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Minutes of the Tenth Meeting of the Working Group on the Performance-Based Allocation System

Note to PBAS Working Group members

The secretariat identified 4 July 2019 as an alternative date for the eleventh meeting of the PBAS Working Group as indicated in footnote 1, following the request by members at the meeting.

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Working Group on the Performance-Based Allocation System —
Tenth Meeting

Rome, 19 November 2018

Minutes of the Tenth Meeting of the Working Group on the Performance-Based Allocation System

1. The discussions at the tenth meeting of the Working Group on the Performance-Based Allocation System (PBAS) held on 19 November 2018 are reflected in this document.
2. Having been approved by the Working Group, the minutes will be shared with the Executive Board for information and serve as a basis for the Chairperson's oral report to the Board.

Agenda item 1: Opening of the meeting

3. The meeting was attended by Working Group members from Canada, Dominican Republic, Japan, Kenya, Nigeria (Chairperson), Norway, Switzerland and Bolivarian Republic of Venezuela. Executive Board observers from China, Germany, Netherlands and the United Kingdom were also in attendance. Management was represented by the Director, Operational Policy and Results Division, a.i.; the Director, Financial Management Services Division; the Secretary of IFAD; and other IFAD staff.

Agenda item 2: Adoption of the agenda

4. The provisional agenda, document PBAS 2018/10/W.P.1, contained the following items: (i) opening of the meeting; (ii) adoption of the agenda; (iii) implementing the IFAD11 PBAS and way forward; and (iv) other business.
5. Members adopted the provisional agenda, with no amendments.
6. The agenda would be revised and posted as PBAS 2018/10/W.P.1/Rev.1.

Agenda item 3: Implementing the IFAD11 PBAS and way forward

7. Management made a presentation summarizing the Eleventh Replenishment of IFAD's Resources (IFAD11) PBAS review process and main features, such as the introduction of the IFAD Vulnerability Index in the needs component of the formula, the revision of the Rural Sector Performance Assessment to better align it with current IFAD priorities, and the introduction of the portfolio performance and disbursement measure in the performance component. In addition, the revision sought to better balance the weights of the needs and performance components.
8. As regards the application of the formula for IFAD11, Management described the IFAD11 country selectivity criteria used to identify the countries that will receive financial resources in 2019-2021. In line with the IFAD11 commitment, the total number of countries is 80. Management also described the commitments made in relation to the distribution of core resources by country grouping. The IFAD11 allocations will be shared with the Executive Board at its session in December 2018.
9. As agreed at the ninth meeting of the Working Group in June 2018, Management provided an overview of the next steps and tentative timeline for the review of the PBAS formula planned for the IFAD12 cycle. Several aspects of the evolving IFAD financial architecture may have an impact on the list of countries that are included in the cycle. These include, but are not limited to, the ongoing discussion on the application of the Debt Sustainability Framework (DSF), the special programme on fragility, and the possibility of having multiple financing windows. Other potential influencing factors are likely to arise as these and other related discussions – on credit rating for example – evolve in the coming year. Management proposed holding two PBAS Working Group meetings in 2019 to discuss any implications for the PBAS formula for IFAD12 as a result of these discussions.
10. Working Group members expressed appreciation for Management's continuous efforts to share information on the PBAS formula, its application and the rationale

behind the formula variables, and encouraged Management to continue doing so in the future. Acknowledging the substantial work done on the formula review for IFAD11, there was agreement that a complete rethink of the formula for IFAD12 was not expected unless discussions on IFAD's future financial architecture and other related topics called for it.

11. Regarding the timeline for the Working Group to review and update the formula, Working Group members highlighted that the timing and the type of review were dependent on decisions that are yet to be made in relation to IFAD's financial architecture. There was agreement that all potential changes would be undertaken in tandem with other relevant initiatives, such as discussions on potential multiple financing windows and the implementation of the DSF. Management noted that an interactive approach would be adopted to ensure that relevant issues were discussed with the Working Group as they arose.
12. Several members enquired about the link between the application of the IFAD11 formula and the DSF, particularly with reference to the estimated share of DSF resources for 2019-2021. It was noted that this information would be shared with the Executive Board in December, together with the IFAD11 PBAS allocations and financing terms. Working Group members asked about IFAD's engagement with other international financial institutions using the DSF. Management explained that IFAD is a member of the multilateral development bank working groups on both PBAS and debt issues, and that the learning derived thereof is being incorporated into the thinking around the application of the DSF at IFAD. Management also shared information on the review to the DSF methodology recently issued by the International Monetary Fund and the World Bank.
13. The Working Group agreed to hold two meetings in 2019, on 18 June and 9 October. However, members asked the secretariat to identify, if possible, a different day for the first of those meetings.¹

Agenda item 4: Other business

14. No other business item was discussed.

¹ The secretariat identified 4 July 2019 as an alternative date for the eleventh meeting of the Working Group, instead of 18 June 2019.