Corporate-level evaluation
IFAD's Performance-based Allocation System (PBAS)
2005-2015

PBAS: How does it work?

1. Determination of country score
   \[ \text{Country needs} = \left( \frac{\text{RuralPOP}}{\text{GNIpc}} \right)^{0.45} \times \left( \frac{\text{GNIpc}}{\text{Per capita gross national income}} \right)^{-0.25} \times (0.2 \text{IRA} + 0.35 \text{PAR} + 0.45 \text{RSP})^2 \]
   \[ \text{Country performance} = \] (Allocation envelope / Sum of final country scores) \times Country score

2. Determination of country allocation

Allocation of resources (2005-2015)

Share, by region

- Latin America and the Caribbean: 12%
- Asia and Pacific: 33%
- Near East, North Africa and Europe: 14%
- West and Central Africa: 19%
- East and Southern Africa: 22%

Share, by lending terms

- 0.5% Harden loans: 56%
- 3% Blend: 17%
- 5.5% Intermediate: 18%
- Ordinary: 18%
- DSF grants: 18%

PBAS features

Min/Max allocations
PBAS has provisions for minimum and maximum allocations to selected countries

Reallocations
Unused funds are normally reallocated in the final year of the three-year PBAS cycle, allowing IFAD to make full use of its total resources

Capping
Some countries receive less than the allocation generated by the formula if they are not able to absorb the full amount of funds to be allocated, for example in crisis situations
Key Findings

**Rural population variable**
The adoption of the rural population variable (RuralPOP), instead of total population, was a good decision. However, it does not capture country needs in terms of poverty profile of the rural poor.

**GNI per capita variable**
The evaluation questions how appropriate the per capita GNI (GNI/pc) variable is for IFAD, in light of the focus on smallholder agricultural development in rural areas.

**Rural sector performance**
The indicators of the RSP have never been revised and do not reflect some of IFAD’s current priorities. The process in determining the RSP scoring is not systematic and its quality assurance varies from division to division.

**Country performance component**
The three country performance variables (IRAI, PAR, RSP) are mutually reinforcing, but data for these three variables (IRAI in particular) are not always available for all recipient countries.

**Engagement of Governing Bodies**
The Governing Bodies played a key role in introducing the PBAS. More recently, however, they have not been proactive on providing guidance on the PBAS.

**Transparency**
Even tough the PBAS made allocations more transparent, the process of capping and the countries receiving reallocations are not made public.

Conclusions

The PBAS has enhanced the Fund’s credibility, transparency and predictability of resource allocation, but the formula does not factor in some key dimensions of IFAD’s mandate and priorities, such as food security, nutrition and climate change.

The variables in the country performance component provide a good picture of country performance, but he PBAS has not provided adequate incentives to achieve better country performance in the rural sector.

The PBAS features of minimum and maximum allocations, reallocations and capping have enhanced the system’s flexibility, but the implementation of the reallocation system has not been sufficiently transparent.

Recommendations

1. **Enhance the PBAS’s design**
   - by sharpening the PBAS objectives; strengthening the rural poverty focus of country needs; refining the RSP variable; and reassessing the balance between country needs and country performance components of the formula

2. **Streamline process for better effectiveness**
   - by reflecting on whether to retain the IRAI variable of the country performance component and on systematizing and strengthening the RSP, its scoring and associated quality assurance

3. **Improve efficiency**
   - by scoring the RSP variable less frequently rather than on an annual basis and processing reallocations earlier in any three-year allocation cycle

4. **Enhance management and governance**
   - by taking a more corporate approach to the PBAS in general, for example through the establishment of an inter-departmental committee. Reports to the Executive Board should include information on reallocation, capping and other strategic issues

5. **Promote better learning**
   - through more explicit monitoring and continuous learning from the implementation of the system and cross-fertilization of experiences across country programme managers, regional divisions and countries

IFAD - International Fund for Agricultural Development - Independent Office of Evaluation
Via Paolo di Dono 44 - 00142 Rome, Italy
Telephone +39 06543591 - Facsimile +39 065043463
E-mail evaluation@ifad.org
Web site www.ifad.org/evaluation