

**OPERATIONS MANUAL  
BANK POLICIES (BP)**

---

*These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.*

**PERFORMANCE-BASED ALLOCATION OF  
ASIAN DEVELOPMENT FUND RESOURCES**

**A. Introduction**

1. Aid has not been equally effective in all circumstances in supporting growth, improving social outcomes, strengthening governance, or reducing poverty. Differences in country policies and institutions can partly explain this mixed record. Usually the benefits of aid are muted if policies are poor and institutions are weak. Other things being equal, aid is most effective where policies and institutional performance are strong. The policy on the performance-based allocation (PBA) of ADF resources prioritizes performance as the basis for allocation of Asian Development Fund (ADF) resources.<sup>1</sup>

2. For some countries, an accumulation of foreign borrowing has made their external debt levels unsustainable. In such cases, providing additional loans, even on concessional terms, might not be prudent. The introduction of ADF grants allows the Asian Development Bank (ADB) to adjust its assistance mix and continue to support a country's development efforts even when its capacity to take on new debt is limited. Under the ADF grant framework, the level of debt distress determines what proportion of a country's PBA is to be provided in the form of grants.

**B. The Policy**

3. ADB's graduation policy determines eligibility for ADF resources.<sup>2</sup> For eligible countries that have access to ADF, the PBA policy defines the principles and criteria to guide allocations. The policy also specifies how PBAs are to be adapted to country needs, as measured by per capita income and population size. Other things being equal, lower per capita income attracts additional resources, as does a larger population. Changes in performance are the most powerful influence on changes in allocations.

4. The ADF's purpose, as stated in the regulations governing the fund, is to provide "resources on concessional terms for the economic and social development of the developing member countries of ADB, having due regard to the economic situation of such countries and to the needs of the less developed members."<sup>3</sup> While the PBA system provides a strong link between performance and allocation, it is recognized that such allocations may need to be modified to meet the needs of less developed members more effectively. Modifications include special considerations for post-conflict situations, disasters, emergencies, and weakly

---

<sup>1</sup> See OM Section D2 (Lending and Grant Policies [Asian Development Fund]).

<sup>2</sup> See OM Section A1 (Classification and Graduation of Developing Member Countries).

<sup>3</sup> ADB. 2006. *Regulations of the Asian Development Fund*. Section 1.01. Manila (1 January).

## OPERATIONS MANUAL BANK POLICIES (BP)

---

performing countries. In addition, allocations to “blend countries”<sup>4</sup> may be adjusted to ensure sufficient concessional funds are available for countries lacking access to other financing sources. Separate eligibility and allocation criteria guide the allocation of ADF resources to support subregional projects.

### C. The Scope of the Policy

5. The policy covers ADF-eligible countries that have access to ADF; earmarks separate pools for ADF resources for Pacific developing member countries (DMCs) and for other eligible countries; and covers the country allocation of all ADF resources, including grants.

#### 1. The PBA Allocation Formula

6. Indicative ADF country volumes (loans and grants) are calculated as the product of an allocation share and the expected ADF commitment authority over that allocation period. The Treasury Department estimates the expected ADF commitment authority. The resources distributed according to the PBA formula are equivalent to the expected commitment authority less the funds earmarked for subregional projects and other special country circumstances (e.g., exceptional post-conflict allocations). This amount will be divided into two resource pools, with 4.5% distributed among Pacific DMCs with access to ADF and the remainder distributed among non-Pacific countries. Country allocation shares (CAS) are calculated as:

$$\text{CAS}_i = (\text{PIR}_i^{1.4} \times \text{GR}_i^{2.0} \times \text{PR}_i^{0.6} \times \text{Pop}_i^{0.6} \times \text{PCI}_i^{-0.25}) \times \text{scaling factor}$$

Where:

PIR – country policy and institutional performance rating

GR – country governance rating

PR – country portfolio rating

Pop – population

PCI – per capita income

i – is country “i” within a resource pool (i.e., Pacific DMCs and non-Pacific)

Scaling factor =  $1 \div \sum_i (\text{PIR}_i^{1.4} \times \text{GR}_i^{2.0} \times \text{PR}_i^{0.6} \times \text{Pop}_i^{0.6} \times \text{PCI}_i^{-0.25})$

The indicative ADF volume is then:

$$\text{ADF Volume}_i = \text{CAS}_i \times \text{resource pool for distribution according to PBA formula}$$

7. The country allocation shares of blend countries will be modified above a certain threshold. A threshold of 14% of resources distributed under the PBA formula per country will be set to determine which blend countries will be subject to the modified PBA. Blend countries with a PBA greater than the threshold will retain half of the amount above the threshold. For example, a blend country with a regular PBA share of 16% would receive 15% under the modified PBA; a blend country with a regular PBA share of 20% would receive 17%. The

---

<sup>4</sup> Blend countries are those with access to both ADF and ordinary capital resources loans, as per the graduation policy. See OM Section A1 (Classification and Graduation of Developing Member Countries).

## OPERATIONS MANUAL BANK POLICIES (BP)

---

resources freed up will be redistributed among the other ADF-eligible countries outside the Pacific according to their country allocation shares.

8. The composite country performance ratings (i.e. country policy and institutional performance rating, governance rating, and portfolio rating) are derived from country performance assessments undertaken by country teams. The country performance assessments are conducted within the framework explained in the operational procedures section (A3/OP). The formula-based allocation for most grant recipients is reduced by a volume discount (para.18).

### 2. Extra Formula Allocations

#### a. Post-conflict Countries

9. Special allocations to support post-conflict needs are guided by the current International Development Association (IDA) approach for allocating resources to post-conflict countries.<sup>5</sup> The IDA framework provides exceptional post-conflict assistance to eligible countries in three stages: an initial 1-year allocation, followed by 3 years of exceptional allocations linked to post-conflict performance indicators (PCPI), and then a 6-year phased return to regular PBA. Eligibility for exceptional treatment depends on the duration and intensity of the conflict.<sup>6</sup> Decisions on eligibility for post-conflict assistance should be made in consultation with international partners. A transitional support strategy, which includes staff assessments of immediate rehabilitation needs and the prospects for social and economic recovery, determines the initial allocation. The transitional support strategy with a monitorable action plan should identify the role of ADF assistance and the scope and nature of collaboration with international partners.

10. After the initial allocation, Management decisions on exceptional allocations to support post-conflict needs will be guided by staff assessments of the PCPI and country circumstances. For post-conflict countries, both the PCPI and the country performance assessment are prepared to derive the allocation. For the first year of the phase out, the country will receive its PBA formula-based allocation plus six-sevenths (6/7) of the post-conflict premium. For the second year, the country will receive its PBA formula-based allocation plus five-sevenths (5/7) of the post-conflict premium. The 6-year phase out period covers three biennial allocation periods.<sup>7</sup>

---

<sup>5</sup> IDA. 2001. *Adapting IDA's Performance-Based Allocations to Post-Conflict Countries*. Washington, DC.

<sup>6</sup> The IDA framework has three types of eligible countries: (i) a country that has suffered from a severe and long-lasting conflict that led to a substantially reduced or inactive support program from IDA, (ii) a country that has suffered a short but highly intensive conflict that led to a disruption in IDA involvement, or (iii) a newly sovereign state that emerged through the violent breakup of another sovereign entity. In addition, the intensity of the conflict is considered to determine whether exceptional assistance is needed.

<sup>7</sup> Matching the IDA framework to ADB's biennial allocation cycle, allocations in the first biennium of the phase out period will be:

$$\text{(First Biennium Allocation)} = \text{(PBA Formula-Based Allocation)} + (6/7) \times (\text{half of the Post-Conflict Premium}) \\ + (5/7) \times (\text{half of the Post-Conflict Premium})$$

or

$$\text{(First Biennium Allocation)} = \text{(PBA Formula-Based Allocation)} + (11/14) \times (\text{Post-Conflict Premium}).$$

## **OPERATIONS MANUAL BANK POLICIES (BP)**

---

### **b. Disaster and Emergency Needs**

11. ADF allocations to support disaster and emergency needs will be guided by the disaster and emergency assistance policy.<sup>8</sup> To the extent possible, disaster and emergency needs will be met through the reallocation of resources within existing programs, and by drawing on loan cancellations and savings. If these prove insufficient, any additional country demands will be met through borrowing against future allocations, or, in exceptional cases, through reductions in other countries' ADF allocations. No ADF commitment authority will be kept in reserve to meet disaster and emergency needs.

### **c. Absorptive Capacity Considerations**

12. The policy adopts a broad interpretation of absorptive capacity that recognizes macroeconomic (fiscal and debt), sector, and service delivery dimensions. Each of these levels may have constraints to the absorption of external resources. These constraints may be institutional, physical, and human; or social, cultural, and political. PBA may be reduced where analysis points to constraints in any of these areas, but only after careful examination of the feasibility of reducing these constraints. The resources so released will be reallocated within the relevant pool prorated according to PBA shares within that pool.

### **d. Weakly Performing Countries**

13. Within the framework of the PBA, special consideration may be required to sustain engagement with weakly performing economies. In general, a cautious approach to lending will be needed for weak performers that might be facing, among other difficulties, external debt servicing problems. However, given a coherent engagement strategy aimed at supporting improved performance and absorptive capacity, limited ADF allocations may be made available.

### **e. Subregional Pool**

14. ADF will allocate resources for subregional projects on a project basis rather than by country. To receive funds from the ADF subregional pool, the following eligibility criteria must be satisfied.

- (i) Only countries that have access to ADF credits for national projects are eligible for subregional funds.
- (ii) Regional projects must not have component activities in countries with payment arrears to ADB.

---

<sup>8</sup> See OM Section D7 (Disaster and Emergency Assistance).

**OPERATIONS MANUAL  
BANK POLICIES (BP)**

---

- (iii) Consistency between the project concept and the regional cooperation strategy, the OM section on regional cooperation,<sup>9</sup> and relevant country partnership strategies and country operations business plans<sup>10</sup> must be demonstrated.
- (iv) Project beneficiaries must include more than one country. The benefits may derive from complementary national components of a regional project, or a single project in a neighboring country, with costs allocable to individual beneficiary DMCs. Where costs are not readily allocable, prior agreement among participating countries on cost sharing is necessary for ADB participation.
- (v) To demonstrate country ownership, the project must be partially financed from participating countries' PBAs. Of the total ADF financing, two-thirds will come from the subregional pool and one-third from PBAs. The required contributions from biennial PBAs will be subject to a 20% ceiling. The 20% ceiling refers to the maximum share of a country's PBA that will be required to cover the cost of the country's participation in subregional projects. The biennial allocation to be considered for the purpose of setting the ceilings is net of any discount from the application of the ADF grant framework.

15. In the event that eligible project requests exceed the volume of resources, Management will prioritize projects according to the following criteria.

- (i) Distribution of project benefits. Projects covering more countries will be given higher priority.
- (ii) Leveraging external resources. Projects with larger shares of external financing (e.g., ADF from the PBA beyond the required amount, cofinancing from official development assistance, OCR financing, or private financing) will be given higher priority.
- (iii) Supporting institutional and policy harmonization. Projects supporting deeper integration and the lowering of cross-border transaction costs will be given preference.
- (iv) Consolidating earlier gains. Projects that build on previous successful regional cooperation efforts will be given priority.

In addition, consideration will be given to ensuring wide geographical distribution of subregional funds.

---

<sup>9</sup> See OM Section B1 (Regional Cooperation and Integration).

<sup>10</sup> See OM Section A2 (Country Partnership Strategy).

## **OPERATIONS MANUAL BANK POLICIES (BP)**

---

### **3. ADF Grants Framework**

#### **a. Country Eligibility**

16. Eligibility is limited to ADF-only countries. Lending from ordinary capital resources (OCR) to grant-eligible countries may be considered in exceptional cases for high-revenue-earning projects that generate net foreign exchange earnings above the foreign debt service requirement. The grant framework does not affect nonsovereign lending.

#### **b. Debt-Distress Classification**

17. The risk of debt distress will determine the proportion of grants in the country allocation according to the following debt-distress classification: (i) low risk of debt distress—no grants; (ii) moderate risk of debt distress—50% grants; and (iii) high risk of debt distress—100% grants. The debt-distress risk classification is determined by the outcome of the forward-looking debt sustainability analysis, when available, or by comparing a country's latest available external debt indicators with the policy performance-dependent debt burden thresholds.

#### **c. Volume Discount**

18. A 20% volume discount will be applied to the grant portion of the PBA. Thus, for moderate-risk countries, which have access to 50% of their PBA as grants, the discount is equivalent to 10% of the PBA. The grant allocations of post-conflict countries, which receive an agreed set-aside allocation rather than PBA, will not be subject to the volume discount. The resources released by the volume discount will be allocated to a new hard-term ADF facility (paras. 20 and 21).

#### **d. Subregional Pool and Loan Savings and Cancellations**

19. For projects financed from the ADF subregional pool, or through the reallocation of loan savings and cancellations, the grant shares that correspond to the country's debt-distress classification will be applied. High-risk countries will receive these funds fully as grants, while moderate-risk countries will receive half their financing as grants and half as loans. No volume discount will be applied to these allocations.

#### **e. ADF Hard-Term Facility**

20. Resources from the volume discount will be retained within each operational group and made available for allocation through a hard-term ADF facility. Operations group vice-presidents will have the discretion to allocate the hard-term ADF funds to eligible countries, which will be in addition to regular PBAs. Blend countries with active OCR lending programs and gross national income per capita that has not exceeded the IDA operational cutoff for more than 2 consecutive years are eligible for this facility. In addition, access by ADF-only countries could be considered in individual cases for high-revenue-earning projects that generate net foreign exchange earnings exceeding the foreign debt service requirement. Unused funds under this window will be invested as part of the ADF liquidity pool.

## OPERATIONS MANUAL BANK POLICIES (BP)

---

21. The interest rate of the hard-term facility will be 150 basis points below the weighted average of the 10-year fixed swap rates of the special drawing rights component currencies plus the OCR lending spread, or the standard ADF rates, whichever is higher. The rate will be announced annually in January and applied for all loans approved in that calendar year. The interest rate will be determined based on the interest rates prevailing on the last working day of the previous year. The interest rate will be fixed for the life of the loan. The rest of the loan terms will be the same as current ADF terms.

### 4. Disclosure

22. Numerical performance ratings from the country performance assessments for all eligible countries with access to ADF will be disclosed in accordance with the requirements of the public communications policy.<sup>11</sup>

**Basis:** This OM section is based on:

ADB. 2008. R234-08 *Refining the Performance-Based Allocation of Asian Development Fund Resources*. Manila.

ADB. 2007. Doc. R143-07. *Revising the Framework for Asian Development Fund Grants*. Manila.

ADB. 2004. Doc. R249-04. *Review of the Asian Development Bank's Policy on the Performance-Based Allocation of ADF Resources*. Manila.

ADB. 2001. Doc. R29-01. *Policy on Performance Based Allocation for Asian Development Fund Resources*. Manila.

**Compliance:** This OM section is subject to compliance review.

**For inquiries:** Questions may be directed to the performance-based allocation focal point, Strategy and Policy Department.

---

<sup>11</sup> See OM Section L3 (Public Communications).



**OPERATIONS MANUAL  
OPERATIONAL PROCEDURES (OP)**

---

*These procedures were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.*

**PERFORMANCE-BASED ALLOCATION OF  
ASIAN DEVELOPMENT FUND RESOURCES**

**A. Introduction**

1. This section describes the implementation of the policy on performance-based allocation (PBA) of Asian Development Fund (ADF) resources and the ADF grant framework.

**B. Application of the Policy**

**1. Country Performance Assessment Exercise**

2. Country performance assessments (CPAs) will be conducted annually for all eligible countries with access to ADF and with populations of at least 1 million. For countries with populations less than 1 million, CPAs may be conducted biennially, unless they are considered eligible post-conflict countries or weakly performing countries. Ratings for weakly performing countries and eligible post-conflict countries ideally should be conducted with the World Bank and other partners. Joint assessments for other countries are not precluded.

3. Given their expertise, country teams should conduct and be responsible for the CPAs and initial ratings. To promote quality assurance and accountability, a narrative record should support ratings on each criterion. The World Bank's country policy and institutional assessment rating guidelines will be used.

4. To ensure cross-country consistency, the CPA working group will review all country ratings. The CPA working group members will include staff representing each regional department and specialists from the Regional and Sustainable Development Department, Economics and Research Department, Office of Regional Economic Integration, and Central Operations Services Office. Since the exercise of judgment is unavoidable, rating adjustments agreed upon by the working group should be recorded appropriately. A staff member of the PBA focal point (paras. 18–20) will chair the CPA working group and coordinate its activities.

5. The CPA working group will pass recommendations on country ratings to a CPA review panel comprising regional departments' directors general, the director general of the Regional and Sustainable Development Department, the chief economist, and the head of the Office of Regional Economic Integration. The head of the PBA focal point will chair the CPA review panel. If the working group is unable to agree on a country rating, the CPA review panel will determine the rating. Ratings agreed upon by the review panel will be forwarded to the operations vice-presidents and to the vice-president, knowledge management and sustainable development, for final approval.

6. Country teams should complete CPAs by the end of the second quarter of each year. The review by the CPA working group and the review panel, as well as the approval of the vice-

## **OPERATIONS MANUAL OPERATIONAL PROCEDURES (OP)**

---

presidents, should be completed by the end of the third quarter. The head of the PBA focal point may allow departures from this timetable to accommodate joint country performance assessments with the World Bank and other partners.

7. During the country assessments, the country teams should consult with national authorities about the preliminary performance assessments. The views of national authorities on assessments should be recorded in an aide-memoire. Country teams may disclose preliminary ratings to national authorities, but should explain that these preliminary ratings will be subject to internal review and possible revision.

8. Final CPA ratings should be shared with national authorities and thoroughly discussed at the time of country programming. For benchmarking and comparisons, average ratings on all criteria for Pacific developing member countries and non-Pacific countries (with separate averages for ADF-only countries and blend countries) should be provided to national authorities.

9. The annual CPA report will present numerical ratings on all performance criteria for all countries that are eligible for and have access to ADF.

### **2. ADF Allocation Process**

#### **a. Country ADF Allocations**

10. Country allocations will take place biennially<sup>1</sup> PBA commitments and approvals should match within each 2-year period. The following parameters will guide the use of biennial allocations.

- (i) All proceeds from loan savings and cancellations will be retained within the originating operations group.
- (ii) At the end of each biennial period, unused country allocations can be carried forward for 12 months. If still unused, they will revert to the common pool.
- (iii) For countries with biennial allocations of \$40 million or more, annual approvals, consistent with the ceiling on the biennial volume, are expected to be from 37.5% to 62.5% of the biennial volume.
- (iv) For countries with biennial allocations less than \$40 million and populations of 1 million or more, annual approvals, consistent with the ceiling on the biennial volume, may be from 0% to 100% of the biennial volume.
- (v) For countries with biennial allocations less than \$40 million and populations less than 1 million:

---

<sup>1</sup> To ensure that programs are appropriately calibrated to changing circumstances, allocations for eligible post-conflict countries and weakly performing countries will be reviewed annually.

**OPERATIONS MANUAL  
OPERATIONAL PROCEDURES (OP)**

---

- (a) Approvals within the biennial period may vary from 0% to 175% of the biennial volume. Within these limits, annual approvals are unconstrained.
- (b) Unused allocations within the biennial period may be carried forward to the next biennial period, but not beyond.
- (c) Any approvals exceeding allocations in one biennial period will be deducted from the following biennial allocation.
- (d) Unused allocations at the end of an ADF replenishment period can be carried forward for 12 months. If still unused, they will revert to the common pool.

11. Based on expected revisions to the ADF commitment authority, significant changes in country circumstances or performance, and operational considerations, Management may approve midterm revisions to biennial ADF commitments. Such revisions will be reported to the Board in an information paper. Within the concerned operations group, increased allocations may also be funded from loan savings and cancellations.

**b. Subregional Allocations**

12. Management will consider funding proposals for subregional projects on a biennial basis, alongside decisions on national allocations. Proposals consistent with the eligibility criteria for subregional projects (A3/BP, paras. 14–15) should be submitted to the PBA focal point by the end of August of the year immediately preceding the biennial period (e.g., for the 2009–2010 period, proposals should be received by end of August 2008).

**3. ADF Grants Allocation Process**

13. After ADF resources are allocated according to the PBA formula, the level of grant assistance will be set based on the debt-distress classification. A 20% volume discount will be applied to the grant portion of the PBA. The proceeds from the volume discount will be transferred to the hard-term ADF facility.

14. Country debt-distress risk classifications will be reviewed annually based on the outcome of the forward-looking debt sustainability analysis (DSA), when available. The DSA uses policy-dependent external debt-burden indicators because the debt levels that countries can carry are influenced by the quality of their policies and institutions. Policy performance is measured by the country performance index. The policy performance category based on the 3-year average of the most recent country performance assessment ratings will be used in determining the debt-thresholds. The policy performance score will be the unweighted average of the four performance indicator clusters: economic management, structural policies, policies for social inclusion/equity, and governance. However, these debt-burden thresholds are not to be seen as rigid ceilings but as guideposts for informing debt sustainability assessments. The debt-distress categories are:

## OPERATIONS MANUAL OPERATIONAL PROCEDURES (OP)

---

- (i) High risk: the DSA baseline scenario indicates a breach of policy performance-dependent debt or debt-service thresholds over the projection period; this is worsened by stress testing.
- (ii) Moderate risk: although policy performance-dependent debt or debt-service thresholds are not breached in the DSA baseline scenario, stress testing shows a significant rise in debt-service ratios over the projection period or a breach of debt thresholds.
- (iii) Low risk: all debt indicators are well below policy performance-dependent debt burden thresholds in the DSA baseline scenario, and stress testing does not result in indicators significantly breaching thresholds.

15. When a DSA is unavailable, the static approach will be used. In this approach, a country's latest available external debt indicators are compared with the policy performance-dependent debt burden thresholds to determine the risk category, as follows:

- (i) Percentage differences between actual debt burden indicators for the net present value (NPV) debt to gross domestic product (GDP), NPV debt to exports, and debt service to exports ratios and their respective policy performance-dependent thresholds are calculated.
- (ii) The percentage differences for the two NPV debt ratios are averaged, and the average is compared with the percentage difference for the debt-service ratio.
- (iii) The risk rating is determined to be high risk if the higher percentage difference is more than 10% above the threshold, low risk if it is less than 10% below the threshold, or moderate risk if it is between the two.

16. The assessment of the risk of debt distress needs to strike a balance between the mechanistic use of this classification and a more subjective approach. There may be cases where staff judge that a mechanistic approach would result in an unreasonable rating. For instance, the standard DSA could indicate a marginal and temporary breach of debt thresholds, or could fail to capture an ability to finance additional debt indicated by the level of foreign exchange reserves. In such cases, qualitative assessments can be applied and explained in the DSA report. The annual review of country debt distress classifications will coincide with the country performance assessment exercise. Within a biennial allocation period, a conservative approach will be taken to reclassification of countries. If the annual review of a country's debt distress classification shows an improvement after the first year of the biennial period, the higher proportion of grants will be maintained to the end of the period (e.g., if a high-risk country becomes moderate-risk after the first year of a biennial allocation, the allocation will continue to be on a 100% grant basis). However, if the country's debt distress situation deteriorates, the higher grant proportion will be applied to the remainder of the PBA in the second year of the biennial period.

**OPERATIONS MANUAL  
OPERATIONAL PROCEDURES (OP)**

---

17. The use of ADF grants or hard-term ADF loans will not have any sector restrictions. The processing and fiduciary guidelines for both facilities will be the same as those for regular ADF loans.

**4. PBA Focal Point**

18. A PBA focal point has been established in the Office of the Director General, Strategy and Policy Department (SPD). Director general, SPD, is the head of the focal point and accountable for the implementation of the policy.

19. Management decisions on ADF allocations will be made based on recommendations by the head of the focal point. To ensure that allocations are consistent with the institutional capacity to deliver viable projects and programs, and countries' capacities to absorb them, the operations groups' vice presidents will consider them in an allocation review meeting. The head of the focal point will chair this meeting and will be responsible for final allocations submitted to Management for approval.

20. The PBA focal point will support and coordinate the review and accreditation of country performance ratings. Since these ratings will be disclosed publicly, they should have full ownership at the operations and corporate levels. The focal point will provide independent advice to Management on the credibility of the ratings and of the rating process. The operations group vice presidents and the vice president, knowledge management and sustainable development, will make the final decisions on ratings.

**5. Implementation Schedule**

21. An annual implementation timetable of the PBA policy and ADF grant framework is in Appendix 1.

**Basis:** This section is based on OM Section A3/BP and the documents cited therein.

**Compliance:** This OM section is subject to compliance review.

**For inquiries:** Questions may be directed to the performance-based allocation focal point, Strategy and Policy Department.

19 December 2008 This supersedes OM Section A3/OP issued on 2 October 2007	Prepared and issued by the Strategy and Policy Department with the approval of the President
--	--

**IMPLEMENTATION OF THE PERFORMANCE-BASED ALLOCATION POLICY**

**OPERATIONS MANUAL  
 OPERATIONAL PROCEDURES (OP)**

Activity	Frequency	Institutional Node	Outputs	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May
<b>Country Performance Assessments and Ratings</b>															
Start of the CPA exercise	Annual	PBA focal point	Memorandum with instructions for the CPA exercise												
Initial CPAs	Annual	Country teams	Initial CPA ratings												
CPA working group review of ratings	Annual	Interdepartmental, focal point coordination	Revised CPA ratings												
CPA review panel and vice presidents' approval of ratings	Annual	Interdepartmental, focal point coordination and support → vice presidents' approval	Final CPA ratings												
<b>Post-conflict and Subregional Projects</b>															
Assessments for eligible post-conflict countries	Annual	Operations departments → PBA focal point	Transitional support strategy, post-conflict performance ratings												
Submissions for funding for subregional projects	Biennial	Operations departments → PBA focal point	Project funding proposals												
<b>ADF Allocations and Grant Eligibility</b>															
Allocations of resources to support country programs, subregional projects, and special needs	Biennial/Annual	PBA focal point → ADF allocation review meeting	Country allocations and allocations for eligible subregional projects												
Determination of grant eligibility based on published DSAs	Annual	PBA focal point → ADF allocation review meeting	Grant allocations for grant eligible countries												
ADF allocation review meeting	Biennial/Annual	PBA head, operations group vice presidents	ADF allocation review minutes												
Final recommended allocations for management approval	Biennial/Annual	PBA focal point → Management	Approved allocations												
<b>Country Programming Activities</b>															
Country programming	Annual	Operations departments	Confirmed pipelines and CPS or COBP												
<b>Ratings Disclosure</b>															
CPA Report	Annual	PBA focal point	Annual CPA Report												

ADF = Asian Development Fund, COBP = country operations business plan, CPA = country performance assessment, CPS = country partnership strategy, DSA = debt sustainability analysis, PBA = performance-based allocation. Source: Asian Development Bank.