

**MULTILATERAL DEVELOPMENT BANK TECHNICAL MEETING ON
PERFORMANCE BASED ALLOCATION METHODS
ADB HEADQUARTERS, 24-25 JANUARY 2005**

1. The first Multilateral Development Bank (MDB) Technical Meeting on Performance Based Allocation (PBA) Methods took place at the Asian Development Bank headquarters in Manila on the 24th and 25th January 2005.¹ The meeting was jointly planned by the African Development Bank (AfDB), the Asian Development Bank (ADB), and the International Development Association of the World Bank Group (IDA). The MDBs and other multilateral institutions share a common interest in improved methods for the allocation of scarce concessional resources. The meeting also responded to requests by donor shareholders to consider opportunities for closer alignment on PBA. There were participants representing the AfDB, ADB, IDA and the World Bank Group, the Caribbean Development Bank, European Commission, the Global Environmental Facility, Inter American Development Bank, the International Fund for Agricultural Development, and Islamic Development Bank. There were also participants from the Department for International Development of the United Kingdom, Japan Bank for International Cooperation, the Millennium Challenge Corporation and the Nordic Investment Bank. Several members of the Asian Development Bank's Board of Directors and ADB staff observed the proceedings. A list of participants is attached in Appendix 1. The meeting agenda is in Appendix 2.

2. The meeting had three main objectives: first, to survey and record recent changes in PBA systems and associated country performance assessment frameworks; second, to identify opportunities for inter-agency cooperation and alignment on the conduct of PBA and PBA methods; and third, to consider ways in which technical cooperation might best be carried forward within the framework of mandated policies and shareholder agreements.

3. The tables of Appendix 3 summarize key features of current approaches to performance-based allocation across the MDB system.

4. PBA systems and processes in different institutions reflect distinctive institutional mandates, policies, governance structures and client groups. For example, in the Caribbean Development Bank's system, there is special provision for countries that are vulnerable to natural calamities such as hurricanes that are endemic in some seasons. In IFAD's approach, there is special provision for rural sector performance which is weighted heavily in the overall assessment of country policies and institutions. Nevertheless, there has been substantial convergence of practice among multilateral institutions. Although some differences remain, all of the multilateral institutions use similar criteria to assess country performance and there is alignment in many other important respects as well. Country performance exercises a strong influence on the allocation of resources, and governance has a significant weight in the assessment of country performance.

5. A range of technical issues was discussed during the meeting. Two major areas were emphasized in the discussion: rating country performance and processes for allocating resources.

¹ In 2002 a technical session on performance based allocation methods was held during the MDB Roundtable on "Better Measuring, Monitoring, and Managing for Development Results" (June 5-6, 2002) held at the World Bank.

6. There is convergence in the disclosure practices of multilateral institutions with regard to country performance ratings. The International Fund for Agricultural Development recently publicly disclosed numerical ratings for its first country performance assessment. The Inter American Bank also publicly discloses numerical performance ratings. From their 2005 country performance assessment exercises, the ADB, AfDB and IDA will publicly disclose their numerical country performance ratings. It was agreed that public disclosure poses several challenges. Although there is already a large measure of agreement among different institutional assessments of country performance, and greater conformity may be expected to accompany enhanced communication and cooperation, the occasional differences in ratings cannot be ruled out. It was noted that clients who are familiar with the basis for assessments would more easily accept legitimate differences in opinion and perspective. Nevertheless, it was thought that while individual country ratings should not be negotiated among institutions, measures to identify, understand and reconcile significantly divergent ratings would be useful. Areas for possible collaboration that would help address risks of divergent ratings could include: alignment of performance criteria, ratings scales and ratings guidelines; synchronization of assessment periods which would permit informal interagency consultations and possible joint conduct of assessments of selected countries. Subject to managements' approval and client government's concurrence, ADB and IDA will explore the possibility of piloting in the Asia region joint country assessments. This exercise would be most usefully undertaken for selected countries during the IDA "benchmarking phase" and other multilateral institutions that use the same assessment criteria might be invited to contribute to the assessment. Both institutions would report their experiences with the joint conduct of country performance assessments as part of the ADF IX and IDA 14 mid-term reviews. The AfDB and IDA also agreed to explore similar opportunities for the joint conduct of country ratings exercises in Africa.

7. Different institutions have different ways of amalgamating their ratings data for resource allocation and reporting purposes. For example, there are differences in country performance rating scales and rating components. Representatives agreed that public communication of numerical performance ratings would benefit from alignment on the format, content and timing of their disclosure and agreed to further inter-agency technical discussions. Likewise, representatives from several institutions agreed to work towards a common approach to the presentation of any dissenting government views on performance ratings.

8. Client engagement is the key to ownership and to the effectiveness of PBA policies. Outreach to civil society will also be needed to enhance understanding of ratings information. Recent changes to the IDA performance assessment framework draw on consultations with its clients. In 2005, ADB will conduct regional workshops to explain its revised policy to client borrowers and to other stakeholders. Technical collaboration with IDA is planned at these events. Since effective capacity building and outreach to civil society will require a longer-term commitment, it was agreed between ADB and IDA that they will try to hold joint training events, wherever possible. AfDB and IDA reached a similar understanding regarding such possible joint training activities in the Africa region. There was wider consensus within the meeting to explore joint training and capacity building initiatives.

9. A number of other areas were identified where collaborative work would be useful. It was agreed to explore possibilities to improve current methods of measuring portfolio performance. Consideration could be given to alternative approaches that might modify or complement the "problem" and "projects-at-risk" methods that most institutions currently employ. It was proposed that work in this area be initiated during the current year. There was also a consensus that further consideration could be given to how weak performers or "low income countries under

stress” should be treated within the framework of PBA systems, especially how to find the right resources and instruments to remain engaged. Finally, there was a discussion of allocation management issues and it was agreed that further cross-institutional dialogue on allocation management issues would be useful. IDA has committed to reporting to IDA Deputies at the time of the IDA14 Mid-Term Review on its experience with allocations for regional projects during the IDA 14 period, and it was agreed that an inter-agency exchange of information among the multilateral institutions on their experiences would be most useful.

10. The meeting agreed that a technical working group on inter-agency PBA mechanisms should be convened annually at the beginning of each calendar year. This would enable technical reports on developments in PBA systems to inform other multilateral harmonization mechanisms each year. It was agreed that the current MDB Roundtable Mechanism, which involves regular contact by video-conferencing, would provide a suitable vehicle for the continued exchange of information and views and that this option should be explored. The meeting agreed that an information paper be prepared for dissemination to governing bodies, at the discretion of respective institutions’ management, and that the information note be provided to participants at the forthcoming 2nd High Level Forum on Harmonization. All materials presented at the PBA technical meeting and this note are to be made publicly available through participating institutions’ websites.

**FIRST MDB TECHNICAL MEETING ON
PERFORMANCE BASED ALLOCATION METHODS
24–25 January 2005
Asian Development Bank Headquarters
Manila**

PARTICIPANTS

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**FIRST MDB TECHNICAL WORKSHOP ON PERFORMANCE-BASED ALLOCATION
METHODS**

Asian Development Bank Headquarters, Manila

Day 1: January 24, 2005

08:30 – 09:00	REGISTRATION, Briefing/Display Room, 1930A	
09:00 – 09:15	Opening and Introductory Remarks	Kazu Sakai, Asian Development Bank
Session 1: MDB Approaches to Performance Based Allocation Moderator: Christopher W. MacCormac , ADB		
9:15 – 10:30	IDA's Approach to Performance Based Allocation The World Bank's Country Policy and Institutional Assessment Questionnaire	Frederik van Bolhuis, International Development Association Rui Coutinho, World Bank
10:30 – 10:45	Coffee/ Tea Break	
10:45 – 12:00	Performance Based Allocation at the African Development Bank ADB's Review of Performance Based Allocation of ADF	Janvier Litse, Philip Quarcoo, African Development Bank Frank Harrigan Asian Development Bank
12:00 – 13:30	Lunch, Private Dining Rooms (PDRs) 2 & 3, ADB HQ	
Session 1 (contd.): MDB Approaches to Performance Based Allocation Moderator: Frederik van Bolhuis, IDA		
13:30 – 14:15	Inter American Development Bank's Performance Based Allocation System Caribbean Bank's Approach to Performance Based Allocation	Alfredo Garcia Inter American Development Bank Alan Slusher Caribbean Development Bank
Session 2: Bilateral Approaches to Performance Based Allocation Moderator: Frank Harrigan, ADB		
14:15 – 15:00	Needs and Performance Indicators in EC Grants Allocations The Millennium Challenge Account	Vincent de Visscher European Commission Clay Lowery, Millennium Challenge Corporation
15:00 – 15:15	Coffee/ Tea Break	
Session 3: Specialized Funds' Approaches to Performance Based Allocation Moderator: Janvier Litse, African Development Bank		
15:30 – 16:15	IFAD's Performance Based Allocation Policy Global Environment Facility: Issues in Funds Allocation	Brian Baldwin International Fund for Agricultural Development Ramesh Ramankutty and Kiran Pandey Global Environment Facility
Session 4: Roundtable Discussion Moderator: Ken Watson, Consultant		
16:15 – 17:00	Discussion to be led by IDA, AfDB and ADB	
17:00	Cocktails, PDRs 2 & 3	

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Day 2: January 25, 2005

Session 5: Technical Issues in the Measurement of Performance and Needs Moderator: Philip Quarcoo, African Development Bank		
9:00 – 10:30	Including: <ul style="list-style-type: none"> ▶ Performance criteria ▶ Rating guidelines ▶ Ratings scales ▶ Standardized measures? ▶ Needs measurement ▶ Measuring portfolio performance 	Roundtable Discussion
10:30 – 10:45 Coffee/Tea Break		
Session 6: Technical Issues in the Allocation of Resources Moderator: Ken Watson, Consultant		
10:45 – 12:15	Including: <ul style="list-style-type: none"> ▶ What kind of formula? ▶ Accommodating vulnerability and debt considerations. ▶ Regional allocations. ▶ Post-conflict allocations ▶ Weak performers/LICUS ▶ Absorptive capacity considerations 	Roundtable Discussion
12:15 – 13:30 Lunch Break		
Session 7: Opportunities for Inter-Agency Alignment and Cooperation Moderator: Ken Watson, Consultant		
13:30 – 15:00	Including: <ul style="list-style-type: none"> ▶ Measurement and allocation frameworks ▶ Joint country performance assessments ▶ Country dialogue and strategies ▶ Ratings disclosure 	Roundtable Discussion
15:00 – 15:15 Coffee/Tea Break		
Session 8: Next Steps Moderator: Christopher W. MacCormac, ADB		
15:15 – 17:00	Including: <ul style="list-style-type: none"> ▶ Managing the risks of disclosure ▶ Deepening client consultation ▶ Funding future activities ▶ Next Meeting 	Roundtable Discussion
17:00 Close of Meeting		

Table 1: Multilateral Concessional Funds that use a Performance Based Allocation System

	Fund	Started	Phase	Started PBA	Country eligibility criterion
African Development Bank (AfDB)	African Development Fund (AfDF)	1973	AfDF X	1999	AfDB Credit Policy, 1995. The AfDB uses IDA's country classification in Africa
Asian Development Bank (ADB)	Asian Development Fund (ADF)	1973	ADF IX	2001	ADB's Graduation Policy, 1998
Caribbean Development Bank (CDB)	Special Development Fund (SDF)	1984	SDF 6	2000	All member countries (Group 1 has limited access)
Inter-American Development Bank (IDB)	Fund for Special Operations (FSO)	1961	Agreement 1998	2002	Five countries (Group D-2). Bolivia, Guyana, Haiti, Honduras and Nicaragua (+ small amount to the Caribbean Development Bank)
Inter-American Development Bank (IDB)	Intermediate Financing Facility (IFF)	1982	Agreement 1998	2002	Five countries (Groups C&D1), <\$2150 GDP per capita 2000\$). Suriname, Ecuador, El Salvador, Guatemala, Paraguay
International Fund for Agricultural Development (IFAD)	IFAD		First	2005	All member countries.
World Bank Group	International Development Association (IDA)	1961	IDA 13	1977	Countries with GNPpc (in 2003\$) less than \$895

	Phase	Approximate Annual Envelope ²			Number of Countries Eligible/with Access ³		
		Loans	Grants		Concessional Only	Blend ⁴	Total
		US\$ million	US\$ million	% Grants			
African Development Fund	AfDF IX	750	248	18-21%	38	2	40
Asian Development Fund	ADF IX	1700 ⁵		Up to 18%	15	12	27
CDB, Special Development Fund	SDF V	28.3	11.3	55% of new contributions	1	18 ⁶	19
IDB, Fund for Special Operations	1998 agreement	400 (Board is considering an increase to 500.)		Zero ⁷	5		5
IDB, Intermediate Financing Facility	1998 agreement	250		Zero		5	5
International Fund for Agricultural Development		450	25	Up to 10%	Highly concessional, intermediate and ordinary terms. Terms are independent of allocations.		121
World Bank (IDA)	IDA 13	6400	1600	18% to 21%	66	15	81

² Most recent complete fiscal year.

³ In some funds, there are countries that are technically eligible but in practice do not have borrowing access to resources.

⁴ Blend borrowers can access both concessional funds and ordinary capital resources in the one loan.

⁵ Transfers from ADF IX to the Technical Assistance Special Fund (3% of ADF IX) are not included in this figure.

⁶ Group 4 countries (Guyana and, in future, Haiti) are eligible for SDF only, but in practice have accessed ordinary capital resources within the HIPC guidelines for loan concessional element. At the other end of the income spectrum, Group 1 countries are eligible for concessional funds, for narrowly defined purposes, but in practice do not access these funds.

⁷ \$30 million of FSO net income is used to finance non-reimbursable technical cooperation. IDB is studying a proposal to disburse part of the FSO as grants.

Table 2: Allocation Formulae

	Formula				Other Factors			
	Needs Factors		Performance Factors	Scaling Factor ⁸	Result =	MIN	MAX	Volume Discount
African Development Fund,(2002-2004 period)	POP x GNPpc ^{-0.125}	x	[(0.7CPIA+0.3PORT) x (GOV/3.5) x PCEF] ^{2.0}	Yes	Allocation share	SDR 5.0 million per country		In ADF X, allocations will be discounted depending on the % in grants.
Asian Development Fund (2005)	POP ^{0.6} x GNPpc ^{-0.25}	x	[(ES_CPIA ^{0.7} x PORT ^{0.3}) x GOV] ^{2.0}	Yes	Allocation share			
Caribbean Development Bank (SDF)	log POP x GNPpc ^{-0.9} x VUL ^{2.0}	x	[0.7CPIA+0.3PORT] ^{2.0}	Yes	Allocation share			
IDB (IFF)	[(0.133Fund)(POP/ΣPOP)] + [(0.133Fund)(1/GNPpc)/Σ(1/GNPpc)] + [(0.133Fund) (DEBT/ΣDEBT)]	+	[(0.6Fund)x(0.7CIPE+0.3PORT)]/ [Σ(0.7CIPE+0.3PORT)] (CIPE is similar to the CPIA)		Dollar allocation			
IDB (FSO)	[(0.22Fund)(POP/ΣPOP)]+ [(0.18Fund)(1/GNPpc)/Σ(1/GNPpc)]	+	[(0.6Fund)x(0.7CIPE+0.3PORT)]/ [Σ(0.7CIPE+0.3PORT)]		Dollar allocation			
IFAD	POP ^{0.75} x GNPpc ^{-0.25}	x	[0.2CPIA+0.35PORT+0.45RuralCPIA] ^{2.0}	Yes	Allocation share	\$1 million		
IDA	POP x GNPpc ^{-0.125}	x	[(0.8CPIA + 0.2PORT) x (GOV/3.5) ^{1.5}] ^{2.0}	Yes	Allocation share	SDR 3.3 million per country (IDA 14)	\$20 per capita per annum	In IDA 14, allocations will be discounted depending on % in grants

CIPE= country institutional and policy evaluation (Inter-American Development Bank); CPIA = country policy and institutional performance assessment; official debt service ratio; ES_CPIA = economic and social performance criteria in the CPIA; Fund = Size of IFF or FSO envelope; FSO = Fund for Special Operations (IDB) GNPpc = GNP per capita or GNI per capita; GOV = for ADF, the average of the five criteria in the “public sector management” cluster (see Table 4); for AfDF, the average of the six criteria in the Governance and Public Sector Performance (see Table 4) plus a three-years moving average for the ‘procurement flag’ on portfolio performance; for IDA, the average of the five criteria in the public sector management cluster (see Table 4) plus a three-years moving average of the procurement flag on portfolio performance; HDI = Human Development Index; log = logarithm; IDB = Inter American Development Bank; IFAD = International Fund for Agricultural Development, IFF = Intermediate Financing Facility, PBA = performance based allocation; PCEF is a post-conflict enhancement factor (1.13 to 1.30, maximum 1.5); POP = population; PORT = portfolio performance; RuralCPIA = IFAD’s performance rating on policies and institutions for rural development; SDF = Special Development Fund (Caribbean Development Bank) ; SDR = IMF Special Drawing Rights; VUL = country vulnerability.

⁸ Indicates whether a scaling factor is applied to ensure that allocation shares add to one. The scaling factor is the sum over all countries of the product of the needs and performance factors shown in the preceding columns.

Table 3: The Weights of Factors in the Allocation Formulae

Type 1 Formula: Allocation by a geometric, multiplicative formula (containing factors with exponents)

	Exponents ⁹ on Needs Variables			Exponents on Performance Factor	
	POP	GNPpc	VUL	Country Performance Factor	Exponent on the Country Performance Factor
African Development Fund	1.00	-0.125		[(0.7CPIA+0.3PORT) x (GOV/3.5)x PCEF]	2.0
Asian Development Fund	0.60	-0.25		[(ES_CPIA ^{0.7} x PORT ^{0.3}) x GOV]	2.0
Caribbean Development Bank (SDF)	LogPOP	-0.90	2.0	[0.7CPIA+0.3PORT]	2.0
International Fund for Agricultural Development	0.75	-0.25		[0.2CPIA+0.35PORT+0.45RuralCPIA]	2.0
World Bank, IDA	1.00	-0.125		[(0.8CPIA + 0.2PORT) x (GOV/3.5) ^{1.5}]	2.0

Type 2 Formula: Allocation by an additive, linear formula (each variable allocates a fixed % of the fund)

Institution	Effective Weight of Needs Variables in the \$Allocation			Effective Weight of Performance Variables in the \$Allocation
	POP	GNPpc	DEBT	Country Performance (0.7CIPIE + 0.3PORT)
Inter-American Development Bank (FSO)	22%	18%		60%
Inter-American Development Bank (IFF)	13%	13%	13% proposal to discontinue	60%

CIPIE = country institutional and policy evaluation; CPIA = country policy and institutional performance assessment; DEBT = official debt service ratio; ES_CPIA = country performance on economic and social criteria; FSO = Fund for Special Operations (Inter-American Development Bank); GNPpc = Gross National Product or Gross National Income per capita; GOV = for ADF, the average of the five criteria in the “public sector management” cluster (see Table 4); for AfDF, the average of the six criteria in the Governance and Public Sector Performance (see Table 4) plus a three-years moving average for the ‘procurement flag’ on portfolio performance; for IDA, the average of the five criteria in the public sector management cluster (see Table 4) plus a three-years moving average of the procurement flag on portfolio performance; IFF = Intermediate Financing Facility (Inter American Development Bank); POP = population; PORT = portfolio performance; SDF = Special Development Fund (Caribbean Development Bank); VUL = country vulnerability index

⁹ The Caribbean Development Bank uses the logarithmic value of POP rather than applying an exponent.

Table 4: Policy-and-Institutional-Performance Criteria, and Cluster Weights (MDBs, excluding IFAD¹⁰)

African Development Fund¹¹	Caribbean Development Bank (SDF)	Inter American Development Bank (FSO/IFF)¹²	World Bank, IDA and Asian Development Fund¹³	Range
Macroeconomic policies 15% <ul style="list-style-type: none"> Fiscal policy General macroeconomic performance Macroeconomic and external debt management capacity 	Macroeconomic management 25% <ul style="list-style-type: none"> Fiscal policy Monetary policy External financing policies 	Economic Management 15% <ul style="list-style-type: none"> Macroeconomic imbalances (fiscal and monetary policies) Management of external debt 	Economic Management 25% <ul style="list-style-type: none"> Monetary and exchange rate policies Fiscal policy Debt management 	15% to 25%
Structural Policies 25% <ul style="list-style-type: none"> Trade policy and foreign exchange regime Financial stability and depth Competitive environment for the private sector Policies for reducing public sector burden Policies and institutions for regional integration Environmental policies and regulations. 	Structural Policies 15% (25% with environment) <ul style="list-style-type: none"> Trade policy and foreign exchange regime Financial sector efficiency and soundness Factor and product markets and prices Enabling environment for private sector development Environment (10%) 	Structural policies 20% <ul style="list-style-type: none"> Trade and commercial policy Banking and financial sector stability Policies and institutions for environmental stability. 	Structural Policies 25% <ul style="list-style-type: none"> External trade Financial sector Business environment 	20% to 25%
Policies for Growth + Equity and Poverty Reduction 30% <ul style="list-style-type: none"> Gender equality & social inclusion Policies towards labour intensive activities Building human capital Pro-poor targeting programs/invest. Poverty monitoring and analysis 	Socially-inclusive development 25% <ul style="list-style-type: none"> Framework for poverty reduction policy Enhancing economic and human capital of poor Equity and social safety nets Gender, empowerment and participation 	Policies for social inclusion and equity 35% <ul style="list-style-type: none"> Gender equality, indigenous and other minorities inclusion Building human resources and social protection Monitoring/analysis of poverty 	Social Inclusion Policies 25% <ul style="list-style-type: none"> Gender Equity of public expenditures Building human resources Social protection and labour Policies and institutions for environmental sustainability 	25% to 30%
Governance and Public Sector Performance 30% <ul style="list-style-type: none"> Property rights and rule-based governance Quality of budget and public investment process Revenue mobilization efforts and rationalization of public expenditures Accountability/transparency of the public service Anti-corruption policies and practices Political stability 	Governance and public sector management 25% <ul style="list-style-type: none"> Rule of law Anti-corruption and accountability of institutions Civil service Revenue mobilization and budgetary management Management and efficiency of public expenditures 	Public sector management and institutions 30% <ul style="list-style-type: none"> Property rights, governance and private sector development Transparency and accountability in the public sector 	Public Sector Management and Institutions 25% <ul style="list-style-type: none"> Property rights and rule-based governance Quality of budgetary and financial management Efficiency and equity of revenue mobilization Quality of public administration Transparency, accountability & corruption in the public sector 	25% to 30%

FSO = Fund for Special Operations (Inter-American Development Bank); IDA = International Development Association; IFF = Intermediate Financing Facility (Inter-American Development Bank); SDF = Special Development Fund (Caribbean Development Bank)

¹⁰ IFAD uses the IDA performance ratings for the general country performance factor in its allocation formula. It also does its own scoring of a separate performance factor for rural-sector performance. Its criteria for that factor are as follows: policy and legal framework for rural organizations; dialogue between government and rural organizations; access to land; access to water for agriculture; access to agricultural research and extension services; enabling conditions for rural financial services development; investment climate for rural businesses; access to agricultural input and produce markets; access to education in rural areas; representation; allocation and management of public resources for rural development; accountability, transparency and corruption in rural areas.

¹¹ The 20-criteria CPIA was applicable during the AfDF-IX period. For AfDF-X (2005-2007) a 16-criteria CPIA, similar to IDA's but retaining the ADF-IX cluster weights, is under consideration for adoption.

¹² The original proposal was for equal cluster weights. These weights were decided by the Board.

¹³ ADF gives equal weight to the first three clusters, as IDA does, but separates the governance cluster (public sector management and institutions) and gives it a separate weight in the allocation formula.

Table 5: Weight of “Governance”¹⁴ in the Country Performance Factor

	Emphasis Given to Governance as Part of Country Performance Assessment	Effective weight¹⁵ in the Performance Factor
African Development Fund	The allocation formula includes a governance factor. The exponential weight of the governance factor is 1.0 compared with 1.5 in IDA’s model. The governance factor takes into account the six criteria in the “Governance and Public Sector Performance” cluster of CPIA plus the procurement element in the Country Portfolio Performance Rating (CPPR). Revisions may be made in 2005.	61.25% (in AfDF IX)
Asian Development Fund	Until 2004, governance received the weight of the governance cluster of criteria (public sector management and institutions) in the CPIA (30%). In 2005, the allocation formula separates the governance criteria (the IDA cluster “Public Sector Management and Institutions”) from the CPIA into a separate factor, and gives extra weight to that factor that will result in governance having a much larger impact on the performance factor than previously (effective weight 53% compared with 30% in 2004).	53%
Caribbean Development Bank (SDF)	Governance receives the weight of the Governance and Public Sector Management cluster (25% of the CPIA) relative to the weight of all performance variables (that is CPIA and PORT).	17.5%
Inter-American Dev. Bank (FSO/IFF)	Governance receives the weight of the Public Sector Management and Institutions cluster (30% of the CIPE) compared with all performance variables (that is, CIPE and PORT).	21%
International Fund for Agricultural Development	IFAD uses the IDA scores for country and policy and institutional performance (including the governance cluster criteria) and also assesses rural sector performance (including performance against some governance related criteria).	Not directly comparable because of the rural sector performance factor
World Bank, IDA	In 1998 IDA applied a governance discount. In 2001 this was changed to a governance factor. In 2005 the governance factor has been slightly modified. That is, “management and sustainability of the development program” has been removed from the governance criteria and the procurement efficiency criterion has been slightly modified to become a three-year moving average.	66% (IDA 14)

AfDF = African Development Fund; CIPE = Country Institutional and Policy Evaluation (Inter American Development Bank); CPIA = Country Policy and Institutional Assessment; FSO = Fund for Special Operations (Inter-American Development Bank); IFAD = International Fund for Agricultural Development; IFF = Intermediate Financing Facility (Inter American Development Bank); IDA = International Development Association (World Bank Group); PORT = Portfolio rating

¹⁴ “Governance” in this context is defined by the fourth cluster in the country performance assessment criteria (See Table 4 above) and in some cases it also takes into account the country’s performance on procurement related to its borrowing from the particular multilateral development bank.

¹⁵ The “effective weight” is a relative measure of how much a change in “governance score” affects the “country performance factor.”

Table 6: Portfolio Performance Measures

	Basis of Portfolio Performance Score
African Development Fund	Projects at risk
Asian Development Fund	Problem projects, projects on alert
Caribbean Development Bank (SDF)	Performance scores for all active projects (not only projects at risk), based on OECD/Development Assistance Committee's project performance criteria ¹⁶
Inter-American Development Bank, Fund for Special Operations (FSO) and Intermediate Financing Facility (IFF)	Problem projects and projects on alert [Based on the Annual Report on Portfolio Execution (ARPE) and the Project Alert Identification System (PAIS)]
International Fund for Agricultural Development (2005)	Actual problem projects ¹⁷ and projects at risk (3 of 11 flags ¹⁸ up)
World Bank IDA	Projects at risk (3 of 12 flags ¹⁹ up)

Converting “% Projects at Risk” into a “Portfolio Performance Rating”

Rating	AfDF IX & X	ADF	CDB (SDF)	Inter American Development Bank (FSO and IFF)	IFAD (For countries with three or more projects ²⁰)	World Bank, IDA (% projects at risk)	
6.0	0% for three years or more	0% for two years or more		Ratio of undisbursed funds in problematic or on-alert projects as percentage of total undisbursed funds in all current projects under execution in the country.	0% for two or more years	0%	
5.5						1%	
5.0	0- 5%	0-10%	0-19%			0%	2%
4.5	5- 15%						3-4%
4.0	15- 30%	15-34%	20-39%			0% to 34%	5-6%
3.5	30- 35%						7-10%
3.0	35- 45%	35-40%	40-59%			35% to 67%	11-15%
2.5	45- 65%						16-32%
2.0	>65%	41-70%	60-79%			68% to 100%	33-60%
1.5							61-99%
1.0	>65% for 3years or more	100% for 2 or more years	80-100%		100% for two or more years	100%	

ADF = Asian Development Fund; AfDF = African Development Fund, CDB = Caribbean Development Bank; FSO = Fund for Special Operations; IDA = International Development Association; IFF = Intermediate Financing Facility; IFAD = International Fund for Agricultural Development; SDF = Special Development Fund;

¹⁶ Beginning in 2001, the CDB put in place a project evaluation system using six criteria of performance, which are scored individually and then combined into a 'composite performance score'. The six are: strategic relevance, poverty relevance, efficacy, economic efficiency, institutional development impact, and sustainability. As well, three other criteria are scored independently but not combined in the composite performance score. These are: the performance of the Caribbean Development Bank itself, borrower performance, and timing performance.

¹⁷ A project rated 3 or 4 on the scale 1. problem free 2. minor problems 3. major problems but improving 4. major problems and not improving

¹⁸ IFAD's proposed 11 flags are: compliance with loan covenants, project management performance, availability of counterpart funds, compliance with procurement procedures, quality and timeliness of audit, disbursement rate, performance of W&E system, beneficiary participation, responsiveness of service providers, gender focus in implementation, poverty focus in implementation.

¹⁹ The IDA flags are: long effectiveness delays; poor compliance with legal covenants; project management problems; shortage of counterpart funds; procurement problems; poor financial performance; environmental/resettlement problems; significant disbursement delays; long history of past problems; in risky country; in a risky sub-sector; and poor macroeconomic setting.

²⁰ IFAD takes a more qualitative approach when it has fewer than three projects in a particular country. It takes into account whether the one or two projects are actual or potential problem projects, the status of attainment of the development objective, and implementation progress.

Table 7: Ratings Conduct, Review and Accreditation Practices

Practices	Institution/Fund					
	African Development Bank	Asian Development Bank	Caribbean Development Bank	Inter American Development Bank	International Fund for Agricultural Development	World Bank, IDA
Frequency of Performance Assessments	Annual	Annual	Biennial	Biennial	Annual	Annual
Main Scorer(s)	Country teams, and sector and thematic experts from the Operations Departments.	Country teams.	Chief Economist	Country economists, sector and thematic experts from Regional Operations Departments	Country Program Manager	Country economists, sector and thematic experts from Regional Operations Departments.
Review and challenge of scores	Central Departments and Central Offices of two Operations Complexes and their Vice Presidents	2005. CPA Panel - Chief Economist, Director Generals of the Regional and Sustainable Development Department, and the Strategy and Policy Department, and Operations Group Director Generals	No	CIPE Group: RES (Chief Economist) and Regional Economists	Regional Economists. Division Directors	Central Departments: Operations Policy and Country Services (OPCS) and Development Economics (DEC). Residual differences adjudicated by OPCS VP
Ratings Approval	Operations Vice Presidents and VP for Planning, Policy & Research	Vice Presidents Operations Groups and VP Knowledge Management and Sustainable Development	VPs	By Regional Operations Management before allocations are calculated and presented to the Board for the approval of allocations.	Asst. President, Programme Management Department.	Regional Chief Economists and VP OPCS
Benchmarking	Yes. Two countries in each region are benchmarks (eight in total)	No	No	No	Some benchmarking, with a focus on the rural sector.	Seventeen countries were benchmarks in the last exercise (both IDA and IBRD countries)
Written substantiation	Yes (for internal use)	Yes (for internal use)	No	Yes (for internal use)	Write-ups shared informally.	Yes (for internal use)
Triggers²¹	Yes	Discontinued in 2005.	No	No	No	Yes

²¹ "Triggers" are the country performance levels that "trigger" high, base or low allocations.

Table 8: Allocation Parameters

	African Development Fund	Asian Development Fund	Caribbean Development Bank (SDF)	Inter-American Development Bank (FSO and IFF)	International Fund for Agricultural Development	World Bank, IDA
Minimum allocations	AfDF IX: SDR 5m AfDF X: To be determined	No minimum, but not zero	No minimum, zero is possible.	No minimum, but not zero	\$US1 million p.a.	2004 SDR 3 million; SDR 3.3 million proposed in IDA14
Small country preference	Minimum allocations favour smaller countries	Yes. Separate pool for Pacific countries; formulate weight moderates the influence of population on allocations	Yes. LogPOP used in the allocation formula which moderates the influence of larger populations	All countries compete equally for the performance-allocated dollars (60% of the total Fund), which could be advantageous to small countries.	No	Minimum allocations favour smaller countries
Separately allocated pool of funds for special groups of countries	Yes, 95% of allocation for 38 AfDF only countries; 5% for two blend countries	Yes. 4.5% of commitment authority for Pacific developing member countries with access to fund.	Yes. New members Haiti and Suriname.	Two funds, different eligible countries and levels of concessionality.	Allocations are made within not across regions.	No
Allocation caps or ceilings	Yes, capped allocation for one AfDF-only country: Ethiopia	Cap on countries that are on the "graduation watch list" (only Indonesia at this time)	Group 1 countries are technically eligible for SDF up to the amount of their own contribution	No	Single country allocation limited to 5% of total available lending resources	Capped allocations to three blend countries: India, Pakistan, Indonesia
Set aside (emergency and disasters)	None from concessional AfDF resources. Some from non-concessional AfDB window	None. IDA 13 guidelines adopted. Softer terms post-disaster.	\$18 million (SDF 5) for natural disaster response, (in part available for major economic transitions, or emergencies such as HIV/AIDS)	General reserve can be used for natural disaster emergency lending.	No	IDA13: Natural disaster grants up to \$75 million per annum IDA14: none
Set aside (priority action areas, like AIDS)	AfDF IX: 18-21% grants for specified activities; AfDF X: None	2% for HIV/AIDS on a grant basis but within PBA allocations.		No	No	IDA13: HIV AIDS grants IDA14: none
Set aside (regional projects)	AfDF IX: 10% for multinational or regional projects. AfDF X: 15% for multinational or regional projects	Up to 5% of ADF commitment authority (2005). Explicit eligibility criteria provided.	\$5 million (SDF V)	No	No	\$300 million p/a (plus \$150 out of participating country envelopes) (5% of IDA)
Different allocation rules for post-conflict countries?	Yes, the country performance rating is adjusted by a post-conflict enhancement factor. ²²	ADB will adopt the IDA 13 post-conflict PBA Framework from 2005.	No	N/A	Under review	Yes. Three years of special consideration + four years transition.
Different allocation rules for LICUS or weakly performing countries?	No	Case by case consideration but subject to an allocation ceiling set by the PBA formula.	No	N/A	No	No

AfDF = African Development Fund; FSO = Fund for Special Operations (Inter-American Development Bank); IDA = International Development Association; IFF = Intermediate Financing Facility (Inter-american Development Bank); SDR = Special Drawing Rights of IMF.

²² The post-conflict enhancement factor has an upper bound of 1.5, but actual range applied to seven eligible countries was 1.13 to 1.30 during ADF-IX cycle (2002-2004).

Table 9: Allocation Management

	African Development Fund	Asian Development Fund	Caribbean Development Bank (SDF)	Inter-American Development Bank (FSO and IFF)	International Fund for Agricultural Development	World Bank, IDA
Allocation Period	Three-year rolling	Two years	Four years	Two years, firm	Three years	Three-year rolling
Rollover unused country allocations from one allocation period to the next?	Year by year country allocation may vary with changes in annual country portfolio performance reviews. Reallocation from non-performers to good performers in the final year of the allocation cycle	At the end of period, unused allocations can be carried forward for 12 months.	Yes, subject to biennial reallocation decisions.	Yes. For pipeline projects approved in the first semester of the following year. Also some exceptions made (Haiti 2003, 2004).	Yes	Limited rollover permitted.
Conditional approvals when insufficient commitment authority within an allocation period?	Yes	Yes	No	Yes if country does not have sufficient resources to fully fund a project (FSO only).	No	No
Conditional approvals across replenishment periods?	No	No	No	Yes	No	Yes (in selected cases)
Limits on the % of the multi-year allocation that can be taken up in one year	Yes, on average 33% annually but flexibility allowed for some frontloading to high performers	From 2005, annual approvals may vary as a percentage of the total biennial allocation, depending on country size and size of total allocation.	No	Total approval limit of \$400 million p.a. Individual 'advances' on next year's allocation if unused funds available.	No	Extreme "frontloading" is normally resisted
Reallocation of unused resources	Mainly in final year of 3-year cycle	Biennial (midterm)	Biennial (midterm). In fact 2003 (mid-point) and 2004.	Near end of second year (from countries with lower demand to countries with unmet demand). PBA coefficients applied once	Annual reallocation	Annual
General reserve	No	No	Yes. 10%-15%	\$100 million	No	No

FSO = Fund for Special Operations (Inter-American Development Bank); IDA = International Development Association; IFF = Intermediate Financing Facility (Inter-American Development Bank); SDF = Special Development Fund (Caribbean Development Bank)

Table 10: Disclosure of Country Allocations, Performance Scores and Associated Materials

	Overall score disclosed?	Cluster scores disclosed?	Criterion scores disclosed?	Ratings narratives disclosed?	Monetary allocations disclosed?	Posted on website?	Annual report on PBA published?
African Development Bank	2004 quintiles. Yes, from 2005 assessment (expected).	Yes, from 2005 assessment (expected).	Yes, from 2005 assessment (expected).	No	No	Yes, from 2005 assessment.	Yes, from 2005 assessment.
Asian Development Bank	2004 quintiles. Yes, from 2005 assessment.	Yes, from 2005 assessment.	Yes, from 2005 assessment.	No	Yes (to Board)	Yes, from 2005 assessment.	Yes, from 2005 assessment.
Caribbean Development Bank	Yes	Yes	Yes	No	Yes	No	No
Inter-American Development Bank	Yes	Yes	No	No	Yes	Yes	No
International Fund for Agricultural Development (Rural Sector Performance)	Yes	Yes	Yes	No	Yes	Yes	Yes
World Bank , IDA	2004 quintiles. Yes, from 2005 assessment.	2004 quintiles. Yes, from 2005 assessment	2004 quintiles. Yes, from 2005 assessment.	No	No	Yes	Yes

Stages of Disclosure

	Disclosure to DMC governments	Disclosure to Board	Disclosure to public	Accommodation of DMC Views
African Development Bank	From 2005 during rating exercise	2004 Quintile results only; 2005 actual scores	2004 Quintile results only; 2005 actual scores	After public disclosure, dissenting RMC views addressed (2005)
Asian Development Bank	Preliminary discussion during rating exercise. Numerical disclosure during country programming together with average ratings for all other countries.	Full numerical disclosure prior to Board discussion of Country Strategy and Program Updates	Full public disclosure after Board discussion of Country Strategy and Program Updates.	Country notices appended as appropriate
Caribbean Development Bank	Full disclosure of ratings	Full disclosure of ratings	Full disclosure but not active publication	Discussion at Board and annual meetings
Inter-American Development Bank	CIPE country performance assessment discussed with countries at their request	Each country's CIPE (CPIA) and cluster scores (not individual criteria scores) are disclosed	Each country's CIPE (CPIA) cluster scores (not individual criteria scores) are disclosed	Disclosure only in discussions after the scoring is complete.
International Fund for Agricultural Development	Rural development-policy performance assessment and portfolio performance discussed with each MDC in advance during the rating exercise.	Full numerical disclosure prior to Board in PBA papers. Country Strategic Papers reflect findings.	Full disclosure following Board as per IFAD disclosure procedures unless specifically requested/agreed by Board	Comments received on Board papers prior to presentation may require tabling of points raised and agreements reached.
World Bank (IDA)	Preliminary discussion during rating exercise. Numerical disclosure during country programming together with average ratings	2004 quintile group ranking disclosed; 2005 actual scores disclosed	2004 quintile group rankings disclosed; 2005 actual scores disclosed	Countries will have opportunity to express dissenting views when scores are disclosed publicly (2005)