Document:	EB 2022/S12/R.2
Agenda:	3
Date:	25 January 2022
Distribution:	Public
Original:	English

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Approach for the Performance-based Allocation System and the Borrowed Resource Access Mechanism in IFAD12

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Executive Board – Twelfth Special Session
Rome, 4 February 2022

For: **Approval**

Recommendation

The Executive Board is invited to take note of the information provided in annex II on the implementation of the PBAS in IFAD11 (2019-2021) and to approve the Management option outlined in this paper. This document will form the basis for developing the addendum to the Progress Report on the Implementation of the Performance-based Allocation System contained in part IV of IFAD's 2022 results-based programme of work and regular and capital budgets, the IOE results-based work programme and budget for 2022 and indicative plan for 2023-2024, and the HIPC and PBAS progress reports.

Approach for the Performance-based Allocation System and the Borrowed Resource Access Mechanism in IFAD12

1. This report sets out, for the Executive Board's approval, options for the distribution of performance-based allocation system (PBAS) resources and of indicative amounts of funds from the Borrowed Resource Access Mechanism (BRAM) during the Twelfth Replenishment of IFAD's Resources (IFAD12). In addition, it provides an update on the status of implementation of IFAD12 commitments in relation to resource distribution. The Executive Board is also invited to take note of information concerning implementation of the PBAS in IFAD11 contained in annex II.

I. Implementation of the PBAS and BRAM in IFAD12 (2022–2024)

2. **IFAD12 commitments**. During the IFAD12 Consultation, several commitments were made as regards the allocation of the Fund's resources to ensure the highest possible level of efficiency and an increased focus on the poorest countries. Country selection criteria, based on agreed parameters first introduced in IFAD11, have been maintained. Based on these, a total of 78 countries have been selected to enter the IFAD12 cycle. These include 66 low-income countries (LICs) and lower-middle-income countries (LMICs), and 12 upper-middle-income countries (UMICs), for which the selection criteria are as follows:

   (i) **Strategic focus:** existence of a valid country strategic opportunities programme or country strategy note early in the PBAS cycle. This ensures that qualifying countries have a strategic vision on the use of IFAD resources and are therefore ready to engage in concrete operational discussions.

   (ii) **Absorptive capacity:** all operations that have been under implementation for more than one year in a country must have disbursed funds at least once in the previous 18 months. This provides a practical measure of resource absorption capacity and allows the Fund to sequence new designs more closely with implementation support and non-lending activities.

   (iii) **Ownership:** no approved loans are awaiting signature for more than 12 months. This proxy ensures adequate ownership and commitment to facilitating the use of IFAD's resources.

3. Commitments were also made on the share of core resources to be allocated through the PBAS to various country groupings:

   (i) **Commitment 17:** allocate 100 per cent of core resources to LICs and LMICs, ensuring that 55 per cent is allocated to Africa, including 50 per cent to sub-Saharan Africa.

(ii) **Commitment 15:** allocate at least 25 per cent of core resources to countries with fragile situations.

4. In addition, Management committed to the creation of a new financing mechanism for borrowed resources and their utilization:

   (i) **Commitment 18:** UMICs access between 11 and 20 per cent of the IFAD12 programme of loans and grants (PoLG), using borrowed resources.

   (ii) **Commitment 40:** present a proposal for establishment of an access mechanism for borrowed resources to the Executive Board.

5. **Commitment implementation status**. At the September 2021 Executive Board session, Management complied with commitment 40, with the approval of the creation of BRAM.[1] Compliance with commitments 15 and 17 are dependent on the distribution of core resources resulting from the application of the PBAS formula at the beginning of the IFAD12 cycle, and are discussed in the following sections of this document. Compliance with commitment 18 will be monitored through the IFAD12 cycle and it will be reported on to the Board at the end of IFAD12. The achievement of this target is dependent on eligible countries' demand for borrowed resources.

6. **IFAD12 financing model**. IFAD12's financing model sees some key changes compared to IFAD11. In IFAD12, core resources are available to LICs and LMICs only. In addition, the composition of core resources has been split between Debt Sustainability Framework (DSF) and non-DSF resources. In practical terms, this means that the PBAS formula is applied to two separate groups of countries, DSF and non-DSF. This addresses the challenge faced in IFAD11 regarding the overall size of the DSF, and ensures that in IFAD12 the DSF resources distributed reflect those available, in line with the DSF reform approved in 2019.[2]

7. As regards borrowed resources, these are accessible to all eligible LICs, LMICs or UMICs, and are no longer distributed through the PBAS, as was the case in IFAD11. In addition to complying with the selection criteria outlined above, to access BRAM countries need to comply with an additional criterion of eligibility based on their level of indebtedness. Other principles governing access to borrowed resources through BRAM are: supply of borrowed resources; risk-based country limits; differentiated financing conditions; and demand-based access.

8. In line with these principles, the overall amount of borrowed resources available will be set depending on the funding strategy and the resources available for commitment. The amount of borrowing available for individual countries will be set according to risk-based ceilings and based on demand. At the same time, no country can borrow more than 5 per cent of available PBAS and BRAM resources.

9. **Average portfolio rating**. The BRAM portfolio will be made available on demand under the overarching condition of targeting a minimum average credit rating equivalent to BB. Targeting this minimum average rating is critical to maintaining an average rating of IFAD's overall portfolio at B+, which has been the average rating in recent years. The average rating of the PBAS-only portfolio, projected below B+ for IFAD12, can be compensated for by a minimum target average rating of BB for BRAM (which corresponds to the average rating of the ordinary loan portfolio in recent years), thereby maintaining the average rating of the overall IFAD portfolio at B+. Management will continue to balance the need for stability of the portfolio with the equally important need to ensure that borrowed resources are allocated to maximize development impact. Therefore Management does not, at this stage, recommend easing the minimum target rating for BRAM resources.

[1] EB 2021/132/R.9/Rev.1.
[2] EB 2019/128/R.44.

10. **Demand for borrowed resources**. Regarding demand, this will be identified through the expression of interest of eligible countries. Operations financed through borrowed resources will be designed to ensure alignment with IFAD's mandate as well as with government priorities and demand for financing, and with the principles of development effectiveness. IFAD formally communicated eligibility to relevant countries in October 2021 through letters sent to country representatives. Responses to most of these letters have been received, and in many cases actual demand for resources has been expressed. Further dialogue with BRAM-eligible countries – and in particular with eligible LICs and LMICs – is ongoing through bilateral meetings between IFAD teams and country representatives, in order to ensure that counterparts are aware of the sources of IFAD financing available to them.

11. **Size of PBAS and BRAM resources in IFAD12**. At the Executive Board session in September 2021, Management updated Members on the sustainable size of the PoLG for IFAD12.[3] Table 1 provides an overview of the updated IFAD12 DSF and non-DSF core resources, and borrowing. It also provides a comparison with IFAD11. These financing assumptions are subject to the replenishment targets being met, and were used in the production of the analysis referenced in this document.

12. It should be noted that the replenishment resources needed to reach the sustainable PoLG size described above had not materialized at the time of writing.[4] Hence, there is a risk that the overall amount of core resources may diminish later in the cycle, affecting the values provided in table 1 and used in this analysis.

Table 1
PBAS and borrowed/BRAM resources in IFAD11 and IFAD12
(Millions of United States dollars)

Type of resources	*IFAD12 amount*	*IFAD11 amount*	*Difference*
DSF (core)	425	595	-170
Non-DSF (core)	1 860	2 248*	-388
BRAM/borrowed	1 090	430	660
Total	**3 375**	**3 273**	**102**

*Excludes regional/global/country-level grants.

13. **Comparison of resource availability between IFAD11 and IFAD12**. As shown in table 1, IFAD12 overall resources are US$102.0 million higher than in IFAD11. But there are significant variations between IFAD11 and IFAD12 core and borrowed resources. The amount of DSF resources available in IFAD12 is substantially lower – US$425 million compared to US$595 million in IFAD11.[5] The overall amount of non-DSF core resources available in IFAD12 is also lower than in IFAD11– US$1.860 billion versus US$2.248 billion. Conversely, the amount of borrowing, and its share in the total PoLG, has risen substantially, resulting in the increase in total available resources under IFAD12 shown above.

[3] EB 2021/133/R.13.
[4] Pledges received for IFAD12 at the end of 2021 totalled 94, equivalent to US$1.203 billion.
[5] In addition, and in allocating the DSF resources, Management had considered a reserve envelope of US$50 million (GC 44/L.6/Rev.1). This reserve would allow IFAD to adopt a conservative approach initially regarding potential debt aggravation. Management is closely monitoring the debt outlooks and recent announcements of the IMF and World Bank regarding the Debt Service Suspension initiative and the debt relief/suspension under the Common Framework supported by G20 countries. The reserve would allow Management to benefit from some flexibility in providing resources to LICs and LMICs and in adjusting to changes in debt outlooks and macroeconomic trends during the cycle, rather than earmarking these resources at the early stage of the new cycle.

II. IFAD12 resource distribution: base case scenario

14. **IFAD12 resource distribution**. With the creation of BRAM, starting with IFAD12, IFAD will use a dual resource mechanism. IFAD's financial offer will therefore result – subject to eligibility – from a combination of both core/PBAS resources and borrowed/BRAM resources. The following section (the base case scenario) analyses resource distribution both to individual countries and overall across different country groups, taking into account the total value of both PBAS and BRAM resources without any adjustments.

15. As agreed during the IFAD12 Consultation, IFAD will distribute IFAD12 core resources using the PBAS formula approved by the Executive Board in September 2017.[6] For the first time since the DSF reform, core resources have been divided into resources to be distributed among DSF-eligible countries – who receive these funds on grant terms – and core resources to be allocated to non-DSF countries. This split means, in PBAS-related terms, that the formula is applied to two sets of countries: LICs and LMICs that are DSF-eligible, and LICs and LMICs that are not. In line with the PBAS guidelines, minimum and maximum allocations are also being applied. No country reaches the maximum allocation (US$168.75 million).[7] Sao Tome and Principe, and Vanuatu, whose allocations were below the minimum, have been attributed the minimum allocation (US$4.5 million).

16. **Performance against IFAD12 commitments on core resources**. As shown in table 2, in the base case scenario IFAD exceeds all IFAD12 commitments on the distribution of core resources, both in terms of performance against IFAD12 targets and compared to IFAD11. Africa receives over 62 per cent of core resources and sub-Saharan Africa almost 58 per cent. The share of core resources to countries with fragile situations increases substantially to over 34 per cent. This outcome reflects the effective functioning of the PBAS formula, which ensures that the bulk of core resources reach the poorest and most vulnerable country groups, as per table 2.

Table 2
Performance against IFAD12 commitments on the distribution of core resources

	IFAD11		*IFAD12*	
Commitments against core resources				
	Core resources	%	Core resources	%
Africa (>=55% commitment)	1 798 673 052	62.1%	1 423 032 913	62.3%
Sub-Saharan Africa (>=50% commitment)	1 699 669 823	58.7%	1 325 094 476	58.0%
Countries with fragile situations (>=25% commitment)	726 415 416	25.1%	792 236 922	34.7%
LICs & LMICs (100%)		90%		100%

17. **Borrowed resources**. As regards borrowed resources, these will be accessed based on demand and in line with the principles outlined in the BRAM document approved by the Board in April 2021. Based on the selection and eligibility criteria described above, 52 of the 78 IFAD12 countries have been identified as BRAM-eligible. Of these, 11 are LICs, 29 are LMICs and 12 are UMICs. For the purposes of assessing the total amount of resources available to BRAM-eligible countries, Management has developed an ideal or indicative BRAM distribution scenario that identifies country amounts that would be available should all BRAM-eligible countries express demand and access available resources.

18. This was done taking into account two key commitments: (i) targeting a minimum average BB rating of the overall BRAM portfolio; and (ii) the IFAD12 commitment on UMICs accessing 11 to 20 per cent of the PoLG. In setting such indicative BRAM

[6] EB 2017/121/R.3.
[7] The 5 per cent maximum allocation is calculated based on the total amount of PBAS and BRAM resources, i.e. US$3,375 million.

amounts, the limit of 5 per cent of PoLG accessed by any country (core and borrowed resources) has also been considered. However, it is very important to bear in mind that these indicative amounts are provided for illustrative purposes only, and do not take into account actual country demand.

19. The resulting distribution of BRAM resources is outlined in table 3. In this scenario, LICs receive around 8.5 per cent of BRAM resources, and LMICs and UMICs get some 45 per cent each. As regards commitment 18, which sets the resources available to UMICs at 11 to 20 per cent of PoLG, UMICs receive approximately 14 per cent, well within the target range. For the indicative distribution of resources to UMICs, considering that these countries have access to BRAM only, a minimum potential envelope of US$15 million was defined.[8] A BRAM reserve of US$19.0 million remains unattributed and could be distributed to any country rated B or above.

Table 3
Distribution of BRAM resources resulting in an average BB portfolio rating – by income category

Income group	*BRAM resources (US$)*	*%*
LICs	92 000 000	8.6%
LMICs	490 000 000	45.8%
UMICs	489 000 000	45.7%
Total	1 071 000 000	100%
BRAM reserve	19 000 000	
UMICs out of PoLG (US$3.5 billion)		**14.0%**

20. As shown in the previous paragraphs, through the application of the PBAS formula IFAD has complied with all commitments on the distribution of core resources. It has also demonstrated that if BRAM resources are attributed to all eligible countries based on country risk ratings, an overall average BB rating can be achieved for the illustrative BRAM portfolio while also keeping to the commitment made on UMICs' access to borrowed resources.

21. **Distribution of IFAD12 resources across income groups**. The following paragraphs look at total IFAD12 resource distribution across countries by income group, assuming BRAM resources are requested and distributed according to the indicative scenario. As can be seen in table 4, the share and nominal amount of total resources to LICs decreases substantially between IFAD11 and IFAD12. This is due to several reasons. Half of the 24 LICs accessing IFAD12 resources are DSF countries. This means that the amount of core resources they can access is equivalent to the amount of DSF resources that has been ring-fenced for IFAD12. As shown in table 1, the amount of DSF resources decreases compared to IFAD11. Moreover, DSF countries are not eligible for the BRAM and thus cannot increase the resources available to them through borrowed funds. However, the reduction in resources to LICs is not limited to DSF-eligible LICs only. When looking at non-DSF LICs, 7 out of the 11 that are BRAM-eligible also see a substantial decrease in the total resources (PBAS and BRAM) available to them in IFAD12. Only five LICs see the IFAD12 financial offer improve compared to IFAD11.

22. As regards LMICs, while their amount of available financing increases substantially in IFAD12, variations across countries in this category are rather sharp. For example, 10 non-DSF LMICs are not eligible to access BRAM resources and six of them see their PBAS allocation decrease compared to IFAD11. Out of the remaining 29 LMICs that are BRAM-eligible, nine see their IFAD12 total financial offer decrease compared to IFAD11.

[8] Consequently, envelopes for LICs, LMICs and UMICs in the same credit category may differ as UMICs have access exclusively to BRAM.

Table 4
IFAD12 financial distribution by income category

IFAD12 resources distribution by income category	*IFAD11*		*IFAD12*	
Income category	**Total resources**	**%**	**Total resources**	**%**
LICs	1 538 175 997	46.3%	1 025 009 360	30.5%
LMICs	1 389 800 572	41.8%	1 841 990 640	54.8%
UMICs	397 023 431	11.9%	489 000 000	14.5%
Total	**3 325 000 000**	**100.0%**	**3 356 000 000**	**100.0%**
UMICs share of PoLG (US$3.5 billion)				**13.97%**

23. In summary, looking at the base case scenario, the positive aspect is that all key corporate commitments under IFAD12 are met. However, the volume of resources available to individual countries varies widely between IFAD11 and IFAD12. The analysis outlined in paragraphs 21 and 22 highlights that the IFAD12 offer, compared to IFAD11, is lower for: (i) most LICs (both DSF and non-DSF); (ii) most LMICs that are not BRAM-eligible; and (iii) some of the LMICs that are BRAM-eligible.

24. This reduction in resources at individual country level for both LICs and LMICs is due to a combination of factors. As mentioned in previous sections, the main driving factor is the significant reduction in DSF and non-DSF core resources available in IFAD12 compared to IFAD11. Other factors, with differing degrees of influence, are: (i) variations in the list of DSF countries across the two cycles; (ii) variations in the composition of the IFAD11 and IFAD12 country lists; (iii) the update of the PBAS formula variables for each country; and (iv) variations in individual countries' income categorization. These factors are part and parcel of the functioning of the PBAS and fluctuations in allocations across cycles resulting from them are to be expected. However, the degree of influence these factors have on the resources available to LICs and LMICs remains significantly lower than that of the overall volume of resources available.

25. Of particular concern to Management is: the magnitude of the changes when making country-level comparisons; the magnitude of the reduction in resources available to LICs; and the high number of countries offered diminished overall resources between IFAD11 and IFAD12.

26. In order to address these concerns, Management has explored an alternative option to: (i) ensure that the poorest countries (LICs) receive a greater share of overall resources; and (ii) reduce the severity of some of the reductions faced by individual countries.

27. In undertaking this exercise, Management is constrained when it comes to the DSF countries in that the overall amount of DSF resources is fixed and these countries cannot access BRAM. Countries that are included in the IFAD12 cycle but were not in IFAD11, for which a comparison is not possible, are also excluded from this exercise. As regards UMICs, the base case scenario indicatively attributes to them BRAM resources equivalent to approximately 14 per cent of the total PoLG, in line with IFAD12 commitments. The focus therefore is on all non-DSF LICs and LMICs. The option for the redistribution of resources across this group of countries is described in section III below.

III. Approaches to refocusing IFAD12 resource distribution on the poorest countries

28. Management has explored an option to address the key limitations in the base case scenario, with the aim of maximizing resources to the poorest countries while also

seeking to minimize the inter-cycle variation in resource availability. This has entailed taking a number of steps.

Step 1: Application of Management capping of country allocations.

29. When setting up the PBAS allocations for a given replenishment cycle, Management normally looks at the results of the PBAS formula and, when necessary, identifies countries where caps in allocations are justified. For IFAD12, Management has identified five countries for which it proposes to cap the amount of PBAS resources – Afghanistan, Plurinational State of Bolivia, Philippines, Syrian Arab Republic and Viet Nam – because of an early assessment of absorption capacity based on (i) previous uptake of IFAD lending; (ii) institutional capacities including debt limits; and (iii) other specific country situations.

Step 2: Creating a PBAS reserve.

30. The difference between the allocations as per the formula and the capped amount set for capped countries is normally redistributed to other countries using the PBAS formula. Management is proposing that for all capped countries except Afghanistan, which is a DSF-eligible country, the difference between the formula-based allocation and the capped amount (US$85.1 million) is set aside and used to lessen the reduction in resources for the countries listed in paragraphs 21-23. The amount of resources resulting from the capping of Afghanistan has instead been redistributed to other DSF countries, rather than set aside, leading to an overall increase of US$17.1 million total for other DSF countries.[9] Details of capped countries' initial and capped allocations are shown in table 5.

Table 5
Proposed IFAD12 capped allocations
(United States dollars)

Region	*Country*	*Formula-based allocation*	*Capped amount*
Asia and the Pacific (APR)	Afghanistan	42 136 599	25 000 000
Latin America and the Caribbean (LAC)	Bolivia (Plurinational State of)	18 394 411	10 000 000
APR	Philippines	53 967 423	25 000 000
Near East, North Africa and Europe (NEN)	Syrian Arab Republic	23 152 766	10 000 000
APR	Viet Nam	59 642 167	25 000 000

Step 3: Identifying the countries that see a reduction in resource availability.

31. There are a total of 22 LICs and LMICs that are not DSF-eligible and for which total resources offered in IFAD12 are lower than in IFAD11. Within the group of 22 non-DSF LICs and LMICs, some countries are only eligible for PBAS, while others can also access BRAM. Management has sought to look at resource availability for each group of countries in turn.

Step 4: Using the PBAS reserve to enhance resource availability for countries that can only access PBAS.

32. Among the IFAD12 list of countries, Management identified eight PBAS-only, non-DSF countries, and these are all LMICs. Two countries see their PBAS allocation increase (Congo and Zimbabwe) and six see a lower allocation compared to IFAD11: Cameroon, Djibouti, Ghana, Kenya, Lao People's Democratic Republic and Mauritania. Focusing on these six countries, a gap of US$47.9 million was identified. Using the PBAS reserve created in step 2 above, this gap can be covered in full. Taking this step means all PBAS-only countries that are not DSF-eligible receive an allocation equal to IFAD11. The PBAS reserve drops to US$37.3 million.

[9] This is equivalent to the difference between Afghanistan's original allocation (US$42.1 million) and the capped amount (US$25 million).

Step 5: Using the PBAS reserve and additional PBAS funds to enhance resource availability for BRAM-eligible LICs.

33. **BRAM-eligible LICs**. Of the BRAM-eligible countries whose IFAD12 financial offer is lower than in IFAD11, seven are LICs and 10[10] are LMICs, with a shortfall of US$71.9 million and US$82.1 million respectively. For the LICs, Management has explored options for covering the gap with PBAS funds in order to maintain the same lending terms for all resources available to them.

34. To achieve this, in addition to using the remaining PBAS reserve (US$37.3 million as noted above), Management has identified further PBAS funds through the application of a cap on those countries where PBAS and total resources availability increases in IFAD12. These are, in total, seven countries (some PBAS-only and other BRAM-eligible): Congo, Democratic Republic of the Congo, Côte d'Ivoire, Guinea, United Republic of Tanzania, Togo and Zimbabwe. In total, these countries have a US$47.7 million PBAS surplus (and a total resource surplus of US$98.2 million) as compared to IFAD11.

35. To fill the remaining gap for BRAM-eligible LICs, Management has capped the amount of PBAS resources available to the above countries in a way that takes from them only the exact amount of resources needed to fill the remaining gap (US$34.6 million). This is achieved by taking out 73 per cent of their PBAS surplus. Importantly, even after their surplus has been reduced in this way, these countries' PBAS and overall resource availability remains higher in IFAD12 than in IFAD11. Through the steps described above, this Management option ensures that all BRAM-eligible LICs obtain a level of resources in IFAD12 equivalent to or higher than in IFAD11.

Step 6: Using the BRAM to enhance resource availability for BRAM-eligible LMICs.

36. **BRAM-eligible LMICs**. As regards the 10 BRAM-eligible LMICs, their total resources shortfall compared to IFAD11 is US$82.1 million. No PBAS funding could be identified to fill this gap. For this reason, Management explored whether BRAM resources could be readjusted to cover the shortfall, while maintaining the overall average BB rating. Assuming demand for resources, BRAM amounts by country, as described in the base scenario, were adjusted. In practical terms, this means that BRAM resources indicatively attributed to some countries are shifted towards this latter group of countries. Management thus brought all BRAM-eligible LMICs approximately up to their IFAD11 resource availability.

37. This result was achieved through the reduction in indicative BRAM resources for countries with a surplus. More precisely, adjustments were made between countries within the same rating clusters, to ensure that the average BB rating of the BRAM illustrative portfolio is maintained. Two points need to be emphasized in this approach. Firstly, funds have been shared between countries within the same rating cluster, from those with a surplus to those with a shortfall. Secondly, the demand for BRAM has not been factored into this option and hence final envelopes remain indicative.

In summary:

38. Management's option for resource distribution, as well as performance against IFAD12 commitments, is summarized in table 6. All core resource commitments are maintained and performance is increased, with higher shares of resources to Africa, sub-Saharan Africa and countries with fragile situations. In addition, while the shares of total resources to LICs, LMICs and UMICs change only slightly, in absolute amounts of financing, resources to LICs increase by US$27.0 million, and resources to UMICs increase by about US$22.5 million. Lastly, Management's

[10] Nine countries as identified in the baseline case, plus Bolivia (Plurinational State of), which has a shortfall after capping in the Management option. This increases the number of countries with a shortfall from 22 to 23.

option ensures that all non-DSF countries receive approximately the same amount of resources as in IFAD11, with 24 countries receiving more than they did before.

Table 6
Management's option: IFAD12 financial offer distribution after capping and redistributing PBAS and BRAM resources

	IFAD11		**IFAD12**			
Commitments against core resources						
Region	Core resources	%	Core resources			%
Africa (>=55% commitment)	1 798 673 052	62.1%	1 518 756 009			66.5%
Sub-Saharan Africa (>=50% commitment)	1 699 669 823	58.7%	1 420 818 062			62.2%
Countries with fragile situations (>=25% commitment)	726 415 416	25.1%	788 490 553			34.5%
Resources distribution by income category						
Income category	**Total** resources	%	**Core** resources	%	**Total** resources	%
LICs	1 538 175 997	46.3%	971 059 108	42.5%	1 052 059 108	31.2%
LMICs	1 389 800 572	41.8%	1 313 940 892	57.5%	1 812 440 892	53.7%
UMICs	397 023 431	11.9%	-	0.0%	511 500 000	15.1%
Total	**3 325 000 000**	**100.0%**	**2 285 000 000**	**100.00%**	**3 376 000 000**	100.0%
Total UMICs out of PoLG						**14.6%**

IV. Conclusion on IFAD12 resource distribution options

39. Management is keen to maximize the resources available to the poorest countries while ensuring compliance with IFAD12 commitments in terms of distribution of core and total resources.

40. Both the base case scenario described in section II, and the alternative Management option provided in section III ensure that IFAD12 commitments are met. The distribution of total IFAD12 resources across the base scenario and the Management option developed is shown in table 7.

Table 7
Comparative resource distribution across regions and income categories

		Base case option		*Management option*	
		Amount (US$)	*Share of resources*	*Amount (US$)*	*Share of resources*
Income categories	LICs	1 025 009 360	30.5%	1 052 059 108	31.2%
	LMICs	1 841 990 640	54.9%	1 812 440 892	53.7%
	UMICs	489 000 000	14.6%	511 500 000	15.1%
	Total	**3 356 000 000**	**100.0%**	**3 376 000 000**	**100.0%**
Regional distribution	APR	1 123 431 372	33.5%	1 068 227 167	31.6%
	ESA*	717 942 750	21.4%	770 306 162	22.8%
	LAC	347 425 332	10.4%	335 504 505	9.9%
	NEN	420 545 753	12.5%	412 936 204	12.2%
	WCA**	746 654 793	22.3%	789 025 962	23.4%
	Total	**3 356 000 000**	**100.0%**	**3 376 000 000**	**100.0%**

*East and Southern Africa.
**West and Central Africa.

41. When comparing the base case option and the Management option, the latter succeeds in providing a greater amount of resources to non-DSF LICs, provided that demand for BRAM resources materializes as per illustrative distribution of the BRAM adjusted portfolio.

42. The Management option also succeeds in alleviating the reductions in overall resources at individual country level, benefiting 22 individual countries.

43. At regional level, the shares of resources shift slightly across the two scenarios for most regions. Under the Management option, WCA and ESA both receive slightly more funds.

44. Details of individual country PBAS allocations and indicative BRAM amounts under the base scenario and the Management option are presented in annex I.

45. The Executive Board is invited to review and approve Management's option as described above, in order to increase the level of resources available to LICs in IFAD12. This option will be presented to the Governing Council at its session in February 2022.

2021 PBAS country scores, IFAD12 allocations and indicative BRAM amounts for 2022-2024

Table 1
Asia and the Pacific

					Base Scenario			Management Option		
Country	Income Category	Lending Terms	BRAM-eligible (Y/N)	IFAD11 PBAS allocation	IFAD12 PBAS allocation	BRAM (indicative)	PBAS+BRAM	IFAD12 PBAS allocation	BRAM (indicative)	PBAS+BRAM
Afghanistan	LIC	D	N	50 000 000	42 136 599	-	42 136 599	25 000 000	-	25 000 000
Bangladesh	LMIC	B	Y	119 702 882	86 277 417	20 000 000	106 277 417	86 276 985	33 000 000	119 276 985
Bhutan	LMIC	HC	Y	11 281 031	8 935 027	15 000 000	23 935 027	8 934 982	5 000 000	13 934 982
Cambodia	LMIC	B	Y	54 395 170	38 909 220	10 000 000	48 909 220	38 909 025	14 000 000	52 909 025
China	UMIC	O	Y	134 995 532	-	168 000 000	168 000 000	-	168 000 000	168 000 000
India	LMIC	O	Y	166 250 000	142 728 564	25 000 000	167 728 564	142 727 849	25 000 000	167 727 849
Indonesia	LMIC	O	Y	84 355 555	58 176 545	60 000 000	118 176 545	58 176 254	60 000 000	118 176 254
Lao PDR	LMIC	B	N	13 237 685	8 693 074	-	8 693 074	13 237 685	-	13 237 685
Mongolia	LMIC	O	Y	-	10 327 315	10 000 000	20 327 315	10 327 263	5 000 000	15 327 263
Nepal	LMIC	HC	Y	78 848 934	38 535 263	20 000 000	58 535 263	38 535 070	40 000 000	78 535 070
Pakistan	LMIC	B	Y	111 546 237	104 121 476	8 000 000	112 121 476	104 120 955	7 000 000	111 120 955
Papua New Guinea	LMIC	B	N	-	26 830 248	-	26 830 248	26 830 114	-	26 830 114
Philippines	LMIC	O	Y	-	53 967 423	60 000 000	113 967 423	25 000 000	60 000 000	85 000 000
Solomon Islands	LMIC	HC	Y	-	9 651 033	4 500 000	14 151 033	9 650 984	4 500 000	14 150 984
Vanuatu	LMIC	SHC/HC	Y	-	4 500 000	4 500 000	9 000 000	4 500 000	4 500 000	9 000 000
Vietnam	LMIC	O	Y	43 000 000	59 642 167	25 000 000	84 642 167	25 000 000	25 000 000	50 000 000

Table 2
East and Southern Africa

					Base Scenario			Management Option		
Country	Income Category	Lending Terms	BRAM-eligible (Y/N)	IFAD11 PBAS allocation	IFAD12 PBAS allocation	BRAM (indicative)	PBAS+BRAM	IFAD12 PBAS allocation	BRAM (indicative)	PBAS+BRAM
Angola	LMIC	O	Y	29 754 999	18 211 300	4 500 000	22 711 300	18 211 209	10 000 000	28 211 209
Burundi	LIC	D	N	63 654 876	42 456 204	-	42 456 204	44 379 103	-	44 379 103
Comoros	LMIC	SHC/HC	Y	9 380 027	5 075 808	8 000 000	13 075 808	5 075 782	4 500 000	9 575 782
Eritrea	LIC	D	N	37 079 751	14 729 565	-	14 729 565	15 396 687	-	15 396 687
Eswatini	LMIC	O	Y	-	9 071 940	4 500 000	13 571 940	9 071 894	4 500 000	13 571 894
Ethiopia	LIC	D	N	129 990 064	74 815 262	-	74 815 262	78 203 748	-	78 203 748
Kenya	LMIC	B	N	76 810 020	60 925 320	-	60 925 320	76 810 020	-	76 810 020
Lesotho	LMIC	B	Y	16 199 036	15 234 915	10 000 000	25 234 915	15 234 839	5 000 000	20 234 839
Madagascar	LIC	SHC/HC	Y	83 502 309	64 896 685	8 000 000	72 896 685	75 502 309	8 000 000	83 502 309
Malawi	LIC	SHC/HC	Y	83 783 874	56 805 709	8 000 000	64 805 709	75 783 874	8 000 000	83 783 874
Mozambique	LIC	D	N	85 363 718	47 173 411	-	47 173 411	49 309 959	-	49 309 959
Rwanda	LIC	SHC/HC	Y	54 471 273	44 272 326	15 000 000	59 272 326	44 272 104	10 000 000	54 272 104
South Sudan	LIC	D	N	9 866 989	9 407 470	-	9 407 470	9 833 547	-	9 833 547
Tanzania	LMIC	HC	Y	58 800 000	68 725 837	10 000 000	78 725 837	61 508 734	5 000 000	66 508 734
Uganda	LIC	SHC/HC	Y	99 567 042	67 111 024	10 000 000	77 111 024	89 567 042	10 000 000	99 567 042
Zimbabwe	LMIC	HC	N	35 687 318	41 029 973	-	41 029 973	37 145 308	-	37 145 308

Table 3
Latin America and the Caribbean

					Base Scenario			Management Option		
Country	Income Category	Lending Terms	BRAM-eligible (Y/N)	IFAD11 PBAS allocation	IFAD12 PBAS allocation	BRAM (indicative)	PBAS+BRAM	IFAD12 PBAS allocation	BRAM (Indicative)	PBAS+BRAM
Argentina	UMIC	O	Y	13 131 915	-	15 000 000	15 000 000	-	15 000 000	15 000 000
Bolivia	LMIC	O	Y	23 601 282	18 394 411	10 000 000	28 394 411	10 000 000	13 000 000	23 000 000
Brazil	UMIC	O	Y	35 659 394	-	30 000 000	30 000 000	-	36 000 000	36 000 000
Colombia	UMIC	O	Y	-	-	50 000 000	50 000 000	-	50 000 000	50 000 000
Dominican Republic	UMIC	O	Y	12 375 596	-	20 000 000	20 000 000	-	20 000 000	20 000 000
El Salvador	LMIC	O	Y	-	11 826 428	8 000 000	19 826 428	11 826 368	4 500 000	16 326 368
Guatemala	UMIC	O	Y	11 339 549	-	20 000 000	20 000 000	-	20 000 000	20 000 000
Haiti	LMIC	D	N	23 810 139	21 498 152	-	21 498 152	22 471 832	-	22 471 832
Honduras	LMIC	B	Y	-	7 706 342	15 000 000	22 706 342	7 706 304	5 000 000	12 706 304
Mexico	UMIC	O	Y	38 452 817	-	60 000 000	60 000 000	-	60 000 000	60 000 000
Peru	UMIC	O	Y	23 968 777	-	60 000 000	60 000 000	-	60 000 000	60 000 000

Table 4

Near East, North Africa and Europe

Country	Income Category	Lending Terms	BRAM-eligible (Y/N)	IFAD11 PBAS allocation	Base Scenario IFAD12 PBAS allocation	Base Scenario BRAM (indicative)	Base Scenario PBAS+BRAM	Management Option IFAD12 PBAS allocation	Management Option BRAM (indicative)	Management Option PBAS+BRAM
Djibouti	LMIC	HC	N	6 617 006	5 615 455	-	5 615 455	6 617 006	-	6 617 006
Egypt	LMIC	O	Y	64 534 943	50 355 096	10 000 000	60 355 096	50 354 844	13 000 000	63 354 844
Iraq	UMIC	O	Y	25 561 898	-	15 000 000	15 000 000	-	25 500 000	25 500 000
Jordan	UMIC	O	Y	15 087 638	-	15 000 000	15 000 000	-	15 000 000	15 000 000
Kyrgyz Republic	LMIC	SHC/HC	Y	31 554 443	25 536 076	10 000 000	35 536 076	25 535 948	5 000 000	30 535 948
Moldova	UMIC	O	Y	20 750 972	-	18 000 000	18 000 000	-	21 000 000	21 000 000
Morocco	LMIC	O	Y	36 691 376	31 949 998	50 000 000	81 949 998	31 949 838	40 000 000	71 949 838
Sudan	LIC	D	N	62 944 628	43 881 478	-	43 881 478	45 868 931	-	45 868 931
Syrian Arab Republic	LIC	HC	N	14 211 460	23 152 766	-	23 152 766	10 000 000	-	10 000 000
Tajikistan	LMIC	D	N	25 000 000	23 294 024	-	23 294 024	24 349 043	-	24 349 043
Tunisia	LMIC	O	Y	23 897 146	15 633 343	8 000 000	23 633 343	15 633 265	8 000 000	23 633 265
Turkey	UMIC	O	Y	21 000 368	-	18 000 000	18 000 000	-	21 000 000	21 000 000
Uzbekistan	LMIC	B	Y	49 000 572	37 127 515	20 000 000	57 127 515	37 127 329	17 000 000	54 127 329

Table 5
West and Central Africa

Country	*Income Category*	*Lending Terms*	*BRAM-eligible (Y/N)*	*IFAD11 PBAS allocation*	*Base Scenario* IFAD12 PBAS allocation	*Base Scenario* BRAM (indicative)	*Base Scenario* PBAS+BRAM	*Management Option* IFAD12 PBAS allocation	*Management Option* BRAM (indicative)	*Management Option* PBAS+BRAM
Benin	LMIC	SHC/HC	Y	29 263 862	13 279 777	15 000 000	28 279 777	13 279 710	15 000 000	28 279 710
Burkina Faso	LIC	HC	Y	68 155 269	51 931 055	10 000 000	61 931 055	58 155 269	10 000 000	68 155 269
Cabo Verde	LMIC	HC	N	-	5 444 813	-	5 444 813	5 444 786	-	5 444 786
Cameroon	LMIC	B	N	46 970 628	35 125 525	-	35 125 525	46 970 628	-	46 970 628
Central African Republic	LIC	D	N	35 329 100	17 396 076	-	17 396 076	18 183 968	-	18 183 968
Chad	LIC	D	N	61 683 313	36 828 244	-	36 828 244	38 496 246	-	38 496 246
Congo, Dem. Rep.	LIC	SHC/HC	Y	36 490 778	52 186 026	4 500 000	56 686 026	40 774 045	4 500 000	45 274 045
Congo, Rep.	LMIC	B	N	7 991 611	11 179 836	-	11 179 836	8 861 684	-	8 861 684
Côte d'Ivoire	LMIC	B	Y	18 389 535	21 870 754	20 000 000	41 870 754	19 339 553	14 000 000	33 339 553
Gambia, The	LIC	D	N	21 270 237	11 418 931	-	11 418 931	11 936 110	-	11 936 110
Ghana	LMIC	B	N	46 045 375	34 782 643	-	34 782 643	46 045 375	-	46 045 375
Guinea	LIC	SHC/HC	Y	29 451 826	36 149 339	8 000 000	44 149 339	31 279 573	5 000 000	36 279 573
Guinea-Bissau	LIC	D	N	19 189 405	11 068 944	-	11 068 944	11 570 271	-	11 570 271
Liberia	LIC	SHC/HC	Y	34 041 892	23 996 953	8 000 000	31 996 953	26 041 892	8 000 000	34 041 892
Mali	LIC	SHC/HC	Y	53 655 308	47 468 663	4 500 000	51 968 663	49 155 308	4 500 000	53 655 308
Mauritania	LMIC	B	N	23 696 976	20 354 700	-	20 354 700	23 696 976	-	23 696 976
Niger	LIC	SHC/HC	Y	88 387 501	70 444 665	8 000 000	78 444 665	80 387 501	8 000 000	88 387 501
Nigeria	LMIC	B	Y	87 465 926	56 769 920	10 000 000	66 769 920	56 769 636	30 000 000	86 769 636
Sao Tome and Principe	LMIC	D	N	5 330 051	4 500 000	-	4 500 000	4 500 000	-	4 500 000
Senegal	LMIC	B	Y	51 863 209	30 175 963	15 000 000	45 175 963	30 175 812	22 000 000	52 175 812
Sierra Leone	LIC	D	N	40 825 715	24 395 641	-	24 395 641	25 500 553	-	25 500 553
Togo	LIC	HC	Y	15 550 805	18 886 325	8 000 000	26 886 325	16 461 065	5 000 000	21 461 065

Implementation of the PBAS in IFAD11 (2019-2021)

1. The IFAD11 cycle concluded at the end of 2021. For IFAD11, Management made a number of commitments in relation to the share of core resources allocated to Africa, sub-Saharan Africa, LICs and LMICs, UMICs and countries with fragile situations and with regard to resources allocated on highly concessional terms. These commitments applied to the beginning of the IFAD11 cycle, and they have all been met.[11] The following paragraphs report on the actual use of resources, the reallocation processes that took place, and the end-of-cycle commitment not to reallocate resources in excess of 10 per cent of the IFAD11 PoLG.

2. During IFAD11, Management applied capping based on countries' absorption capacity and portfolio performance. Countries that were capped during IFAD11 were: Afghanistan, Tajikistan, United Republic of Tanzania, Viet Nam and Yemen. All but Yemen have used their full allocation.

3. Since December 2018, when Management first presented the PBAS allocations for IFAD11 to the Executive Board, six countries have exited the cycle and not used their allocation. These countries are: Guyana, Iraq, Nicaragua, Syrian Arab Republic, Yemen and Zambia.

4. During IFAD11, Management undertook a total of three reallocation exercises. Overall, the amount reallocated is US$155.4 million, which corresponds to around 5 per cent of the financing distributed through the PBAS (US$3.325 billion). This reallocated amount was calculated based on the financing assigned to the six countries that exited the cycle, in addition to residual amounts from project approvals. The overall reallocated amount is within the IFAD11 commitment made on reallocations.

5. The distribution of reallocated funds by regional division and income category is provided in table 6. The West and Central Africa Division benefited from the highest share of reallocated funds, followed by the Asia and the Pacific Division. As regards classification by income, LMICs received 66 per cent of resources reallocated, and LICs received the remaining 34 per cent.

Table 6
Funds reallocated in IFAD11 by region and income category

Regional division	*US$ million*	*Percentage*
APR	36.2	23%
ESA	31.7	20%
LAC	-	-
NEN	3.7	2%
WCA	83.8	54%
Total	**155.4**	**100%**

Income category	*US$ million*	*Percentage*
LICs	52.3	34%
LMICs	103.1	66%
UMICs	-	-
Total	**155.4**	**100%**

6. Table 7 shows the resources reallocated or released by region over the course of IFAD11, expressed as a percentage of the respective regional allocation at the beginning of the cycle. Significantly, LAC and NEN released, respectively, 16 per cent and 15 per cent of the financing they received. Conversely, by the end of the cycle, WCA had absorbed an additional 10 per cent of resources, compared to the amount allocated at the beginning of the cycle.

Table 7
Share of resources used at the end of the IFAD11 period compared to initial IFAD11 allocation

Regional division	*Net financing received (+) or released (-) at end-IFAD11 as percentage of IFAD11 allocations*
APR	+3%
ESA	-1%
LAC	-16%
NEN	-15%
WCA	+10%

7. At the end of IFAD11, after reallocating funds, the total amount of resources distributed stands at US$3,320 million.

[11] As reflected EB 2018/125/R.4/Add.1.