



Proposing a revised PBAS formula

March 2017

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Today's presentation

Formula

slide n. 3 - 5

Sensitivity analysis

slide: 6

Viable Scenarios

slide: 7 - 11

Reallocations

slide: 12

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 lower the GNIpc and the higher the **vulnerability**, the higher the allocation

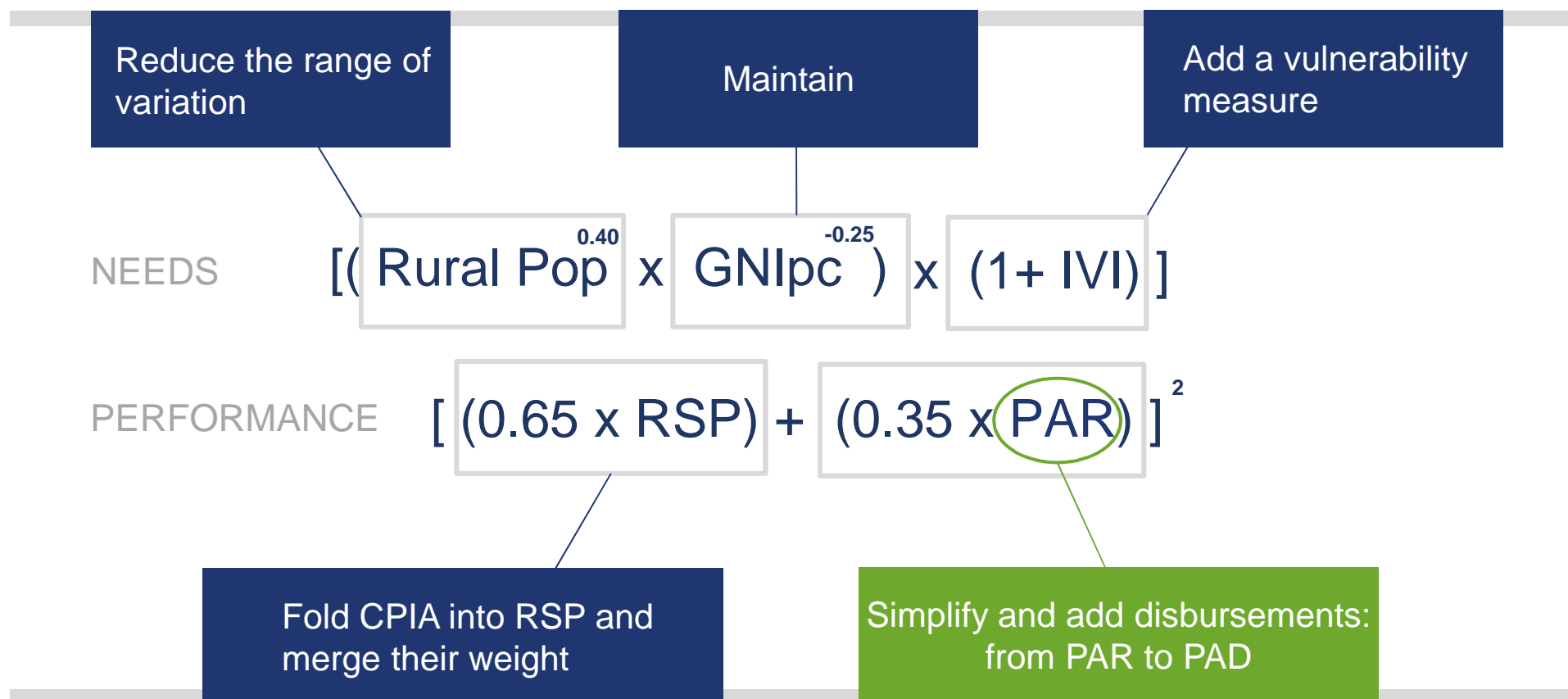
How good is the enabling environment for rural poverty reduction?

The better the enabling environment **over time**, 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



Providing clearer incentives for portfolio management

Proposed PAD features

Eliminates potential problem projects because it was a perverse incentive for early warning system at the operational level



Taking into account the portfolio size and age



Discount applied to reflect disbursement performance: the lower the disbursement ratio, the higher the discount



ADVANTAGES

From qualitative to quantitative

Simpler Methodology

Reinforced incentives

Three year average PAD will be used to prevent high variations year on year

Angola

6 projects,
none at risk



Old PAR 6.0

New PAD 4.19

Disbursement ratio 9%

Sri Lanka

3 projects,
none at risk



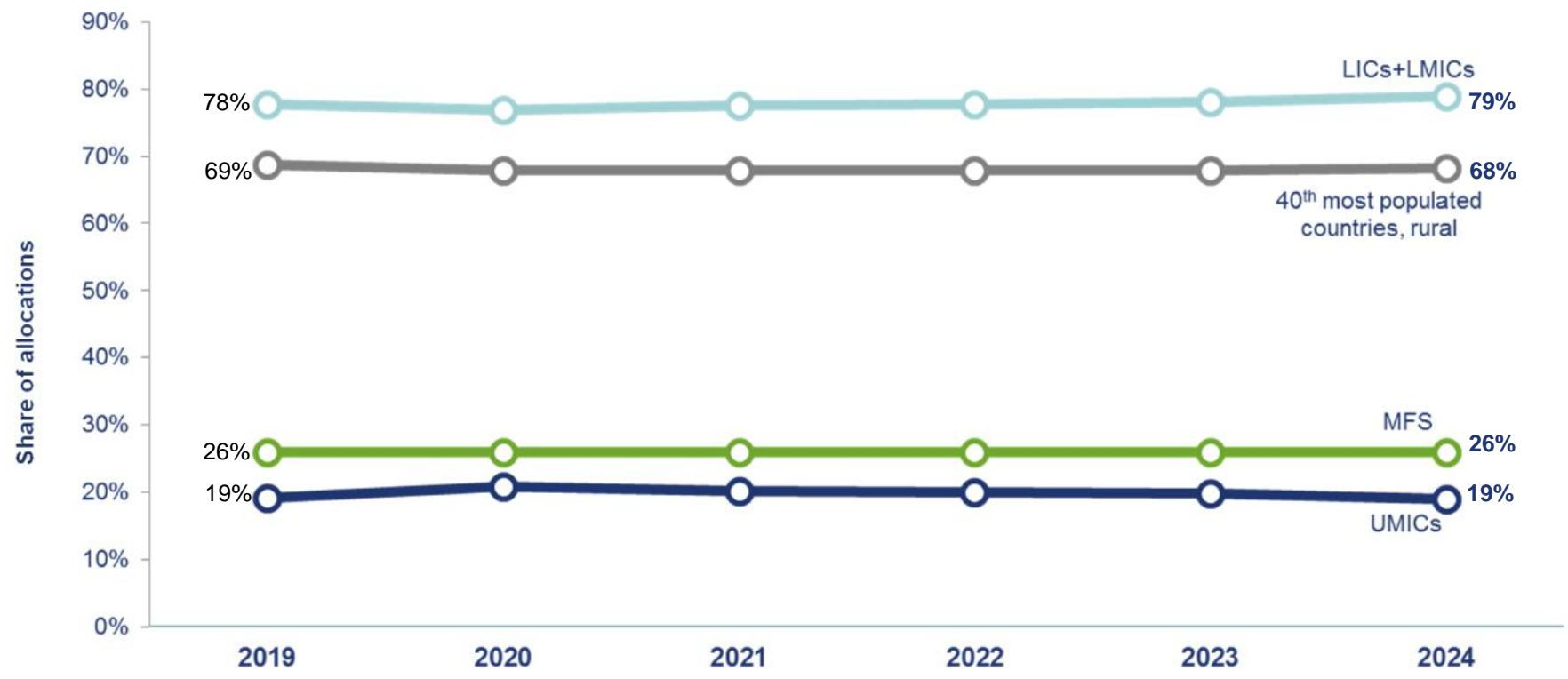
Old PAR 5.0

New PAD 5.45

Disbursement ratio 39%

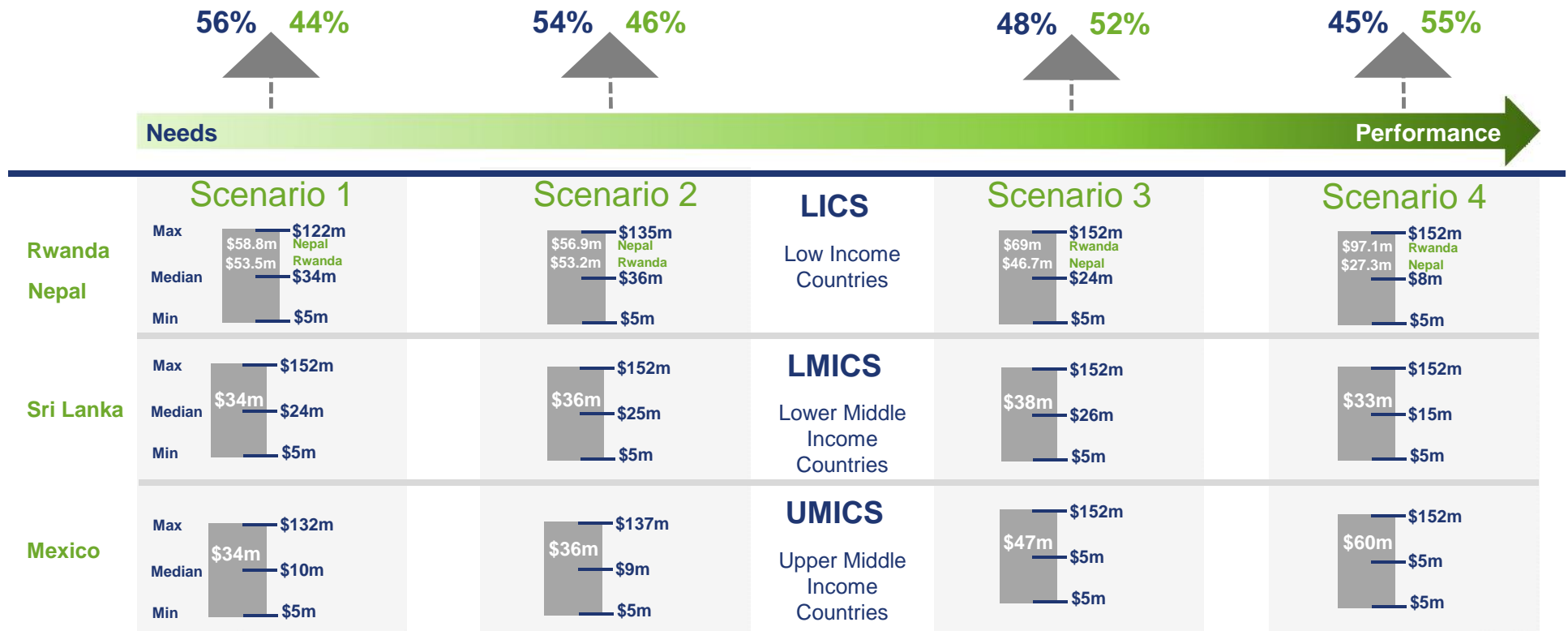
We have worked on the performance side to increase the elasticity of the performance component, irrespective of the scenario chosen

Sensitivity analysis confirms the stability of the formula on the longer term



Observed trends in GNIpc and rural population growth do not alter the equilibrium of different country groupings

Viability scenarios show stability across income groups but variations within fluctuate



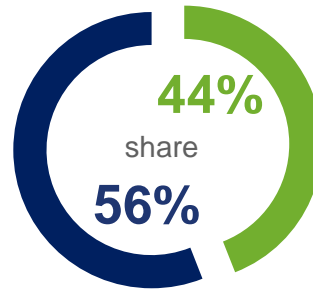
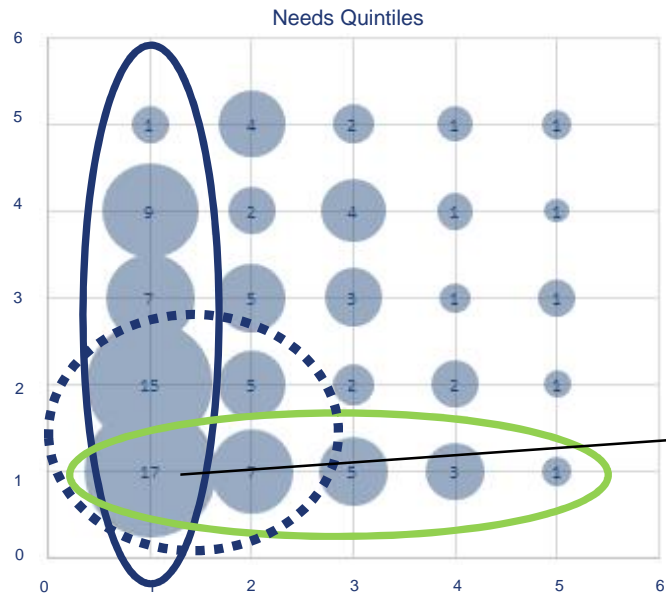
Although counterintuitive, a larger weight for one variable (or component) does not necessarily imply that countries with better scores in that variable receive more resources, even if that variable scores better than any other variable in the formula.



Strongest focus on needs

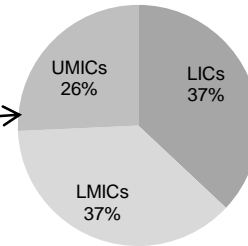
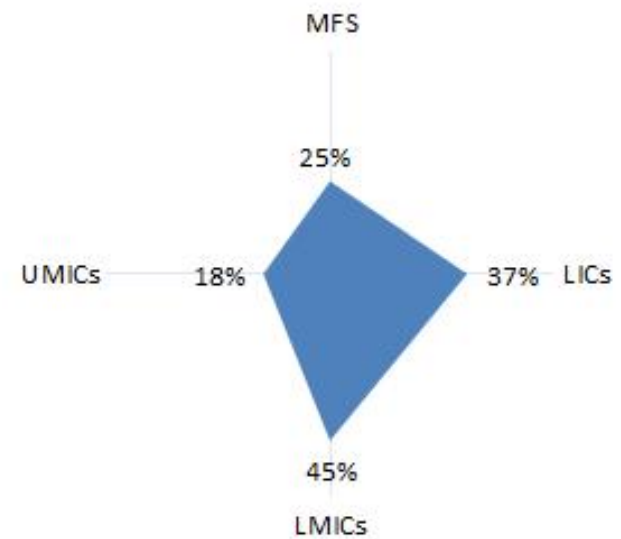
Needs

$$0.4 \text{ RurPop} \times \text{GNIpc}^{-0.25} \times (1 + \text{IVI})$$



Performance

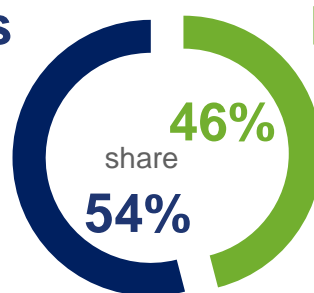
$$(\text{0.65}) \times \text{RSP} + (\text{0.35}) \times \text{PAD}^{(2)}$$



Needs still dominate, but performance matters

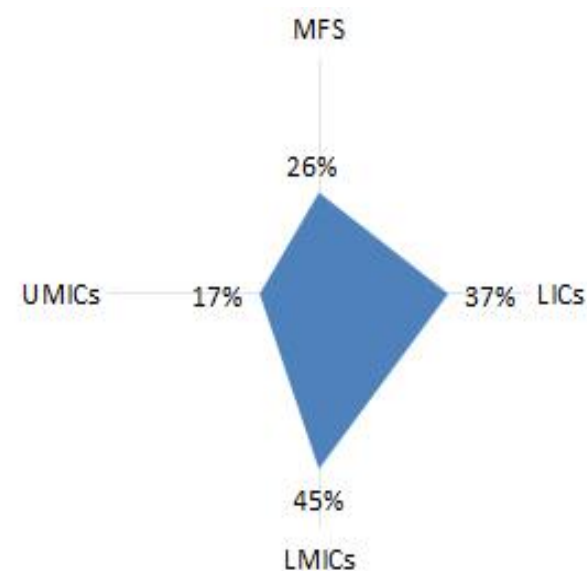
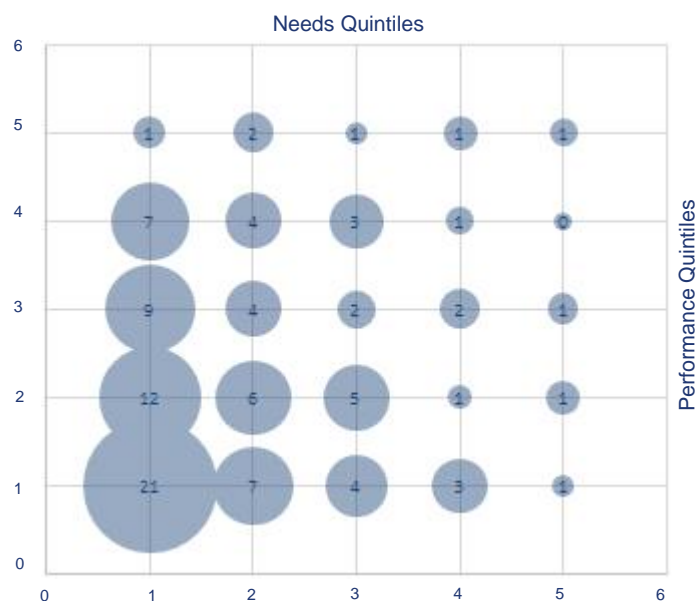
Needs

$$0.4 \text{ RurPop} \times \text{GNIPC} - 0.25 \times (1 + \text{IVI})$$



Performance

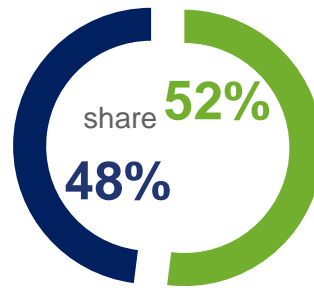
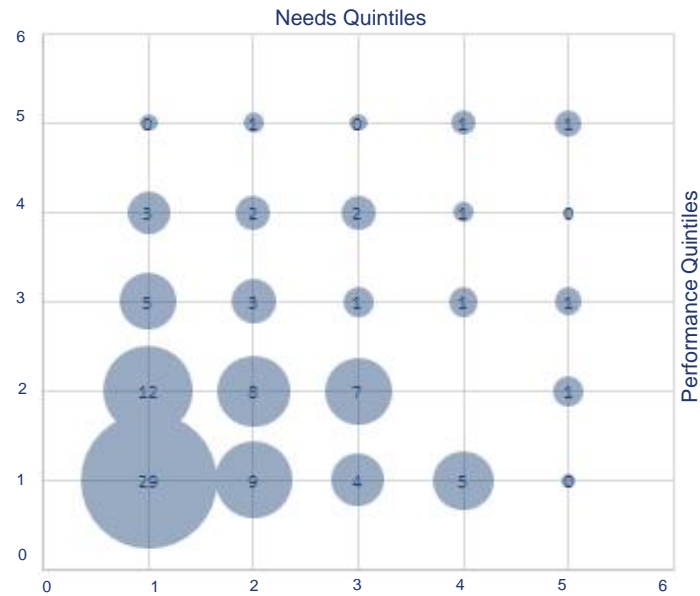
$$((0.40) \times \text{RSP} + (0.60) \times \text{PAD})^2$$



Performance dominates, but needs matter

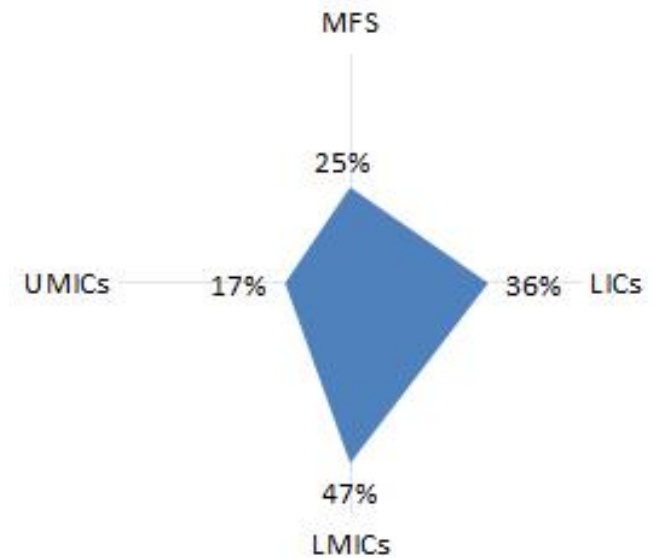
Needs

$$RurPop^{0.4} \times GNIpc^{-0.25} \times (1 + IVI)$$



Performance

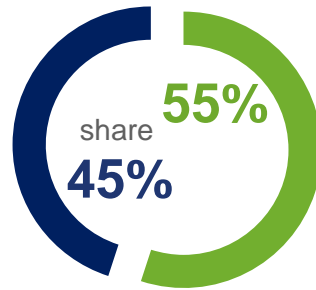
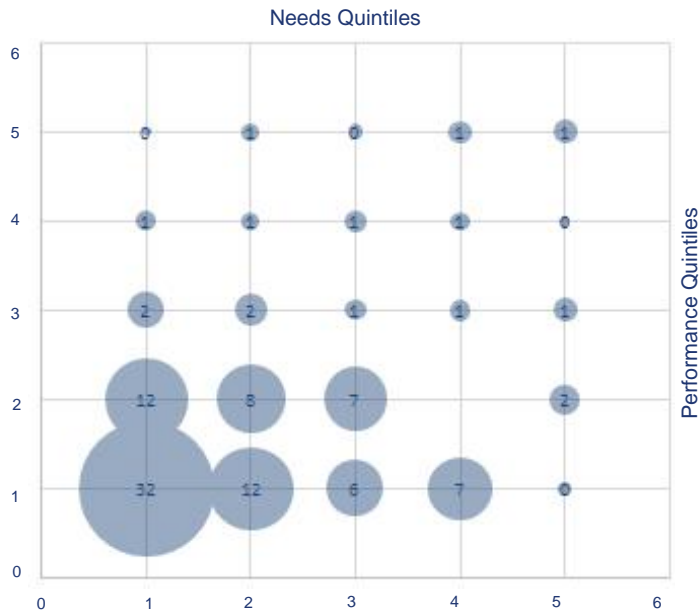
$$((0.20) \times RSP + (0.80) \times PAD)^4$$



Strongest focus on performance

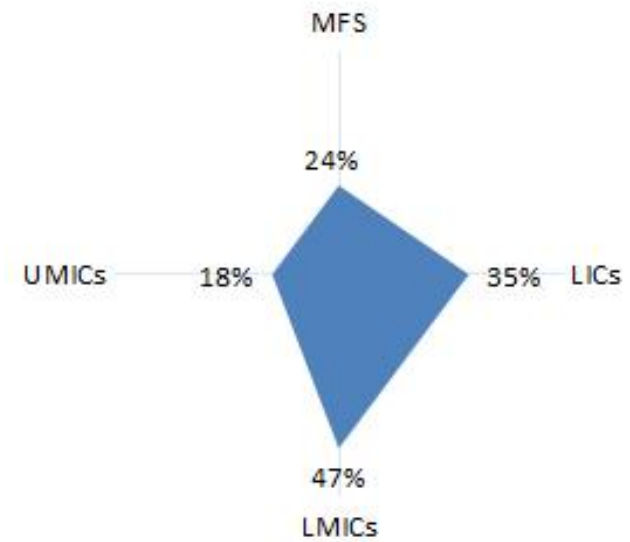
Needs

$$RurPop^{0.4} \times GNIpc^{-0.25} \times (1 + IVI)$$

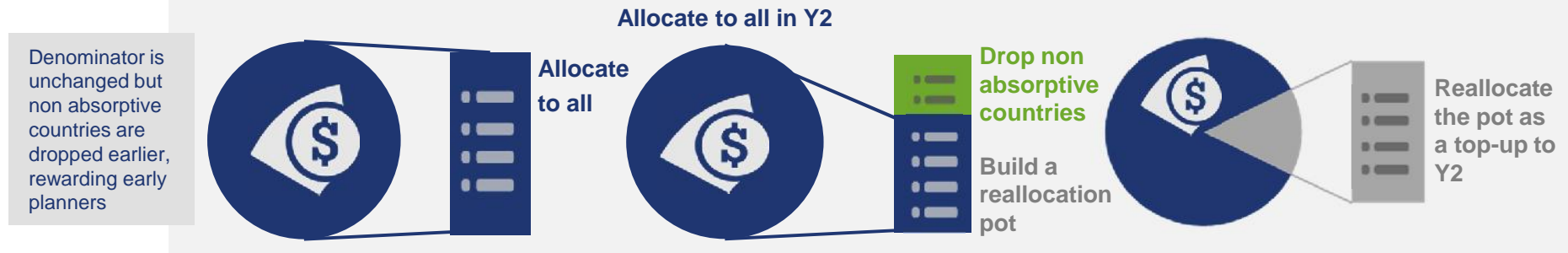


Performance

$$((0.20) \times RSP + (0.80) \times PAD)^8$$



Reallocating resources earlier rewards early planners and good performers



- Countries that have already completed design (QA stage) by the time of reallocations have their full funding secure (**incentive to avoid bunching**)
- Countries designed with a financing gap can benefit from resources of the redistribution process (**facilitates smoother delivery**)
- Reallocations in year two and three will also be used to reconcile the accounts and for additional financing (**incentive to perform well**).

CLE on PBAS recommendations to Management

Recommendations

1 Enhancing PBAS design



2 Streamlining processes for better effectiveness



3 Improving efficiency



4 Adjusting management and governance



5 Generating learning



Next steps

Design PBAS system to automate the calculation process, facilitate simulations and aggregate information in dashboard.

Produce PBAS manual to describe the calculation process and managerial rules to increase consistency and transparency.

Issue procedures and user guidance on the new Rural Sector Performance Scores to be piloted before IFAD 11.

Operationalize the definition of Most Fragile Situations to ensure consistent application and adequate linkages with PBAS.

Questions and discussion

Any questions?



Thank you