



## Adjusting the performance-based allocation system

March 2017

**Lisandro Martin, Chief**  
Operational Programming and Effectiveness Unit (OPE), PMD

# Today's presentation

**Actions taken**

slide n. 3

**Formula**

slide: 4 - 5

**Scenarios**

slide: 6 - 7

**New steps**

slide: 8

# Management actions in response to CLE recommendations

Actions taken

## Enhancing rural poverty focus

- ✓ Development and inclusion of IFAD Vulnerability Index (IVI), which includes measures of vulnerability, income inequality, nutrition and non-income poverty.
- ✓ Realignment of RSP assessment with IFAD's strategic frameworks 2016-2025.

## Rebalancing the needs and performance components

- ✓ Reviewing the weights of formula variables in order to increase the performance-drive of the formula, while taking needs in due account.
- ✓ Reduction in rural population exponent.
- ✓ Increase in performance component exponent.

## Strengthening the performance component

- ✓ Country Policy and Institutional Assessment (CPIA): elimination and folding within RSP
- ✓ Rural sector performance assessment revision: revisiting underlying indicators and questions; systematizing and strengthening the RSP scoring and quality assurance processes. RSP utilisation for policy dialogue and COSOPs development. Efficiency gains through RSP scoring once per cycle.
- ✓ Portfolio performance and disbursement (PAD): enhanced portfolio performance assessment and inclusion of a disbursement measure

## Streamlining PBAS management process for better effectiveness and transparency

- ✓ Enhanced reporting to Governing Bodies on allocations, countries entering and exiting the cycle, capping, minimum and maximum allocations, reallocations.
- ✓ PBAS-related decision making approved by OMC and EMC, which have full interdepartmental representation.
- ✓ Exploring options for reallocating resources earlier in the cycle.
- ✓ Generating learning through learning events for IFAD staff, the inter-departmental working group on PBAS, and informal seminars with the EB.

# Refreshing our understanding of the Performance based Allocation System

How many people live in the rural areas?

The bigger the rural population, the higher the allocation

How poor are the countries we work in?

The higher the rural poverty, the higher the allocation

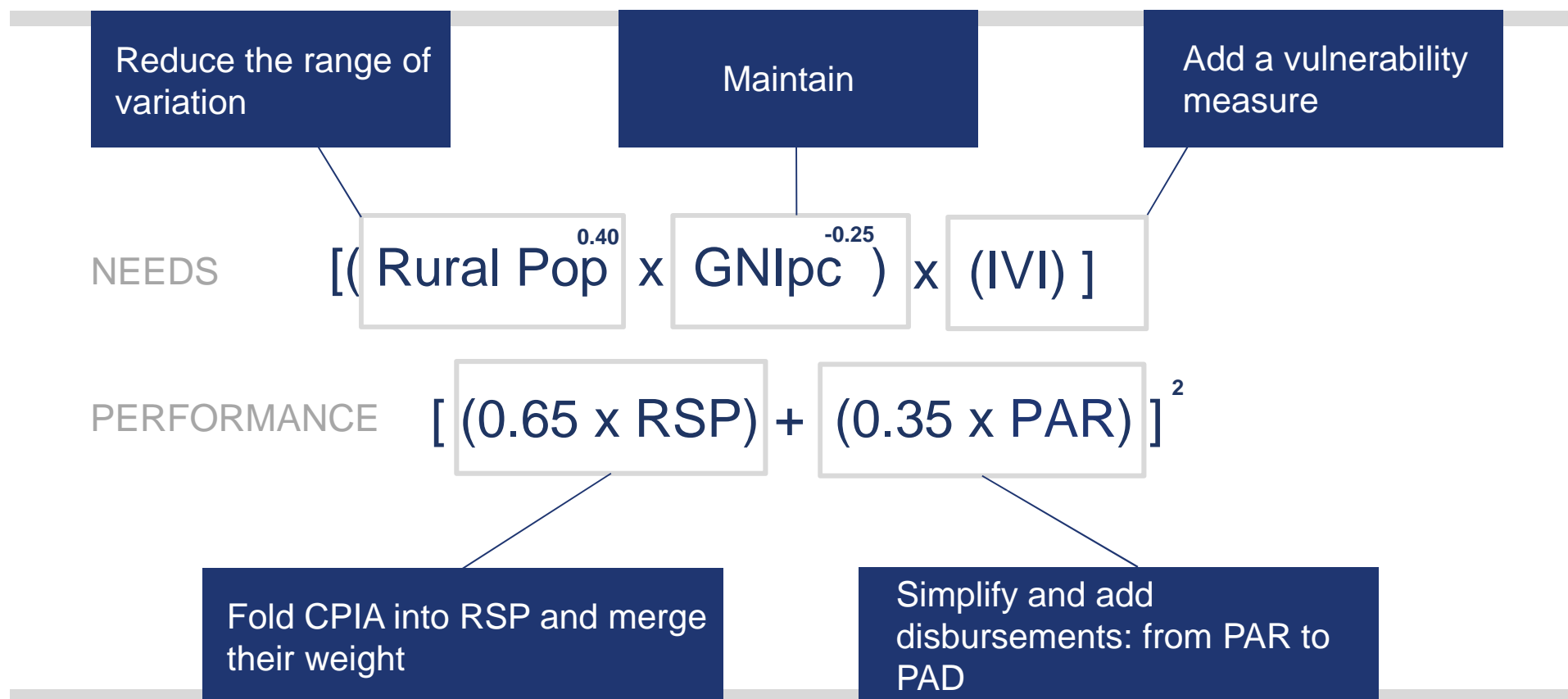
How good is the enabling environment for rural poverty reduction?

The better the enabling environment, the higher the allocation

How is IFAD's portfolio performing?

The stronger the performance, the higher the allocation

## Phase I introduced changes to the variables



# Phase II focused on the weights of the variables and components: the four scenarios developed show stability across income groups but variations within fluctuate

Scenarios

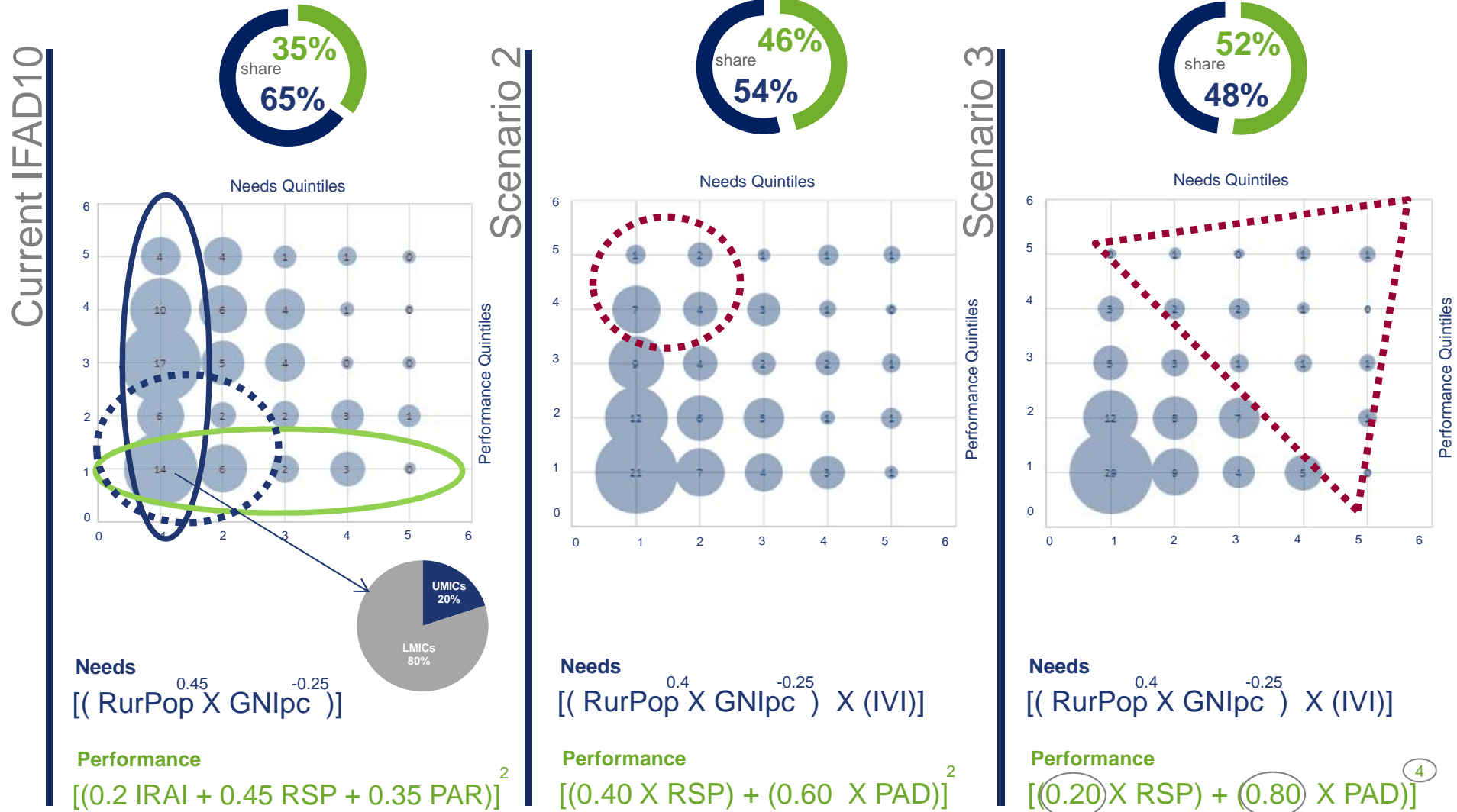


	Scenario 1	Scenario 2	LICS	Scenario 3	Scenario 4
<b>Rwanda</b>	Max: \$58.8m (Nepal), \$122m (Rwanda) Median: \$53.5m (Rwanda), \$34m Min: \$4.5m	Max: \$56.9m (Nepal), \$135m (Rwanda) Median: \$53.2m (Rwanda), \$36m Min: \$4.5m	Low Income Countries	Max: \$69m (Rwanda), \$152m (Nepal) Median: \$46.7m (Nepal), \$24m Min: \$4.5m	Max: \$97.1m (Rwanda), \$152m (Nepal) Median: \$27.3m (Nepal), \$8m Min: \$4.5m
<b>Sri Lanka</b>	Max: \$152m Median: \$34m, \$24m Min: \$4.5m	Max: \$152m Median: \$36m, \$25m Min: \$4.5m	LMICS Lower Middle Income Countries	Max: \$152m Median: \$38m, \$26m Min: \$4.5m	Max: \$152m Median: \$33m, \$15m Min: \$4.5m
<b>Mexico</b>	Max: \$132m Median: \$34m, \$10m Min: \$4.5m	Max: \$137m Median: \$36m, \$9m Min: \$4.5m	UMICS Upper Middle Income Countries	Max: \$152m Median: \$47m, \$5m Min: \$4.5m	Max: \$152m Median: \$60m, \$5m Min: \$4.5m

Although counterintuitive, a larger weight for one variable (or component) does not necessarily imply that countries with better scores in that variable receive more resources, even if that variable scores better than any other variable in the formula.



# Comparative distribution of resources by selected scenarios



# Next steps

Needs component: refining the weights of GNIpc and IVI

Performance component: refining the weights of RSP and PAD

Rural sector performance assessment: finalization of scoring methodology and Quality Assurance system

Refining the sensitivity and the elasticity analyses



# Questions and discussion

**Any questions?**



**Thank you**