



April 2007

Annual Report on the 2006 Country Performance Assessment Exercise

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
COSO	–	Central Operations Services Office
CPA	–	country performance assessment
DMC	–	developing member country
ERD	–	Economics and Research Department
HIPC	–	heavily indebted poor country
IDA	–	International Development Association
IMF	–	International Monetary Fund
MDB	–	multilateral development bank
OREI	–	Office of Regional Economic Integration
PBA	–	performance-based allocation
RSDD	–	Regional and Sustainable Development Department
SPD	–	Strategy and Policy Department

CONTENTS

	Page
I. INTRODUCTION	1
II. IMPLEMENTING THE PERFORMANCE-BASED ALLOCATION POLICY	1
A. Country Performance Assessments	1
B. Resource Allocation	2
C. Implementation Arrangements	2
D. ADF IX Midterm Review	3
E. Policy Alignment and Harmonization Activities	3
III. 2006 COUNTRY PERFORMANCE ASSESSMENT EXERCISE	3
APPENDIXES	
1. Calculation of the Composite Country Performance Rating	6
2. Portfolio Performance Rating Methodology	7
3. Allocation Formula for Asian Development Fund Resources	8
4. Harmonization Activities by Multilateral Development Banks	9
5. Implementation Schedule of the 2006 Performance-Based Allocation Exercise	10
6. Results of the 2006 Country Performance Assessments	11

I. INTRODUCTION

1. In order to strengthen the development impact of its concessional lending, the Asian Development Bank (ADB) has adopted a system to link the allocation of Asian Development Fund (ADF) resources to country performance. Performance-based allocation (PBA) of ADF resources was introduced in 2001, during the ADF VIII period.¹ The underlying premise of the system is that aid is most effective in accelerating poverty reduction in countries where policy and institutional performance are strong. During the negotiations that culminated in the ADF IX replenishment, the system was revised to place greater weight on performance—especially in relation to governance—in allocating ADF resources. ADB uses the annual country performance assessment (CPA) to gauge the relative performance of all eligible borrowers with access to ADF.²

2. The revised PBA policy, as approved by ADB's Board of Directors in 2004,³ called for greater transparency in the CPA process. This annual report provides information on the conduct and results of the 2006 assessment. In addition, it summarizes progress in harmonizing ADB's PBA policy with similar approaches at other multilateral development banks and the outcome of discussions related to PBA during the ADF IX midterm review meeting in December 2006.

II. IMPLEMENTING THE PERFORMANCE-BASED ALLOCATION POLICY

A. Country Performance Assessments

3. Under the PBA policy, ADB conducts CPAs for all its eligible developing member countries (DMCs) with access to ADF. Each country's performance is assessed based on its (i) quality of macroeconomic management, (ii) coherence of structural policies, (iii) degree to which its policies and institutions promote equity and inclusion, (iv) quality of governance and public sector management, and (v) performance of the ongoing ADF loan portfolio. The CPA assesses a DMC's policy and institutional framework for promoting poverty reduction, sustainable growth, and effective use of concessional assistance. For its country performance indicators, since 2005 ADB has been using the International Development Association (IDA) country policy and institutional assessment questionnaire and guidelines.⁴ For postconflict countries, a separate performance assessment system is used, which is based on the IDA framework.⁵

4. Appendix 1 illustrates how the ratings for the CPA indicators are combined to determine the composite country performance rating. The methodology for deriving the portfolio

¹ ADB. 2001. *Policy on Performance-Based Allocation for Asian Development Fund Resources*. Manila (R29-01, 20 February). The ADF VIII replenishment period covered the years 2001–2004.

² As of 31 December 2006, 27 DMCs had access to ADF. Although Armenia is not currently among them, a performance assessment was done pending a decision by ADB's Board of Governors regarding its ADF access (ADB. 2007. *Eighth Replenishment of the Asian Development Fund and Third Regularized Replenishment of the Technical Assistance Special Fund: Access of Armenia to ADF Resources*. Manila [R28-07, 27 February].) This report includes Armenia's CPA results for information purposes only.

³ 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).

⁴ The IDA questionnaire was slightly revised in 2005. The number of sub-criteria for the indicators "Property Rights and Rule-Based Governance" (indicator number 12) and "Quality of Budgetary and Financial Management" (indicator number 13) were reduced from 4 in 2004 to 3 in 2005 in both cases. The version of the questionnaire in the 2006 CPA is available at <http://siteresources.worldbank.org/IDA/Resources/CPIA2005Questionnaire.pdf>.

⁵ ADB follows the framework for PBA to postconflict countries agreed during the IDA 13 negotiations. The framework, as updated under IDA14, is available at <http://siteresources.worldbank.org/IDA/Resources/AidDeliveryConflictAffectedIDACountries.pdf>.

performance rating is given in Appendix 2. CPAs are carried out annually for DMCs with populations exceeding 1 million and biennially for smaller countries. However, countries recovering from conflict and those considered weakly performing are assessed annually regardless of their population size. The numerical performance ratings for all countries have been publicly disclosed since the 2005 CPA exercise.

B. Resource Allocation

5. Indicative ADF allocations—both loans and grants—are derived from a formula that takes into account (i) country performance, as measured by the composite country performance rating; (ii) average need, as measured by gross national product per capita; and (iii) country size, as measured by population. Changes in relative performance exert the greatest influence over changes in allocations. For changes in the composite country performance rating, changes in the governance rating accounts for about 50%, policy and institutional performance about 35%, and portfolio performance about 15%. The allocation share is inversely related to per capita income, and positively related to population. There are two pools for formula-based ADF allocations: one for Pacific DMCs and one for all other eligible countries with access to ADF, except for countries facing special circumstances. Appendix 3 illustrates the process of deriving country allocations.

6. The policy recognizes that special country circumstances and absorptive capacity considerations might require modifications to formula-based allocations. Special circumstances include postconflict conditions, disasters, emergencies, and weakly performing countries. ADB's approach to allocations for postconflict countries, which are determined annually, is harmonized with that of IDA and is based on the IDA13 framework. For countries on the watch list for graduation from ADF eligibility, allocations are capped below the level indicated by the formula. Countries currently receiving set-aside allocations because of their special circumstances are Afghanistan and Timor-Leste (postconflict) and Indonesia (ADF graduation watch list). The PBA policy also includes separate eligibility and allocation criteria for the ADF pool supporting subregional projects.⁶ Finally, to ensure efficient ADF resource use, loan savings and cancellations are retained within an operations group for reallocation by the concerned vice president.

7. To reduce administrative overhead, ease bunching of project approvals at the end of the year, and provide greater operational flexibility, the revised PBA policy introduced a biennial allocation cycle starting with 2005–2006. Allocations are aligned with commitments in each biennial period. However, the biennial allocations may be revised each year, in the event of significant changes in annual performance assessments or fluctuations in ADF resource availability.

C. Implementation Arrangements

8. The focal point for implementing the PBA policy is outside the regional departments in the Strategy and Policy Department (SPD). The revised PBA policy instituted this arrangement in order to separate ADF resource allocation from ADF resource use. However, representatives of the regional departments are included in the CPA working group, along with experts from the Regional and Sustainable Development Department (RSDD), Economics and Research Department (ERD), Office of Regional Economic Integration (OREI), and Central Operations

⁶ The ADF IX Board of Governor's Resolution provides for credits to support subregional projects. These are capped at 5% of total ADF IX credits.

Services Office (COSO). A technical subgroup consisting of experts from COSO, ERD, OREI, and RSDD reviews the preliminary CPAs prepared by the country teams and recommends revisions to ensure quality and cross-country consistency. The CPA working group then reviews the revised assessments and recommends the country ratings to a CPA review panel. The CPA review panel, chaired by director general SPD and consisting of the heads of the regional departments, COSO, ERD, OREI, and RSDD, finalizes the ratings for Management endorsement.

D. ADF IX Midterm Review

9. Participants at the ADF IX midterm review meeting strongly supported the revised PBA policy and especially welcomed the increased transparency. They noted the issues identified by ADB about the implementation of the new system, such as the shift of resources away from “ADF-only” countries and the volatility of allocations, and requested further analysis of these issues. Some urged ADB to propose options to address them. One participant suggested increasing the ADF allocation for regional cooperation, while another cautioned against set-asides. A representative of a borrower voiced concerns about the subjectivity of the scores of some performance indicators and noted that the system does not differentiate among countries by the development challenges they face (e.g., landlocked countries or those in transition) when making allocations. Participants urged ADB to coordinate closely with IDA and the African Development Fund to address PBA implementation issues. ADB will present an analysis of the PBA-related issues and proposed adjustments to the donors during ADF X negotiations. Participants supported aligning the ADF grant framework with that of IDA14. Many participants encouraged ADB to take part in the joint debt sustainability analysis with the World Bank and International Monetary Fund.

E. Policy Alignment and Harmonization Activities

10. ADB continues to work closely with other multilateral development banks—the World Bank’s IDA in particular—to harmonize its ADF allocation and grant policies. As mentioned, the 2006 CPA exercise was based on the latest IDA questionnaire and allocations for postconflict countries are based on the IDA framework. Additional harmonization activities that have taken place since the last CPA annual report include: (i) the second technical working group meeting on PBA; (ii) reciprocal participation as observers in the midterm review meetings of IDA14, ADF IX, and African Development Fund 10; and (iii) the third technical working group meeting on PBA. Because possible ADB participation in heavily indebted poor country (HIPC) debt relief could have implications for ADF allocations, SPD staff also participated in the multilateral development bank meeting on debt issues and the HIPC Trust Fund meeting (Appendix 4). The revised ADF grant policy, currently being prepared, will be closely aligned with the IDA14 framework. Moreover, a policy allowing for HIPC debt relief will be submitted for consideration by the Board of Directors and Board of Governors if an ADB DMC becomes eligible for such relief. This policy will also be harmonized with the approach taken by other multilateral development banks.

III. 2006 COUNTRY PERFORMANCE ASSESSMENT EXERCISE

11. The 2006 CPA exercise was advanced to enable a closer fit between the exercise and country programming. In May 2006, SPD issued guidelines on the conduct of the 2006 CPA exercise and reconstituted the CPA working group and the technical subgroup. Following the revised PBA policy, the 2006 CPAs were conducted only for DMCs with populations over 1 million, postconflict countries, and those considered to be weakly performing. For purposes of

the CPA exercise, the latter were defined as countries consistently rated in the fourth or fifth quintile in each of the last three years (2003–2005). Appendix 5 shows the schedule of the 2006 CPA exercise.

12. Each country is assessed against the 16 different performance criteria in the IDA questionnaire—many of which have several further sub-criteria—and portfolio performance. The IDA questionnaire provides specific guidelines for each criteria and sub-criteria on the characteristics corresponding to a particular rating. The guidelines state explicitly that a country is rated on the basis of its current status and not in terms of change, improvement, or deterioration. That is, countries are rated on an absolute standard of performance for the current year, and not on a relative standard compared to any baseline of performance during the previous year. The IDA questionnaire also provides specific sources of information as guideposts for ratings on individual criteria.

13. Despite the detailed guidelines in the IDA questionnaire, there remains room for judgment in assessing some aspects of performance, since many performance criteria cannot be reduced to simple numeric benchmarks. Ensuring that the same standards of judgment are applied across countries by individual country teams is therefore the most challenging aspect of the CPA exercise. The technical subgroup assists the CPA working group to ensure such cross-country consistency. This is important since the CPA ratings are key determinants of how much ADF assistance ADB will provide for each DMC with ADF access.

14. The regional departments fielded missions to prepare preliminary CPAs during June–July 2006. These missions informed and consulted with DMC governments about the preliminary ratings. Country authorities were encouraged to provide feedback on the draft ratings, which was recorded in aides memoire. Although country teams were required to share their preliminary assessments with country authorities, they were advised that consultations should not be misconstrued as negotiations on the ratings. Postconflict performance assessments and ratings were also prepared for Afghanistan.⁷

15. Following the country consultations, preliminary CPA assessments and ratings were submitted to SPD at the end of July 2006. SPD and the CPA technical subgroup reviewed these submissions to assess their quality and cross-country consistency. On 21–25 August 2006, SPD conducted a workshop at which the CPA technical subgroup discussed the preliminary assessments with the country teams and suggested revisions as required. To strengthen cross-country comparability of the assessments and ratings in 2006, responses by all countries to a given question were reviewed at the same time, instead of the country-by-country approach used in 2005. Country teams then revised the CPAs, where needed, and submitted their final CPAs to SPD.

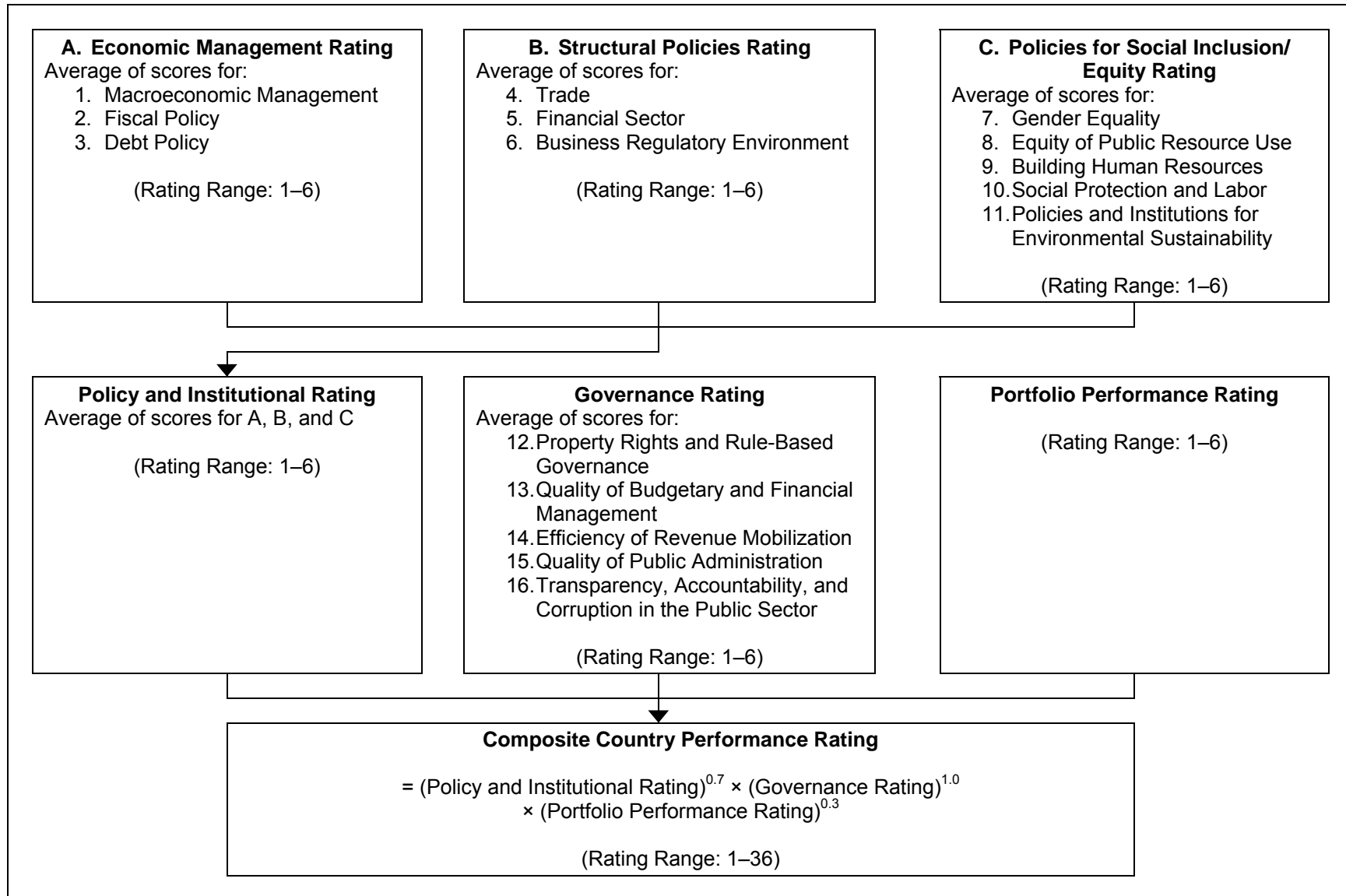
16. The revised CPA submissions were again reviewed by the CPA technical subgroup, and these were then circulated to the CPA working group, along with the comments of the technical subgroup. The CPA working group met on 27 September 2006 to discuss and finalize its CPA rating recommendations. In the large majority of cases, members of the CPA working group were able to agree unanimously on a rating. In the few cases where there were differences in views, these were noted and reported to the CPA review panel along with the working group's consensus ratings. Subsequently, the CPA review panel finalized the country ratings, which

⁷ A postconflict performance assessment could not be conducted for Timor-Leste in 2006 because of the prevailing political crisis and travel restrictions.

were approved by Management. The final ratings were communicated to the respective DMCs and provided to the Board of Directors for information.

17. The approved 2006 CPA ratings are provided in Appendix 6. In compliance with the revised PBA policy, this CPA annual report, including the final 2006 CPA ratings, will be publicly disclosed. SPD applied the final ratings to determine ADF allocations for 2007–2008, which were approved by management in January 2007. The 2007–2008 ADF allocations are based on the January 2007 resource envelope estimate from ADB's Treasury Department. The allocations are subject to adjustment because of (i) exchange rate movements, (ii) the timing of ADF contributions from the donors, (iii) changes in ADB membership and ADF eligibility, and (iv) changes in the grant framework in order to ensure harmonization with IDA. To take these changes into account, the proposed 2007–2008 ADF allocations will be reviewed and adjusted as necessary at the end of 2007, following the conclusion of the 2007 CPA exercise.

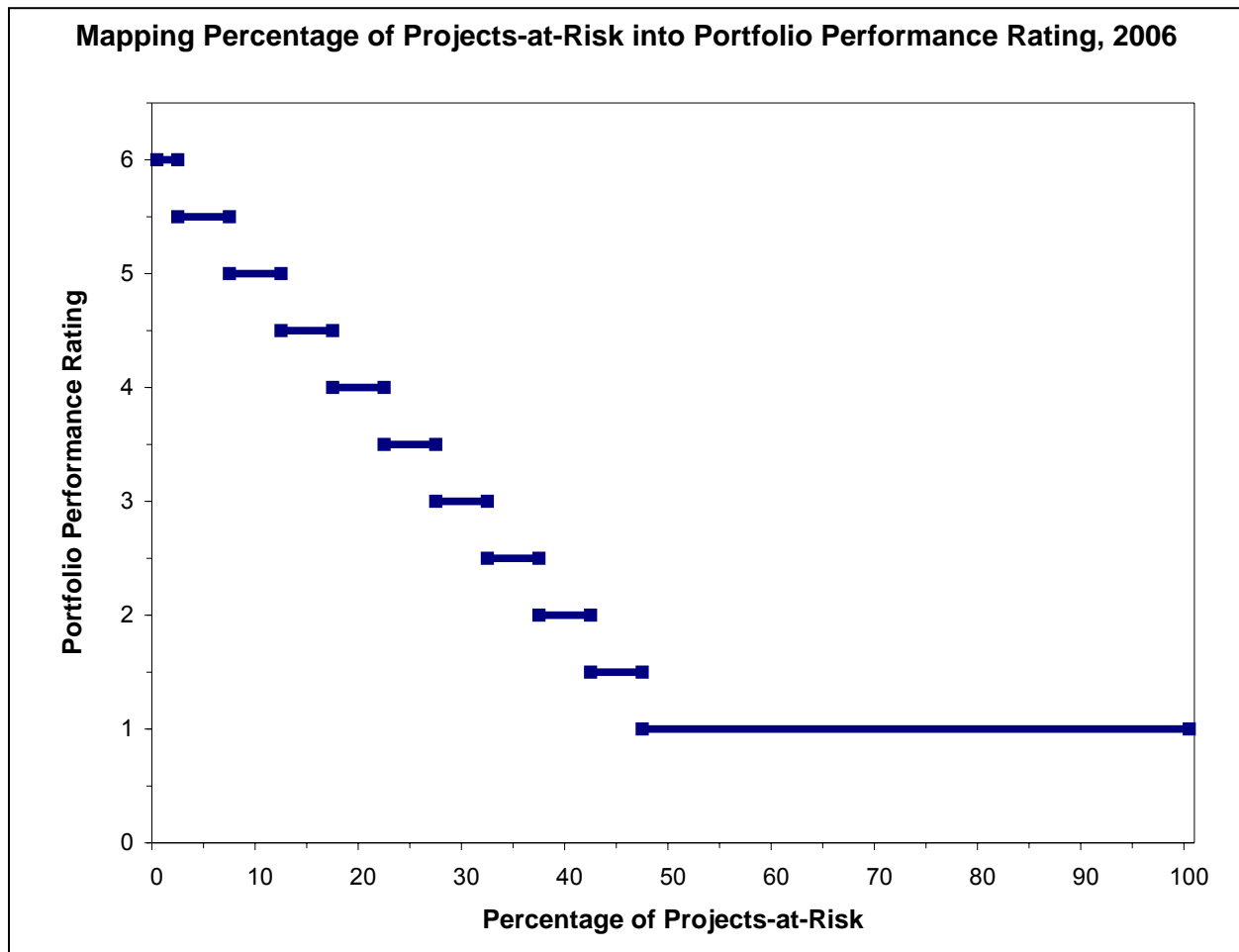
CALCULATION OF THE COMPOSITE COUNTRY PERFORMANCE RATING



PORTFOLIO PERFORMANCE RATING METHODOLOGY

1. The measure of portfolio performance within the country performance assessment is based on the proportion of approved projects flagged as “at risk”. The number of projects-at-risk is taken from the project performance reporting system and divided by the total number of ongoing approved projects for the four quarters ending September 2005, December 2005, March 2006, and June 2006. Because newer projects are less likely to be flagged as “at risk”, the ratio will overstate the quality of portfolios with a relatively high percentage of new projects. To correct for this bias, an age-adjustment factor is added to the average projects-at-risk ratio for portfolios that are younger than the average age of all ADF projects.

2. The portfolio performance rating is derived as follows. Let x denote the age-adjusted percentage of projects-at-risk for a given country averaged over the four quarters. The portfolio performance score is then given by the formula $6-10x$ rounded to the nearest 0.5 with a minimum score of 1. The figure below illustrates the mapping of projects-at-risk into the portfolio performance rating. For countries with fewer than two ongoing projects in their portfolios, the average rating for all countries rounded to the nearest 0.5 was used.



ALLOCATION FORMULA FOR ASIAN DEVELOPMENT FUND RESOURCES

1. The allocation formula is a weighted geometric function of the composite country performance rating, per capita income, and population. The allocation shares are scaled so that they sum to one; that is, the formula is calibrated to ensure that total allocations will equal total available resources. Let *CCPR* denote the composite country performance rating, *PCI* denote per capita income (gross national product), and *POP* denote population. For each country, *i*, the share of ADF resources allocated is determined by the following formula:

$$(\text{country allocation share})_i = CCPR_i^{2.00} \times PCI_i^{-0.25} \times POP_i^{0.60} \times (\text{scaling factor})$$

2. The scaling factor is a constant term that is equal to:

$$(\text{scaling factor}) = 1 \div \sum_i (CCPR_i^{2.00} \times PCI_i^{-0.25} \times POP_i^{0.60})$$

3. The effect of the squaring of the consolidated country performance rating on its component parts is as follows:

$$CCPR_i^{2.00} = (\text{policy and institutional rating})_i^{1.40} \times (\text{governance rating})_i^{2.00} \\ \times (\text{portfolio performance rating})_i^{0.60}$$

which highlights the importance of the governance rating in the overall country allocation.

4. Each country's indicative lending level is then calculated by multiplying the expected ADF commitment authority by its country allocation share.

HARMONIZATION ACTIVITIES BY MULTILATERAL DEVELOPMENT BANKS

1. **Second Multilateral Development Banks (MDBs) Technical Meeting on Performance-Based Allocation (PBA) Systems, Tunis, Tunisia, 7–9 March 2006.** The meeting included participants from the African Development Bank, the Asian Development Bank (ADB), Department for International Development of the United Kingdom, Global Environment Fund, Inter-American Development Bank, World Bank, and International Fund for Agricultural Development. The topics discussed included (i) country performance assessments, (ii) country allocations, and (iii) the multilateral debt relief initiative. The meeting noted the difficulties created by the volatility of portfolio performance ratings and discussed possible measures to mitigate this. It commended the increase in collaboration in country performance assessments among MDBs.
2. **Meeting of MDBs on Debt Issues, Washington, DC, 21–22 June 2006.** The annual meeting of MDBs on debt issues discussed the status of the implementation of the heavily indebted poor countries (HIPC) Initiative, the multilateral debt relief initiative, and the debt sustainability framework. The debt sustainability framework underpins the International Development Association (IDA) grant framework and is therefore of particular relevance to ADB's PBA system. ADB and other regional development banks expressed interest in participating in the joint World Bank and International Monetary Fund (IMF) debt sustainability analysis.
3. **Midterm Review Meetings for IDA14 (Washington, D.C., 20–21 November 2006), Asian Development Fund (ADF) IX (Frankfurt, Germany, 4–5 December 2006), African Development Fund 10 (The Hague, Netherlands, 7–8 December 2006).** ADB was an observer at the midterm review meetings for IDA14 and African Development Fund 10. The World Bank and African Development Bank were, in turn, observers at the midterm review of ADF IX. The reciprocal participation of MDBs at each other's meetings has strengthened the continuity of discussions on common issues, such as PBA, grant frameworks, and debt relief. ADB will continue to participate as an observer at the negotiating meetings for IDA15 and African Development Fund 11.
4. **Meeting of the HIPC Trust Fund, Washington, DC, 19 November 2006.** The World Bank made a presentation on the remaining funding needs for the HIPC Trust Fund, including potential additional financing of \$470 million for non-African HIPC sunset clause countries (Haiti, Kyrgyz Republic, and Nepal). Participation of the International Fund for Agricultural Development in the HIPC Trust Fund was approved.
5. **Third MDBs Technical Meeting on PBA Systems, Washington, DC, 17–19 January 2007.** The meeting included participants from the African Development Bank, ADB, Caribbean Development Bank, Global Environment Fund, Inter-American Development Bank, World Bank, International Fund for Agricultural Development, and the IMF. The main topics discussed were (i) performance ratings issues, (ii) simplification and reducing volatility, (iii) PBA in postconflict and fragile states, (iv) allocation issues, and (v) PBA debt-related issues. In the final session, the issue of regional development banks' participation in the World Bank and IMF debt sustainability analysis was discussed. ADB participation is essential for the alignment of the grant framework, as the IDA system relies on the debt sustainability analysis to determine grant eligibility. The World Bank had no objection to ADB's participation, and IMF will respond after discussing the issue internally.

IMPLEMENTATION SCHEDULE OF THE 2006 PERFORMANCE-BASED ALLOCATION EXERCISE

Activity	Frequency	Institutional Node	Outputs	2006						2007		
				Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Country Performance Assessments and Ratings												
Start of the CPA exercise	Annual	PBA focal point	Memorandum with instructions for the 2006 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									
Special Country Needs and Subregional Projects												
Assessments for eligible postconflict countries and weakly performing countries	Annual	Operations departments → PBA focal point	Transitional support strategy, postconflict performance ratings									
Submissions for funding for subregional projects	Biennial	Operations departments → PBA focal point	Project funding proposals									
ADF Allocations												
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									
ADF allocation review meeting	Biennial/Annual	PBA head, operations groups vice presidents	ADF allocation review minutes									
Final recommended allocations for management approval	Biennial/Annual	PBA focal point → Management	Approved allocations									
Country Programming Activities												
Country programming	Annual	Operations departments	Confirmed pipelines and CPS/COBP									

ADF = Asian Development Fund, COBP = country operations business plan, CPA = country performance assessment, CPS = country partnership strategy, PBA = performance-based allocation.

Source: Asian Development Bank.

RESULTS OF THE 2006 COUNTRY PERFORMANCE ASSESSMENTS

Table A6.1: Country Performance Assessment Ratings, 2006

Country	Policy and Institutional Rating															Governance Rating						Portfolio Perf. Rating	Composite Country Perf. Rating
	A. Economic Management				B. Structural Policies				C. Policies for Social Inclusion/Equity							12. Prop. Rights and Rule-Based Gov.	13. Budgetary and Financial Mgt	14. Revenue Mobilization	15. Public Admin.	16. Transp cy, Account., and Corruption			
	1. Macroeconomic Management	2. Fiscal Policy	3. Debt Policy	Group Average	4. Trade	5. Financial Sector	6. Business Regulatory Env't	Group Average	7. Gender Equality	8. Equity of Public Resource Use	9. Building Human Resources	10. Social Protection and Labor	11. Policies & Inst's for Environ. Sustain.	Group Average	Policy and Institutional Average (A+B+C)/3								
Armenia ^{a,b}	5.0	5.0	5.5	5.2	4.5	4.0	4.0	4.2	4.5	4.5	4.0	4.5	4.0	4.3	4.5	3.5	4.0	4.0	4.0	3.5	3.8	4.5	17.2
Azerbaijan	4.0	4.0	5.0	4.3	4.0	3.0	3.0	3.3	3.5	3.5	3.0	3.0	3.0	3.2	3.6	3.0	3.5	3.5	2.5	2.5	3.0	1.0	7.4
Bangladesh	4.5	3.5	4.5	4.2	3.0	3.5	3.5	3.3	3.5	4.0	4.0	4.0	3.0	3.7	3.7	3.0	4.0	3.0	3.0	3.0	3.2	5.0	13.0
Bhutan ^c	4.5	3.5	4.0	4.0	3.5	3.5	3.5	3.5	4.5	4.5	4.0	3.5	4.5	4.2	3.9	4.0	4.0	3.5	4.0	4.0	3.9	6.0	17.3
Cambodia	4.5	3.5	3.5	3.8	4.0	3.0	3.0	3.3	4.0	3.5	4.0	2.5	2.5	3.3	3.5	2.5	3.0	3.5	2.5	2.5	2.8	5.5	11.2
Cook Islands ^{b,c}	5.0	5.0	4.5	4.8	4.5	4.5	4.0	4.3	4.5	4.5	5.0	4.0	3.5	4.3	4.5	4.5	4.0	5.0	4.0	4.0	4.3	4.5	19.3
Indonesia	4.0	4.5	4	4.2	4.0	4.0	3.0	3.7	4.0	3.5	3.5	3.5	3.0	3.5	3.8	2.5	4.0	3.0	3.0	3.0	3.1	5.5	13.1
Kiribati ^b	2.0	3.0	3.0	2.7	2.5	4.0	3.5	3.3	2.5	2.0	2.5	2.5	2.5	2.4	2.8	4.0	3.5	3.0	3.5	2.5	3.3	4.5	10.7
Kyrgyz Republic	4.0	3.5	3.5	3.7	5.0	3.5	3.0	3.8	4.5	3.5	3.5	3.5	3.5	3.7	3.7	2.5	3.5	3.5	2.5	2.5	2.9	4.5	11.5
Lao PDR	4.0	3.5	3.5	3.7	4.0	1.5	3.0	2.8	4.0	4.0	4.0	3.5	3.0	3.7	3.4	3.0	2.5	3.0	2.5	2.0	2.6	5.5	10.2
Maldives ^c	4.5	3.5	4.5	4.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.5	4.0	3.9	4.0	4.0	3.5	4.0	4.0	3.0	3.7	4.5	15.4
Marshall Islands ^b	2.5	2.5	3.0	2.7	3.0	3.5	2.5	3.0	2.5	2.5	3.0	3.0	2.5	2.7	2.8	3.0	3.0	3.0	2.0	2.5	2.7	4.5	8.7
Micronesia, FS ^c	3.5	3.5	4.0	3.7	5.0	4.0	3.0	4.0	3.0	3.0	2.5	2.5	3.0	2.8	3.5	4.0	3.5	3.5	3.0	3.5	3.5	3.0	11.7
Mongolia	4.0	4.0	3.5	3.8	4.5	3.5	4.0	4.0	3.5	3.5	3.5	3.5	2.5	3.3	3.7	3.5	3.5	4.0	3.5	3.5	3.6	6.0	15.4
Nepal	4.0	3.5	3.5	3.7	4.0	3.0	3.5	3.5	3.5	4.0	3.0	3.5	3.0	3.4	3.5	3.0	3.5	4.0	3.0	3.0	3.3	3.0	11.1
Pakistan	4.0	3.5	4.5	4.0	4.0	4.5	4.0	4.2	2.5	3.5	3.5	3.0	3.5	3.2	3.8	3.0	4.0	4.0	3.5	2.5	3.4	4.5	13.6
Papua New Guinea	3.0	3.5	4.5	3.7	3.5	2.5	2.5	2.8	2.0	3.0	2.0	2.5	2.5	2.4	3.0	1.5	3.0	3.5	2.5	3.0	2.7	4.5	9.1
Samoa ^c	4.5	4.5	4.5	4.5	4.5	4.5	3.5	4.2	4.5	4.5	5.0	4.0	4.0	4.4	4.4	4.5	4.5	4.5	4.5	4.5	4.5	3.5	18.4
Solomon Islands ^b	4.0	3.5	3.0	3.5	3.5	3.0	2.0	2.8	2.5	3.0	2.5	2.0	2.5	2.5	2.9	2.5	3.0	3.0	2.5	3.0	2.8	4.5	9.4
Sri Lanka	3.5	2.5	3.5	3.2	3.5	4.0	3.5	3.7	3.5	3.5	4.0	3.5	4.0	3.7	3.5	3.0	4.0	3.0	3.0	3.5	3.3	5.0	12.9
Tajikistan	4.5	4.0	4.5	4.3	4.0	3.0	3.0	3.3	3.5	3.5	3.0	3.5	3.0	3.3	3.7	3.0	3.0	3.5	3.0	2.0	2.9	5.0	11.6
Tonga ^{b,c}	3.0	3.0	4.0	3.3	2.0	4.5	3.0	3.2	3.5	4.0	4.5	2.5	3.5	3.6	3.4	4.0	3.0	3.0	3.5	2.0	3.1	4.5	11.4
Tuvalu ^c	3.5	3.0	3.5	3.3	3.0	2.5	2.5	2.7	3.5	4.0	4.0	3.5	3.0	3.6	3.2	4.5	3.0	3.0	3.0	3.5	3.4	4.0	11.6
Uzbekistan	3.5	3.5	4.0	3.7	2.5	2.5	2.5	2.5	3.5	3.5	4.0	3.0	3.5	3.5	3.2	2.5	3.0	3.0	2.5	1.5	2.5	2.5	7.5
Vanuatu ^b	4.0	3.5	3.5	3.7	3.0	3.0	3.0	3.0	2.5	3.0	2.5	2.5	3.0	2.7	3.1	2.5	3.0	3.0	3.0	2.5	2.8	4.5	9.8
Viet Nam	5.0	4.0	4.5	4.5	3.5	4.0	4.0	3.8	5.0	4.5	4.5	4.0	4.0	4.4	4.2	4.0	4.0	4.0	4.0	3.5	3.9	4.5	16.8
Average	3.9	3.6	4.0	3.9	3.7	3.5	3.2	3.5	3.6	3.6	3.6	3.3	3.2	3.5	3.6	3.3	3.5	3.5	3.2	2.9	3.3	4.4	12.5

FS of Micronesia = Federated States of Micronesia, Lao PDR = Lao People's Democratic Republic.

^a Armenia is shown for information only, pending the decision of the Board of Governors of the Asian Development Bank regarding its access to the Asian Development Fund.

^b Country had fewer than two ongoing projects in its portfolio so portfolio performance rating is equal to the average for all countries.

^c Small country not assessed in 2006. Figures are from the 2005 assessment.

Source: ADB estimates.

Table A6.2: Postconflict Country Performance Assessment Ratings, 2006

Criterion	Rating Afghanistan
Progress in Postconflict Recovery (average of A, B, C, D)	3.5
A. Security and Reconciliation	2.8
1. Public Security	2.5
2. Reconciliation	3.0
3. Disarmament, Demobilization, and Reintegration	3.0
B. Economic Recovery	4.3
4. Management of Inflation, External Debt, and Adequacy of the Budget	4.5
5. Trade Policy, Foreign Exchange, and Price Regimes	4.0
6. Management and Sustainability of Post-Conflict Reconstruction Program	4.5
C. Social Exclusion and Social Development	4.0
7. Reintegration of Displaced Populations	4.5
8. Education	4.0
9. Health	3.5
D. Public Sector Management and Institutions	2.8
10. Budgetary and Financial Management, and Efficiency of Revenue Mobilization	3.5
11. Reestablishing Public Administration and Rule-Based Governance	3.0
12. Transparency, Accountability, and Corruption in the Public Sector	2.0
Quality of Portfolio Performance	4.0

Note: A postconflict performance assessment could not be conducted for Timor-Leste in 2006 due to the prevailing political crisis and travel restrictions.

Source: ADB estimates.

Table A6.3: Country Rankings by Performance Indicator Clusters, 2006

Economic Management		Structural Policies		Policies for Social Inclusion/Equity		Governance		Portfolio Performance	
Armenia	5.2	Cook Islands	4.3	Samoa	4.4	Samoa	4.5	Bhutan	6.0
Cook Islands	4.8	Armenia	4.2	Viet Nam	4.4	Cook Islands	4.3	Mongolia	6.0
Samoa	4.5	Pakistan	4.2	Armenia	4.3	Bhutan	3.9	Cambodia	5.5
Viet Nam	4.5	Samoa	4.2	Cook Islands	4.3	Viet Nam	3.9	Indonesia	5.5
Azerbaijan	4.3	FS Micronesia	4.0	Bhutan	4.2	Armenia	3.8	Lao PDR	5.5
Tajikistan	4.3	Maldives	4.0	Maldives	3.9	Maldives	3.7	Bangladesh	5.0
Bangladesh	4.2	Mongolia	4.0	Bangladesh	3.7	Mongolia	3.6	Sri Lanka	5.0
Indonesia	4.2	Kyrgyz Republic	3.8	Kyrgyz Republic	3.7	FS Micronesia	3.5	Tajikistan	5.0
Maldives	4.2	Viet Nam	3.8	Lao PDR	3.7	Pakistan	3.4	Armenia	4.5
Bhutan	4.0	Indonesia	3.7	Sri Lanka	3.7	Tuvalu	3.4	Cook Islands	4.5
Pakistan	4.0	Sri Lanka	3.7	Tonga	3.6	Kiribati	3.3	Kiribati	4.5
Cambodia	3.8	Bhutan	3.5	Tuvalu	3.6	Nepal	3.3	Kyrgyz Republic	4.5
Mongolia	3.8	Nepal	3.5	Indonesia	3.5	Sri Lanka	3.3	Maldives	4.5
FS Micronesia	3.7	Azerbaijan	3.3	Uzbekistan	3.5	Bangladesh	3.2	Marshall Islands	4.5
Kyrgyz Republic	3.7	Bangladesh	3.3	Nepal	3.4	Indonesia	3.1	Pakistan	4.5
Lao PDR	3.7	Cambodia	3.3	Cambodia	3.3	Tonga	3.1	Papua New Guinea	4.5
Nepal	3.7	Kiribati	3.3	Mongolia	3.3	Azerbaijan	3.0	Solomon Islands	4.5
Papua New Guinea	3.7	Tajikistan	3.3	Tajikistan	3.3	Kyrgyz Republic	2.9	Tonga	4.5
Uzbekistan	3.7	Tonga	3.2	Azerbaijan	3.2	Tajikistan	2.9	Vanuatu	4.5
Vanuatu	3.7	Marshall Islands	3.0	Pakistan	3.2	Cambodia	2.8	Viet Nam	4.5
Solomon Islands	3.5	Vanuatu	3.0	FS Micronesia	2.8	Solomon Islands	2.8	Tuvalu	4.0
Tonga	3.3	Lao PDR	2.8	Marshall Islands	2.7	Vanuatu	2.8	Samoa	3.5
Tuvalu	3.3	Papua New Guinea	2.8	Vanuatu	2.7	Marshall Islands	2.7	FS Micronesia	3.0
Sri Lanka	3.2	Solomon Islands	2.8	Solomon Islands	2.5	Papua New Guinea	2.7	Nepal	3.0
Kiribati	2.7	Tuvalu	2.7	Kiribati	2.4	Lao PDR	2.6	Uzbekistan	2.5
Marshall Islands	2.7	Uzbekistan	2.5	Papua New Guinea	2.4	Uzbekistan	2.5	Azerbaijan	1.0

FS Micronesia = Federated States of Micronesia, Lao PDR = Lao People's Democratic Republic.

Note: Countries are ranked in descending order by cluster score. When scores are equal, countries are listed alphabetically. Armenia is shown for information only, pending the decision of the Board of Governors of the Asian Development Bank regarding its access to the Asian Development Fund.

Source: 2006 country performance assessment ratings.