

### **Performance Based Allocation System**

24 July 2017



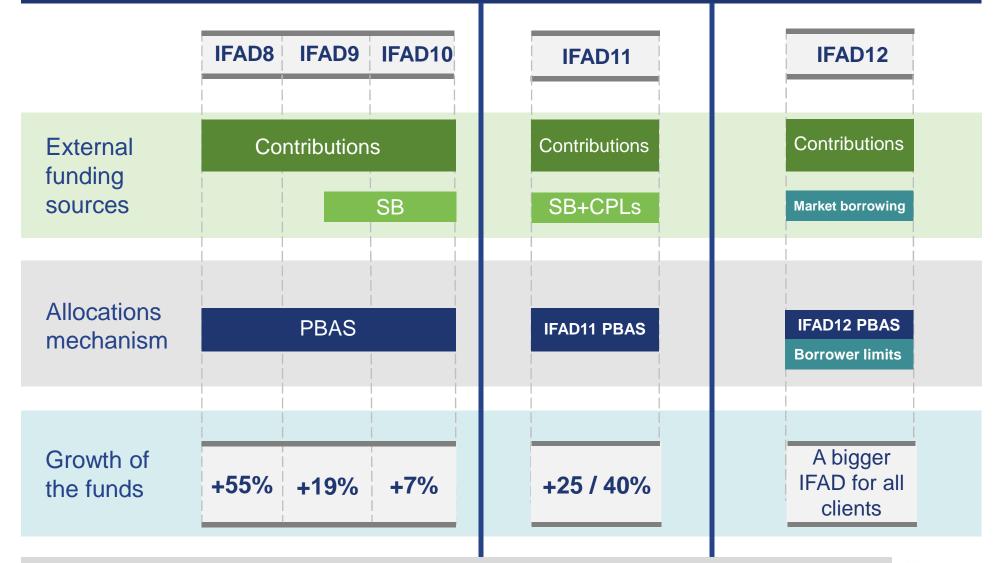
## Today's presentation

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### Funding and use

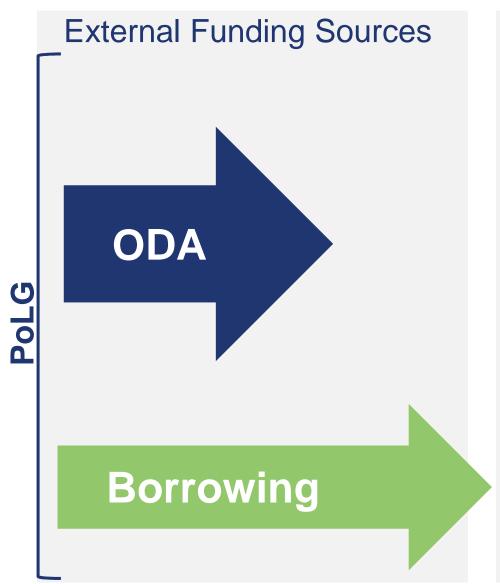
# Towards a bigger pie for all to reinforce universality







## Efficient use of ODA, in line with AAA







### Flexibility is embedded in the PBAS



Allocations are updated on a yearly basis



Resulting from updating variables of the formula, with wide standard deviation within and across income groups



Reallocations take place multiple times



us\$139м

Reallocated among countries:

- 49% to LICs
- 37% to LMICs
- 15% to UMICs

#### Scenario

# Air

### Scenarios evolution and proposal



**Africa 46.4%** 

FS 55% - MFS 22%

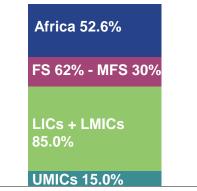
LICs + LMICs 81.0%

**UMICs 19.0%** 

#### IFAD10

- X Too inward looking
- Less poverty focus
- Reassess between needs and performance

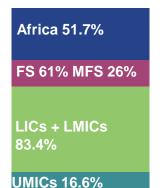




SC 3 D

- ▼ RSP/PAD
- ✓ Increased LIC+LMICs
- Rebalanced needs and performance
- **X** Regional imbalances
- ▼ Too volatile

# Scenario 3D adjusted



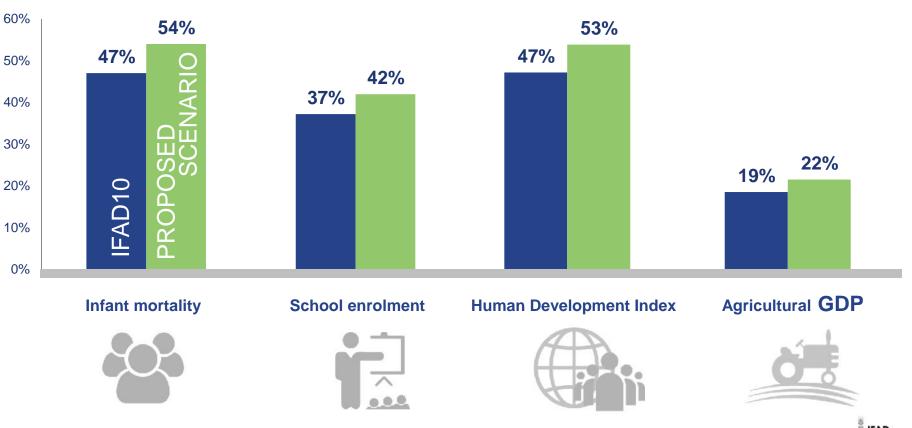
SC 3 D adjusted

- ✓ IVI leading influence
- ✓ PAD updated
- ✓ Management capping included
- More targeted toward neediest and best performing

### Scenario Proposed scenario captures the multidimensionality of poverty



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



#### Scenario

# Both needs and performance are actionable and meaningful





Most influential needs variable

Largest elasticity to ensure high relevance in country scores

High reaction to new situations of fragility

Considers multi-dimentional poverty aspects



Most influential performance variable

Second-largest elasticity to capture changes in performance

Computation accounts for portfolio and country-related dynamics

Creates virtuous incentives



# IFAD11 Business Model provides the strategic direction, with no uncertainties



# **Business Model**



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



The proposed PBAS is compatible with the proposals of the BM on shares of allocations of core resources



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.

## Alternative timelines



# approved **PBAS**

- √ Available resources defined before beginning of new cycle
- ✓ All allocations defined through PBAS
- ✓ Ordinary borrowers get a share of total
- Successful replenishment will allow for a 4.5 PoLG; all borrowers will benefit.
- PBAS instrumental for good rating: transparent allocation mechanism and sound financial forecast.

IFAD12

Rating

- ✓ Available ODA resources defined before beginning of cycle
- ✓ Available market resources defined through financial covenants
- ✓ Ordinary borrowers get resources in line with demand within allowable exposure
- Replenishment will fund only concessional borrowers.
- Market funds will fund ordinary borrowers; only constraints will be demand and capital adequacy.

PBAS not approved

- √ Available resources defined before beginning of cycle
- ✓ All allocations defined through PBAS
- ✓ Ordinary borrowers get a share of total
- Allocations defined based on current PBAS formula
- Rating process endangered



IFAD12

- ✓ Application of same PBAS as in IFAD11
- √No availability of market resources
- **✓** Ordinary borrowers get only share of total, and no market borrowing
- Market borrowing delayed
- Supply of resources constrained by ODA
- No demand consideration





Thank you for your attention