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Investing in rural people

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

Note to Governors

Focal points:

Technical questions:

Cheryl Morden
Secretary of IFAD, a.i.
Tel.: +39 06 5459 2254
e-mail: c.morden@ifad.org

Dispatch of documentation:

William Skinner
Chief
Governing Bodies Office
Tel.: +39 06 5459 2974
e-mail: gb_office@ifad.org

Ad Hoc Working Group on Governance – Ninth Meeting
Rome, 12 December 2016

For: Information

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

1. The ninth meeting of the Ad Hoc Working Group on Governance was held on 12 December 2016 at IFAD headquarters. Members participated from Angola, Argentina, Denmark, Indonesia, Italy, Pakistan, United Kingdom, United States and Venezuela (Bolivarian Republic of). Representatives for Brazil, China, Cuba, Dominican Republic, Egypt, France, Kuwait, Mexico, Morocco, Norway, Peru, Saudi Arabia, Togo and United Arab Emirates attended as observers.
- A. Adoption of the agenda
2. The agenda of the meeting was adopted without amendment.
- B. Draft report of the Ad Hoc Working Group on Governance
3. The Chairperson summarized the discussions held in the previous meeting and informal consultations. Consensus had been reached on the length of IFAD's replenishment, and the format and the structure of replenishment sessions. The Working Group had also agreed on the need to enhance representation of low-income countries (LICs) in IFAD's governing bodies, and to have clear definitions for each List. As a result of these discussions, the Working Group had agreed on the List definitions, and the principle that each Member State should join, or transfer to, the List whose definition best matched its individual characteristics. For the time being, the List definitions and the principle pertaining to List transfers could be adopted as guidelines for Members, with transfers being effected under the existing procedures set out in paragraph 3(a) of schedule II of the Agreement Establishing IFAD.
 4. The Chairperson noted that while the underrepresentation of List C by various metrics, in particular voting power per List or the number of List C Member States, had been highlighted in earlier discussions, there was a lack of consensus on how to address this issue. The Chairperson recalled List A's offer to cede up to two Replenishment seats to List C for the benefit of LICs and potential or major contributors, starting with the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11). He noted that there were divergent views on List C's representation in IFAD's Executive Board and standing committees. While List B had not agreed to allocate one of its Board seats to List C on the basis of voting power, List A had not supported an expansion of the Executive Board. List A, however, had been prepared to consider proposals in the Consultant's report linked to voting power.
 5. The discussions during the ninth meeting focused on outstanding issues related to representation, and List definitions and transfers.
 6. Representation issues. During the discussions, List C requested six replenishment seats. List B noted that as List A's contributions constituted the majority of total contributions, List A should be well represented in the replenishment consultations. Accordingly, if List A were to cede two replenishment seats, List B would cede two seats to List C. Should List A cede one seat, List B would cede three seats to List C. Lists A and B proposed a joint allocation of four additional seats to List C: one for each sub-List and a potential floating seat for List C to allocate to the country that they decided would either contribute more to the replenishment or demonstrate, as a low-income country, the need for IFAD's work. It was clarified that, taking the Terms of Reference of the Working Group into consideration, this allocation and other changes related to the format and the structure of replenishment consultations could be effective starting with the IFAD11 Consultation, assuming that the Governing Council approved the proposed changes. However, List transfers would not take effect until the forty-first session of the Governing Council.

7. While welcoming the proposal of List A and List B to cede four replenishment seats, List C voiced concern regarding the lack of consensus to address List C's underrepresentation in the Executive Board.
8. List A noted that although the final report would not fully meet all Members' hopes and expectations, the adoption of the List definitions would result in the transfer of some List C members to List A and possibly List B, thereby increasing the opportunity for other List C countries to obtain seats in the Executive Board.
9. List transfers. The sub-List C-2 representative raised an objection to transfers to another list being left to the preference of Member States, as this would question the need and the purpose of setting List membership criteria. The Chairperson explained that the idea behind these criteria was to establish guidelines, and not to oblige countries to change Lists. He noted that these guidelines would not be legally binding, and that the Agreement Establishing IFAD would need to be amended for the criteria to become legally binding. Some countries might prefer to remain in their current Lists, as they might associate themselves more with that List in terms of identity and character. The sub-List C-1 representative expressed disagreement with the view of the sub-List C-2 representative, and stated that the capitals should decide on such transfers. List A commented that it would also be contradictory to oblige any Member State to change their List, as new members could select the List that they joined.
10. List definitions. In response to a query on the reference to the Organisation for Economic Co-operation and Development (OECD) in the definition of List A, List A noted that in the Policies and Criteria for IFAD Financing, while there was a threshold for eligibility for IFAD's financing instruments based on different criteria, there was no upper limit to determine eligibility for borrowing on ordinary terms; in other words, the decision not to borrow was on a self-graduation basis. Therefore, eligibility for official development assistance according to OECD definitions would serve as a reference to guide the List transfers. It was suggested that IFAD address the issue of upper limits in the future.
11. Future discussions. Noting that it would be impossible to reach consensus on allocation of Board seats to List C, some members suggested that discussions continue on this matter. On the other hand, the Chairperson stressed that the outstanding issues could be highlighted in the Working Group's report, and that the Governing Council would decide on how to address them. While objecting to the extension of the Working Group's mandate, List A proposed that future discussions be linked to an assessment of representation issues to be provided by the Secretariat in light of any transfers that may have taken place and the evolving voting power of each List. It was agreed that Membership would receive this assessment for review prior to the beginning of the IFAD12 Consultation, for further discussion at that time. In this way, Membership would be informed on the results of the IFAD11 Consultation and the impact of the changes to be adopted by the Governing Council. It was also agreed that this process would be conducted subject to Governing Council approval. Hence, the Governing Council's approval would be sought for a potential review in the future.
12. It was decided to highlight in the report that no agreement had been reached on the issue of Executive Board representation and that, therefore, the Working Group would recommend keeping the current distribution of Board seats among the new Lists unchanged from the current allocation of Board seats among the current Lists, pending changes in List membership based on the agreed definitions of Lists.
13. In light of the above-mentioned discussions, the Report of the Working Group was finalized for submission to the 119th session of the Executive Board, for approval of its transmittal, including the draft resolution contained in annex I, to the fortieth session of the Governing Council in February 2017 for adoption. A revised version (WGG 2016/9/L.2/Rev.2) was posted on the Member States Interactive Platform after the meeting.