruited to work on the issues within the mandate of the Working Group, to provide the Working Group with a detailed and thorough review of IFAD's List system and governance, and the replenishment cycle.

11. Further to the second meeting, the Office of the Secretary recruited the requested consultant, who carried out a study to review governance, representation systems and the replenishment cycle at IFAD and at other international financial institutions (IFIs) – specifically multilateral development banks and global funds – and provided an analysis of possible options of representation systems for IFAD Member States to consider. The consultant presented his first findings and preliminary proposals at the third meeting in December 2015. A formal meeting was also held in January 2016 to focus on issues related to IFAD's replenishments. Taking into consideration the discussions and views expressed by members at the meetings and during informal consultations, the consultant prepared his draft report and shared it with members of the Working Group in February 2016. The final report, which reflected the feedback received from members, was made available prior to the fifth meeting in April 2016. Subsequently, a consolidated version was posted to reflect the discussions held at the meeting.[6]

12. The assessment and options proposed by the consultant were thoroughly reviewed by the Working Group in subsequent meetings. In addition to the List options presented by the consultant, two other options were suggested by the Chairperson at informal gatherings held with restricted participation of the Working Group members and at the sixth meeting in June 2016. Further to the request of the Working Group at its sixth meeting, a non-paper was prepared by the Office of the

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[5] EB 2015/115/R.24/Rev.1, EB 2016/117/R.17 and EB 2016/118/R.32.
[6] See annex I.

Secretary and shared with Working Group members in July 2016 to summarize the options provided in the report of the international governance consultant, as well as the additional proposals discussed in June, with a view to facilitating consultations among Lists.[7]

13. At the request of the Chairperson, an additional informal gathering of the Working Group was held in September 2016, prior to the seventh meeting, to discuss the proposals listed in the non-paper and any comments from members thereon, with a view to identifying issues and recommendations to be included in the final report of the Working Group.

III. Results of deliberations

A. List system and representation issues
[This section is in development.]

B. Replenishment

14. The Ad Hoc Working Group on Governance considered the discussion on the replenishment cycle as an opportunity to consider possible reforms to build on the effectiveness and efficiency of the replenishment consultations, enhance engagement and strengthen Membership representation, and provide more opportunities, in particular for lower-middle-income countries (LICs).

Length of replenishment cycle

15. The Working Group considered the possibility of extending IFAD's replenishment cycle from three to four years. Although it was recognized that a longer cycle could foster greater efficiency (including a more balanced midterm review) and generate limited cost savings, it was agreed that such a change should be considered in light of the replenishment cycles of other IFIs in order to maintain linkages with comparator institutions.

16. Against this background, the Working Group recommended maintaining the three-year replenishment cycle and continuing discussions on the issue with other IFIs in the future to ensure alignment and strengthen partnership opportunities.

Participation in replenishment consultations

17. The Working Group also focused on how to enhance participation in replenishment consultations and encourage contributions from developing countries and on how to balance efficiency and representation demands. During discussions, the need to identify criteria for participation in replenishment consultations was highlighted.

18. For this purpose, members agreed to work on the following two proposals, which focused on ensuring the participation of a wider range of Member States while maintaining the current number of seats in the replenishment consultations. It was suggested that the number of non-contributing Member States in the replenishment consultation be limited by making their participation conditional on:

(a) Their eligibility for highly concessional or blend lending terms; and

(b) Their ability to promote programmes of particular interest to IFAD (as determined by IFAD).

19. It was also suggested that criteria for participation in the consultation be developed and applied to identify the participants from each List.

Format and structure of replenishment sessions

20. The Ad Hoc Working Group on Governance considered revising the format and the structure of replenishment sessions to ensure greater effectiveness and cost-efficiency. It was agreed to recommend that:

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[7] See annex III.

(a)   Agenda-setting would be decided through informal discussions and open consultations between Member States and IFAD Management to identify the priority issues. In this context, a more participatory approach would be adopted to ensure a transparent consultation process and the involvement of Membership in the agenda-setting process. This would help to ensure a more strategic focus on the key issues to be discussed and limit the number of agenda items;

(b)   The number of meetings during replenishment consultations would be reduced;

(c)   The number and length of papers produced for the replenishment consultations would be reduced; and

(d)   IFAD's digital platforms would be used more effectively to carry out, between and during replenishment consultations, a substantive dialogue between IFAD Management and Member States. New digital platforms would be created if deemed necessary.