



Proposing a revised PBAS formula

Executive Board PBAS Working Group meeting

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

Today's presentation

Objective

To reconstruct the PBAS formula incorporating agreed changes while providing a base-scenario that meets IFAD's lending parameters.

The new formula

slides n. 3 - 6

The allocations

slides n. 7 - 9

Next steps

slide n. 10

A PBAS formula more sensitive to multidimensional rural poverty

Proposed new formula:

$$\left[(\text{Rural Population})^{0.40} \times \text{GNI}_{pc}^{-0.25} \times (1+IVI) \right] \times \left[(0.65\text{RSP} + 0.35\text{PAR})^2 \right]$$

NEEDS

PERFORMANCE

Simplicity and current balance between needs and performance as guiding principles



Up to 45% to Sub-Saharan Africa



Two-thirds highly concessional

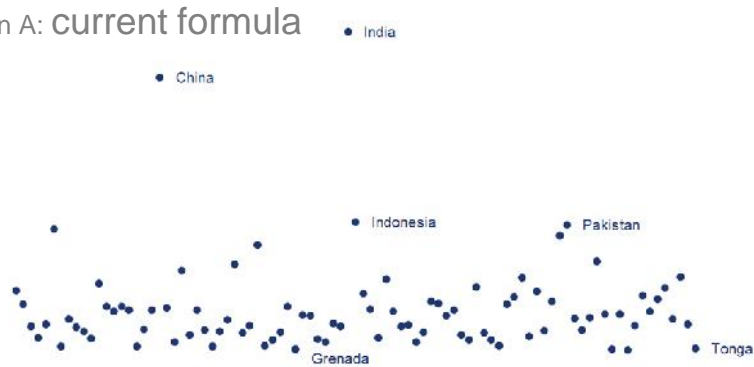


Considering increased resources to MFS

Rescaling rural population to rebalance elasticities

Too much dispersion: 1500 standard deviations

Option A: current formula



Too little dispersion: 2 standard deviations

Option B: log of rural population



Just enough dispersion: 500 standard deviations

Option C: 0.05 point exponent reduction



preferred

Option C

Maintaining minimum and maximum allocations

India and China



Allocations are normalized around and within the current ceiling

Aprox.

US\$ **152** million

Namibia and Montenegro



Among the countries with minimum allocations that increased the most

Up to

US\$ **9** million

Comoros



Receives the new minimum allocation, a 50% increase

US\$ **4.5** million

Ensuring that IFAD Vulnerability Index (IVI) redirects resources where needs are greater

preferred	Option A	Option B	
	WITHIN	Incorporating IVI to the PBAS	OUTSIDE
	As a variable within the formula		As a discount factor outside the formula

Results in an increase of **10%** allocation to the top two vulnerability quintiles

Results in an increase of **1%** allocation to the top two vulnerability quintiles

e.g.:

	Share of total allocations with IVI...	
	...within the formula	...outside the formula
Afghanistan	1.20%	0.14%
Sudan	0.91%	0.15%
Eritrea	0.54%	0.11%

IVI redirects additional US\$125 million to most vulnerable countries



Food security



Nutrition



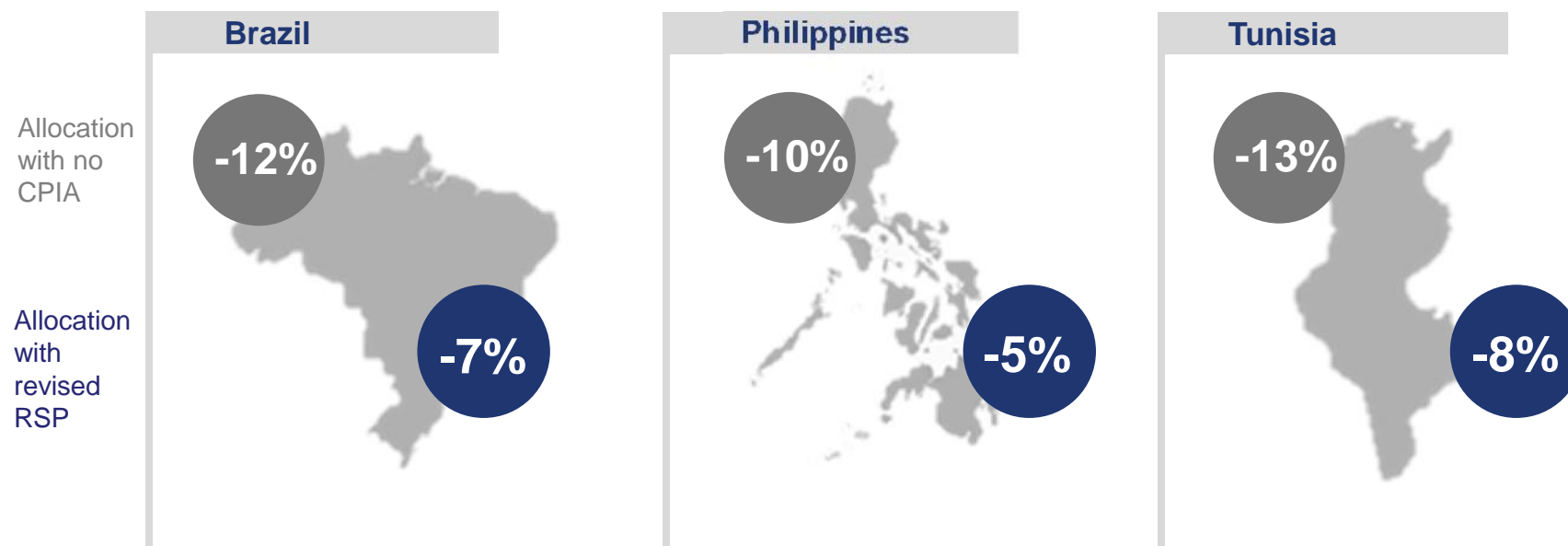
Climate vulnerability



Inequality

Confirming that the Rural Sector Performance Score (RSP) rewards good performers

The weight of the new RSP equals the combined weight of RSP and CPIA in the previous formula



On average, it halves the negative impact of eliminating CPIA on top performers



Macro



Transparency



Environment



Rural organizations



Access

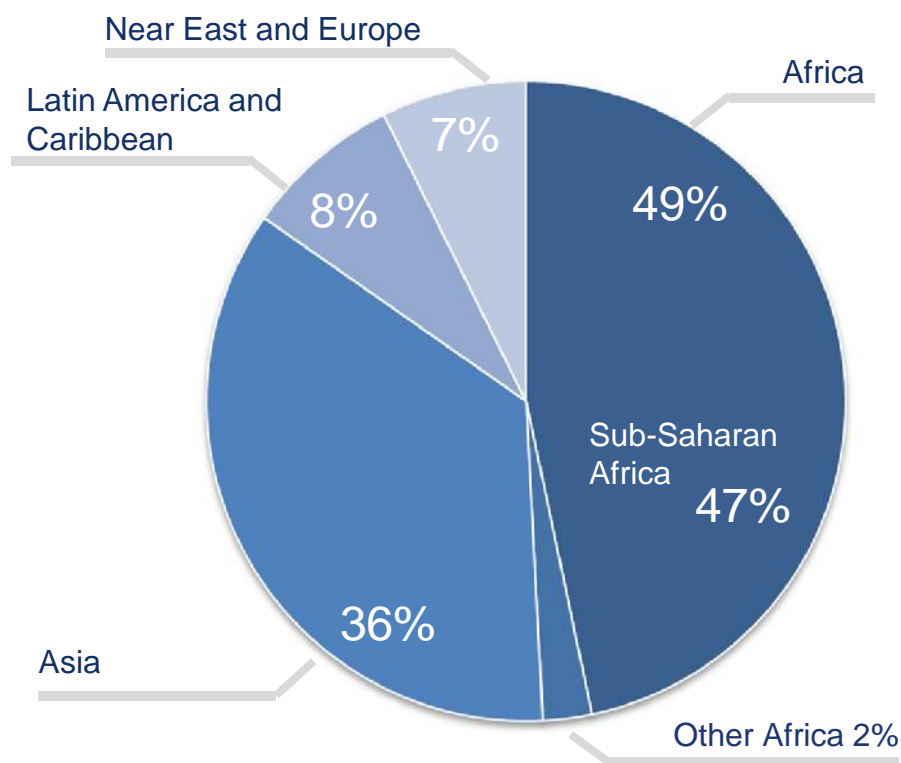


Nutrition and gender

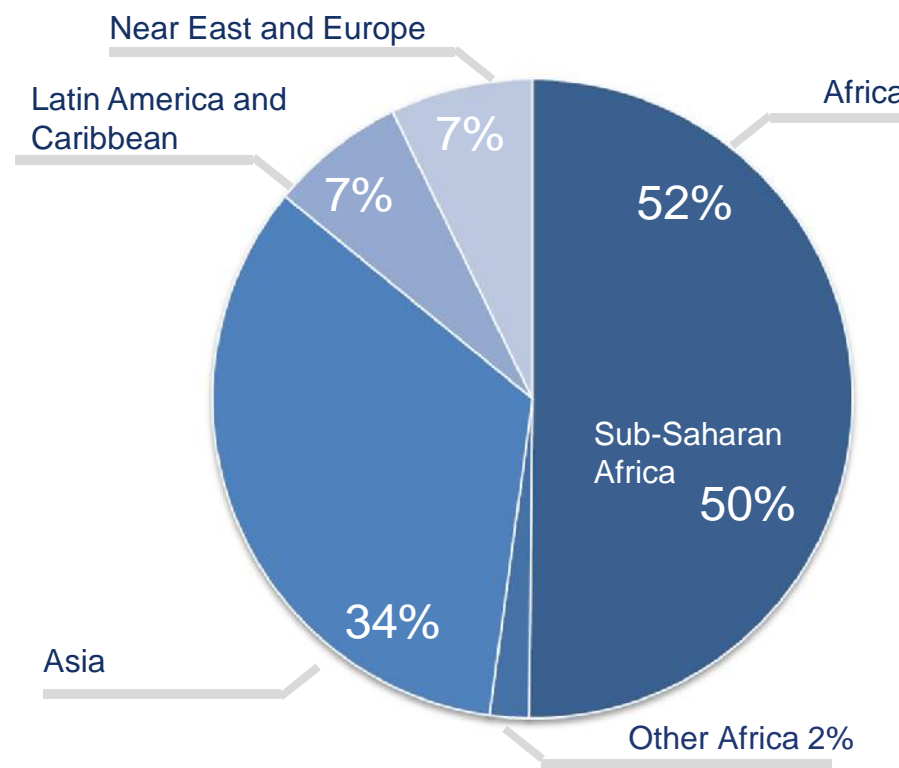
Base simulation enhances IFAD's focus on Africa

Distribution of core resources by continent

Current formula



Proposed formula



With 23% of IFAD 10 allocations going to MFS, increases should match capacity and demand

Increased resources yet weak demand and absorptive capacity

5%

Overall estimated increase using the new PBAS formula

Many MFS have been persistently capped (e.g., Afghanistan and Congo Dem.Rep.)

63%

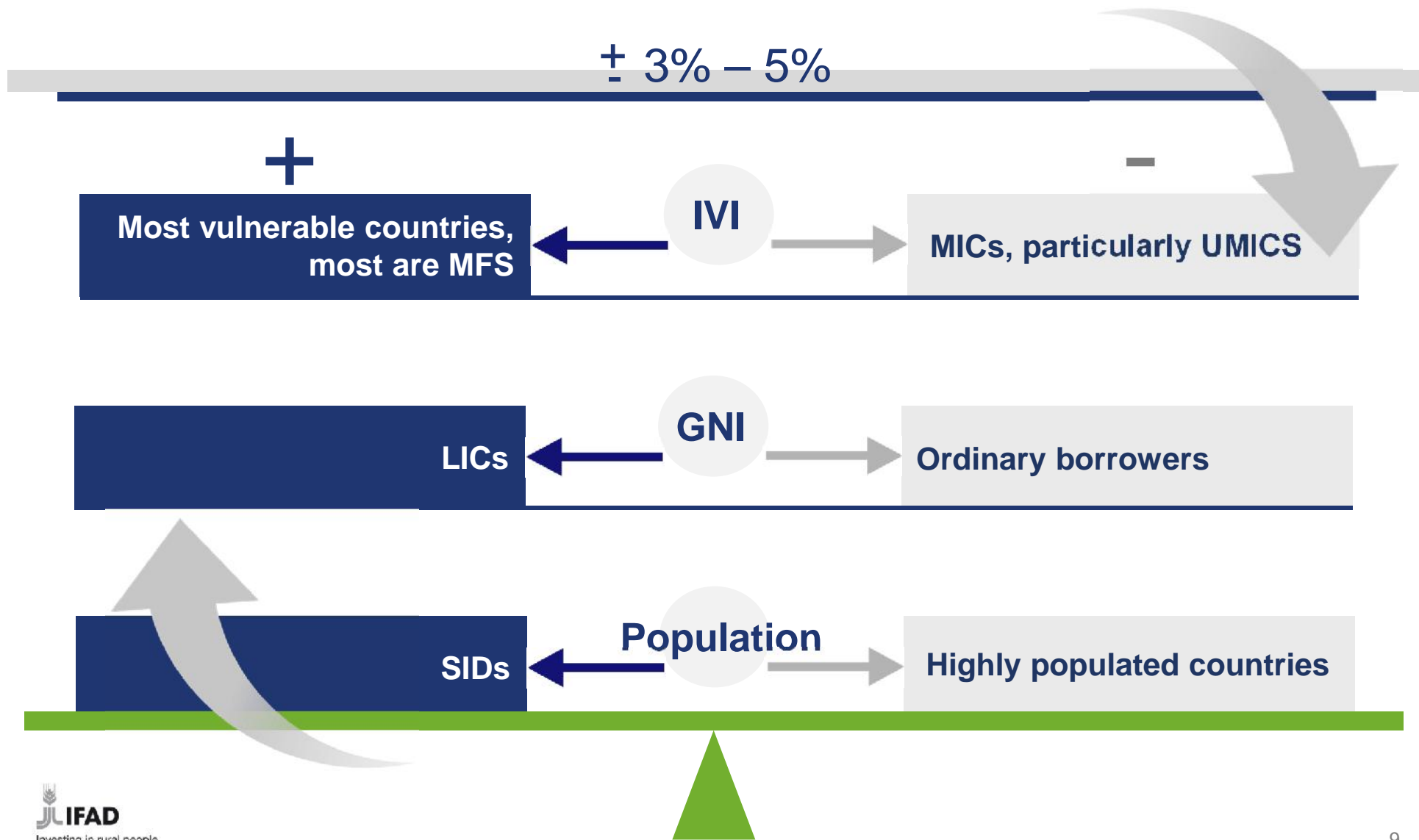
Percentage of fragile countries within the top 2 quintiles of IVI score

Most eligible countries never used the post conflict facility, and none used it to its full potential



Most Fragile situations (MFS)

Adjusted redistribution of resources



Next steps

Further adjusting the **coefficients** based on EB WG desired outcome.

Refining Portfolio at Risk (**PAR**) variable.

Finalizing Rural Sector Performance Score (**RSP**) questionnaire.

Streamlining **management** practices, particularly yearly reallocations and alignment with pipeline delivery.

Questions and discussion

Any questions?



Thank you