

Review of IFAD's Performance Based Allocation System

121st Executive Board session



Today's presentation

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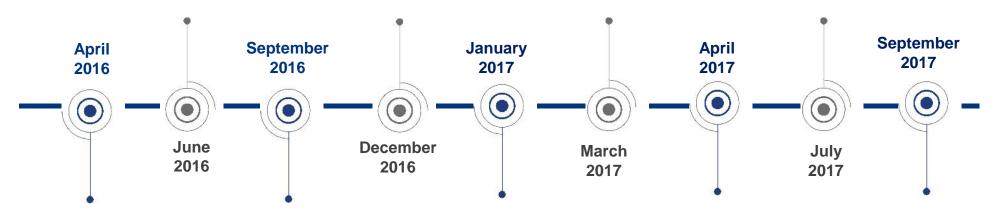
Timeline of PBAS review process

Executive Board PBAS Working Group meeting

Learning Event on PBAS & Executive Board session (document EB 2016/119/R.5)

Executive Board PBAS Working Group meeting

Two Executive Board PBAS Working Group meetings



Creation of technical working group on PBAS and implementation of phase I of the review

Executive Board PBAS Working Group meeting

Executive Board PBAS Working Group meeting

Executive Board informal seminar & Executive Board session (document EB 2017/95/WP2)

Presentation of final proposal to the Executive Board (document EB 2017/121/R.3)

Consultation with MDBs WG on PBAS

Management actions in response to **IOE** recommendations

Enhancing rural poverty focus

Strengthening the performance component

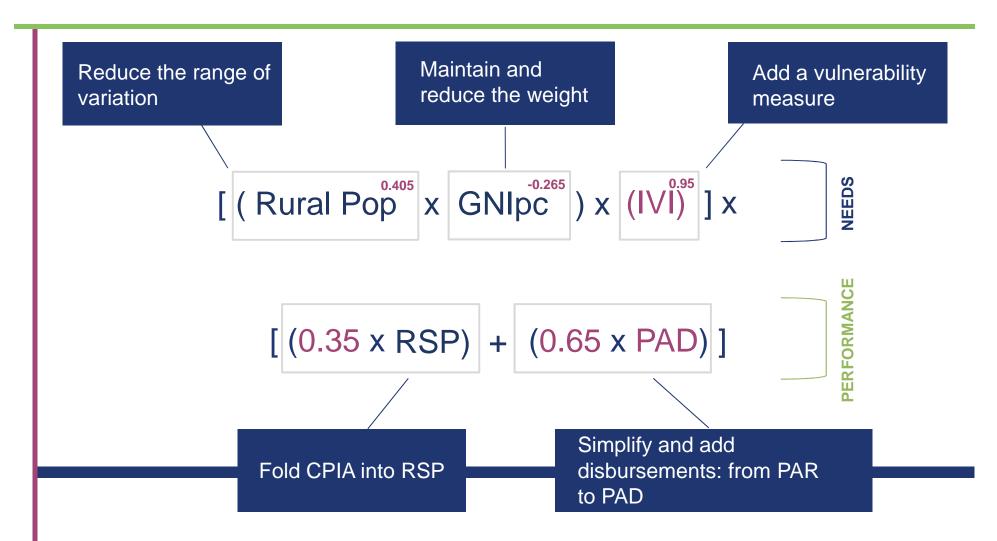
Rebalancing the needs and performance components

Streamlining PBAS management process for better effectiveness and transparency

Formula revision







Air

Both needs and performance are actionable and meaningful



Most influential needs variable

Largest elasticity to ensure high relevance in country scores

High reaction to new situations of fragility

Considers multi-dimensional poverty aspects



Most influential performance variable

Second-largest elasticity to capture changes in performance

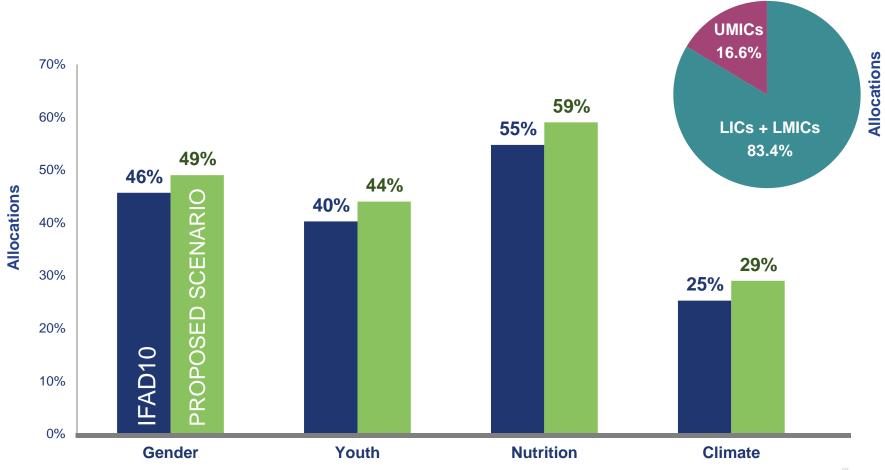
Computation accounts for portfolio and country-related dynamics

Creates virtuous incentives

IFAD11 proposed focus and priorities are adequately captured



Share of allocation to countries with greatest needs by two top quintiles (Total resources)



Outstanding replenishment decision do not directly affect the PBAS formula





Business Model



IFAD11 country selectivity criteria preserve the formula's macro-stability



The projected allocations are compatible with the proposal on shares of allocations of core resources (90% to LICs and LMICs, 10% to UMICs)



The size of the PoLG does not influence the PBAS allocation shares by income level, lending term or any other breakdown

Moving forward

Alternative timelines

- √ Available resources defined before beginning of new cycle
- ✓ All allocations defined through PBAS
- ✓ Ordinary borrowers get a share of total
- Successful replenishment will allow for a higher PoLG; all borrowers will benefit.
- PBAS instrumental for good rating: transparent allocation mechanism and sound financial forecast.

IFAD12

Rating

- ✓ Available ODA resources defined before beginning of cycle
- ✓ Available market resources defined through financial covenants
- ✓ Ordinary borrowers get resources in line with demand within allowable exposure
- Replenishment will fund only concessional borrowers.
- Market funds will fund ordinary borrowers; only constraints will be demand and capital adequacy.

PBAS not approved

- √ Available resources defined before beginning of cycle
- ✓ All allocations defined through PBAS
- ✓ Ordinary borrowers get a share of total
- Allocations defined based on current PBAS formula
- Rating process endangered





- ✓ Application of same PBAS as in IFAD11
- √No availability of market resources
- **✓** Ordinary borrowers get only share of total, and no market borrowing
- Market borrowing delayed
- Supply of resources constrained by ODA
- No demand consideration





Thank you for your attention