



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Sixty-Seventh Session

Rome, 8-9 September 1999

**THE REPORT OF THE CHAIRMAN OF THE AD-HOC COMMITTEE
ON REGIONAL ALLOCATIONS**

NOTE BY THE SECRETARIAT

1. At its Second Session in April 1999, the Consultation to Review the Adequacy of the Resources Available to IFAD decided that the issue of prioritization and regional allocations of the Fund's annual lending programme would be examined by an Ad Hoc Committee of the Executive Board. Subsequently, at its Sixty-Sixth Session, the Executive Board established the nine-member Ad Hoc Committee on Regional Allocations, composed of the Executive Directors for Brazil, Canada (elected as Chair), Finland, France, Germany, India, Indonesia, Kenya and Venezuela.
2. The proposed Terms of Reference for the Ad Hoc Committee are to:
 - (a) review and recommend the indicative regional allocation of the annual lending programme for the period 2000-2002;
 - (b) review and recommend the indicative share of annual lending resources to be allocated by the Fund on highly concessional, intermediate and ordinary terms for the years 2000-2002; and
 - (c) review the lending terms and conditions for each of the three lending categories.
3. The Committee held four meetings between 12 May 1999 and 22 June 1999¹; and the report of the Chairman of the Committee is attached.

¹ For the above-mentioned meetings of the Ad Hoc Committee, the Secretariat prepared three technical support papers in response to specific requests from the Committee. A synthesis of these three technical support papers was also prepared, fully incorporating the views of the Committee. This synthesis paper is available at the desk, for information, as a technical background paper to the Report of the Chairman of the Ad Hoc Committee on Regional Allocations.



4. In order to facilitate the consideration of the Executive Board, and on request from the Representatives for Egypt, Iran and Saudi Arabia, the Secretariat has, on the basis of the table included in the attached report of the Chairman of the Ad Hoc Committee, prepared the table below, showing the same recommended allocations but presented for IFAD's administrative regions, rather than for the geographic regions defined by the Ad Hoc Committee.

Recommended Allocations for IFAD's Administrative Regions

| IFAD Region | Governing Council Allocation GC 18/L.11, Table 5 | Recommended Revised 1999 Allocation |
|--|---|--|
| Africa | 37.2% | 36.77 % |
| Asia and the Pacific | 31.4% | 31.01% |
| Latin America and the Caribbean | 17.9% | 17.03% |
| Near East and North Africa | 13.5% | 15.19% |
| Total | 100.0% | 100.00% |

5. The Executive Board is invited to review the report of the Chairman of the Ad Hoc Committee on Regional Allocations; to endorse the proposals contained therein; and to forward it to the Consultation to Review the Adequacy of the Resources Available to IFAD for further consideration and decision.

ATTACHMENT



IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Consultation to Review the Adequacy of the Resources Available to IFAD — Third Session

Rome, 1-2 July 1999

**REPORT OF THE CHAIRMAN OF THE AD HOC COMMITTEE
ON REGIONAL ALLOCATIONS OF THE EXECUTIVE BOARD**

1. The conclusions and recommendations contained herein are the result of a detailed review of the following elements: the methodology used in 1994 to derive regional allocations based on weighted objective indices, the work of the Ad Hoc Committee on Programme and Operational Matters of the Executive Board in 1994, subsequent adjustments to the regional allocations approved in 1995 by the Governing Council and further in 1996, by the Executive Board, and finally, the actual lending pattern over the period ranging from 1985 to 1999. The committee's work was guided by ample information and insightful analysis provided in a timely manner by the Secretariat.
2. The deliberations of the committee were carried out keeping in mind the IFAD basic documents and the global development agenda. The committee also touched upon strategic issues, policy and selection criteria guiding decision on loans, as well as concessional lending and corresponding terms. In view of the in-depth analysis required to consider questions relating to terms and conditions guiding loans, and the limited time available, the Committee did not review this subject.
3. After careful consideration of the explanations provided by the Secretariat, this Ad Hoc Committee on regional allocations drew conclusions on the validity of the methodology, the database used, and the appropriateness of carrying out a renewed regional allocations exercise.
4. After having seriously considered various modelling options, the Committee reached the conclusion that it could not recommend a clear-cut set of regional allocations. The credibility of such an approach would be challenged, the allocations being set on too many variables (mix of objective and non-objective criteria, countries with no objective statistical base, historical trends versus methodological approach).
5. There is a need for some clarification in the way the regional allocations are currently presented. To ensure greater transparency and clarity, the Committee regrouped in a separate regional category all the eastern European and former Soviet republics. It also returned to the original composition of the Africa Region, including in it Djibouti, Somalia and The Sudan.



6. For the purpose of supporting the Consultation on the Adequacy of Resources, the launching of a detailed statistical analysis at this point, using the methodology, would not be cost effective due to time and resource constraints.
7. While the use of up-to-date socio-economic information is required for the examination of loan proposals in the Executive Board, continuous updating of the statistical base for use in regional allocation was judged too onerous a task for the Secretariat.
8. Based on the unpredictable nature of events affecting geographic regions, the committee concurred with the existing notion that regional allocations were indicative and should be applied flexibly, ensuring that fluctuations are evened out on a cumulative average basis, a rolling three-year average.
9. On the other hand, a serious exercise should be carried out on a periodic basis (every 4-5 years), using an appropriate methodology and the latest statistical basis available, to provide a sound footing for deciding on regional allocations and the relative position of each country (remembering however that the methodology uses country allocations only as a way to aggregate figures and percentages at the regional level and not as a target for country programming).
10. Over and above regional allocations, questions relating to performance and governance in regard to rural poverty, follow-up and consistency with the practices of other IFIs, multilateral cooperation as well as the commitments of the World Food Summit, need to be reviewed in the context of conditions guiding the decision to make a loan.
11. The Committee expressed the view that narrowing down the decision to make a loan or not will call for a systematic step-by-step approach. Something like a concentric circle approach could be an emerging view with the following levels of focus: (a) developing country eligibility in principle by membership in IFAD; (b) regional allocations which limit the amounts of loans a region and, by consequence, a country could obtain, (c) country strategy in case of countries of concentration including targeting the right beneficiaries, (d) finally, conditions guiding a decision to make a loan, for example, emphasis on performance

RECOMMENDATIONS

12. The Ad Hoc Committee recommends that changes to regional allocations should be developed along the following lines:

Validation of Basic Methodology and Adjustments

13. **Recommendation 1:** The Committee sees advantage in a detailed statistical review being done in 2000. This thorough review of the 1994 exercise would include all new countries, and a review of the methodology (indices, weight factors and perhaps an overarching weighting factor such as the percentage of marginalized rural poor). This option would take time but deliver more accurate results.
14. **Recommendation 2:** In the meantime, the committee recommends using modified regional allocations as shown in the table below applying existing methodology to new countries until the recommended study is completed and recommendations for changes approved by the Executive Board.
15. Although additional adjustments to the basic methodology were applied on a non-objective basis, in retrospect, they nevertheless obeyed a logic of fair distribution, but which needs to be revisited .

| 1999 Recommendations for revised allocations by geographic region | | | |
|--|-------------------------------------|--|---|
| | 1994 Ad Hoc Committee Allocation | Recommended 1999 Revised Allocation | Actual Lending Programme Allocation 1985-1999 |
| Africa | 39.6 | 39.4 | 38 |
| Asia | 27.5 | 28.5 | 29 |
| Latin America | 17.5 | 17.0 | 17 |
| NENA | 7.8 | 7.1 | 13 |
| EE-FSR | 7.6 | 8.0 | 3 |
| IFAD | 100.0 | 100.0 | 100 |

Level and Share of Concessionality

16. **Recommendation 3:** The current three levels of concessionality should be maintained together with corresponding terms and the share of highly concessional loans should be no less than 67%, with 33% being allocated to the two other categories. Inasmuch as possible, IFAD should concentrate its resources in the poorest countries.

Country and Project Criteria: Performance Assessment

17. **Recommendation 4:** With limited resources going to 135 countries, factors such as performance, enabling environment, gender equality, absorptive capacity and governance will help guide decision on loans. The Consultation may wish to refine the conditions under which it is decided to approve a loan for a given project. Therefore the committee recommends reviewing the Lending Policies and Criteria to reflect changes in emphasis contained in the report of the Consultation as well as the importance accorded to performance by other IFIs, in particular IDA XII and the African Development Fund.

Doing Things Differently

18. **Recommendation 5:** IFAD should explore new ways of assisting countries in view of the increasing pressure placed on finite loan resources. It should initiate different methods of supporting the new borrowing countries as well as countries that have access to other sources of funding and those countries on the verge of graduating from receiving loans on highly concessional terms. Innovative approaches should be based on (a) the catalytic role IFAD can play, (b) its emerging role as a knowledge-based organization, sharing know-how and (c) helping strengthen institutional capacities.