PBAS Working Group

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Today's presentation

Recap slides: 3
Lessons learnt slides: 4-8
Way forward slide: 9
Recap

Reduce the range of variation

Maintain and reduce the weight

Add a vulnerability measure

\[
(\text{Rural Pop}^{0.405} \times \text{GNIpc}^{-0.265} \times (\text{IVI})^{0.95}) \times \\
[ (0.35 \times \text{RSP}) + (0.65 \times \text{PAD}) ]
\]

Review RSP

From PAR to PAD
Reallocations are a good tool ...

Reallocations started in year 2, providing additional resources to countries that can absorb them.

Non absorptive countries are dropped earlier, rewarding early planners.

Enable **early release** of unutilised allocations

Increased **flexibility**
... but there are limitations

**Starting early** does not preclude the need for reallocating resources in the final year, therefore not an efficiency gain.

**Increased variation** between initial and final allocations (+20%) may pose planning challenge.

**Greater distortion** to the system than Y3 reallocations only.

In IFAD11 will have to be **limited** to 10% of PoLG.
Reviewing the PBAS takes time ...

- **Apr 2016**: PBAS Working Group meeting
- **Sep 2016**: Creation of internal technical working group on PBAS
- **Jun 2016**: Executive Board PBAS Working Group meeting
- **Dec 2016**: Learning Event on PBAS and approach discussion with Executive Board
- **Jan 2017**: Executive Board PBAS Working Group meeting
- **Mar 2017**: Executive Board informal seminar and discussion with Executive Board
- **Apr 2017**: Two Executive Board PBAS Working Group meetings
- **Jul 2017**: Presentation of final proposal to the Executive Board

IFAD
Investing in rural people
… and requires careful planning

Each of the **changes** in the variables **takes time**

**Inclusion of new variables** needs to be carefully considered

While working in parallel to **implement the agreed changes** and commitments:

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>45% – 50%</td>
</tr>
<tr>
<td>HC</td>
<td>66% (2/3)</td>
</tr>
<tr>
<td>Fragile</td>
<td>25% – 30%</td>
</tr>
<tr>
<td>Minimum</td>
<td>US$4.5m</td>
</tr>
<tr>
<td>Maximum</td>
<td>5% of POLG</td>
</tr>
<tr>
<td>Needs/Performance balance</td>
<td></td>
</tr>
<tr>
<td>LICs + LMICs</td>
<td>90%</td>
</tr>
<tr>
<td>UMICs</td>
<td>10%</td>
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</tbody>
</table>
Changes to the way resources are channeled ...

Available **ODA resources** defined before beginning of cycle and allocated through PBAS

**Replenishment** to fund more concessional borrowers

Amount of **borrowed resources** defined through financial covenants

**Borrowed funds** to fund mainly less concessional borrowers
IFAD11 formula applied to very diverse set of countries, leading to very disperse allocations (max. US$166.3 m – min. US$4.5 m), in spite of reduction in the number of countries.

Similar dispersion observed when testing done on allocations to countries borrowing on concessional terms only.

The power of variables to capture country specificities may be affected.
Work plan

Explore best rationale for splitting countries in at least two windows (income, financing terms, other)

Explore rationale for complementary special windows

Normative phase to assess relevance and effectiveness of variables

Quantitative phase to determine mathematical formula
Thank you