



ASIAN DEVELOPMENT FUND (ADF)
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**IMPLEMENTATION OF THE PERFORMANCE-BASED
ALLOCATION POLICY—A REVIEW**

Asian Development Bank

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ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CPA	–	country performance assessment
CPIA	–	country policy and institutional assessment
DMC	–	developing member country
IDA	–	International Development Association
PBA	–	performance-based allocation
PDMC	–	Pacific developing member country
SPD	–	Strategy and Policy Department

NOTE

In this report, \$ refers to US dollars

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EXECUTIVE SUMMARY

The Asian Development Bank (ADB) introduced a policy of performance-based allocation (PBA) of Asian Development Fund (ADF) resources in 2001 and revised the policy in December 2004.

All the changes recommended in the revised PBA policy have been implemented in a timely manner. ADF resource allocation is now fully linked to country performance and ADB's PBA system is harmonized with that of the International Development Association and the African Development Fund. Adoption of a common country performance assessment (CPA) questionnaire by the three institutions ensures that the assessment framework is identical. As required by the revised policy, a PBA Focal Point was established in the Strategy and Policy Department (SPD), independent of the regional departments responsible for country operations, to implement the revised policy and manage ADF allocations. The revised policy also introduced a biennial cycle for allocations. Allocations for 2005–2006 were approved by ADB Management in December 2004 and indicative allocations for 2007–2008 in January 2006.

In 2005, ADB conducted its first CPAs under the revised policy. Starting in 2005, consultations with government authorities on draft CPAs were systematized, using aide memoires to record the discussions. Rigorous scrutiny and public disclosure of ratings have ensured the quality of these country assessments. The results of the first country performance assessments (CPAs) conducted under the revised PBA policy were presented to the Board in the Annual Report on 2005 PBA in February 2006, and disclosed publicly in April 2006. The 2006 CPA exercise is currently being finalized.

CPA now also serves as a key tool in shaping policy dialogues and assistance programs since it highlights the main areas of strength and weakness in a country. With the help of CPAs, some country programs have become more selective and focused on areas where ADB assistance can add maximum value. However, this aspect of PBA needs to be further consolidated,

In brief, the revised PBA policy has been implemented smoothly. However, the results of implementation have pointed to some issues. It is observed that the share in ADF of Group A countries (poorer countries) has declined. The new multiplicative formula introduced under the revised policy has resulted in greater volatility of allocations, and also because of volatility of portfolio performance ratings. This needs to be addressed. The need for effective assistance to weakly performing countries and small allocations resulting from their performance also remains an issue. Furthermore, some countries are not able to fully utilize ADF allocation, while others have larger demands for ADF than the allocations they receive. There is therefore a challenge of enabling efficient utilization of ADF resources, while preserving the integrity of the PBA system. Finally, joint CPAs with the World Bank need to be further considered without diluting full institutional ownership of such joint assessments.

Management will seek to address these issues within the framework of the current policy to the extent possible. At the same time, these and other issues may merit a further review of the PBA policy in due course.

I. THE ASIAN DEVELOPMENT BANK'S PERFORMANCE-BASED ALLOCATION POLICY

A. Objectives and Scope of the Policy

1. The Asian Development Bank (ADB) introduced a policy of performance-based allocation (PBA) of Asian Development Fund (ADF) resources in 2001¹ and revised the policy in December 2004.² The PBA policy defines the principles that should guide the allocation of ADF resources.³ The policy is based on the premise that aid is most effective in accelerating poverty reduction in those countries where policy and institutional performance are strong. The policy also provides for other factors such as country needs, absorptive capacity, and special circumstances. In addition to allocating ADF resources, the policy can serve as an effective tool to strengthen the Asian Development Bank's (ADB's) development effectiveness through more focused policy dialogue and better country programming.

2. During ADF IX negotiations, donors recommended a number of changes to the original 2001 PBA policy to strengthen its effectiveness. These included improving the country performance assessment (CPA) process; disclosing CPA results; changing the PBA formula to favor small countries and performance, increasing the weight of governance factors; removing collars;⁴ and strengthening institutional arrangements for the PBA system. The status of implementation of these recommendations is summarized in Appendix 1. The main features of the current policy are described in section I, part B. Section II reviews the implementation of the PBA policy in 2005–2006. Section III summarizes key issues for future consideration.

B. Main Features of the Revised Policy

1. Country Performance Assessment

3. Under the PBA policy, ADB conducts annual CPAs for ADF countries.⁵ The CPA assesses a country's current policy and institutional framework for poverty reduction and sustainable growth, the coherence of its macroeconomic and environmental policies, the quality of its governance and public sector management, the degree to which its policies and institutions promote equity and inclusion, and its portfolio quality (see Table 1 for the indicators and Appendix 2 for the performance rating table). Starting in 2005, ADB has used the World Bank's performance criteria and performance assessment guidelines for its CPA to ensure full alignment of ADB's assessment criteria with those of the World Bank's International Development Association (IDA).⁶ The African Development Bank also uses IDA criteria and guidelines in administering the African Development Fund. The three banks have adopted a common country performance assessment (CPA) questionnaire that ensures that their assessment frameworks are identical. The main feature of the revised approach is the greater emphasis placed on the quality of policies and governance. It recognizes that these are key development factors that can be supported through external assistance. Under the revised PBA

¹ ADB. 2001. *Policy on Performance-Based Allocation for Asian Development Fund Resources*. Manila, (R29-01, 20 February).

² ADB. 2004. *Review of the Asian Development Bank's Policy on the Performance-Based Allocation of Asian Development Fund Resources*. Manila (R249-04, 19 November).

³ Currently, 27 ADB countries have access to ADF.

⁴ The "collar" refers to upper and lower bounds on the change in a country's allocation compared with its historical lending averages after the old PBA formula was applied. The intention was to smooth year-to-year adjustments in ADF lending levels to facilitate planning. The "collar" was discontinued under the revised PBA policy.

⁵ For countries with a population of 1 million or less the assessment is biennial unless the country is also deemed to be weakly performing, in which case the assessment is annual.

⁶ These are available on: http://siteresources.worldbank.org/IDA/Resources/CPA2004_questionnaire.pdf

Policy, ADB also adopted the World Bank's framework for assessing the performance of post-conflict countries. Post-conflict performance assessments and ratings were also prepared for the first time in 2005 for Afghanistan and Timor–Leste.

Table 1: Country Policy and Institutional Assessment Indicators

<p>A. Economic Management</p> <ol style="list-style-type: none"> 1. Macroeconomic Management 2. Fiscal Policy 3. Debt Policy <p>B. Structural Policies</p> <ol style="list-style-type: none"> 4. Trade 5. Financial Sector 6. Business Environment <p>C. Policies for Social Inclusion/Equity</p> <ol style="list-style-type: none"> 7. Building Human Resources 8. Social Protection and Labor 9. Equity of Public Resource Use 10. Gender 11. Policies and Institutions for Environmental Sustainability <p>D. Public Sector Management and Institutions</p> <ol style="list-style-type: none"> 12. Property Rights and Rule-Based Governance 13. Transparency, Accountability, and Corruption in the Public Sector 14. Quality of Public Administration 15. Quality of Budgetary and Financial Management 16. Efficiency of Revenue Mobilization <p>E. Portfolio Performance</p> <ol style="list-style-type: none"> 17. Portfolio Performance
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2. Performance, Needs, and Asian Development Fund Resource Allocations

4. Under the revised PBA policy, country performance ratings are converted into allocation shares for ADF borrowers using a formula that takes into account CPA ratings and country needs. At the same time, ADB is mandated to pay special attention to the needs of smaller countries in the region. These factors are all built into the formula and its weighting scheme.⁷ In addition, separate resources are set aside for special circumstances such as post conflict, countries on the graduation watch list, and regional cooperation. Also, 4.5% of ADF IX resources are set aside for developing member countries (DMCs) from the Pacific (PDMCs).

5. To reduce administrative overheads and to provide greater operational flexibility, the revised policy introduced biennial ADF allocations starting in 2005–2006, with approvals aligned to commitments within each biennial period. These can, however, be adjusted by Management based on annual performance assessments.

⁷ The exact specification of the PBA allocation formula is as follows: country allocation shares (CAS_i) = (PIR_i^{1.4} x GR_i^{2.0} x PR_i^{0.6} x Pop_i^{0.6} x PCI_i^{-0.25}) x scaling factor, where scaling factor = 1 ÷ Σ (PIR_i^{1.4} x GR_i^{2.0} x PR_i^{0.6} x Pop_i^{0.6} x PCI_i^{-0.25}); PIR = country policy and institutional performance rating; GR = country governance rating; PR = country portfolio rating; Pop = population; PCI = per capita income; and i indexes the ith country. The indicative ADF allocation (A_i) is then A_i = CAS_i x expected commitment authority.

II. IMPLEMENTATION OF THE REVISED POLICY

A. Country Performance Assessments

1. Institutional Arrangements

6. As required by the revised policy, a PBA Focal Point was established in the Strategy and Policy Department (SPD) independent of the regional departments responsible for country operations. It was fully operational in 2005. While the regional departments handling country operations are responsible for conducting individual CPAs, the PBA Focal Point in SPD manages procedures to ensure quality and consistency of CPAs, through an interdepartmental CPA Working Group and a Review Panel of Directors General. The CPA Working Group has a subgroup called CPA Technical Group, consisting only of technical experts from the specialized departments,⁸ which has been established to strengthen the rigor and transparency of the whole CPA process. The technical group reviews preliminary CPAs prepared by regional departments and recommends revisions to ensure their quality and consistency across countries. The final CPA ratings and PBA allocations have to be approved by Management.⁹

2. Consultations with Government Authorities

7. Starting in 2005, consultations with government authorities on draft CPAs were systematized using aide memoires to record the discussions. Although country teams were required to share their preliminary assessments with country authorities, they were clearly advised that consultations should not be misconstrued as “negotiations” on the ratings.

3. Review Process

8. In 2005, ADB conducted its first CPAs under the revised policy. Following the submission of preliminary CPAs by country teams from the regional departments, PBA Focal Point and the CPA Technical Group conducted a series of workshops to discuss their preliminary assessments with the country teams and to suggest revisions to improve quality and ensure consistency. The revised CPAs were again reviewed by the CPA Technical Group, and their comments were conveyed to the CPA Working Group along with the CPAs. The CPA Working Group then met to discuss the CPAs and to submit their country rating recommendations to the CPA Review Panel. The CPA Review Panel finalized the country ratings, and they were then approved by the relevant Vice-Presidents. The final CPA ratings were communicated to the DMCs in December 2005–January 2006 and were made public for the first time in April 2006.

9. The 2006 CPA exercise is currently being finalized. In general, arrangements similar to those in 2005 have been followed though improvements have been introduced based on lessons learned. Furthermore, following public disclosure of 2005 CPA and country policy and institutional assessment (CPIA) scores by ADB and World Bank respectively, cases where significant differences were noted were closely scrutinized. This rigorous scrutiny and public disclosure have ensured the high quality of these country assessments. This has, however, also entailed a high cost in terms of staff time.

⁸ Central Operations Services Office, Economics and Research Department, Office of Regional Economic Integration, Regional and Sustainable Development Department.

⁹ For further details of PBA administration please see the reference cited in footnote 2.

B. Results and Outcomes

1. Country Performance Assessment Ratings

10. Final 2005 CPA ratings and country rankings are provided in Appendix 3 along with the World Bank's 2005 CPIA scores.¹⁰ Ratings may differ between the two institutions because of several reasons: (i) ADB and World Bank use different cut-off dates for the information that feeds into assessments; (ii) the composition of portfolios in the DMCs and their performance can differ; (iii) ADB and World Bank apply different formulae in aggregating the individual cluster scores; and (iv) The questionnaire used by both ADB and World Bank allows for differences in professional judgment. These factors notwithstanding, ratings given by the two institutions are highly correlated (Table 2).

Table 2: Rank Correlation Coefficients between Asian Development Bank and World Bank Ratings in 2005

Economic Management	Structural Policies	Social Inclusion	Public Sector Management
75.1%	83.3%	92.9%	79.5%

Note: Spearman rank correlation was used to measure the strength of association between World Bank country rankings and ADB country rankings.

2. Asian Development Fund Allocations

11. Tentative ADF allocations for groups of countries for 2007–2008 based on 2005 CPAs are shown in Table 3. For purposes of comparison, Table 3 also gives the corresponding allocation for ADF VIII (2002–2004) and the first 2 years of ADF IX (2005–2006).

C. Harmonization Activities

12. In addition to adopting IDA's questionnaire and framework, ADB participates in multilateral development bank (MDB) technical meetings on PBA harmonization and hosted the first one.¹¹ ADB has conducted regional technical PBA workshops jointly with the World Bank and participated in a workshop on debt sustainability framework hosted by the World Bank. ADB also participated in the World Bank's CPIA benchmarking exercise and in the MDB annual meetings on debt issues hosted by the World Bank in 2005 and 2006.

¹⁰ These are also available on ADB's website at the following URL:

<http://www.adb.org/Documents/Reports/ADF/2005-ADB-CPA.pdf>, and the World Bank website at <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20933600~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>

¹¹ See ADB. 2005. *Multilateral Development Bank Technical Meeting on Performance-Based Allocation Methods*. Manila (IN.45–05, 28 February).

Table 3: Asian Development Fund Allocations and Average Share by Country Group, 2002-2008

Program	Allocation (\$ Million)			Relative Allocation Share (%)		
	ADF VIII	ADF IX		ADF VIII	ADF IX	
	2002-2004	2005-2006	2007-2008	2002-2004	2005-2006	2007-2008
Pacific Group	160	117	111	3.6	3.5	3.4
Group A	892	574	442	20.0	17.0	13.8
Group B1 and B2	2,529	1,917	1,895	56.8	56.8	59.1
Sub-total Group A + B1 + B2	3,421	2,491	2,338	76.8	73.8	72.9
Set-asides:	873	769	760	19.6	22.8	23.7
Afghanistan	320	400	400	7.2	11.8	12.5
Indonesia	313	200	200	7.0	5.9	6.2
Subregional	240	169	160	5.4	5.0	5.0
Total	4,454	3,378	3,208	100.0	100.0	100.0

Notes: Group B2 includes only Uzbekistan. Years 2002-2004 corresponds to the period of full implementation of the original PBA Policy. Beginning 2005 allocation, based on the 2004 PBA Policy, the Pacific countries will be allocated a pool equal to 4.5% of ADF resources, excluding set-asides. Biennial 2007-2008 allocation may change on completion of 2006 CPAs.

Source: 2002-2008 Memoranda on ADF Allocation

III. ISSUES FOR CONSIDERATION

13. A number of issues have emerged from the first 2 years of implementation of the revised policy. These issues are discussed below.

14. *Shift in allocation from the poorer Group A countries to more developed Group B countries:* One of these issues is the declining share of Group A countries. The share of this group has declined from 20% in ADF VIII to 17% during 2005–2006 and will further decline to 13.8% in 2007–2008. Partly this is because of the increase in funds set aside for Afghanistan. However, even net of the set-asides, including the set aside for PDMCs, the share of group A countries would go down from 26% in ADF VIII to 19% in 2007-2008.¹² This is largely because of improvements in relative performance of some blend countries, the entry of Uzbekistan into group B, and the removal of the “collar” which used to primarily benefit poorer group A DMCs.¹³

15. *Volatility of ADF allocations.* The current PBA allocation formula is multiplicative (see footnote 7), instead of the linear formula used under the original PBA policy. This has resulted in greater volatility of allocations, with relatively small changes in performance resulting in large changes in allocations. This situation can create difficulties in planning country operations both for the ADB and the governments concerned.

16. *Portfolio ratings.* Volatility in country performance ratings can also be caused by portfolio performance ratings. This is particularly relevant for countries with only a few ADF projects under implementation. The World Bank faces a similar problem.¹⁴ This issue has been under discussion among the MDBs as one of the areas for possible revision in methodology.

¹² This is despite a decrease in the population exponent in the allocation formula of the revised policy to favor small countries, many of which also happen to be group A countries.

¹³ “Collar” refers to the upper and lower bounds that were applied to performance-based allocations during 2002–2004 using historical lending averages as benchmarks. The collars have been eliminated under the revised PBA policy.

¹⁴ IDA. *IDA's Performance-Based Allocation System: A Review of the Governance Factor*, October 2006.

Consideration could be given to alternative approaches that might modify or complement the “problem” and “projects-at-risk” methods that most institutions currently employ.

17. *Non-utilization of ADF allocations by some DMCs and its effect on overall ADF utilization:* Some DMCs are not likely to fully utilize their ADF allocations for 2005–2006 because of lack of absorptive capacity or availability of financing from other sources at more concessional terms.¹⁵ The present PBA system of resource allocation, especially funds set aside for PDMCs, has thus resulted in a situation of unused allocations in some countries and a shortage of resources, relative to feasible approvals, in others. While under the PBA policy it is possible to redistribute the unutilized funds, there is an issue of timing of such redistribution. Furthermore, part of the funds redistributed under the PBA formula would flow back to the countries with low absorptive capacity.¹⁶

18. *PBA and assistance for weakly performing countries:* The current system is designed to reward performance. Some stakeholders have questioned how this principle can be reconciled with the principle of providing adequate assistance to the weakest DMCs whose need for assistance is the most urgent but whose performance is, by definition, weak.

19. *Use of PBA in policy dialogue.* In addition to allocating ADF resources, the CPA now serves as a key tool in shaping policy dialogues and assistance programs since it highlights the main areas of strength and weakness in a country. Country teams have indicated that with the help of CPAs, country programs have become more selective and focused on areas where ADB assistance can add maximum value. However, this aspect of PBA needs to be further consolidated. One challenge that arises in this context is the perception of some ADF countries about the PBA system. They point out that incentives can be distorted under the PBA system since their assistance shares depend not only on their own performance but also that of other countries facing different conditions, and this can result in their getting less assistance even when their performance improves. This challenge can be further compounded in countries where ADB’s overall volume of assistance is small.

20. *Joint CPA/CPIAs with the World Bank:* The provision for independent assessment by ADB notwithstanding, the revised PBA policy supports joint assessments for post-conflict and weakly performing countries and does not preclude joint performance assessments in other countries. Such joint CPAs are worth considering since CPAs are staff-resource intensive, especially when they are well done, and ADB’s country teams are typically staff constrained. In practice, ADB country teams have been working closely with their World Bank counterparts on the preparation of the CPAs/CPIAs. Though some countries have expressed a preference for separate assessments, others have indicated a strong preference for joint assessments since CPAs are also quite demanding on government staff time. In the course of the 2006 CPA exercise further pilot-testing of joint assessments with the World Bank has been undertaken. Lessons learned will have to be factored into future consideration of this issue. The challenge will be to align time lines and ensure full institutional ownership of joint assessments.

¹⁵ In some of these DMCs the situation may change when the ADF IX grant framework is aligned with that of IDA14 with the resulting higher shares of grants.

¹⁶ Excess demand is being met to some extent by the flexible use of savings and cancellations, introduced under the revised policy.

21. Management will seek to address the issues raised here within the framework of the current policy to the extent possible. At the same time, these and other issues may merit a further review of the PBA policy in due course.

**APPENDIX 1:
STRENGTHENING THE PERFORMANCE-BASED ALLOCATION SYSTEM
— IMPLEMENTATION STATUS**

Recommendations	Current Status of Implementation
Implementation	
<p>Focal Point: An institutional focal point will be established outside of operations, with responsibilities as presented in the current paper. Its location will be determined in connection with the ongoing reorganization review; but in no case later than the conclusion of the Asian Development Fund (ADF) IX negotiation. Adequate authority and resources will be ensured.</p>	<p>The performance-based allocation (PBA) focal point was established in the Strategy and Policy Department (SPD) was approved by the Asian Development Bank (ADB) Board as a part of the review of the PBA policy in December 2004. The focal point was operational in the first half of 2006. The new unit, headed by the Director General of SPD, is fully responsible for implementing policies and procedures for ADF allocations.</p>
<p>Assessment Cycle: Performance will be assessed on an annual cycle (except in the case of small countries where a biennial assessment will be conducted).</p>	<p>Annual assessments are conducted for all countries with populations over 1 million under the revised policy. For the countries with populations of fewer than 1 million, a biennial cycle was introduced starting in 2005. Assessments of small countries classified as weakly-performing continue on an annual basis.</p>
<p>Allocation Cycle: Allocations will be made on a biennial cycle with adjustments made as determined by the annual performance assessment cycle.</p>	<p>A biennial cycle for allocations was introduced for 2005–2006 (the first year of ADF IX) and for 2007–2008. Allocations for 2005–2006 were approved by ADB Management in December 2004 and preliminary allocations for 2007–2008 in January 2006.</p>
<p>Disclosure: ADB will bring disclosure on country performance ratings into alignment as early as possible (and no later than end-2004) with the International Development Association (IDA) and prepare a road map for full disclosure.</p>	<p>The results of the first country performance assessments (CPAs) conducted under the revised PBA policy were presented to the Board in the Annual Report on 2005 PBA in February 2006. ADB's 2005 CPA scores were publicly disclosed in the first week of April 2006. This was followed by public disclosure of the 2005 CPIA scores by World Bank in June 2006.</p>
Methodology and Formula	
<p>Formula Weights/Performance: The formula weight on performance (i.e., the performance exponent) will be increased to the IDA/African Development Fund value of 2.</p>	<p>The formula was changed in December 2004 and the performance exponent was increased from 1.8 to 2. The 2005–2006 allocations are based on the new formula.</p>

Formula Weights/Country Size: The formula weight on population (i.e., the exponent capturing the “small country bias”) will be reduced to preserve an appropriate small country bias.	Population weight, i.e. exponent capturing the “small country bias” was reduced from 0.75 to 0.6 under the Review of the PBA Policy in December 2004.
Weight of Governance Variable: The formula weight given to governance will increase to over 50%.	The revised allocation formula increased the weight of governance from 30–50%. The “effective” weight of governance can exceed or fall short of 50% depending on the actual governance scores that countries get relative to other clusters.
Collar: Use of the collar will be discontinued when ADF-IX commences.	The collar was discontinued starting with the first allocation cycle of ADF IX.
Triggers: Triggers will be discontinued.	Triggers were discontinued starting with 2005 country strategies and programs/updates.
Needs Measurement: ADB will continue to explore, in close cooperation with ongoing work in other institutions, use of alternative measures of needs (i.e., beyond per capita gross domestic product) such as the United Nations Human Development Index.	Ideally country needs should be captured by measures of the number of poor and the degree of poverty; however, given that currently no internationally comparable data are available, in December 2004, the Board approved the continued use of national income and population statistics to measure need.
Special Circumstances	
Weak Performers: Allocations will be determined within the PBA system. Board approval for special allocations may be requested on a case-by-case basis.	Allocations to weak performers continue to be made on the basis of the PBA system.
Regional Cooperation: Allocations for regional cooperation will be capped at 5%. Where the benefits can be attributed on a country-specific basis, allocations will be drawn from country-specific resource envelopes.	Allocations for regional projects have been capped at 5% starting with the first allocation cycle of ADF IX, i.e. 2005-2006. They are managed in the framework adopted in the revised policy in December 2004.
Post-Conflict: ADF will adopt the IDA framework.	ADB adopted IDA’s framework in December 2004. Post-conflict progress indicators assessments for Afghanistan and Timor-Leste were conducted in the 2005 assessment cycle.

**APPENDIX 2: ASIAN DEVELOPMENT FUND COUNTRY PERFORMANCE ASSESSMENT
2005 PORTFOLIO PERFORMANCE RATING TABLE**

Percentage Projects-at-Risk (X)	Rating (Y)
0-2%	6.0
3-7%	5.5
8-12%	5.0
13-17%	4.5
18-22%	4.0
23-27%	3.5
28-32%	3.0
33-37%	2.5
38-42%	2.0
43-47%	1.5
48-100%	1.0

Note: The above portfolio rating scale is based on a linear mapping of the proportion of country projects at risk using the following equation: $Y = 6 - 10X$, where Y is the portfolio rating rounded to the nearest half decimal point and X is the age-adjusted proportion of projects at risk, subject to the constraint that for all $X \geq 50\%$; $Y = 1.0$

APPENDIX 3: WORLD BANK COUNTRY POLICY AND INSTITUTIONAL ASSESSMENT RATINGS AND ASIAN DEVELOPMENT BANK COUNTRY PERFORMANCE ASSESSMENT RATINGS FOR ASIAN DEVELOPMENT FUND RECIPIENTS IN 2005

Country	A. Economic Management				B. Structural Policies				C. Policies for Social Inclusion/Equity				D. Pub. Sec. Management and Inst.			
	WB2005		ADB2005		WB2005		ADB2005		WB2005		ADB2005		WB2005		ADB2005	
	Ratings	Rank	Ratings	Rank	Ratings	Rank	Ratings	Rank	Ratings	Rank	Ratings	Rank	Ratings	Rank	Ratings	Rank
Armenia	5.3	1	-	-	4.0	3	-	-	4.2	1	-	-	3.8	2	-	-
Azerbaijan	4.5	2	4.8	1	3.5	9	3.5	8	3.4	10	3.3	12	3.2	9	3.1	11
Bangladesh	4.0	7	4.0	9	3.2	15	3.2	13	3.6	7	3.7	5	2.9	15	3.3	7
Bhutan	4.0	7	4.0	9	3.2	15	3.5	8	4.2	1	4.2	3	3.8	2	3.9	3
Cambodia	3.7	13	3.8	15	3.0	17	3.3	12	3.1	15	3.3	12	2.6	18	2.8	15
Indonesia	4.3	3	4.2	5	3.7	7	3.5	8	3.4	10	3.5	11	3.2	9	3.1	11
Kiribati	3.3	18	3.7	17	3.0	17	3.0	16	3.0	19	3.1	17	3.3	7	3.2	9
Kyrgyz Republic	4.0	7	3.8	15	3.8	5	3.8	5	3.5	9	3.6	7	2.7	16	2.7	19
Lao PDR	3.7	13	4.0	9	2.7	21	2.7	20	3.1	15	3.6	7	2.5	21	2.5	21
Maldives	3.8	10	4.2	5	4.0	3	4.0	4	3.9	3	3.9	4	3.6	4	3.7	4
Mongolia	3.5	15	4.2	5	3.7	7	4.2	2	3.3	12	3.3	12	3.3	7	3.4	5
Nepal	3.8	10	3.7	17	3.3	11	3.5	8	3.2	13	3.1	17	3.0	14	3.2	9
Pakistan	4.2	5	4.2	5	4.2	1	4.3	1	3.1	15	3.2	15	3.2	9	3.3	7
Papua New Guinea	3.5	15	4.0	9	3.3	11	3.0	16	2.5	22	2.5	21	3.1	12	2.7	19
Samoa	3.8	10	4.5	2	4.2	1	4.2	2	3.9	3	4.4	1	4.0	1	4.5	1
Solomon Islands	3.2	21	3.5	19	2.8	20	3.0	16	2.7	21	2.6	20	2.6	18	2.8	15
Sri Lanka	3.3	18	3.3	20	3.8	5	3.8	5	3.8	5	3.7	5	3.5	5	3.4	5
Tajikistan	4.2	5	4.5	2	3.5	9	3.2	13	3.1	15	3.2	15	2.6	18	2.8	15
Tonga	2.8	22	3.3	20	3.0	17	3.2	13	3.2	13	3.6	7	2.7	16	3.1	11
Uzbekistan	3.5	15	4.0	9	2.5	22	2.7	20	3.6	7	3.6	7	2.4	22	2.8	15
Vanuatu	3.3	18	4.0	9	3.3	11	3.0	16	2.8	20	2.7	19	3.1	12	2.9	14
Viet Nam	4.3	3	4.5	2	3.3	11	3.7	7	3.8	5	4.3	2	3.5	5	4.1	2

PDR = People's Democratic Republic

Note: Cook Islands and Tuvalu are not included as they are not World Bank members, Federated States of Micronesia and Marshall Islands

<http://www.adb.org/ADF/PBA/annualreport.asp>.

Source: World Bank Country Policy and institutional Assessments 2005 and ADB Country Performance Assessments 2005