

IFAD's Performance-based Allocation System Corporate-level Evaluation

Overview

A. Background

1. Member States first underlined the importance to IFAD of introducing a coherent performance-based allocation system (PBAS) during the Consultation on the Sixth Replenishment of IFAD's Resources (IFAD6) in 2002. Up to that point, IFAD resources were allocated to developing Member States based on country needs as measured, inter alia, by the depth of rural poverty, number of rural poor, availability of national resources and commitments of other development partners.
2. As a result, the Governing Council, during its twenty-fifth anniversary session in 2003, decided that the Fund should design and implement an explicit and transparent PBAS. The PBAS was thereafter developed by IFAD Management with inputs from Member States, and approved by the Board in September 2003. The introduction of the PBAS and its evolution over time have required a number of far-reaching policy decisions that have had important implications for the way IFAD allocates its resources to pursue its mandate.
3. As decided by the IFAD Executive Board in December 2014, the Independent Office of Evaluation of IFAD (IOE) conducted a corporate-level evaluation (CLE) of IFAD's PBAS in 2015, the first such comprehensive evaluation. The evaluation was undertaken within the overall framework of the IFAD Evaluation Policy (2011), and followed the broad methodological fundamentals established in the Evaluation Manual (2009). The overarching purpose of this evaluation was to undertake an independent assessment of the PBAS – a key policy instrument and management tool – to help IFAD further improve the allocation of its resources to developing Member States for rural poverty reduction.

B. Evaluation objectives, methodology and process

4. **Objectives.** The evaluation had three main objectives, which were to: (i) assess the performance of the PBAS in transparently allocating IFAD's financial resources to developing Member States for rural poverty reduction; (ii) analyse the PBAS approaches and experience in comparable organizations and identify good practices applicable to IFAD, taking into account the Fund's mandate and specific financial architecture; and (iii) generate findings and recommendations to inform future development of IFAD's PBAS and resource allocations from 2016 onwards.
5. **Methodology.** The evaluation covers the PBAS from its adoption by the Executive Board in September 2003 to 2015. The main internationally recognized evaluation criteria used in the evaluation are relevance, effectiveness and efficiency. Based on comprehensive data analysis and triangulation, the performance of the PBAS was rated against each of these evaluation criteria on a scale of 1 to 6 (with 1 being the lowest score and 6 the highest).¹ To derive a final rating for each criterion, the CLE first individually rated several sub-criteria using a number of key questions, as contained in the evaluation's approach paper.
6. The evaluation used a mixed-method approach to collecting data and information from a range of sources and informants. "Mixed-method" entails using a

¹ Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory. IFAD Evaluation Manual (2009).

combination of qualitative and quantitative techniques for data collection and analysis, and careful attention to triangulating the data and information collected before forming evaluative judgements. This was essential in ensuring an evidence-based and credible evaluation, with robust analytical underpinning.

7. **Process.** The evaluation started with the preparation of an approach paper, which captured the evaluation's objectives, methodology, key questions, process and timelines. It was discussed with IFAD Management and thereafter with the Evaluation Committee at the outset of the process in March 2015. Data analysis, review of documents and bilateral consultations with key stakeholders, including the Board's working group on the PBAS, took place from April to September. In the same period, an electronic questionnaire and two country visits (to Côte d'Ivoire and the Philippines) were also conducted, whereas the focus group consultation and telephone interviews with representatives of recipient Member States took place in October 2015. The draft final report was shared with IFAD Management for their review and comments in early January 2016. IOE has duly considered their comments in preparing the final version. The report is being discussed by the Evaluation Committee in March 2016 and thereafter with the Board in April 2016, together with the IFAD Management response.



In-house learning event on the CLE-PBAS, 9 March 2016, IFAD headquarters. Photo by Maurizio Navarra.

8. **Limitations.** First, there is no single, easily accessible repository of PBAS allocation and reallocation data. Such data had to be put together in cooperation with IFAD Management and by examining the various PBAS progress reports produced over the years. Second, the turnover of IFAD staff and Executive Board representatives and officials in Member States meant that it was challenging to identify key informants with a full historical perspective of the PBAS and its evolution. Thus, in addition to making special efforts to contact individuals associated with the system at different junctures, IOE conducted an exhaustive review of key documents on the PBAS since its adoption in 2003. The electronic questionnaire given to Board members and IFAD staff helped generate additional qualitative information used in the evaluation's analysis. Finally, IFAD has a

specific financial architecture (e.g. all its loans and country grants are allocated through the PBAS, whereas other international financial institutions (IFIs) only apply their PBAS to channel funds to countries eligible to borrow on concessional terms). This meant that the evaluation had to be extremely careful in drawing lessons and good practices from other IFIs, given their different financial architecture and the implications for IFAD's resource allocation system.

C. The IFAD PBAS

9. A core feature of the IFAD PBAS is that country allocations are based on a specific multiplicative formula (figure 1).

Figure
PBAS formula

$$[\text{RuralPOP}^{0.45} \times \text{GNI pc}^{-0.25}] \times [0.2\text{IRAI} + 0.35\text{PAR} + 0.45\text{RSP}]^{2.0}$$

Country needs component
Country performance component

10. The following variables are included in the **country needs component**:
 - RuralPOP: rural population of a country, with an exponent of 0.45; and
 - GNI pc: per capita gross national income,² with an exponent of -0.25.
11. The following variables are included in the **country performance component**:
 - IRAI: International Development Association (IDA) Resource Allocation Index (general development framework for sustainable poverty reduction),³ with a weight of 0.20. **This is also known as the Country Policy and Institutional Assessment (CPIA);**
 - RSP: rural sector performance score (IFAD's unique sectoral framework to rate a country's performance in establishing a policy and institutional environment favourable to reducing rural poverty), with a weight of 0.45; and
 - PAR: projects-at-risk, with a weight of 0.35.
12. Once the country score is determined, a second formula (figure 2) is applied to determine the annual allocations for the various borrowers for the following year. Each year, after approval of the annual programme of work, the country scores are updated and allocations re-examined to account for possible changes in the values of the variables (e.g. an increase or decrease in rural population).

Figure 2
IFAD country-resource allocation formula

$$(\text{allocation envelope} \div \text{sum of final country scores}) \times \text{country score} = \text{ex ante country allocation}$$

D. Main evaluation findings

13. **Relevance.** The PBAS's objectives and design have broadly ensured transparency, predictability and flexibility in the allocation of IFAD resources. The initial design of the PBAS and changes made over time appropriately reflected the institution's priorities at the time, even though there are opportunities to further sharpen the relevance of the system in light of the organization's current priorities (e.g. nutrition and climate change). Additionally, attention is needed in

² Using the World Bank Atlas method, converted to United States dollars.

³ Annex III provides an overview of the country policy and institutional assessment criteria of the IDA.

the allocation system to food production and food security, which are core dimensions of IFAD's work and were prevalent in the allocation system preceding the PBAS.

14. There has been one important change to IFAD's allocation formula over the past 12 years. This relates to the change in 2006 of the 'total population' variable in the country needs component of the formula to 'rural population'. The exponent was also changed from 0.74 to 0.45. In fact, the evaluation finds that rural population is the one variable in IFAD's PBAS formula that has the strongest correlation with country allocations.
15. This change from total population to rural population was an important move, *inter alia*, to ensure that the formula has a closer fit with IFAD's rural mandate. There are some challenges, however, because some countries define rural population differently, making data less reliable across countries than the data for total population. Also, the evaluation invites reflection on the extent to which rural population actually captures the multidimensional and complex nature of rural poverty. For instance, the evaluation's analysis reveals that the number of rural people in a given country is not correlated with indicators of rural poverty (e.g. in terms of their access to water, sanitation and electricity).
16. The second variable in the country needs component is GNI pc. The exponent of this variable is negative (-0.25), implying that the higher the GNI pc, the lower the allocation to a given country. Though GNI pc has been a reliable variable to help measure country needs, the evaluation questions how appropriate it is for IFAD, in light of the organization's focus on development of smallholder agriculture in rural areas. For instance, GNI pc is a measure of income per capita at the national level and not in rural areas. Also, it does not capture critical dimensions such as income inequality, especially in rural areas, and it only covers the income aspect of economic and social development.
17. In sum, the evaluation found that the country needs component of the PBAS formula has limited rural poverty focus. For instance, it does not consider a country's vulnerability and fragility. In this regard, there are some internationally recognized indices and data covering nearly all IFAD recipient countries, such as the United Nations Human Development Index (HDI) or vulnerability indices, that might prove useful moving forward.
18. With regard to the country performance component, the evaluation finds that its three variables (IRAI, RSP and PAR) are mutually reinforcing, providing a good picture of country performance. That is, the IRAI provides an overview of a country's broader policy and institutional performance at the national level, the RSP provides an appreciation of the performance of rural sector institutions and policies, while the PAR is about performance at the project level.
19. However, the evaluation finds that data for the three variables are not always available for all countries. Thus IFAD adjusts their weights accordingly, to add to 1 point in each case, as follows:

Box 1
Country performance component

$(0.2*IRAI + 0.35*PAR + 0.45*RSP)^{2.0}$ – when data are available for all variables
or $(0.3*IRAI + 0.7*RSP)^{2.0}$ – when PAR scores are not available
or $(0.43*PAR + 0.57*RSP)^{2.0}$ – when IRAI scores are not available

20. IFAD obtains IRAI (CPIA) data from the World Bank, but these are only available for countries that borrow on highly concessional terms. The bank does not

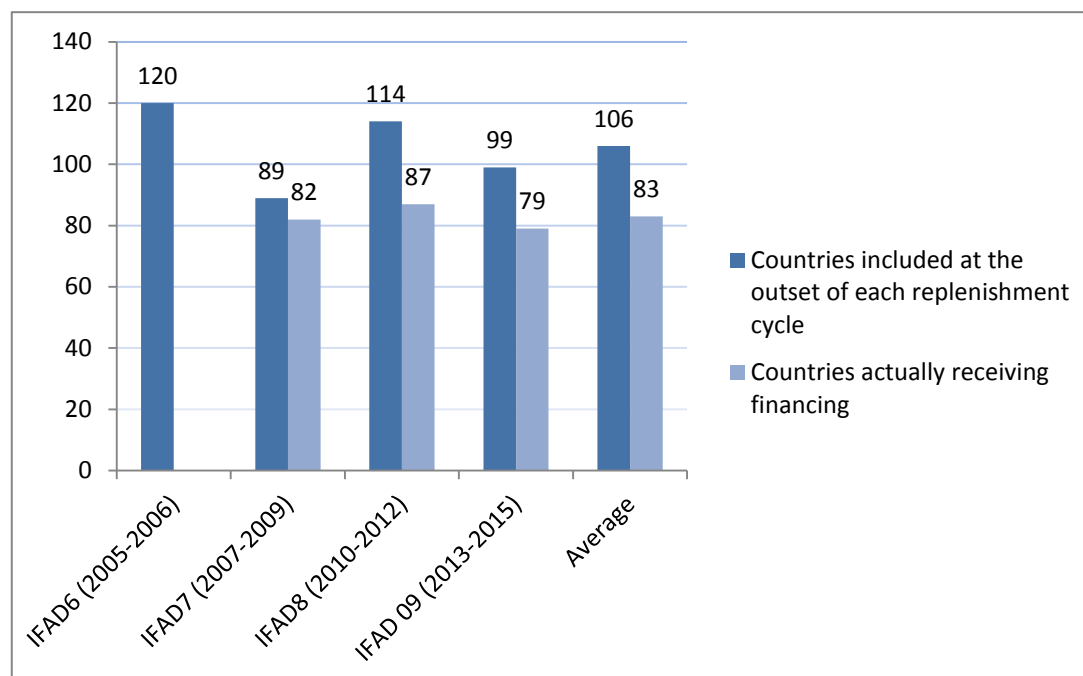
disclose them for other countries. As such, the evaluation found that 38 per cent of countries that received an allocation in 2015 did not have an IRAI score.

21. Countries with missing data for the IRAI have a significant advantage, because much more weight falls on PAR and RSP scores. These variables have been rated systematically higher than the IRAI scores (almost by 1.0 point on average on the score scale of 1 to 6; or about 30 per cent higher scores). Giving such a high weight to PAR and RSP destabilizes allocations in undesirable ways. Consequently, using the IRAI as a key variable in the country performance component – especially because an IRAI score is not available for a number of countries – has adverse effects on IFAD’s country allocation system. In fact, simulations done by IOE show that such reweighting could potentially be allocating about 1 percentage point more resources to the reweighted group relative to the group for which data are not missing.
22. The RSP is a critical variable in the PBAS formula, as it aims to capture IFAD’s focus and mandate in the country allocation process. However, since the PBAS was first adopted, the indicators and questions underlying the RSP have not been refined to reflect emerging priorities, opportunities and challenges in the rural sector. Without needed adjustments, there is a risk that the relevance of the RSP variable will diminish further. Thus, while the RSP per se is a highly relevant variable for IFAD’s PBAS, there are opportunities to further strengthen its indicators, questions and processes in generating the corresponding ratings.
23. The PAR aims to capture the performance of a country’s portfolio of active IFAD projects. In principle, it aims to reward IFAD portfolio performance. However, according to the evaluation, the PAR might be too narrow a variable, as it does not adequately capture the Fund’s performance at the country programme level, beyond the project level.
24. Notwithstanding the above, the PAR rating process is good, as it is part of the institution’s annual portfolio review. Hence, this is a good example of how existing institutional processes are used in the implementation of the PBAS.
25. Based on the static analysis done by the evaluation, some 65 per cent of a country’s allocation is driven by country needs, as compared with 35 per cent by country performance. However, if one looks at changes in allocations over time, the country performance component gains more relevance. The relative weights of the country needs variables are fixed and equal for all countries, while the case is different for the performance variables, particularly for the PAR and RSP. Thus the country performance variables tend to drive changes in allocations over time. This provides an incentive to countries to improve their performance scores.
26. It is worth noting that the African Development Bank (AfDB) uses an exponent of 4.125 on the country performance component, and the World Bank an exponent of 4.0, compared with 2.0 for IFAD. In this regard, the evaluation analysed the amount of resources allocated by these banks by grouping all recipient countries into five quintiles, according to their country performance scores. The finding is that the AfDB allocated 68 per cent of all funds in 2014-2016 to countries in the upper two quintiles of performance and the World Bank allocated over 50 per cent in 2014, whereas IFAD allocated 42 per cent (in 2013-2015) to countries with country performance scores in the upper two quintiles.
27. Finally, the evaluation found that some adjustments have been made to the design of the PBAS since its adoption. In this regard, the principles of maximum and minimum allocations are positive features of the PBAS, enhancing fairness in IFAD’s resource allocation by ensuring that poor rural people in different countries and regions can benefit from the Fund’s assistance, while also ensuring

- that small countries, including small island developing states, are not excluded from IFAD assistance.
28. The practice of capping the allocations of some countries in each PBAS cycle below amounts determined by the PBAS formula is also a good feature for maximizing the use of IFAD resources, although the rationale for capping is not explicit nor documented nor available publicly. With regard to minimum allocations, the current ceiling (US\$3 million) in any PBAS cycle is somewhat small, even for small states, especially if one considers that design and supervision costs for projects in minimum-allocation countries is more or less the same as in larger countries.
 29. **Effectiveness.** The first allocations based on the PBAS were for the period 2005-2006 (the IFAD6 replenishment period). Since then, the PBAS has been used to allocate IFAD resources in IFAD7 (2007-2009), IFAD8 (2010-2012) and IFAD9 (2013-2015). It is also being used to allocate resources in the IFAD10 period (2016-2018). From 2005 to 2015 there were four IFAD replenishment cycles and 12 allocation exercises.
 30. In principle, 95 per cent of IFAD's programme of loans and grants (PoLG) is allocated through the PBAS. Five per cent is set aside for the Regional and Global Grants programme. For IFAD9, with a target PoLG of US\$3 billion, earmarked funding of US\$380 million for the Adaptation for Smallholder Agriculture Programme (ASAP) was not included in the PBAS run. Hence, the IFAD9 PBAS allocated US\$2.62 billion. By contrast, the PBAS total for IFAD8 was approximately US\$2.8 billion of a target PoLG of US\$3 billion, because IFAD8 contributions were untied.
 31. With regard to allocations by region, the Asia and the Pacific region (33 per cent) has the single highest allocation since the PBAS was implemented in 2005, followed by East and Southern Africa (22 per cent), West and Central Africa (19 per cent), Near East, North Africa and Europe (14 per cent), and Latin America and the Caribbean (12 per cent). Although regional lending shares are no longer foreseen in the current PBAS design, 41 per cent of total funds have been allocated to sub-Saharan Africa. And, if one includes the countries in North Africa that are part of the Near East, North Africa and Europe region, then Africa as a whole has received a higher proportion of allocations (close to 50 per cent).
 32. The evaluation analysed the types of countries receiving PBAS allocations based on their lending terms. In IFAD9 and IFAD8, 50 per cent of funds went to countries borrowing on "highly concessional" terms. Twenty-three per cent of total allocations went to countries borrowing on "ordinary" terms in IFAD9, as compared with 17 per cent in IFAD8. The remaining funds were provided to countries on "blend" terms, and as grants or a mixture of grants and highly concessional loans (in line with the Debt Sustainability Framework [DSF]). Taking into account IFAD's single window financial architecture, providing lending on ordinary terms is an important feature for the Fund, because reflows from the corresponding loans help promote IFAD's financial sustainability.
 33. Figure 3 shows the number of countries included in the PBAS at the outset of the allocation cycle and the number of countries actually receiving financing at the end of the cycle. The figure shows that the number of countries receiving financing has declined over time, especially in the IFAD9 allocation period. However, an important feature to highlight is that 27 countries in IFAD8 and 20 countries in IFAD9 initially included did not receive financing in the end. This merits reflection, because funds allocated and then not disbursed are eventually reallocated to other countries, which can be a rather laborious process.
 34. The countries included in the PBAS and those finally receiving financing are normally determined based on dialogue among Member States, regional

divisions and the Programme Management Department (PMD) front office. However, the evaluation finds that the management of countries and the rationale for including or excluding countries from the PBAS are not clearly documented, nor is this information made available to the public. Moreover, for most of the period since adoption of the PBAS, the number and nature of countries included or excluded was a decision left largely to PMD, without much discussion at the corporate level (until 2014, see next paragraph).

Figure 3
Countries receiving allocation and financing by replenishment period*



Source: PMD data, IFAD.

* For the countries that actually received financing, only the data from IFAD7 – IFAD9 were accessible.

35. Another important aspect of PBAS management is the reallocation of original allocations. Reallocations might be needed – in any three-year cycle – if IFAD determines that a country might not be able to use the full amount allocated. Reallocations are normally carried out in favour of countries with higher absorptive capacity and demand. This is usually formalized in the third year of the PBAS funding cycle, which may be somewhat late in a three-year cycle. The evaluation concludes that reallocations are a good practice to ensure that all IFAD resources are committed to combat rural poverty. However, it finds that the process for reallocation has traditionally been a feature left to PMD’s discretion. It is important to underline that in 2014, for the first time, the proposed reallocations were discussed and approved by IFAD’s Executive Management Committee, chaired by the President, thus instilling a more strategic and institutional approach into the process.
36. The same applies to countries that are capped. Selection of countries to cap is determined by the regional divisions concerned. Total ‘savings’ are restored to the pool of resources available to IFAD for loans and grants and the PBAS is implemented again. This means that countries included in the PBAS could get a slightly higher allocation than originally envisaged. The evaluation concurs that capping is a positive feature of the PBAS. However, the underlying rationale for capping is not recorded in corporate documents, nor is this information made publicly available.
37. Finally, another feature related to PBAS effectiveness is the role of the governing bodies. They were quite engaged and played a broad role in the introduction of

the PBAS and for some years thereafter. Moreover, the Board established a dedicated working group on the PBAS in 2006, which is still functional today. Initially, the working group provided useful inputs into debate on the PBAS, but has not been very active in providing oversight or strategic guidance for some time now. The Board at large has also not been proactive in recent years, apart from considering the annual progress reports on the PBAS containing country scores and allocations.

38. **Efficiency.** The evaluation finds the PBAS a relatively efficient system, especially as compared with the resource allocation system in place before the PBAS was introduced. While it is challenging to make a clear-cut comparison given the different organizational contexts pre-PBAS and under it, the evaluation finds that the PBAS simplified the allocation process through a clear formula for determining country allocations. No information is available on the efficiency of the system that was in place before the PBAS was established. That system did not, however, determine or announce potential allocations to countries for the replenishment period, and funding decisions were neither predictable nor transparent.
39. By contrast, under the PBAS, allocations are more predictable. Indicative country allocations for the replenishment period are announced at the beginning of the period. The predictability allows for better forward planning of investment operations and country grants, and prioritization of the use of IFAD resources. It also enables strengthening of partnership and dialogue with country authorities and enhances the leveraging capacity of IFAD resources, given that recipient countries are able to earmark their own resources earlier as counterpart funding towards IFAD operations. Thus the evaluation finds the PBAS process more efficient than the previous arrangement, which left country allocations and agreed regional lending shares to the discretion of Management.
40. The rules-based PBAS formula has made IFAD's allocation process much more transparent. Nevertheless, the evaluation finds that there are some remaining issues with transparency. For instance, countries capped and reallocations are not made public, nor are the criteria for excluding countries from the PBAS process. And the databases containing PBAS data are internal to the PMD front office and not disclosed.
41. The important change from total population to rural population, with corresponding adjustments in the weight of this variable, had a favourable effect on the efficiency of the PBAS. The evaluation finds that this change has contributed to a reduction in the number of countries that received maximum and minimum allocations. In particular, reducing the number of countries with minimum allocations has increased efficiency in project development, supervision and implementation support, and in country programme management across the regions generally.
42. A further feature contributing to better efficiency was alignment of the three-year PBAS cycles with IFAD replenishment periods. This facilitates better pipeline planning and allows the Fund to develop its programme of loans and grants based on a clearer idea of its total resource availability.
43. Capping of allocations has contributed to better efficiency in managing IFAD resources. Without capping, concerned countries would not, in principle, be able to use the full allocations determined by the PBAS formula, thus requiring the organization to invest time and energy in reallocating the unused resources during the PBAS cycle to meet the agreed lending targets. The reallocation process is not only cumbersome, but it does not contribute to promoting the basic objective of the PBAS to allocate resources transparently based on specific rules.

44. Only one senior operations manager in the PMD front office was assigned the responsibility of "running" the PBAS. This has meant that few direct staff cost resources have been used in managing the PBAS. On the other hand, it has led to an adverse effect of centralizing implementation of the system in PMD.
45. The efficiency of IFAD's resource allocation processes has been strengthened by the decision in 2015 to allocate all borrowed funds through the PBAS. This is important, not least because it increases the organization's efficiency in managing its broader programme resources, rather than having parallel processes and systems for allocating borrowed funds.
46. There are some challenges that constrain the system's efficiency. First, RSP scoring is done every year, but there are only minor changes to the scores within the three-year PBAS cycle. Thus the need to undertake the RSP process and rating annually is questionable, especially given the efficiency implications for both IFAD and Member States. The evaluation also finds that the underlying processes in determining RSP scoring are not systematic across the board and that the quality assurance of scores varies significantly from division to division.
47. On another issue, data show that fewer loans are committed in the first year of any three-year PBAS cycle. A better spread of total annual commitments across the three years of any allocation cycle would contribute to better institutional efficiency. This would require tightening forward planning processes, in particular by ensuring better linkages among project pipeline development, country allocations and administrative budget earmarking.
48. IFAD does not have a single document that captures the design of the system and how it has evolved over the years, nor is there an operational manual or guidelines to facilitate its implementation. This could pose a problem, particularly when there is turnover in key staff.
49. Another constraint related to efficiency is the lack of a consolidated repository of all historical data, with proper backups. This exposes the organization to risks and makes undertaking analysis on the full range of PBAS data rather challenging. Moreover, in the interests of transparency, the report notes that current databases containing PBAS data are not available outside PMD, and several Excel spreadsheets constitute the PBAS database. Finally, opportunities for learning and cross-fertilization of experiences in the organization and across Member State representatives have been limited, which has also affected efficiency and effectiveness.

E. Conclusions and ratings

50. The PBAS was introduced following broad-based consultation between IFAD Management and its Member States. Compared with the allocation system in place before 2003, the PBAS has allowed the organization to have a more transparent, flexible and predictable resource allocation system. It has also ensured greater fairness in the allocation of IFAD's resources across developing Member States. The PBAS is generally well tailored to IFAD, has enhanced the Fund's credibility as an IFI, and has aligned its resource allocation system with those found in similar organizations.
51. At the same time, the evaluation finds that some limitations have constrained the design and implementation of the system. First, the PBAS formula does not factor in a key dimension of IFAD's mandate, which is to promote food security and agricultural production, and it also does not consider some central aspects of IFAD's current priorities, such as nutrition and climate change. The country needs component of the PBAS formula has only a limited focus on rural poverty, as it does not take into account some key emerging challenges related to climate change, fragility and vulnerability.

52. Second, taken together, the variables in the country performance component of the PBAS formula provide a good picture of country performance. However, based on the evidence collected and its analysis, the evaluation concludes that the PBAS has not sufficiently promoted incentives to achieve better country performance in the rural sector, which is a core principle of IFAD's allocation system.
53. Third, there are some implementation issues that invite attention. For instance, while the evaluation considers that the PBAS features of minimum and maximum allocations, reallocations and capping enhance the system's flexibility, these processes need to be strengthened and made more transparent. Moreover, though some recent measures have been taken in the right direction, management of the allocation system has largely been "PMD-centric", without a sufficiently corporate approach. Finally, the governing bodies played a useful role in the introduction of the system and for some years thereafter, but have not provided the required oversight and strategic direction in recent years.
54. Based on the triangulation of all evidence collected throughout the process, the consolidated average evaluation ratings of the performance of the PBAS on a six-point scale (see footnote 1) are as follows: relevance: 4.6; effectiveness: 4.2; and efficiency: 4.1. All ratings show that the performance of the PBAS is between moderately satisfactory and satisfactory, with relevance being close to satisfactory, and effectiveness and efficiency closer to moderately satisfactory. Thus there is room for improvement in the design and implementation of the PBAS in the future.

F. Recommendations

55. The evaluation makes the following five overarching recommendations for the future. Their implementation would be reported through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA).
56. **Recommendation 1: Enhance PBAS design.** IFAD Management should propose necessary enhancements to the PBAS design for approval by the Executive Board. In doing so, specific attention should be devoted to:
 - (a) Strengthening the rural poverty focus of the country needs component of the formula, in particular by assessing how measures of vulnerability and fragility, income inequality and non-income poverty can be included;
 - (b) Further sharpening the PBAS objectives and overall specifications, ensuring that IFAD's core mandate of promoting food production and food security is adequately reflected;
 - (c) Refining the RSP variable by revisiting the underlying indicators and questions; and
 - (d) Reassessing the balance between the country needs and country performance components of the PBAS formula.
57. **Recommendation 2: Streamline processes for better effectiveness.** Given the unavailability of the IRAI score for numerous countries, Management and the Board should reflect on whether to retain the IRAI variable in the country performance component of the PBAS formula. With regard to the RSP, due attention should be devoted to systematizing and strengthening the RSP scoring and quality assurance processes and viewing them as an opportunity to strengthen partnerships at the national level, knowledge management and policy dialogue. Moreover, ways should be explored to capture IFAD's performance at the country programme level, beyond the PAR.

58. **Recommendation 3: Improve efficiency.** Based on a more robust and participatory process, it is recommended that the RSP score be done less frequently, rather than annually as is current practice. Moreover, specific measures should be introduced to formally collect feedback on the proposed RSP and PAR scores from in-country authorities before the scores are confirmed and fed into the PBAS.
59. Reallocations should be done earlier in any three-year allocation cycle. And, finally, efforts are needed to ensure a better spread of total annual commitments across the three years of any allocation cycle. This will require tightening forward planning processes, in particular by ensuring better linkages among project pipeline development, country allocations and administrative budget earmarking.
60. **Recommendation 4: Adjust management and governance.** IFAD should take a more corporate approach to the PBAS in general. In this regard, one measure is to establish a standing interdepartmental committee on the PBAS, inter alia, to discuss RSP scores, the list of countries to be capped, reallocations and lessons in implementation of the PBAS. This committee would make recommendations to the Executive Management Committee for any adjustments deemed necessary. Moreover, to enhance the transparency of the system, progress reports should be more comprehensive and should include information on reallocations, capping and any strategic and systemic issues warranting guidance from the Executive Board.
61. **Recommendation 5: Generate learning.** Implementation of the system should receive more explicit monitoring and should generate continuous learning and cross-fertilization of experiences across country programme managers (CPMs), regional divisions and countries. A consolidated review or evaluation of the PBAS should be planned for six years after the revised PBAS design document is adopted by the Board, and the introduction of a periodic review process should also be considered.