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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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**PROGRESS REPORT ON THE IMPLEMENTATION OF THE  
PERFORMANCE-BASED ALLOCATION SYSTEM**

1. Following the Executive Board's approval in September 2003 of documents EB 2003/79/R.2 ("The Structure and Operation of a Performance-Based Allocation System for IFAD") and EB 2003/79/CRP 3 providing the framework for IFAD's performance-based allocation system (PBAS), the Fund started planning the PBAS work system and processes. It must be understood that the system as a whole will be subject to continuing evolution in the light of experience, but in particular it will involve creating an operational system that translates the design principles into mechanisms for producing concrete performance assessments and allocations by September and December 2004. At this point, IFAD's major concern has been with the definition of *processes* that will promote the workability and accuracy of the system – recognizing that a relevant and workable system is something that is achieved only after these processes have been put to work.

**PBAS Management Structure**

2. The PBAS will be administered on the basis of a structure that comprises the following balance of objective and complementary functions:

- (a) ***A decision-making function.*** This function, at the level of the Senior Management team, will secure compliance with the approved PBAS policy framework; and will approve the annual country resource allocations for submission for Board approval in the context of IFAD's annual programme of work and budget, as well as the underlying country performance assessments;
- (b) ***A resource allocation function.*** This objective cross-departmental function will translate the country performance assessments into country scores and country resource allocations; and

- (c) ***A country performance assessment function.*** This function has different levels. First, there are the actual country performance assessments by country teams, made up of the concerned country portfolio manager (CPM) and the regional economist, in addition to representatives from the Finance and Administration Department (FAD) and the External Affairs Department (EAD). The respective director of the regional division will be responsible for intradivisional comparability and quality assurance of the assessments. Beyond this, interdivisional comparability and quality assurance will be secured by a PBAS operational contact group of professional staff from all divisions of the Programme Management Department (PMD), in addition to representatives from FAD and EAD, working as a peer group and preparing the decisions of the next level. Finally, the totality of the country assessments will be approved for submission to the resource allocation function and subsequently to the Senior Management decision-making function, by a team that comprises the PMD Management Team in addition to managers from FAD and EAD.

3. Work is ongoing on the detailed design of this management structure, and great care is being taken to ensure high-quality country performance assessments based on country knowledge, policy consistency and intra- and interregional comparability, and objective quality assurance.

### **The PBAS Implementation Phases**

4. In order to plan the implementation of the PBAS, the above-mentioned in-house PBAS operational contact group was established in mid-November. The group consists of one member and two alternate members per PMD division, mainly CPMs, as well as representatives from FAD and EAD; it is headed by the Lead Economist of the Programme Management Department. The work of the group is currently supported by short-term external consultancy inputs, is progressing well, and consists of planning the start-up of the PBAS implementation in three phases:

- (a) ***A development phase,*** where the country performance indicators and their application are operationalized; where operational guidelines for performance assessments, techniques, methods, tools and procedures for making the performance assessment operational are developed; where workflows and procedures for the annual performance assessment exercise are established; and where the “how, where, when and by whom” of the assessment exercise are defined. For country assessments to be possible, it is imperative that CPMs and country teams be provided with clear guidelines on indicators that are anchored in the operational possibilities of CPMs and the type of data available at the country level. These guidelines can only be produced in collaboration with the CPMs themselves – and must be developed on a process basis in the light of both consultation and experience.
- (b) ***A test phase,*** where the developed tools and procedures are tested on operational reality and a common understanding of their application obtained, through a benchmarking exercise where a number of selected countries are made the subject of a collective intra- and interdivisional performance assessment. In order for IFAD to be able to apply the PBAS performance criteria and to interpret the country ratings consistently across countries and regions, the PBAS will first be applied to 10 benchmark counties (i.e. two per region) agreed IFAD-wide. In this context, from the results of the country ratings, each regional division will choose and apply the PBAS performance criteria to two benchmark countries (one a likely good performer and one a likely sectorally challenged country). This activity will also secure the information and training activities designed during the development phase. The issue here is to familiarize relevant PMD staff with assessment techniques, tools and procedures as a preparation for the subsequent benchmarking exercise. The output will be a clear understanding by all relevant PMD staff of their tasks and responsibilities in the benchmarking exercise.

- (c) An *implementation phase*, where the actual performance assessments are produced, that will eventually be the basis for the calculation of country allocations, to be communicated to the Executive Board in September and December 2004.

5. The development phase is expected to be completed by end-January 2004; the test phase by end-March 2004; and the implementation phase for the first assessments by end-May/early July 2004.

6. The **current work of the PBAS operational contact group**, until year-end, is well advanced and focuses on: the detailed design of the country performance assessment process; the country portfolio assessment process; the country-level consultations (involving the ministries of agriculture and finance, other appropriate government agencies, relevant United Nations agencies, bilateral donors involved in the rural poverty reduction sector and qualified national or international NGOs); and process integration, encompassing also relevant currently ongoing processes in IFAD (such as the portfolio review process and the COSOP process). In January 2004 the contact group will focus on the indicators for the rural sector performance assessments, based on the recently finalized Annex 1 of document EB 2003/79/R.2/Rev. 1, and on the design of the testing and benchmarking phase.