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Minutes of the eighth meeting of the Working Group on the Performance-Based Allocation System

Note to PBAS Working Group members

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Working Group on the Performance-Based Allocation System —
Eighth Meeting
Rome, 24 July 2017

Minutes of the eighth meeting of the Working Group on the Performance-Based Allocation System

1. The discussions of the eighth meeting of the Working Group on the Performance-Based Allocation System (PBAS) held on 24 July 2017 are reflected in this document.

Agenda item 1: Opening of the meeting

2. Participants included Working Group members from Angola, China, the Dominican Republic, France, Ireland (by telephone), Japan, Nigeria (Chair) and the Bolivarian Republic of Venezuela. Denmark was unable to participate in the meeting. Executive Board observers from Algeria, Argentina, Brazil, Ghana, Italy, Mexico, the Netherlands and the United Kingdom were also present, in addition to silent observers from Lesotho, Liberia and Panama. The meeting was attended by the Associate Vice-President, Programme Management Department (PMD); the Chief, Operational Programming and Effectiveness Unit, PMD; the Director, Independent Office of Evaluation of IFAD (IOE); the Officer-in-Charge, Office of the Secretary; and other IFAD staff.

Agenda item 2: Adoption of the agenda

3. The provisional agenda, document PBAS 2017/8/W.P.1, contained four items: (i) opening of the meeting; (ii) adoption of the agenda; (iii) minutes of the seventh meeting of the Working Group; (iv) PBAS formula enhancements; and (iv) other business.
4. Members adopted the provisional agenda with no amendments. The final agenda will be posted as document PBAS 2017/8/W.P.1/Rev.1.

Agenda item 3: Minutes of the seventh meeting of the Working Group

5. The Chairperson informed members that no comments had been received by the Office of the Secretary on the minutes of the seventh meeting. In the absence of any further comments at the meeting, the minutes were considered approved.
6. The minutes would be shared with the Executive Board for information, and serve as the basis for the Chairperson's oral report.

Agenda item 4: PBAS formula enhancements

7. Management made a presentation that highlighted the following key messages:
 - (a) The proposed PBAS formula was only for the period of the Eleventh Replenishment of IFAD's Resources (IFAD11). The formula would be revised ahead of IFAD12 in light of IFAD's move towards adding market borrowing as a funding source, to reflect the need for two different allocation mechanisms for official development assistance (ODA) resources and funds borrowed from the markets.
 - (b) The PBAS was a key building block of IFAD's financial architecture and it was important to reach consensus on a robust and transparent formula that represented an enhancement with respect to the current situation in light of possible forthcoming discussions with rating agencies.
 - (c) The PBAS formula was a tool to allocate total IFAD resources across countries. It was therefore delinked from and in no way conflicted with the proposed commitment for IFAD11 to use 90 per cent of IFAD11 ODA resources for low-income countries (LICs) and lower-middle-income countries (LMICs) and 10 per cent for upper-middle-income countries. The formula was an allocation mechanism, while the commitment regarding the use of ODA funds was a managerial decision on how to channel resources.
 - (d) A revision of the scenario 3-D presented at the previous Working Group meeting was put forward as the preferred option for recommendation to the Executive Board in September. The "scenario 3-D adjusted" aimed at

addressing the strong concerns expressed by some members during the seventh meeting. Scenario 3-D adjusted was presented as the preferred option as it (i) maintained the good features of scenario 3-D by addressing all the points raised by the IOE evaluation; (ii) kept the newly introduced IFAD Vulnerability Index (IVI) intact; (iii) increased the sensitivity of the formula to vulnerability; (iv) increased allocations to LICs and LMICs and to countries with the most fragile situations compared to the current formula; (v) captured the multidimensionality of poverty in that it increased allocations to countries by also considering alternative measures such as infant mortality, school enrolment, agricultural gross national income (GNI) and the Human Development Index.

- (e) The decisions to be taken by the IFAD11 Consultation with respect to the proposals of the IFAD11 business model regarding country selectivity and the size of the programme of loans and grants (PoLG) were independent from the PBAS formula; the proposed formula would not prejudge any of those decisions and would be compatible with any outcome of the discussions in the replenishment context.
8. During the discussion following the presentation, members and observers expressed high appreciation for the leadership of the Chairperson, for Management's tireless efforts to adjust the scenarios and for the numerous bilateral and regional consultations held to ensure that a consensus was reached. These efforts attested to the high level of commitment, professionalism and dynamism involved in ensuring that all concerns were heard and addressed. Members also recognized the inherent difficulty of the task, from both a technical and a political point of view.
 9. Members and observers agreed that the proposed scenario 3-D adjusted was not a perfect option but presented many improvements when compared to the current IFAD10 formula. Members reiterated the importance of inclusiveness and consensus in the bold reform process that IFAD was undertaking on many fronts. Some members highlighted that their contributions to IFAD11 would greatly depend on how much the resource allocation through the PBAS reflected the priorities of their Governments in terms of allocations to LICs and countries with the most fragile situations.
 10. Members recognized unanimously that scenario 3-D adjusted represented a balanced compromise in that it addressed the various comments and concerns expressed in the discussions so far. In light of this, and recognizing that the changes represented a step in the right strategic direction, they unanimously supported that the proposal be submitted to the session of the Executive Board in September. Members noted the importance of highlighting to the Board that the formula would apply only to IFAD11, and would be modified to address issues arising for the subsequent period.
 11. Members called upon Management to ensure transparency in the way reallocations would be made, and to ensure clear monitoring and evaluation of the process during the implementation of the revised PBAS.

Agenda item 5: Other business

12. There were no issues for discussion under other business. The Chairperson thanked all members for their collaboration, patience, and commitment in arriving at a consensus. He thanked Management for the hard work in revising the document and updating the formula to accommodate the comments received. He also thanked the observers for their support in the PBAS revision process, their participation in the meetings of the Working Group and their contributions. The Chairperson noted that the Working Group had done its part in ensuring a unified position to present the revised PBAS formula to the Board, which would then take the decision on the proposal. He then declared the meeting closed.