Judge and jury: the World Bank's scorecard for borrowing governments

The World Bank uses a controversial "one-size-fits-all" scorecard - the Country Policy and Institutional Assessment (CPIA) to rate each borrowing government. The CPIA ratings are prepared annually and consist of 20 criteria (grouped in four clusters) related to a government's policy and institutional performance. The CPIA rating system may represent a new and more powerful kind of conditionality that interferes in a country's domestic affairs. Rather than reward governments for promises to adopt loan conditions, CPIA helps make it possible to reward those that have already conformed to donor and creditor policy preferences. Many poor and/or heavily indebted governments see compliance with these policy preferences as essential to maintaining their lifeline to external aid and debt relief.

Citizens' Network on Essential Services

Nancy Alexander[1]

I. An overview of the CPIA rating system

A. What is the CPIA?

Every year, the World Bank rates the economic, social and political performance of each borrowing government by the extent of its compliance with its own definition of "good" policies and institutions. For this purpose, it uses an instrument called the Country Policy and Institutional Assessment (CPIA).

As described in Part B, below, the CPIA rates the policy and institutional performance of each government relative to 20 criteria (grouped in four clusters). The World Bank uses its ratings of individual governments as diagnostic tools to help: 1) allocate loan and grant resources among borrowers, 2) determine the policy direction of new operations, and 3) establish debt relief targets.

The World Bank's staff uses a formula to divide up the funds available for low-income countries that includes "need" (income per capita) and "performance." For the fiscal years 2003 to 2005, the Bank established resource allocations that were nearly five times higher for the governments in the top-performing quintile than for those in the poorest-performing quintile.[2]

B. What does the CPIA rate?

The CPIA rates countries primarily on the basis of current performance in relation to twenty, equally-weighted criteria that are grouped into four clusters:[3]

- *Economic management,* including management of inflation and current account; fiscal policy; management of external debt; and management and sustainability of the development program.
- *Structural policies,* including trade policy and foreign exchange regime; financial stability and depth; banking sector efficiency and resource mobilization; competitive environment for the private sector; factor and product markets; and policies and institutions for environmental sustainability.
- *Policies for social inclusion*, including gender equity and equality of economic opportunity, equity of public resource use, building human resources, safety nets; and poverty monitoring and analysis.
- *Public sector management and institutions,* including property rights and rule-based governance; quality of budgetary and financial management; efficiency of revenue mobilization; efficiency of public expenditures; and transparency, accountability and corruption in the public sector.

As described in Part D, country performance is judged not only relative to these policy clusters, but also relative to governance and portfolio performance.

According to the Bank, the purpose of the CPIA is to measure a country's policy and institutional development framework for poverty reduction, sustainable growth and effective use of development assistance. The view presented here is that the CPIA rates the extent to which a government has: a) adopted neoliberal economic policies (i.e., liberalization and privatization in the context of strict budget discipline) and b) developed institutions, particularly those that protect property rights and promote a business-friendly environment.

In this sense, the CPIA derives its prescriptive approach from the World Bank Group's recent mandate, articulated in its Private Sector Development (PSD) Strategy.[4] Among other things, CPIA-derived policy prescriptions focus on the PSD Strategy's call for governments to improve the climate for businesses and expand the privatization "frontier" into basic services - health care, education, and, particularly, water and energy. (The IMF, World Bank and WTO define the "private sector" as including both for-profit firms and not-for-profit agencies or NGOs.)

Since the Board of Executive Directors adopted the PSD Strategy, the management of the World Bank Group has been tasked with ensuring that all institutional and sector strategies and action plans conform to the PSD Strategy. Recently, the World Bank Group has become more balanced in rhetorical presentations of its approach to the respective roles of the public and private sectors. However, its newer (and forthcoming) loan and guarantee instruments, as well as new collaborations between arms of the World Bank, are significantly focused on promoting the role of the private sector.[5]

C. Is there a plan to disclose all of the CPIA ratings?

Not yet. The World Bank keeps the *nominal* ratings of all its borrowers entirely secret. The Bank does disclose the *relative* ratings - that is, ratings of the performance of borrowers relative to one another - of nearly 80 *low-income* governments. (See Appendix, "CPIA Ratings for 2003.") However, as shown in Table 1, only the relative ratings of government performance on *clusters of criteria* are disclosed, not the ratings of government performance on each of the *twenty criteria that comprise the clusters*.

Until recently, the Bank's staff discussed CPIA ratings with those governments that were performing well, but only rarely did such discussions take place with poorly-performing governments. Today, the Bank is beginning to educate its borrowers about the rating system and discuss their current CPIA ratings with them. After disclosing all of the ratings to multilateral and bilateral donors and creditors, the Bank plans to disclose them to the public.

In late 2003, members of the Bank's Board of Executive Directors had diverse views disclosing the CPIA ratings. Different members favored:

- Rapid disclosure;
- Delayed disclosure;

1 Nancy Alexander is Director of the Citizens' Network on Essential Services. www.servicesforall.org

2 The population-weighted average per capita per annum (PCPA) allocation shows a substantial range: from USD 2.4 for the bottom quintile to USD 12 - or five times as much for the top quintile in its fiscal year 2004-2006 calculations. This ratio was 4.6 in the fiscal year 2003-2005 exercise. See International Development Association (IDA), "Allocating IDA Funds Based on Performance: Fourth Annual Report on IDA's Country Assessment and Allocation Process". March 2003, p. 8. IDA is the branch of the World Bank that gives loans to low-income countries. The International Finance Corporation (IFC) and the International Bank for Reconstruction and Development (IBRD) are two other branches of the World Bank Group.

3 Detailed descriptions of these clusters and criteria appear in the Appendix.

4 The World Bank Group's Board of Executive Directors adopted the PSD Strategy as their new corporate blueprint on 26 February 2002. The PSD Strategy would provide businesses with greater incentives to invest in low-income countries. For instance, the World Bank Group is designing and launching new loan, grant and guarantee products that, among other things, a) subsidize corporate costs of making utility network to poor households and reducing their consumption costs; b) extend a higher volume of loans and guarantees to local-level governments, particularly for implementing private provision, and c) compensate corporations for losses arising from devaluations in local currency. The Bank's private sector arm, the International Finance Corporation (IFC), is working closely with IDA on the privatization agenda in low-income countries, despite the fact that these countries have little or no regulatory capacity. Moreover, PRSPs are being evaluated, in part, by the extent to which they promote the private sector.

5 International Development Association. "Allocating IDA Funds Based on Performance". March 2003, p. 1.

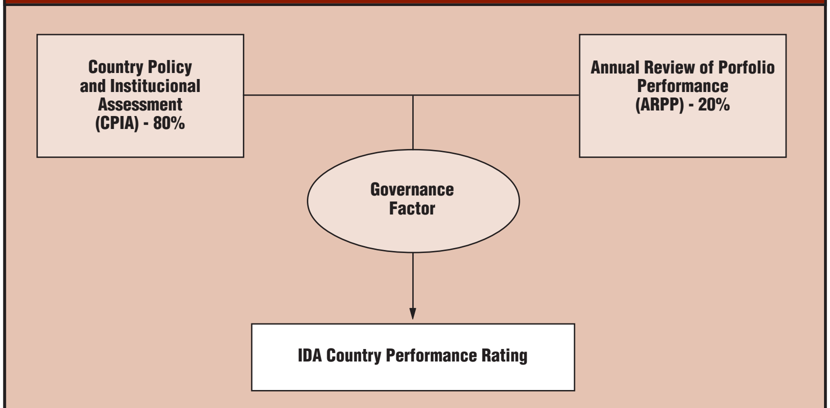
TABLE 1

CPIA disclosure policy

BORROWING COUNTRIES	RELATIVE CLUSTER SCORES (IN QUINTILES)	RELATIVE CRITERIA SCORES	ABSOLUTE CLUSTER AND CRITERIA SCORES (NUMERICAL ON A SCALE FROM 1 TO 6)
Low-Income IDA Countries	**YES**. Disclosed in performance quintiles (see appendix)	**NO** DISCLOSURE	**NO** DISCLOSURE
Other IBRD Countries	**NO** DISCLOSURE	**NO** DISCLOSURE	**NO** DISCLOSURE

CHART 1

IDA Country Performance Rating



Source: "Allocating IDA Funds Based on Performance". International Development Association, March 2003.

- No disclosure out of concern that it would jeopardize the ability of some countries to attract foreign direct investment and other financial flows;
- A more objective and robust CPIA rating methodology prior to the disclosure of ratings. To this end, an external review panel recently completed its report on the CPIA rating system.[6]
- Greater country "voice." Some Board members are concerned that developing countries have no ownership of the CPIA process and feel that the Bank's management should not just teach governments about the CPIA system. They feel that other donors and creditors as well as governments, themselves, should participate in the rating process as equal "partners" with the Bank.

Low-income country governments did not consent to the Bank's disclosure of their cluster scores. Many Bank borrowers, including many of the World Bank's African Governors, adamantly oppose the Bank's proposed disclosure of all criteria scores as well. However, low-income countries may have little choice about whether further disclosure will take place. The Bank exacerbates a double standard when borrowers' income levels determine whether the Bank will ignore or respect their voices. Such unequal treatment of borrowing countries violates the Bank's mandate.[7]

D. How is the CPIA used to allocate funds to low-income countries?

As noted above, the World Bank divides up its funds for low-income countries taking into account both "need" (income per capita) and "performance." The CPIA is an important input in calculating a government's performance rating. In order to establish a government's overall performance rating (i.e. the IDA Country Performance - ICP Rating), the Bank ensures that scores are consistent within each, and across all, regions in performing the following calculations:

- The CPIA (comprised of the four clusters listed in Part B above) accounts for 80% of a government's rating.
- The Bank also rates each government's performance on the portfolio of outstanding loans. This rating counts for 20% of a government's rating. It measures how well a government manages its loan resources, including how well it achieves timely disbursement through efficient procurement practices.
- Finally, the level of grants and loans to which a borrowing government has access will then increase or decrease as a result of the Bank's application of a "governance factor" to the government's CPIA and portfolio performance ratings.[8] Each country's "governance factor" is derived from selected ratings, including the quality of its overall development program and its public sector management and institutions. The governance factor is therefore given a very high weight relative to other criteria. In recent years, the application of a governance factor has reduced the resource allocation to some countries by as much as 50%.[9]

E. What is controversial about the Bank's rating of the performance of borrowing governments?

- Most development practitioners are critical of a system, such as the CPIA's, that approximates a "one-size-fits-all" set of "good" policies and "good" institutions. For instance, there is little agreement about what constitutes "good" trade policy. Even where there is agreement on general policy principles, there are still disagreements, even among neoliberal economists, about the pace, sequence and implementation of these policies, as well as their impacts, such as short-term distributional effects.
- The Bank's methodology for evaluating a country's governance, e.g., its accountability to its citizens, is wildly unreliable. Yet, the CPIA assigns greater weight to the governance factor than to any other set of indicators. The governance indicator now in fashion is the Kaufmann-Kraay indicator from the World Bank. Yet the inventors of this indicator, themselves, openly concede that it has an extremely high margin of error.
- When scores relating to certain criteria (governance, gender, government accountability) constrain or shape fundamental decisions relating to resource allocation and the role of the government, the process may violate the Articles of Agreement of the World Bank Group, which prohibit interference in a country's domestic political affairs.[10]
- The rating system may further exacerbate unequal treatment of countries by inducing governments with less power and resources to comply with CPIA-derived prescriptions, while wealthier and more powerful countries do as they please. For example, the IMF and World Bank have induced governments - particularly the poorer ones - to adopt some rules of trade agreements that have not even been

6 As of this writing, the panel does not know whether its report will be disclosed.

7 For instance, the Bank has given IBRD borrowers discretion over the decision of whether or not to disclose their CASs, whereas low-income countries have had no choice. Moreover, unlike IDA borrowers, IBRD borrowers are not required to prepare a Poverty Reduction Strategy Paper (PRSP). IBRD borrowers have refused to have their sovereignty compromised by the process of preparing and presenting a PRSP to the IFIs' Boards for "endorsement."

8 The methodology involves finding a weighted average of the CPIA score and the portfolio performance score and multiplying the result by the "governance factor" to produce the country's IDA Performance Rating.

9 International Development Association, "IDA's Performance-Based Allocation System: Current and Emerging Issues". October 2003, p. 2. Currently, the weight of the governance factor is projected to decline relative to other factors.

10 Such interference is routine, but not usually recognized as such. For instance, the Bank's "Strategic Communications Toolkit on Privatization" (2002) instructs Bank staff about how to put together majorities in the parliaments of borrowing countries to approve Bank-supported privatization legislation.

negotiated![11] More prosperous countries have greater autonomy.

- The Bank is the wrong institution to rate performance in areas where it has a weak record and little applied knowledge (institutional development, gender equality, and labor-intensive growth). Moreover, the United Nations has a stronger mandate to work in the political arena and assess governance than does the World Bank.
- In today's world, many domestic policy decisions are strongly influenced by external factors (exogenous shocks, such as drops in commodity prices; natural disasters; erratic donor and other financial flows; and the CPIA process itself). Hence, the CPIA rating can punish governments for factors that are beyond their power to control.
- There is too little debate about the legitimacy of a rating system that encompasses such a broad range of political, social and economic performance criteria. Nor is there much debate about the implications of the system for the policy autonomy of borrowers - particularly low-income borrowers. Instead of addressing such fundamental issues, donors and creditors are competing over who has the best rating system.

F. What happens when a government flunks the CPIA?

Countries that receive low CPIA scores are usually also designated as Low-Income Countries Under Stress (LICUS). (See Appendix for countries that receive transposed scores of "D" or "F".) Donors and creditors assume responsibility for many functions of the so-called "failed" governments of LICUS countries. In 2002, donors and creditors are establishing a range of mechanisms, such as the Independent Service Authority (ISA), in each of 30 LICUS countries. These mechanisms permit donors and creditors to manage finances and contract out public services to private (including NGO and inter-governmental) providers.[12]

G. Do "good policies" (as indicated by the CPIA) foster economic growth?

Prominent World Bank economists, such as David Dollar, use CPIA statistics to prove, among other things, that governments with "good policies" (as defined by the CPIA) prosper and make good use of foreign aid and credit. This important claim is the basis for the "selectivity" policies of donors and creditors, through which donors and creditors increasingly allocate lending toward governments that have adopted "good policies." For instance, World Bank lending concentrates on three of India's 24 states that are committed to implementing private sector development.[13]

One team of independent economists, led by William Easterly,[14] has had privileged access to the mostly secret CPIA database - and was therefore able to assess the World Bank's claim that there is a correlation between "good policies" and economic growth in developing countries. However, when using an expanded CPIA data set, Easterly's team could not replicate Dollar's results, concluding instead that "foreign aid does not raise growth in a good policy environment."[15]

The World Bank's own internal evaluators issue a warning against interpreting any Bank research as finding that "good policies" as measured by the CPIA from 1977 to 2000 help explain good economic growth.[16]

II. How can the CPIA undercut sovereignty?

A. One path for all?

Many of the CPIA rating criteria imply that good government performance is achieved by hard-earned progress toward the preferred policies of the Bretton Woods institutions (e.g., complete trade liberalization; budget surpluses) rather than by tailoring policies to respond to a country's specific conditions, much less to preferences of citizens (even substantial majorities) or their elected representatives.

This World Bank rating system approximates a "one-size-fits-all" approach to policy-making for all developing and transition country borrowers. Bank-financed operations are contingent upon the government's compliance with the institution's policy prescriptions, including those that are intended to remedy its performance weaknesses, *as assessed by the CPIA*.

It is true that governments routinely transmit requests to the World Bank through instruments, such as Letters of Development Policy, that espouse commitments to certain policies. However, these letters are often drafted by the Bank itself. Even when governments themselves articulate policy commitments, they often do so in order to access loan resources, not because of domestic approval of the policies. Thus, when the Bank embeds these commitments in policy conditions with which governments are obliged to comply, it can further undercut not only democratic decision-making processes, but also the institutional ownership necessary to sustain policy implementation.

B. The CPIA and policy conditionality: at odds with country ownership?

The CPIA rating system - particularly its evaluation of the quality of a borrower's governance - may represent a new and more powerful kind of conditionality that interferes in a country's domestic affairs. Rather than reward governments for promises to adopt loan conditions, the CPIA enables the World Bank to reward those that have *already* conformed to its policy preferences. *There is absolutely no borrowing country involvement in, or ownership of the CPIA process*. Hence, when the impetus for economic reforms and debt relief agreements is traced to influential instruments, such as the CPIA, that lack any borrower ownership or involvement, the legitimacy of the reforms can be challenged.

C. The CPIA and the PRSP

The IMF and World Bank promised that a Poverty Reduction Strategy Paper (PRSP) would set forth the government's own priorities which, in turn, would guide operations financed by donors and creditors. However, the sovereignty of governments is compromised because:

- The institutions have broken this promise. In practice, the World Bank's CPIA can be more influential than the PRSP in shaping key economic policies in borrowing countries. As noted above, the World Bank will require a government to remedy weaknesses in its CPIA rating in order to qualify for more financing or debt relief. Moreover, a government's budget targets, including the budget ceiling for the priority actions identified by a PRSP, must conform to the IMF's conception of "realistic" targets.
- Donors and creditors promote CPIA priorities as they play a major role in preparation of each government's PRSP. Indeed, the influence of external actors can overshadow the influence of domestic constituencies, even parliamentarians. The process of formulating PRSPs can displace more "homegrown" policy-making processes.[17]
- CPIA-derived policy prescriptions can override the policy priorities of citizens and elected officials. Domestic constituencies are unaware of their government's CPIA ratings and the implications of those ratings for public policies.

11 The IMF and World Bank require that governments adopt procedures for establishing "transparency in procurement," when in Cancun 169 developing countries opposed opening trade negotiations on that issue. Even more outrageously, the Bank has proposed binding loan conditions that require borrowers to adopt laws calling for "national treatment" in government procurement. This means that governments would need to treat foreign providers (e.g., water, health care, education providers) the same as domestic providers in every regard, including equivalent subsidies. (See Ghana's July 2003 Poverty Reduction Support Credit.)

12 The World Bank's *World Development Report 2004* describes the role of ISAs on p. 215. Due to the special situation of LICUS countries, the World Bank is designing a new performance rating scale that will differentiate more clearly among them.

13 The Bank is working particularly closely with Karnataka, Tamil Nadu and Andra Pradesh. Although Andra Pradesh has followed Bank prescriptions for seven years, its growth rate has stagnated.

14 Until recently, Easterly was a senior economist of the World Bank.

15 Communication from W Easterly to the author, 27 February 2004.

16 As quoted in Herman, Barry, "How Should Measurements of an Enabling Environment for Development Be Used?" Discussion paper for 18th Technical Group Meeting of the Group of 24. Geneva, 8-9 March 2004.

17 When Senegal attempted an autonomous policy approach in its "10th Economic and Social Development Plan for 2002-2007", the IMF and World Bank concluded that the PRSP should supplant this homegrown plan, which they characterized as "a thing of the past".

What is the PRSP? The CAS? The MDGs?

The PRSP. The IMF and World Bank require that each low-income country prepare a Poverty Reduction Strategy Paper (PRSP) - a three-year "national development strategy" - in order to qualify for external financing and debt relief. In preparing a PRSP, governments often solicit input from a wide variety of domestic constituencies. Ostensibly, a principal purpose of the PRSP is to strengthen country ownership of its development future. However, ownership may not materialize since, among other things, donors and creditors have a major role in preparing the PRSP. Moreover, each PRSP must be endorsed by the Boards of Executive Directors of the IMF and World Bank.

The PRSP is supposed to provide a framework for external assistance, but this is not always the case. The Bank is selective about what PRSP-endorsed policies are integrated into its CAS.

The CAS. For each borrowing government, the Bank prepares a Country Assistance Strategy (CAS) which outlines prospective Bank investments over a medium-term (e.g., three-year) time horizon and stipulates which policy conditions (i.e., "performance triggers") a government is required to implement. The document is significant because it identifies which Bank-financed operations will actually be implemented on the ground in cooperation with other creditors and donors.

Years ago, Bank leadership proposed that the CAS constitute a contract between the Bank and a borrowing government. This proposal was rejected. Hence, at present, the CAS is solely owned by the Bank.

The MDGs. The Millennium Development Goals (MDGs) aim to halve the proportion of people in poverty by the year 2015. The PRSP is the "roadmap" to the MDGs. Hence, achievement of the MDGs is highly dependent upon CPIA-derived policy prescriptions which guide the implementation of operations financed by the World Bank (as articulated in its CAS) in collaboration with other donors and creditors. ■

D. The CPIA and the CAS: raising the costs of non-compliance?

In each Country Assistance Strategy (CAS), the Bank specifies the policy conditions (i.e., triggers) that the government must accomplish in order to retain or increase its access to resources. The Bank stipulates that these triggers should be derived from the CPIA performance rating. A 2003 Bank paper stated that the main policy prescriptions included in the CAS are "increasingly focused on aspects of the CPIA that are shown to be weak. The triggers can also include policy targets from the PRSP, *to the extent that they are expected to strengthen policy and institutional performance.*" [18] (Emphasis added.)

When a government fails to comply with a policy condition attached to a loan it may lose access to future installments of that loan. However, when a policy condition is contained in the World Bank's CAS for a government, non-compliance has far greater consequences. A non-compliant government may lose access to a *succession of loans* and, in some cases, the World Bank may terminate assistance to an entire sector or country and, with the IMF, suspend debt relief.

Because the Bank-owned CAS only selectively includes policy targets from the government-owned PRSP, the Bank's development plan may reflect different priorities than a government has espoused.

E. The CPIA and the MDGs

Although the PRSP is supposed to be the "roadmap" for achievement of the Millennium Development Goals, the influence of the CPIA over the PRSP underscores the lack of ownership that governments have over their own development future. Moreover, the achievement of MDGs significantly depends upon whether the neoliberal policy preferences embedded in the CPIA can help overcome poverty and deprivation. There is more evidence to rebut this claim than to support it.[19] Accordingly, it is legitimate to ask: Who is responsible for achieving the MDGs? *Governments*, which may need to adopt CPIA-derived policies in order to maintain their financial lifeline to donors and creditors? Or, *the donors and creditors* that drive the development process "from behind"?

F. The CPIA and debt relief for low-income countries.

It appears likely that the calculation of a government's debt distress and debt relief will no longer hinge primarily on its ratio of debt to exports, as is currently the case. Instead, it is likely to be calculated on the basis of a government's debt burdens; the quality of its policies and institutions, as measured by the CPIA; and shocks.[20]

III. Conclusion

Donors and creditors dominate the policy-making of low-income countries more than ever before. The CPIA represents a policy straightjacket. No matter what a country's own development strategy (or PRSP) says, a country is likely to adhere to CPIA-derived policy prescriptions if it expects to retain external support. Governments are in a double bind if citizens and elected officials choose a path other than that specified by CPIA-derived priorities. Because of instruments like the CPIA, country "ownership" of the development process can be a mirage.[21]

The CPIA rating system undercuts democracy in borrowing countries by constraining the policy choices available to citizens and their elected officials. If donors and other multilateral creditors adopt the CPIA rating system, then a policy cartel wielding most aid, credit, and debt relief will have an even more profound consequence for democracy and development.

The CPIA straightjacket is one indicator of the increasingly ideological approach to policy-making. Harvard Professor Dani Rodrik concludes that, "The broader the sway of market discipline, the narrower will be the space for democratic governance… International economic rules must incorporate 'opt-out' or exit clauses [that] allow democracies to reassert their priorities when these priorities clash with obligations to international economic institutions. These must be viewed not as 'derogations' or violations of the rules, but as a generic part of sustainable international economic arrangements."[22] Occasionally, such exits from obligations are possible for large borrowers from the IMF and World Bank, but the institutions discriminate against low-income countries.

The Rodrik approach is minimalist insofar as it would allow governments to opt out of commitments which they made, freely or under duress, to the IMF and World Bank. However, the ideal - so often proclaimed and so little practiced - would invite governments and their citizens to authorship as well as ownership of their national strategies.

To put these heretical ideas into perspective, one might reasonably ask what kind of CPIA rating *industrialized* country governments might receive? Developing country governments are not given the same flexibility that their wealthier counterparts claim for themselves when determining whether or when to liberalize, privatize or exercise greater budgetary discipline. For instance, if the United States and the European Union were subject to CPIA review, their current fiscal policies would result in austerity measures that are politically unimaginable. From blatant protectionism to market distorting subsidies and ballooning deficits, everyday policies of the governments that control the IMF and World Bank reveal a shocking double standard that makes a mockery of national sovereignty for most of the world's countries. ■

18 World Bank, "Country Assistance Strategies: Retrospective and Future Directions". 14 March 2003, p. 49.

19 Importantly, Weisbrot and Baker find that growth rates in every region were higher in the period 1960-1980, before the introduction of structural adjustment, than in the period 1980-1997. Similarly, Easterly finds an inverse correlation between the number of adjustment loans made per year and developing country growth rates. See also King, Lawrence P. *The Emperor Exposed: Neoliberal Theory and De-Modernization in Post Communist Society*. Yale University, 2002.

20 See Kraay, Aart and Vikram Nehru, "When is External Debt Sustainable," World Bank Working Paper. 28 January 2004.

21 The exceptions would be countries that are large or do not depend heavily on external financing, and can take an independent stand. Such countries, like China, often borrow significant sums from the IFIs but lack crippling debt burdens.

22 Rodrik, Dani. "Four Simple Principles for Democratic Governance of Globalization". Harvard University, May 2001. www.demglob.de/rodrikpaper.html

Appendix:

I. Country performance ratings for 2003

For each policy cluster in the Country Policy and Institutional Assessment (CPIA), the Bank applies numerical performance ratings from 1 (low) to 6 (high). The charts in this paper convert these numbers to five "letter" grades (A,B,C,D and F). The reason for presenting the data this way is that the Bank itself places each government in one of five quintiles, based upon the quality of its performance in each area. Quintiles display the performance of governments *relative* to one another, whereas the real, undisclosed data present nominal scores. The following tables present the World Bank's aggregated performance ratings of *low-income* borrowing governments relative to one another. (All ratings for other World Bank's borrowers are secret.) While the letter grades and the quintiles from which they are derived are not exact representations of the numeric scores, they are still highly indicative.

To produce each country's overall performance rating, the Bank applies a heavily-weighted "governance factor" to the weighted average of the CPIA score (which counts for 80% of the overall rating) plus the government's portfolio performance score (which counts for 20%). In other words, in order to obtain the IDA country rating, the Bank applies the (absolute) rating of the "governance factor" in column "A" to the averaged (absolute) ratings in columns "B" and "C."[23]

23 Some countries have not been rated and do not appear in any of the tables below, e.g., Afghanistan, Liberia, Myanmar, Somalia, Timor-Leste. An entry of "N/R" indicates that the country was not rated in that category.

Country Performance Ratings for 2003

	IDA Country Rating	A Governance	B Overall CPIA Rating	1 Economic Management	2 Structural Policies	3 Social Inclusion	4 Public Sector	C Portfolio Performance
Europe/Central Asia								
Albania	C	C	C	C	B	C	D	B
Armenia	A	B	A	A	A	B	B	A
Azerbaijan	B	B	B	A	C	D	C	A
Bosnia & Herzegovina	B	B	B	B	B	C	C	B
Georgia	D	D	C	D	D	B	F	C
Kyrgyzstan	C	C	C	C	D	B	D	C
Moldova	C	C	C	D	C	C	D	C
Serbia & Montenegro	B	B	C	C	C	A	C	D
Tajikistan	D	D	D	D	F	D	F	B
Uzbekistan	F	F	F	F	F	C	F	C
Latin America and the Caribbean								
Bolivia	C	D	B	C	B	B	B	D
Dominica	B	B	C	F	A	B	B	C
Grenada	A	A	A	B	A	A	A	C
Guyana	B	C	C	C	C	D	C	A
Haiti	F	F	F	F	F	F	F	N/R
Honduras	B	B	A	C	A	A	B	D
Nicaragua	B	B	A	C	A	A	A	F
St. Lucia	A	A	A	A	A	A	A	B
St. Vincent & the Grenadines	A	A	A	A	A	A	A	F
Africa								
Angola	F	F	F	F	F	F	F	C
Benin	A	A	B	B	A	F	B	A
Burkina Faso	B	B	B	A	C	B	A	D
Burundi	D	D	F	D	F	F	F	A
Cameroon	C	D	C	B	B	D	D	D
Cape Verde	A	A	A	B	A	A	A	A
Central African Republic	F	F	F	F	D	F	F	F
Chad	D	D	D	C	D	D	D	F
Comoros	F	F	F	F	F	F	F	D
Congo, Dem. Rep.	D	D	D	D	F	F	F	C
Congo, Rep.	D	D	D	D	D	F	D	C
Côte d'Ivoire	D	D	D	F	C	F	C	F

Country Performance Ratings for 2003

	IDA Country Rating	A Governance	B Overall CPIA Rating	1 Economic Management	2 Structural Policies	3 Social Inclusion	4 Public Sector	C Portfolio Performance
Djibouti	D	D	D	D	C	D	D	D
Eritrea	D	D	D	F	F	B	C	C
Ethiopia	C	B	C	C	F	C	B	C
Gambia	C	C	D	D	C	D	D	D
Ghana	A	A	B	C	B	B	A	D
Guinea	D	D	D	F	D	D	D	D
Guinea-Bissau	F	D	F	F	F	F	F	F
Kenya	C	C	C	C	C	C	B	F
Lesotho	C	C	C	B	C	D	B	F
Madagascar	A	A	B	B	B	B	B	A
Malawi	B	B	C	D	C	B	B	C
Mali	B	C	B	A	C	C	B	C
Mauritania	A	A	A	A	B	B	A	A
Mozambique	B	B	C	C	D	C	C	C
Niger	D	D	D	C	D	D	D	D
Nigeria	F	F	F	F	F	F	F	F
Rwanda	B	A	B	C	B	C	B	C
Sao Tome & Principe	D	C	F	F	F	F	D	B
Senegal	B	B	A	A	A	C	B	C
Sierra Leone	D	C	D	D	D	D	D	D
Sudan	F	F	F	F	F	F	F	N/R
Tanzania	A	A	A	A	B	A	A	C
Togo	F	F	F	F	D	F	F	F
Uganda	A	A	A	A	A	A	B	B
Zambia	C	C	C	D	B	C	B	C
Zimbabwe	F	F	F	F	F	F	F	F
South Asia/East Asia/ the Pacific								
Bangladesh	C	D	B	A	B	B	D	F
Bhutan	A	A	A	A	C	A	A	A
Cambodia	F	F	D	C	F	D	F	F
India	A	A	A	A	B	B	A	C
Indonesia	C	D	B	B	B	B	C	D
Kiribati	D	C	D	B	F	F	C	N/R
Lao PDR	D	F	F	D	F	D	F	A
Maldives	C	C	A	B	A	B	A	F
Mongolia	C	C	C	C	C	C	C	C
Nepal	B	B	B	A	B	D	B	D
Pakistan	B	C	B	B	A	C	A	C
Papua New Guinea	F	F	F	F	D	F	F	N/R
Samoa	A	B	A	A	A	C	A	B
Sri Lanka	A	A	A	A	A	A	A	F
Solomon Islands	F	F	F	F	F	F	F	F
Tonga	F	F	D	D	F	C	D	C
Vanuatu	F	F	D	D	F	F	C	N/R
Viet Nam	C	D	A	A	D	A	C	C
Middle East/North Africa								
Yemen	B	C	B	A	D	C	C	C

II. Rating criteria

The Bank rates each low-income country government on twenty criteria using a numerical scale (from 1 to 6). The 2002 version of these criteria is summarized as follows. Few changes have been made in the 2003 version.[24]

A. Economic management

- **Management of inflation and current account.** Countries with the highest rating (6) have not needed a stabilization program for three years or more. Countries with the lowest rating (1) have needed, but have not had, an acceptable program for three years or more.
- **Fiscal Policy.** Countries with high ratings have fiscal policies consistent with overall macroeconomic conditions and generate a fiscal balance that can be financed sustainably for the foreseeable future, including by aid flows where applicable.
- **Management of external debt.** Ratings take into account the existence and amount of any arrears; whether and how long the country has been current on debt service; the maturity structure of the debt; likelihood of rescheduling, and future debt service obligations in relation to export prospects and reserves.
- **Management and sustainability of the development program.** Degree to which the management of the economy and the development program reflect: technical competence; sustained political commitment and public support and participatory processes through which the public can influence decisions.

B. Structural policies

- **Trade policy and foreign exchange regime.** How well the policy framework fosters trade and capital movements. Countries with a high grade have low (10% or less) average tariffs (weighted by global trade flows) with low dispersion and insignificant or no quantitative restrictions or export taxes. There are no trading monopolies. Indirect taxes (e.g. sales, excise or surcharges) do not discriminate against imports. The customs administration is efficient and rule-bound. There are few, if any, foreign exchange restrictions on long-term investment capital inflows.
- **Financial stability and depth.** This item assesses whether the structure of the financial sector, and the policies and regulations that affect it, support diversified financial services and present a minimal risk of systemic failure. Countries with a low rating have high barriers to entry and banks' total capital to assets ratio less than 8%. Countries with high scores have diversified and competitive financial sectors that include insurance, equity and debt finance and non-bank savings institutions. An independent agency or agencies effectively regulate banks and non-banks on the basis of prudential norms. Corporate governance laws ensure the protection of minority shareholders.
- **Banking sector efficiency and resource mobilization.** This item assesses the extent to which the policies and regulations affecting financial institutions help to mobilize savings and provide for efficient financial intermediation. Countries with high scores have real, market-determined interest rates on loans. Real interest rates on deposits are significantly positive. The spread between deposit and lending rates is reasonable. There is an insignificant share of directed credit in relation to total credit. Credit flows to the private sector exceed credit flows to the government.
- **Competitive environment for the private sector.** This item assesses whether the state inhibits a competitive private sector, either through direct regulation or by reserving significant economic activities for state-controlled entities. It does not assess the degree of state ownership per se, but rather the degree to which it may restrict market competition. Ideally, firms have equal access to entry and exit in all products and sectors.
- **Factor and product markets.** This item addresses the policies that affect the efficiency of markets for land, labor and goods. Countries with high scores limit any controls or subsidies on prices, wages, land or labor. Remaining controls are consistently applied and explicitly justified on welfare or efficiency grounds.
- **Policies and institutions for environmental sustainability.** This item assesses the extent to which economic and environmental policies foster the protection and sustainable use of natural resources (soil, water, forests, etc.), the control of pollution, and the capture and investment of resource rents.

C. Policies for social inclusion and equity

- **Gender.** This item assesses the extent to which the country has created laws, policies, practices and institutions that promote the equal access of males and females to social, economic and political resources and opportunities.
- **Equity of public resource use.** This item assesses the extent to which the overall development strategy and the pattern of public expenditures and revenues favor the poor.
- **Building human resources.** This item assesses the policies and institutions that affect access to and quality of education, training, literacy, health, AIDS prevention, nutrition and related aspects of a country's human resource development.
- **Social protection and labor.** Government policies reduce the risk of becoming poor and support the coping strategies of poor people. Safety nets are needed to protect the chronically poor and the vulnerable. The needs of both groups are important, but in countries where the chronically poor remain inadequately protected, an unsatisfactory score (2 or 3) is warranted.
- **Poverty monitoring and analysis.** This item assesses both the quality of poverty data and its use in formulating policies.

D. Public sector management and institutions

- **Property rights and rule-based governance.** Countries with high scores have a rule-based governance structure. Contracts are enforced. Laws and regulations affecting businesses and individuals are consistently applied and not subject to negotiation.
- **Quality of budgetary and financial management.** This item assesses the quality of processes used to shape the budget and account for public expenditures. It also addresses the extent to which the public, through the legislature, participates in the budget and audit processes. Ratings should cover both national and sub-national governments, appropriately weighted.
- **Efficiency of revenue mobilization.** This item evaluates the overall pattern of revenue mobilization, not only the tax structure as it exists on paper, but revenues from all sources, as they are actually collected. Countries with high scores generate the bulk of revenues from low-distortion taxes such as sales/VAT, property, etc. Top corporate and personal tax rates are in line with international levels. The base for major taxes is broad and free of arbitrary exemptions. Tax administration is effective, cost efficient and entirely rule-based.
- **Efficiency of public expenditures.** This item assesses the extent to which the desired results of public programs are clearly defined and the available resources are used efficiently to achieve them. National and sub-national governments should be appropriately weighted. Countries with high scores specify the expected results of public programs. Performance is reported and influences budget allocations. Public servants' compensation is adequate (e.g. at least 75% of comparable private sector compensation) and their hiring and promotion are competence-based. Line agencies have flexibility to make operational decisions and are accountable for results and adhering to budget.
- **Transparency. Accountability and corruption in the public sector**. In countries with high scores the reasons for decisions and their results and costs are clear and communicated to the general public. Accountability for decisions is ensured through audits, inspections, etc. Conflict of interest regulations for public servants are enforced. Authorities monitor the prevalence of corruption and implement sanctions in a transparent manner.

24 Recent changes in the allocation system can be reviewed at: www.worldbank.org/ida