

Document: PBAS 2021/15
Date: 10 March 2021
Distribution: Public
Original: English

E



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

Note to PBAS Working Group members

Focal points:

Technical questions:

Thomas Eriksson

Director
Operational Policy and Results Division
Tel.: + 39 06 5459 2425
e-mail: t.eriksson@ifad.org

Luis Jiménez-McInnis

Secretary of IFAD
Tel.: + 39 06 5459 2254
e-mail: l.jimenez-mcinnis@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra

Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

Working Group on the Performance-Based Allocation System –
Fifteenth Meeting

Rome, 28 January 2021

For: Approval

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

1. The discussions at the fifteenth meeting of the Working Group on the Performance-Based Allocation System (PBAS) held on 28 January 2021 are summarized in this document.

Agenda item 1: Opening of the meeting

2. The meeting was attended by Working Group members from Angola, Canada, Dominican Republic, Japan, Nigeria (Chair), Republic of Korea, Switzerland and Bolivarian Republic of Venezuela. Executive Board observers from Argentina, China, Italy, Mexico and Netherlands were also in attendance. Management was represented by the Associate Vice-President, Programme Management Department; the Associate Vice-President, Chief Financial Officer and Chief Controller, Financial Operations Department; the Director, Operational Policy and Results Division; the Director, Financial Management Services Division; Director, Office of Enterprise Risk Management; the Treasurer; the Secretary of IFAD; and other IFAD staff.

Agenda item 2: Adoption of the agenda

3. The provisional agenda contained the following items: (i) opening of the meeting; (ii) adoption of the agenda; (iii) minutes of the fourteenth meeting of the Working Group on the Performance-Based Allocation System; (iv) Borrowed Resource Access Mechanism; and (v) other business.
4. Members adopted the provisional agenda as proposed.

Agenda item 3: Minutes of the fourteenth meeting of the Working Group on the Performance-Based Allocation System

5. The minutes of the fourteenth meeting of the PBAS Working Group were approved as presented.

Agenda item 4: Borrowed Resource Access Mechanism

6. Members expressed appreciation for the document presented for review, which included input provided by the Working Group at its last three meetings of 2020 (September, October and December) and by Membership at a dedicated informal seminar held in October.
7. The document outlined the five core principles that would govern the Borrowed Resource Access Mechanism (BRAM), namely: country selectivity and eligibility; supply of borrowed resources; risk-based country limits; differentiated financing conditions; and demand-based access.
8. Management presented an overview of how the mechanism would work, noting that the document would focus on the policy, not on operational modalities. It was also recalled that the BRAM would pave the way for IFAD to fulfil its mandate to invest 100 per cent of its core resources in the poorest and most vulnerable countries, as well as fulfilling a specific commitment for the Twelfth Replenishment of IFAD's Resources (commitment 40).
9. Members asked for further information on the interrelation between PBAS and BRAM resources. Members also asked whether priority access to BRAM resources would be given to upper-middle-income countries (UMICs), as in IFAD12 this category of countries would no longer be eligible to receive PBAS allocations.
10. Management reiterated the principle of universality and IFAD's goal, through the BRAM, to reach more countries than would be possible with replenishment resources only. Management underlined that all IFAD12 commitments related to resource distribution would be met, such as the minimum of 11 per cent of the programme of loans and grants for UMICs.

11. The Working Group asked for clarity on how countries requesting funding under the BRAM would be prioritized if demand outstripped supply and how regional distribution would be guaranteed.
12. Management reassured the Working Group of the Fund's capacity to actively manage demand and meet the needs of Member States. Management would adopt best practices in line with international financial institutions and would work closely with governments and IFAD country and regional teams. Experience had shown that demand for IFAD resources was staggered and spread out over a given cycle. Should demand for BRAM resources outstrip supply, IFAD would prioritize taking into account IFAD12 resource distribution commitments. Management clarified that prioritization would entail sequencing, and not exclusion, of country access to BRAM resources.
13. Some members asked whether country ceilings would be binding, and if there was a risk of concentration for the organization. Management responded that the country ceilings were risk management tools and should not be seen as allocations. Management added that concentration would not be a critical issue for IFAD as its portfolio was well diversified.
14. Responding to questions on how pricing of BRAM resources would be developed and how creditworthiness would be assessed, Management explained that differentiated financing conditions would mean that a country's financing conditions would change depending on its economic trajectory. Regarding creditworthiness, Management explained that IFAD's assessment would be based on the International Monetary Fund's (IMF) debt sustainability analyses. Countries at high risk of or in debt distress would not be eligible for BRAM resources, whereas those at moderate risk would be subject to a more granular analysis, according to their resilience in absorbing shocks, as per IMF's methodology.
15. A question was raised on possible undersupply of resources to fund the BRAM. Management reassured members of IFAD's efforts to avoid such a scenario and informed the Working Group that IFAD had begun building its capacity to implement the Integrated Borrowing Framework. In this regard, it was developing standardized documentation, bond documentation and investor outreach material.
16. Furthermore, Management underlined that IFAD operated on a single balance sheet and a potential shortfall in borrowing would imply looking at the IFAD12 scenarios again, re-evaluating these in the context of liquidity policies and capital adequacy policies, as such policies applied to IFAD's resources in their entirety and not only to the BRAM. This information would be embedded in the document on resources available for commitment, which would be an essential component in the new context.
17. Looking ahead, Management would update the BRAM document to reflect the input received at this meeting of the PBAS. The document would be submitted to the Audit Committee for review at its meeting on 7 April prior to submission to the Executive Board session, also in April.
18. The PBAS Working Group would continue discussing the operationalization of the BRAM in the coming meetings.

Agenda item 5: Other business

19. No items under other business were raised and the meeting was adjourned.