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Investing in rural people

## Report of the Chairperson on the second meeting of the working group on the performance-based allocation system

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For: Review

## Report of the Chairperson on the second meeting of the Working Group on the Performance-based Allocation System

1. This report covers the deliberations of the Working Group on the Performance-based Allocation System (PBAS) during its second 2015 meeting on 30 September.
2. The meeting was attended by working group members from China, the Dominican Republic, France, Ireland, Japan and Nigeria; Italy was an observer.

### Adoption of the agenda

3. The Secretary of IFAD informed the group that the Executive Board informal seminar on the performance-based allocation system (PBAS) would take place on 23 November 2015.
4. The Chairperson invited members to review the provisional agenda, which included the: (i) opening of the session; (ii) adoption of the agenda; (iii) minutes of the first meeting of the PBAS working group; (iv) corporate-level evaluation of IFAD's PBAS; and (v) other business.
5. The agenda (document PBAS 2015/2/W.P.1) was adopted by members, noting: (i) the addition to the agenda, under other business, of a discussion on meeting dates for the working group in 2016; and (ii) Ireland's suggestion of a discussion on the working group's terms of reference and programme of work. The Secretary would be available to explore future meeting dates as per working group members' requests.
6. The Secretary explained that the working group's current terms of reference had been approved by the Executive Board; any modification would require a formal request by the working group to the Executive Board to set up a mechanism for modifications. The final decision regarding need for modifications would remain with the Board. The Chairperson proposed, and members agreed, that the working group would discuss and agree on eventual changes to the terms of reference before submitting a formal request to the Board.

### Minutes of the first meeting of the working group on the performance-based allocation system (PBAS)

7. The group approved the minutes of the first meeting of the PBAS working group in 2015 as contained in document PBAS 2015/2/W.P.2.

### Corporate-level evaluation of IFAD's PBAS

8. The Independent Office of Evaluation of (IOE) delivered a presentation on this agenda item and briefed members on progress made on the corporate-level evaluation (CLE) of IFAD's PBAS. IOE staff reminded the working group of the CLE's objectives, which were to: (i) assess the performance of the PBAS in transparently allocating IFAD's financial resources to developing Member States for rural poverty reduction; (ii) analyse the PBAS approach and experience in comparable organizations, and identify good practices applicable to IFAD, taking into account the Fund's mandate and specific financial architecture; and (iii) generate findings and recommendations to inform the future development of IFAD's PBAS. IOE's presentation outlined its methods of data collection and analysis as per the evaluation's approach paper.
9. IOE then invited the working group to discuss key issues included in the evaluation. The discussion revolved around five topics and six questions.
10. The first topic related to the objectives of the PBAS as defined on its adoption in September 2003 (2003 EB 2003/79/R.2/Rev.1) to "generate three-year (but annually reviewed) loan-commitment envelopes for all borrowers, on a consistent

basis involving transparent criteria, that can provide the basis for discussions with countries on the elaboration of IFAD's lending programme within the framework of medium-term national development strategies". A question was posed about this objective's relevance to IFAD's resource allocation in today's context. The group concluded that the current PBAS objective remains relevant, and underlined the system's importance to ensure that allocations are developed transparently and predictably.

11. The second topic related to the role and mandate of the working group. IOE staff questioned members about: (i) whether the group's terms of reference are still relevant in today's context; and (ii) members' views regarding the frequency of meetings and reporting to the Executive Board on its work. The working group concluded that the terms of reference remain relevant, with some members expressing the view that these terms of reference could be expanded to allow the working group to address broader issues.
12. The Secretary of IFAD explained that the frequency of working group meetings was determined by demand from group members. Working group members responded that they were satisfied with the frequency of meetings and reporting to the Board. It was acknowledged that if the working group's terms of reference were to change and its mandate were to expand, more frequent meetings may be required. It would also be important to take into account the Executive Board's views on the frequency of reporting.
13. The third topic focused on the information provided by IFAD Management to the Executive Board on the PBAS. The question related to whether the working group considered the current frequency and depth of reporting by IFAD Management to the Board sufficient. Members' views were similar to those expressed in response to questions regarding frequency of meetings and reporting to the Executive Board. One member suggested that it would also be useful to report on other PBAS objectives in addition to the financial allocations.
14. The fourth topic focused on the PBAS and policy dialogue. Members were asked whether there were specific systemic cross-cutting issues that IFAD should emphasize during policy dialogue with governments within the broader PBAS process. Members acknowledged that the important areas for IFAD engagement were determined by IFAD's Strategic Framework, and noted that IFAD engaged in policy dialogue at the country level in line with specific country contexts. This was enshrined in results-based country strategic opportunities programmes (RB-COSOPs) – the tool used to define IFAD's overall engagement with partner countries.
15. The fifth and last topic considered learning and improvement related to the PBAS. IOE staff elicited the working group's views on what instruments and processes could be introduced to ensure the continuous and systematic generation of lessons learned from the system's implementation. Members agreed that IOE's evaluation would provide useful insights into this question, and looked forward to discussing group members' recommendations once the evaluation was finalized.
16. Management concluded this agenda item by thanking IOE for facilitating an informative exchange with the working group, and group members for a fruitful and candid discussion. Management recalled the improvements made to the PBAS during previous years, and the continued engagement with other multilateral development banks implementing performance-based systems to allocate their resources. This engagement had provided an important learning opportunity for IFAD, especially through the annual meeting of the multilateral development banks working group on the PBAS. The most recent meeting, hosted by the Asian Development Bank, took place in June 2015.

Other business

17. The working group discussed potential dates for its first meeting in 2016 and members agreed that it should be held once the CLE on PBAS is complete. In response to a request from the working group to review the report in advance, IOE confirmed that the CLE would be ready by March 2016.
18. The Chairperson concluded the meeting by thanking group members, IOE and Management for their active engagement in the discussion.