



Borrowed Resource Access Mechanism

PMD / OPR
FOD / TRE, FMD
RMU

PBAS Working Group
15 December 2020

Confirmed direction to date

All projects in line with IFAD's mandate and development effectiveness

PBAS

Core Resources in IFAD12

Maintain well-performing PBAS formula for IFAD12

Use **PBAS** to allocate 100% of core resources to LICs / LMICs

Considers **multi-dimensional poverty** aspects

BRAM

Borrowed Resources in IFAD12

Demand-based for eligible, creditworthy LICs, LMICs & UMICs; min 11% of PoLG for UMICs

Risk-driven maximums by country and no more than 5% of total PoLG

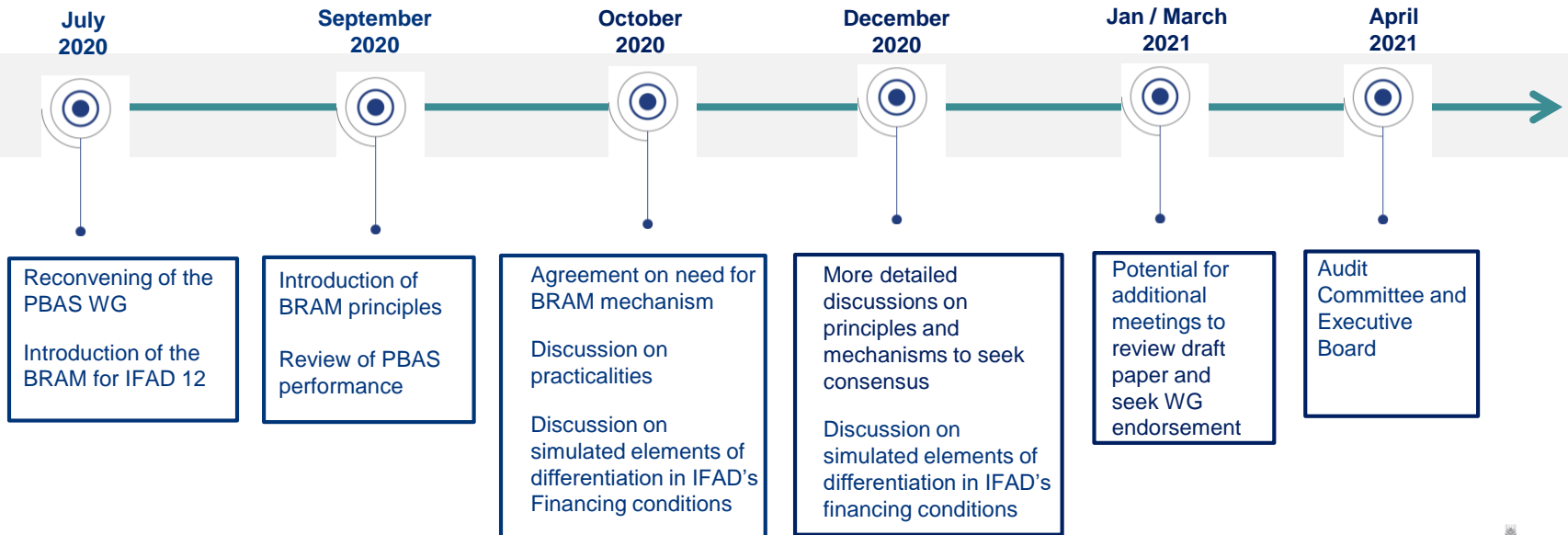
Predictable i.e. not first come, first served

Access for some **additional borrowers** (e.g. those from IFAD10)



The BRAM review process

IFAD12 Consultation: Commitment 40 - Present a proposal for establishment of an access mechanism for borrowed resources to the Executive Board (Q2 2021)



Discussion at last meeting

Questions raised

Ensuring development effectiveness for BRAM projects

Management of the BRAM process and project prioritization

Differentiation of financing conditions and attractiveness of IFAD's offer

Managing Risks

Points for agreement today



Managing BRAM



Country selectivity criteria for IFAD12



Process to access BRAM resources



Financing conditions for BRAM resources

Country selectivity criteria IFAD12

For all IFAD12 resources: core and borrowed

Strategic Focus



Valid country strategy (COSOP or country strategy note) is available early in the cycle

Ownership



All operations in a country that have been effective for more than one year must have disbursed funds at least once in the previous 18 months

Absorptive Capacity



No approved loans are pending signature for more than 12 months

Process to access BRAM resources

Availability & Eligibility

Demand Management

Design & Delivery

Determination of country eligibility

1

Determination of size of envelope

3

Countries' confirmation of interest

5

Project design in line with Development Effectiveness Framework

7

Iterative process



Zooming in on risk based limits and prioritization

2. Risk based limits

- Limits for each country based on credit ratings
- Ensuring overall portfolio quality and adequate capital planning
- Verification by financial risk committee

6. Country prioritization

- Country needs component of PBAS + fragility
- Country portfolio performance
- Alignment with IFAD12 commitments on resource distribution

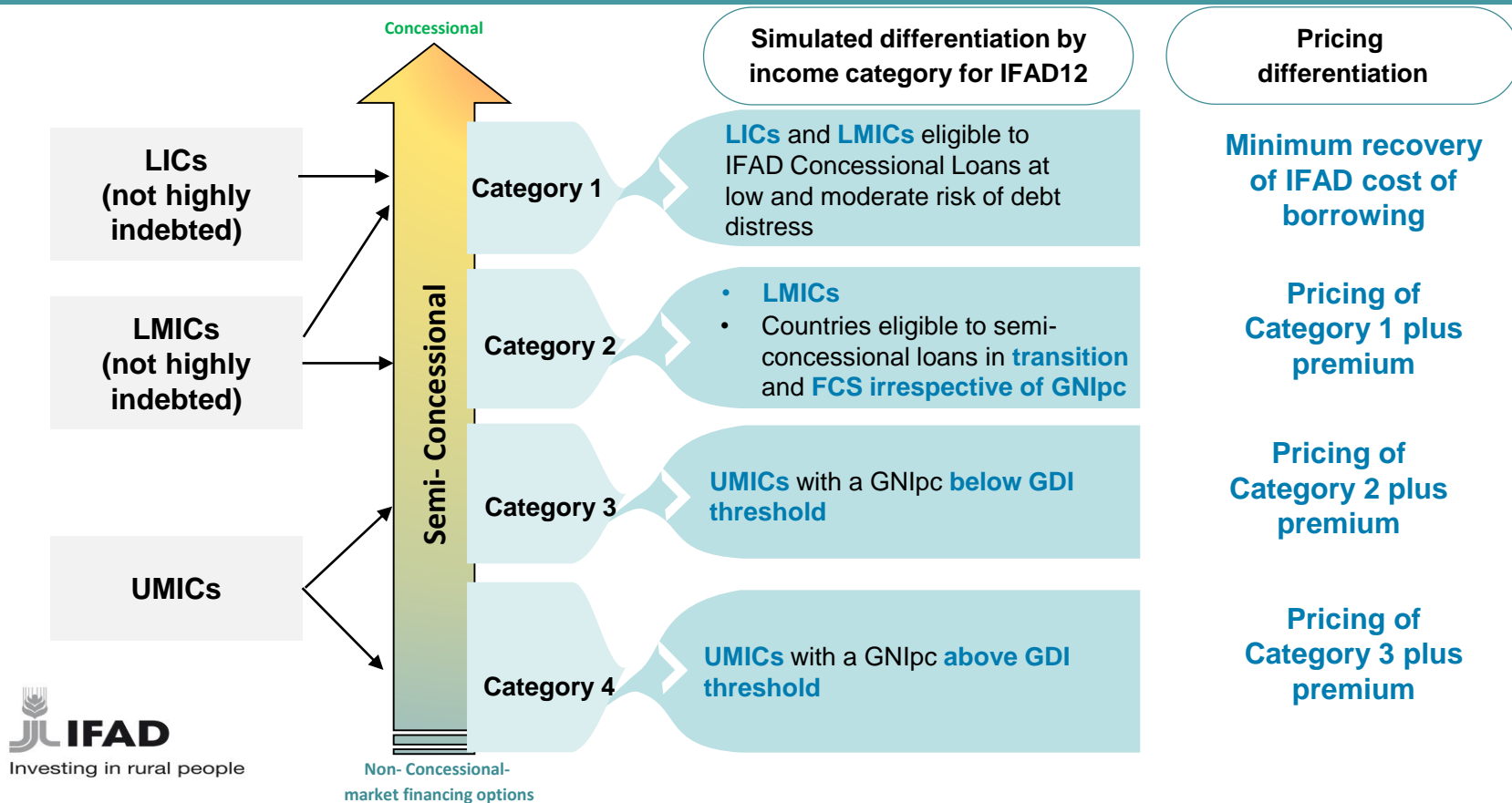
Financing conditions for BRAM resources: Principles



Graduation Discussion-Pillar 2

- ④ Ensure Financial Sustainability for IFAD and Borrowers
- ④ Non-subsidization with core resources
- ④ Average cost of borrowing recovery
- ④ Differentiation in financing conditions based on countries economic trajectory

Financing conditions for BRAM resources: Pricing



Next steps in 2021

1

**BRAM paper discussion at proposed PBAS Working Group
January & March 2021**

2

**BRAM paper and Differentiation of financing conditions at AC
and EB in April 2021**

3

**Graduation/Transition discussion and changes to PCIF at EB –
September 2021**

Thank you!



The PBAS counterfactual

Some members asked for more clarification on why all borrowed resources could not be allocated through the PBAS

Financial considerations

- PBAS formula is based on needs and performance, with no financial or risk consideration
- The PBAS does not allocate enough money to countries which borrow on ordinary terms to match IFAD's planned borrowing

Other considerations

- Allocating all funds through the PBAS makes reporting on 100% of core resources allocated to LICs and LMICs less transparent and simple
- Members have agreed for UMICs to receive between 11 and 20% of PoLG; the PBAS would allocate a specific percentage, rather than allowing flexibility based on demand