Application of the Performance Based Allocation System for IFAD11

Informal Executive Board Seminar, 11 December 2018

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Today’s presentation

I. IFAD11 formula and resulting allocations by country grouping  slides 3-7

II. Proposed adjustments to DSF proportions  slides 9-11
IFAD11 formula revision enhances focus on poorest countries

Reduce the weight of Rural Pop

Increase weight of lower-income

Introduce Multidimensional poverty measure

\[
\left[ (\text{Rural Pop} \times 0.405) \times (\text{GNIpc} \times -0.265) \times (\text{IVI} \times 0.95) \right] \times (0.35 \times \text{RSPA}) + (0.65 \times \text{PAD})
\]

Improve alignment with IFAD’s priorities

Enhanced portfolio performance measure (disbursements)
Country selectivity is applied for more efficient resource use

Country selectivity criteria

- **Strategic focus**: CSN or COSOP
- **Absorptive capacity**: Disbursements
- **Ownership**: No pending signature

80 countries
Allocations are derived from application of formula to all countries

### IFAD 11 formula transparently applied

#### East and Southern Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>GNIpc 2017 (US$)</th>
<th>Rural population 2017</th>
<th>IVI score (2019-2021)</th>
<th>RSPA score 2018</th>
<th>PAD score 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>3 330</td>
<td>16 209 154</td>
<td>1.56</td>
<td>3.29</td>
<td>3.26</td>
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<tr>
<td>Burundi</td>
<td>290</td>
<td>9 488 071</td>
<td>1.6</td>
<td>3.22</td>
<td>5.46</td>
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<tr>
<td>Comoros</td>
<td>760</td>
<td>581 613</td>
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<td>2.95</td>
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<td>Eritrea</td>
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<td>Ethiopia</td>
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<td>83 568 162</td>
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<td>Kenya</td>
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<td>3.91</td>
<td>5.63</td>
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<td>Lesotho</td>
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<td>1 599 696</td>
<td>1.31</td>
<td>3.54</td>
<td>4.52</td>
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<tr>
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<td>16 269 226</td>
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<td>Malawi</td>
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<td>15 521 896</td>
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<td>5.88</td>
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<tr>
<td>Mozambique</td>
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<td>19 932 709</td>
<td>1.67</td>
<td>3.64</td>
<td>5.64</td>
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<tr>
<td>Rwanda</td>
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<td>8 456 641</td>
<td>1.54</td>
<td>4.06</td>
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<tr>
<td>South Sudan</td>
<td>546</td>
<td>10 152 625</td>
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<td>1</td>
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<tr>
<td>United Republic of Tanzania</td>
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<td>3.66</td>
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</table>

IFAD11 PBAS formula variables
## Core of IFAD11 Business Model

### Key dimensions
- **Resource mobilization**: Assembling development finance to maximize impact
- **Resource allocation**: Focusing on the poorest people in the poorest countries
- **Resource utilization**: Doing development differently
- **Transforming Resources**: Embracing a culture of results and innovation

IFAD11 focus:
- Focusing on the poorest people in the poorest countries

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**IFAD**

**Investing in rural people**
Resulting allocations meet IFAD 11 commitments

**IFAD11 Commitment** (February 2018)

- **Africa** 50%
- **SSA** 45%
- **MFS** 25-30%
- **LICs + LMICs** 90%
- **UMICs** 10%
- **Highly Concessional terms** ≈ 66%

**Core Resources** (December 2018)

- **Africa** 62%
- **SSA** 59%
- **MFS** 29%
- **LICs + LMICs** 90%
- **UMICs** 10%
- **Highly Concessional terms** 65%

- ✔ Increased resources to Africa
- ✔ Increased resources to Fragile Situations
- ✔ Focus of core resources to LICs and LMICs
- ✔ Majority of support at concessional terms

% of core resources
Proposed adjustments to DSF proportions
IFAD11 Formula application generates increased DSF share

**Financial Framework**
(Replenishment Consultations 2017)

- Ordinary: 22.9%
- Blend: 15.9%
- Highly Concessional: 38.3%
- DSF: 16.7%
- Regional/Country Grants: 6.5%

**Formula Application**
(December 2018)

- Ordinary: 24.8%
- Blend: 12.4%
- Highly Concessional: 31.7%
- DSF: 24.6%
- Regional/Country Grants: 6.5%

Long-term financial sustainability is impacted by increased share of DSF

% of total resources
Proposal to adjust percentage of grant financing as per the IFAD11 Financial Framework

<table>
<thead>
<tr>
<th>High debt distressed countries (eligible for 100% grants)</th>
<th>Overall level of concessionality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>From</strong></td>
<td>90%</td>
</tr>
<tr>
<td>Grant Terms 100%</td>
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<tr>
<td><strong>To</strong></td>
<td></td>
</tr>
<tr>
<td>Grant Terms, 80%</td>
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<tr>
<td>Highly Concessional Terms 20%</td>
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</table>

<table>
<thead>
<tr>
<th>Moderated debt distressed countries (eligible for 50% grants)</th>
<th>Overall level of concessionality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>From</strong></td>
<td>64%</td>
</tr>
<tr>
<td>Grant Terms, 50%</td>
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<tr>
<td>Highly Concessional Terms 50%</td>
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<tr>
<td><strong>To</strong></td>
<td></td>
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<tr>
<td>Grant Terms, 73%</td>
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<tr>
<td>Highly Concessional Terms 27%</td>
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</table>
Comparison of IFAD11 proportions by financing terms

IFAD11 Financial Framework
- Ordinary: 22.9%
- Blend: 15.9%
- Highly Concessional: 38.3%
- DSF: 16.7%
- Regional/Country Grants: 6.5%

IFAD11 Formula Application
- Ordinary: 24.8%
- Blend: 12.4%
- Highly Concessional: 31.7%
- DSF: 24.6%
- Regional/Country Grants: 6.5%

IFAD11 Resulting Proportions
- Ordinary: 24.8%
- Blend: 12.4%
- Highly Concessional: 39.3%
- DSF: 17.0%
- Regional/Country Grants: 6.5%

Long-term financial sustainability is preserved
Thank you for your attention

Any questions?