



Performance Based Allocation System: enhancements

11 July 2017 – Executive Board Working Group on PBAS

Today's presentation

Proposed scenarios

slide: 3 - 9

IFAD11 and beyond

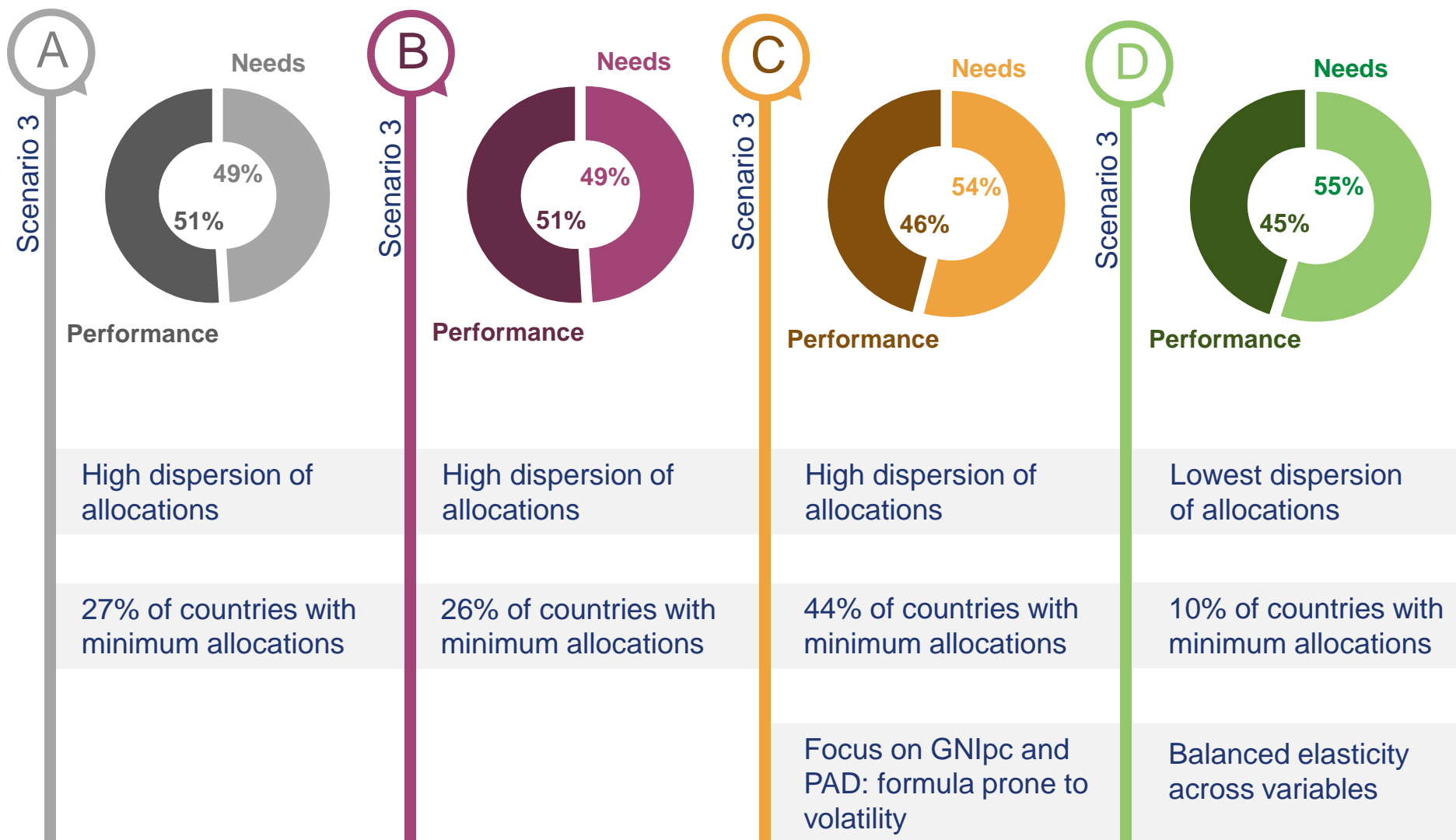
slide: 10 - 12

Q&A

slide: 13



A more balanced and stable formula...



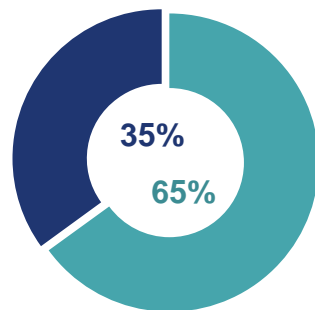
...that strengthens the focus on the poorest countries.



IFAD10

Scenario

Performance

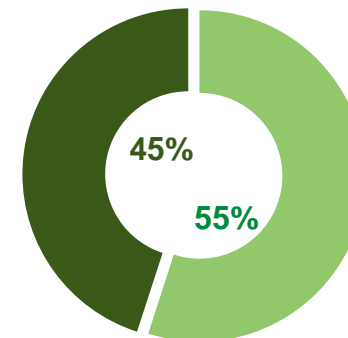


Needs

Proposed scenario

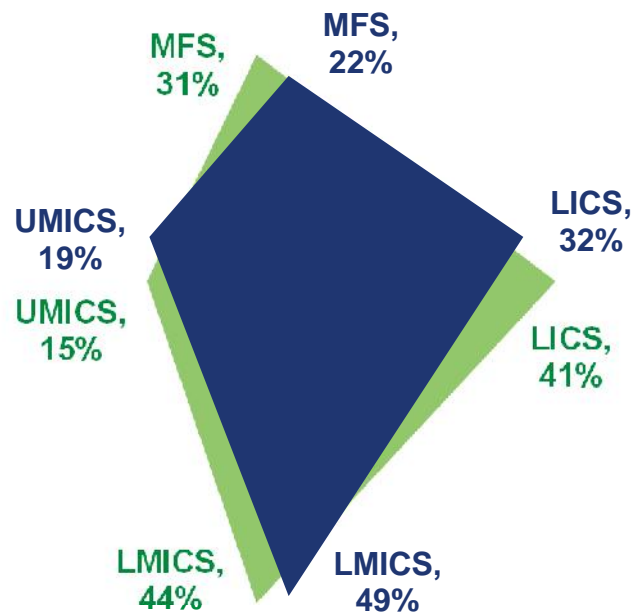
Scenario

Performance



Needs

Total resources





The proposed scenario's ability to capture the multidimensionality of poverty...

Share of allocation by indicator by two top quintiles (Total resources)

HDI

Djibouti
+ 54%

Gambia
+ 36%



Agri GDP

Grenada
+ 50%

Liberia
+ 39%



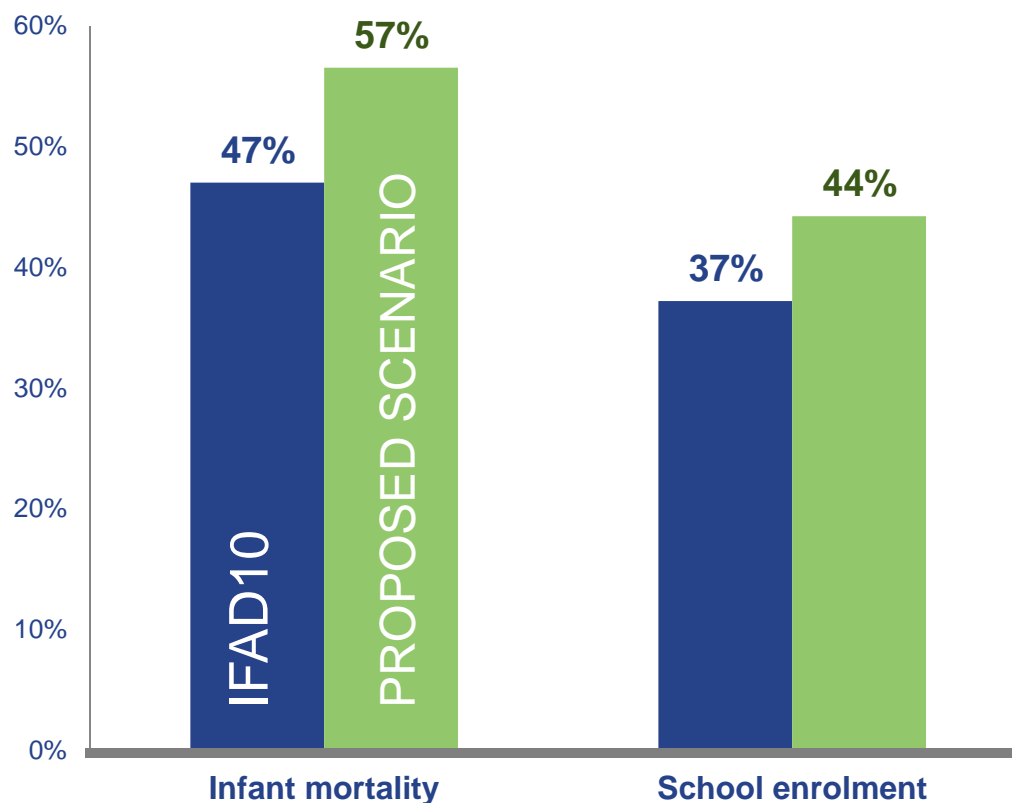
...is confirmed by diverse measures.

Share of allocation by indicator by two top quintiles (Total resources)

Infant mortality

Chad
+ 64%

Cameroon
+ 46%



School enrolment

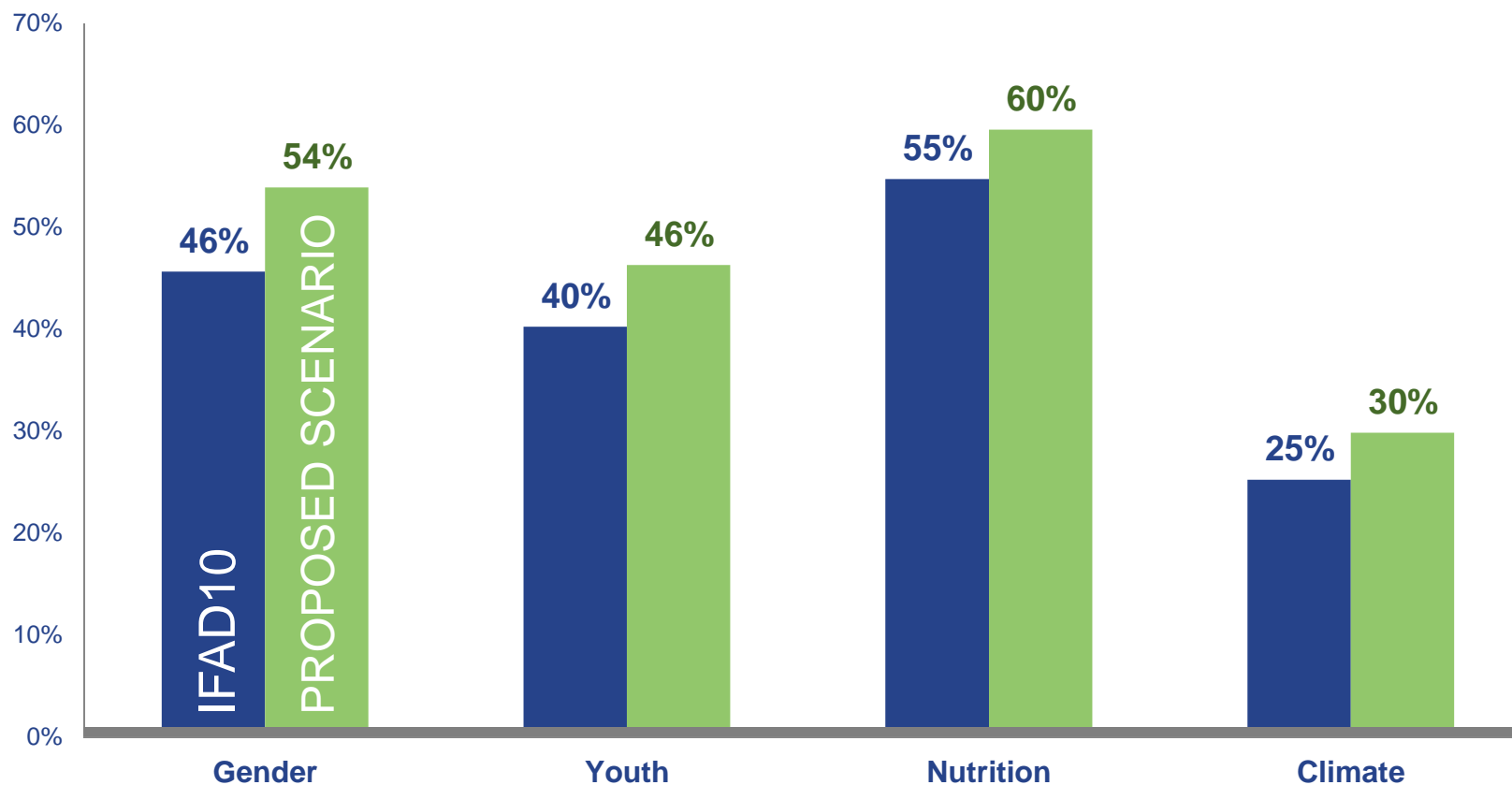
Niger
+ 53%

Guinea
+ 25%

IFAD11 cross-cutting priorities are adequately captured



Share of allocation to countries with lower performance by two top quintiles (Total resources)





Most resources are concentrated on countries that need the most and perform the best

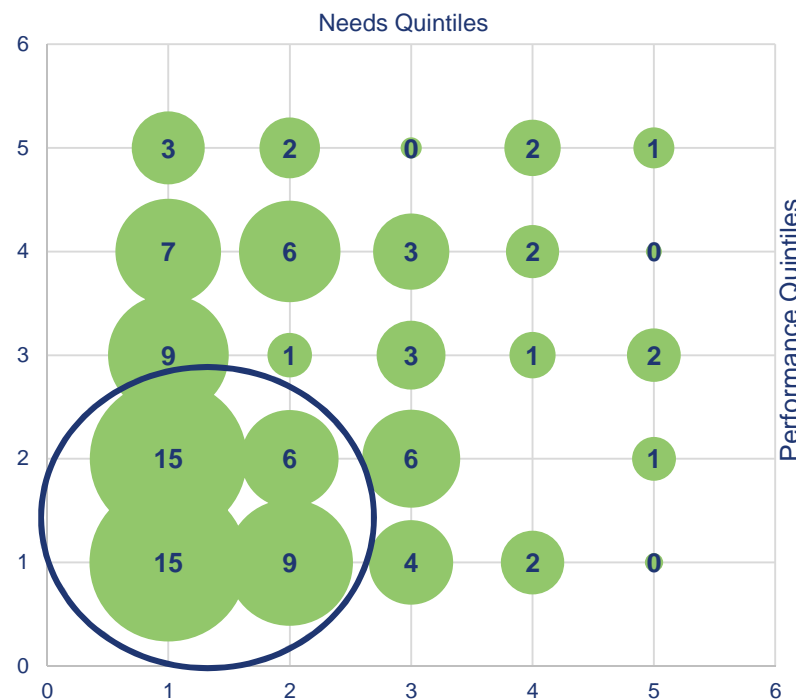
IFAD10

Current



IFAD11

Proposed

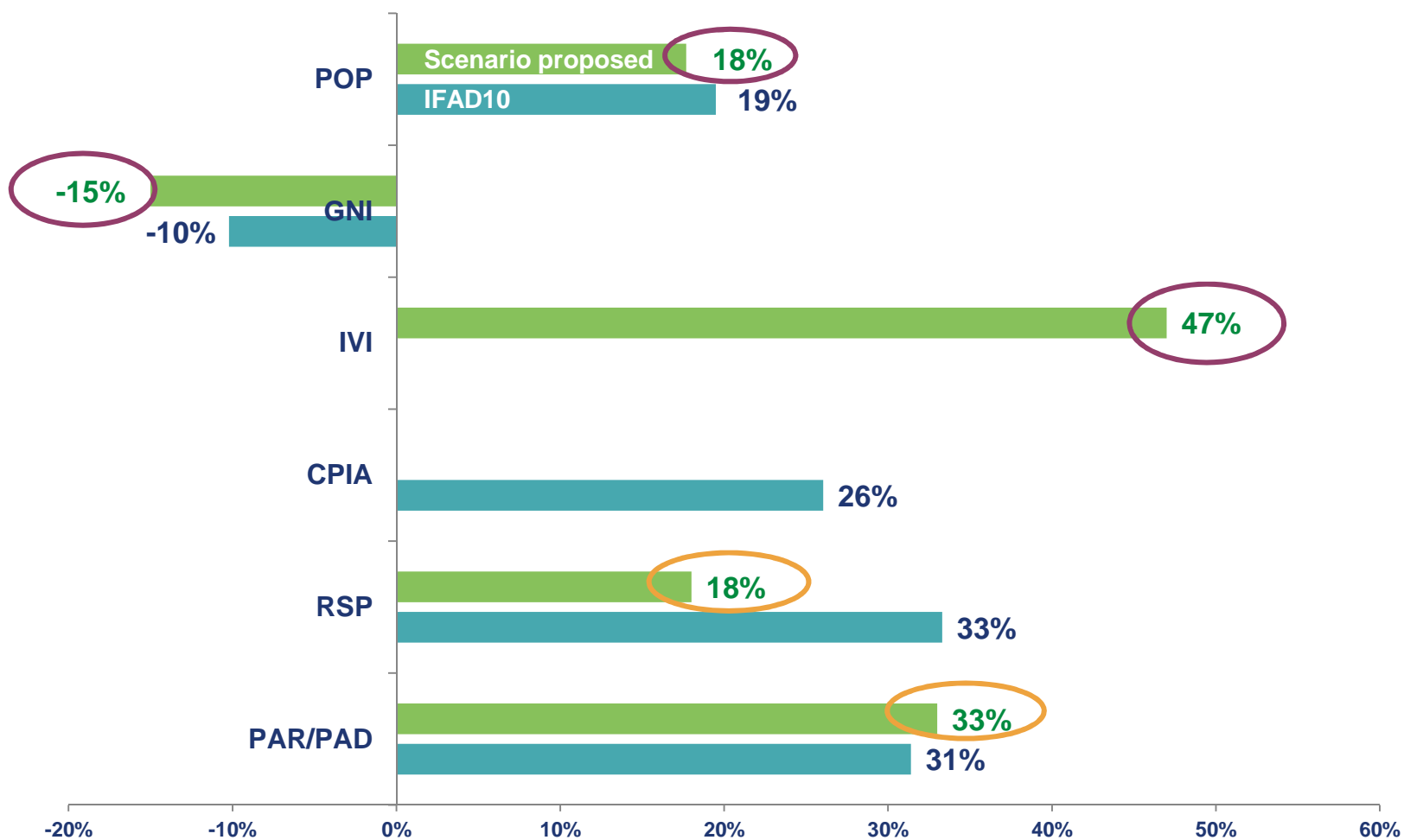




Balanced elasticity across variables

Comparison of elasticities – current and proposed formula

Performance



IFAD11 Business Model provides the strategic direction, with no uncertainties

IFAD11 and beyond



IFAD11

Business Model



IFAD11 country selectivity criteria preserve the formula's macro-stability



The proposed PBAS allows IFAD to maintain its commitment on shares of allocations of core resources (90% to LICs and LMICS, 10% to UMICS).



The size of the PoLG (3.3, 4, 4.5) does not influence the PBAS allocation shares by income level, lending term or any other breakdown. Therefore, the PBAS would remain valid for any PoLG level.

Different sources of funding require different resource allocation systems



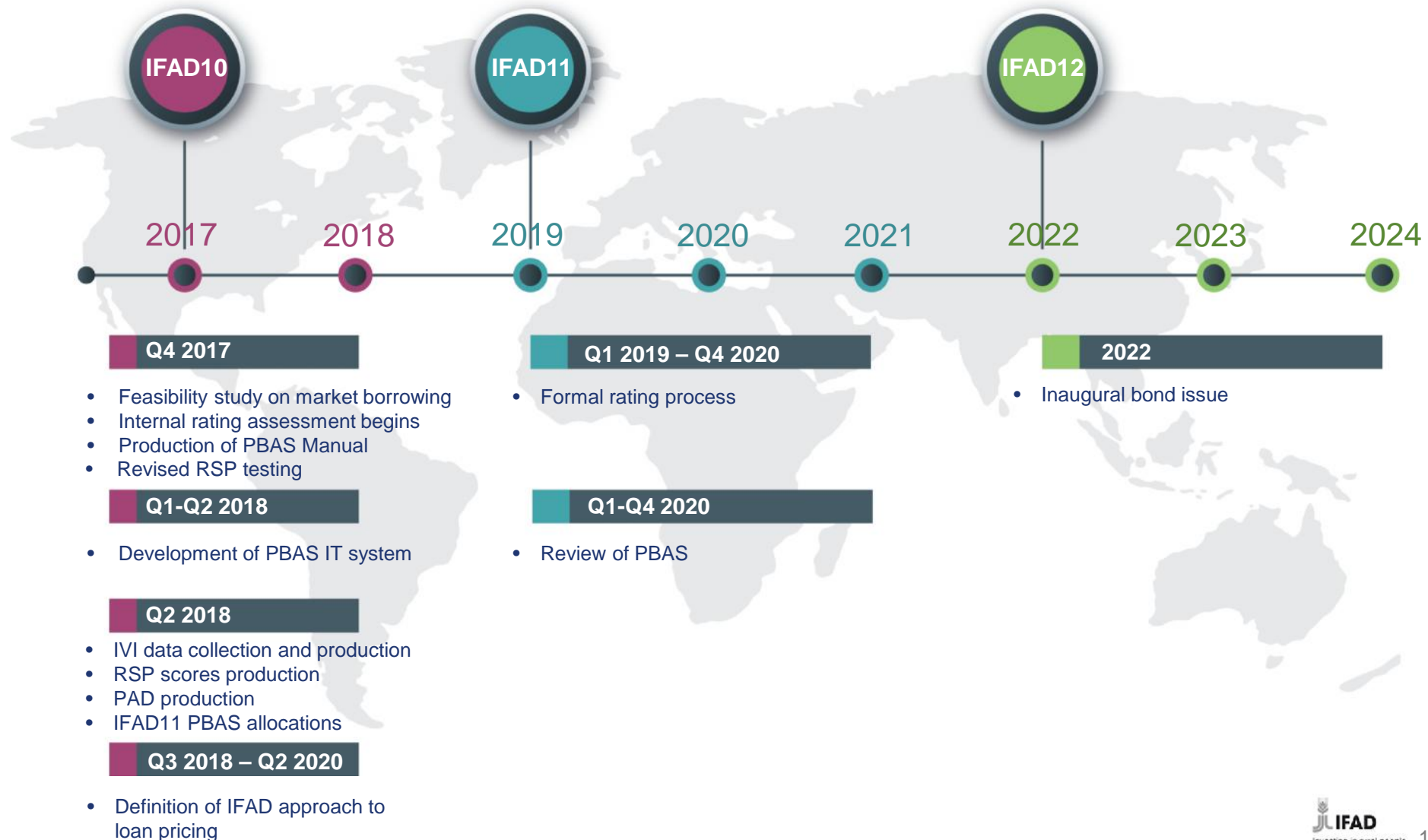
IFAD11

- Q The **PBAS** is a mechanism for the fair distribution of resources to neediest and best performing countries
- Q Allocations are determined by the formula
- Q Recipient countries are allocated financing regardless of their creditworthiness

Beyond

- Q **Bond issuance** is a tool for increasing IFAD's funding base at cheap funding costs through high credit rating
- Q To obtain a high credit rating allocations of loan portfolio funded by bonds must be driven by risk management considerations:
 - Q Single borrower concentration
 - Q Borrower credit rating

Way forward: preparing for IFAD11 and beyond





Any questions?

Thank you for your attention

Testing the new Rural Sector Performance Assessment

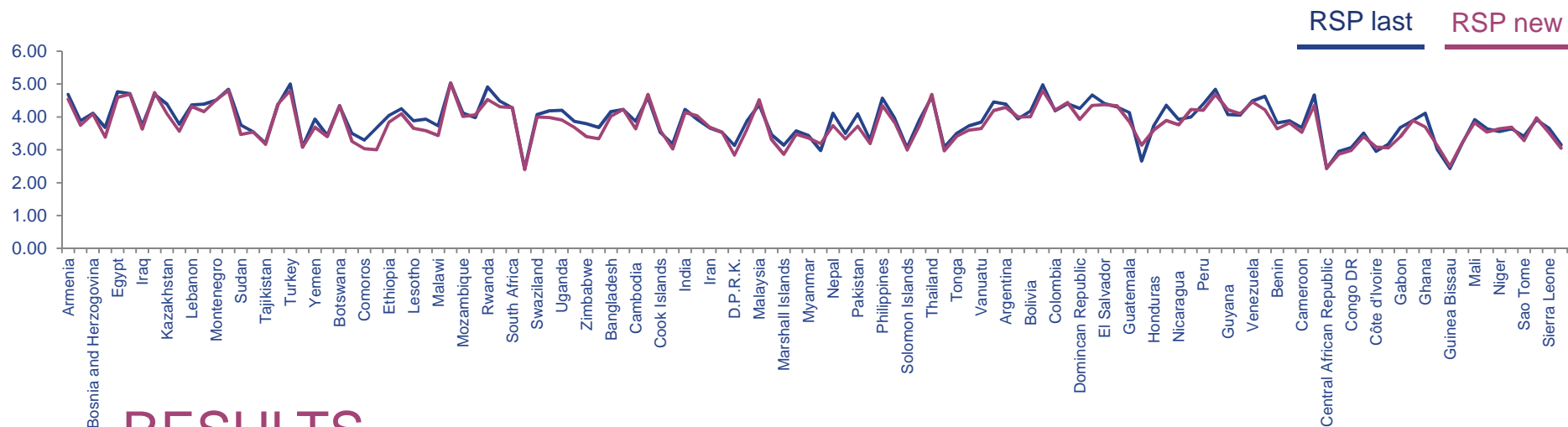
IFAD11 and beyond



WHAT → mock scoring of countries with the new questionnaire

WHY → assess the potential impact of newly made scores on allocations

HOW → use current RSP, CPIA, and other data sources to score countries



RESULTS

Reduced repetition between indicators

The new RSP scores countries slightly lower, with an average reduction of 3%



Limited impact on allocations