



Corporate-level Evaluation on IFAD's Performance-based Allocation System

29 March, 2016

IFAD PBAS

- Objectives: transparent and rules-based system, three-year allocations, incentives

1 Country score

$$[(RuralPOP^{0.45}) \times (GNIPC^{-0.25})] \times (0.2 \times IRAI^* + 0.35 \times PAR + 0.45 \times RSP)^2$$

2 Country allocation

$$\left(\frac{Country\ Score}{Sum\ Final\ country\ score} \right) \times Allocation\ envelope$$

*For countries that borrow on non highly concessional terms, the formula weights of the country performance changes:

$$Country\ performance = (0.43 \times PAR + 0.57 \times RSP)^2$$

Evaluation findings: country needs component

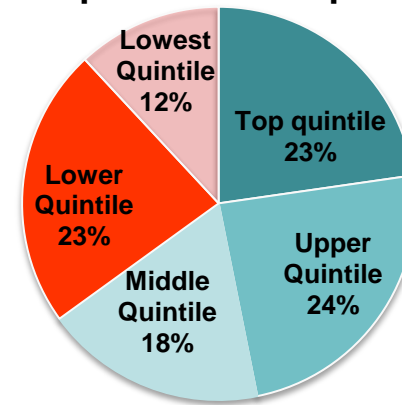
**The country needs variables
have a limited focus on rural
poverty, vulnerability and fragility**

- **Rural population (RuralPop)**
 - Given the variation across countries, RuralPop has a major impact on country allocations and is strongly correlated with the final country allocations
 - The evaluation questions how representative is rural population as a variable in determining country needs for IFAD's assistance
- **GNI/pc**
 - It has been a reliable variable to help measure country needs, but has limitations (i.e. not a rural index, does not capture inequalities, only covers the income aspect)

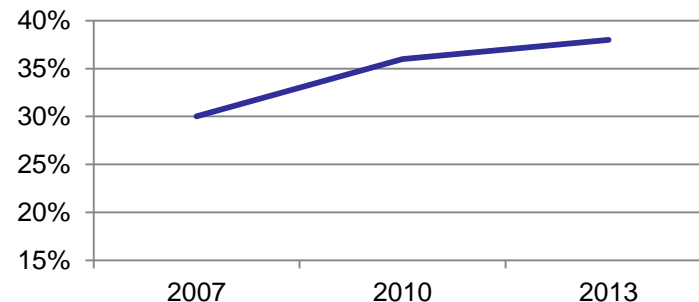
Evaluation findings: country performance component

- The three variables (CPIA, RSP, and PAR) are complementary in assessing country performance
- The lack of a **CPIA** rating for recipient countries has an adverse effect on the overall allocation system

Allocation share by country performance quintile



Percentage of countries without CPIA



Evaluation findings: country performance component (cont.)

- The **RSP** is a critical variable in the PBAS formula, but it has not been refined since the adoption of the PBAS
 - Some challenges remain with the RSP rating process
 - RSP ratings change little during PBAS cycles
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- The **PAR** rating process is good
 - However, the PAR does not fully reflect the performance of IFAD's assistance at the country programme level

Evaluation findings: adjustments made in the course of the years

- The adjustments done to the PBAS formula have helped IFAD to allocate its resources in line with IFAD's mandate
- The evaluation recognizes the flexibility of the system (max and min allocations, reallocations, caps)
- Since 2014, IFAD has adopted a more corporate approach with EMC playing a role in discussing and approving allocations and reallocations
- The PBAS has implications to IFAD's financial model (e.g. sovereign borrowed funds)

Evaluation findings: management of the PBAS

- **Oversight**

- Governing Bodies were proactive in introducing the PBAS in 2003
- However, in recent years they have not been active

- **Management**

- The direct staff cost for managing the PBAS is relatively low
- Transparency in implementation: the rationale for inclusion of countries, capping of countries, and reallocations are not documented and disclosed
- IFAD does not have a manual or guidelines for the system's implementation, and there have been few learning opportunities
- The management of PBAS has been PMD centric

Consolidated evaluation ratings

Relevance

4.6

Effectiveness

4.2

Efficiency

4.1



Main conclusions

- The PBAS has contributed to a more systematic, transparent, accessible and predictable allocation process
- However, **transparency** in implementation needs to improve
- The **country needs** component of the formula is a **major driver in determining allocations** with relatively less emphasis on country performance
- Link between PBAS, budget and pipeline development needs strengthening

Recommendations

1. **Relevance: revision to the PBAS's design, in particular**

- i. Sharpen the PBAS objective
- ii. Strengthen the rural poverty focus
- iii. Refining the RSP variable
- iv. Reassessing the balance between country needs and performance

2. Effectiveness: (e.g. strengthen the performance component of the formula, improve transparency of implementation, RSP scoring process, usage of CPIA, minimum allocation)

3. Efficiency (e.g. reallocations, spread commitments during the replenishment period, inclusion of countries, frequency of RSP)

Recommendations (continued)

4. Management

- Creation of a standing inter-department committee
- Development of a system manual
- Institutionally customized software

5. Reporting

- Areas to further enhance the transparency of the reporting of the system are: the country selectivity, the rationale for capping, quality assurance of RSP scores, and reallocation exercises

6. Learning

- Challenges and learning opportunities for system improvement