



**IDA13**

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**ENHANCING IDA'S PERFORMANCE-BASED  
ALLOCATION SYSTEM**

**International Development Association  
September 2001**

## **Acronyms and Abbreviations**

ARPP	Annual Review of Portfolio Performance
CAS	Country Assistance Strategy
CPIA	Country Policy and Institutional Assessment
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
JSA	Joint Staff Assessment
LSR	Lending Strategy Review
OED	Operations Evaluation Department
PBA	Performance-Based Allocation System
PCPA	Per Capita Per Annum
PR	IDA Country Performance Rating
PRSP	Poverty Reduction Strategy Paper
SDR	Special Drawing Right

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# ENHANCING IDA'S PERFORMANCE-BASED ALLOCATION SYSTEM

## Introduction

1. There is growing consensus in the development community that the quality of a country's policies and institutions is critical for its chances to achieve economic growth and poverty reduction. Accordingly IDA has developed a system that aims to allocate its scarce resources where the policy and institutional environment is most conducive for sustainable, broad-based, labor-intensive growth.

2. In order to gauge the country environment IDA assesses every year the quality of its borrowing countries' policies and institutions (CPIA) as well as its portfolio of projects under implementation (Annual Review of Portfolio Performance - ARPP) in each of the countries. The results are summarized in IDA's country performance rating which gives the CPIA outcome a weight of 80% and that of the ARPP 20%. During IDA12 the rating also reflected a "governance discount" in countries where governance was found to be particularly weak.

3. The IDA country performance rating forms the basis for IDA's funding allocations in accordance with a formula that also takes into account the country's population and, to a more limited extent, the country's poverty in terms of its per capita income. Other factors also play a role in the allocation of funds, taking into account operational issues and donor concerns. The main such component is lending to four large blend countries, where the IDA allocation is "capped" in view of their access to IBRD funds and hence not responsive to higher levels of performance. Also, in the case of certain countries that are recovering from severe conflict or natural disaster IDA funds are allocated taking into account emerging needs, which may require larger allocations for a limited period of time. Notwithstanding these exceptions, IDA's funds are predominantly allocated according to performance. The funding allocations determine the base case lending scenarios in IDA's Country Assistance Strategy (CAS). The policy steps ("triggers") that guide the base and high case lending scenarios are selected mindful of the key weaknesses that have been identified in the country's CPIA results<sup>1</sup>.

4. All elements of IDA's Performance-Based Allocation system (PBA), including the allocation formula and the additional allocation considerations, continue to be rigorously analyzed in light of:

- new research findings;
- practical lessons learnt in the PBA application;
- new insights from the dialogue with development partners; and
- the recent IDA Review by the Operations Evaluation Department (OED)<sup>2</sup>.

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<sup>1</sup> IDA's current country assessment and allocation system is described in more detail in the IDA13 Paper *Linking IDA Support to Country Performance-Recent Experience and Emerging Issues*, January 30, 2001.

<sup>2</sup> [Annex A](#) presents the OED recommendations and the actions to address them.

As a result enhancements continue to be made in all PBA components: (i) CPIA; (ii) ARPP; (iii) governance adjustment; (iv) allocation formula; and (v) the link between the performance rating and ensuing allocation within the CAS. This paper aims to provide Deputies with an overview of the ongoing work on these PBA components and specifically the changes envisaged for the IDA13 period.

## 1. Enhancing the IDA Country Performance Assessment

### CPIA

5. At regular intervals the CPIA undergoes a systematic review to make sure that it incorporates the latest insights in the rapidly evolving field of policy assessment. A working group from across the Bank was assembled earlier this year to revisit the CPIA in preparation for the 2001 country assessment exercise<sup>3</sup>. This included a careful review of the CPIA questionnaire. While the number of criteria and balance between the clusters was left unchanged (see Annex B), a number of enhancements were initiated:

- the criteria were simplified by reducing the number of sub-components; where several sub-components remain, explicit guidance is provided regarding their relative weights;
- a particular effort was made to strengthen the coverage of fiduciary issues, especially public expenditure as well as financial management practices. Public expenditure reviews are expected to identify cases where nonproductive expenditures crowd out development expenditures. This issue is also expected to be captured by criterion #12, *Equity of Public Resources Use*;
- definitions of all rating levels have been provided, and care has been given to make the ratings development-neutral – i.e. they have been defined in a way that they can be attained by a country if it takes the right policy measures, independently of its stage of development;
- special care was given to make sure that the standards for a high score were not unrealistic. By eliminating undue hurdles to reaching a high score, the currently limited dispersion of the overall CPIA ratings is expected to increase;
- further steps have been taken to strengthen the alignment of the CPIA and the country's PRSP process, in terms of the orientation of public spending (criterion #12) and the participation of stakeholders (criterion #4);
- an effort was made to define rating levels across the criteria in such a way that they require similar improvements in country performance;

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<sup>3</sup> For a detailed summary, see *Status Report of the World Bank Working Group on CPIA 2001*, May 17, 2001.

- starting with the CPIA 2001 exercise, the country teams will be required to provide a written justification for each criterion of the proposed country rating; and
- country directors have initiated with their clients discussions of the IDA country performance ratings and their implications for IDA allocations<sup>4</sup>, thus enhancing the transparency of the system and the policy and program dialogue with the borrowing country.

## **ARPP**

6. As mentioned above, countries' IDA portfolio performance (as measured by the ARPP) is given a 20% weight in the IDA country performance rating, with the CPIA assuming an 80% weight<sup>5</sup>. The ARPP's effective weight, however, has been somewhat higher since its variance has tended to be greater than that of the CPIA. This was in part due to an unwarranted bias towards higher scores when failing projects were closed or portfolios were too young for project difficulties to surface. To overcome these issues, a process has been instituted whereby the portfolio ratings will be vetted by the institutional quality council (consisting of regional quality representatives) in order to ensure that the project implementation rating for each country is appropriate.

7. One ARPP criterion that plays a special role as one of the governance indicators in the Performance-Based Allocation (PBA) process concerns the procurement process. Historically, this criterion has looked at the *timeliness* of the procurement process, i.e., whether the project implementation was subject to undue procurement delays. It was thought that for PBA purposes it would be better to focus this criterion on the *quality* of the procurement process. Thus two new criteria are being piloted that measure the degree of compliance with procurement policies and the quality and reliability of procurement administration. At the same time, a procurement post review monitoring system has been established separately to monitor compliance with post review requirements. Upon evaluating the experience with the pilot, it may be decided to rely on the results of the latter process if the monitoring system proves effective in measuring compliance with procurement policies.

## **2. Enhancing the Allocation System**

### **Focus on Governance**

8. Good governance is being increasingly recognized as a keystone to effective development. A country's quality of governance can be seen as a proxy for its ability to effectively use additional funding, or absorptive capacity. The IDA12 discussions focused on

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<sup>4</sup> *World Bank Disclosure Policy Review- Revised Discussion Draft, July 27, 2001*, para 45-46.

<sup>5</sup> At the time of IDA12, the weight of the portfolio implementation experience was increased from 7 to 20%, in recognition of its relevance to the aim of allocating IDA funds where they may be expected to be used most effectively.

the sharply reduced absorptive capacity of a number of countries in which a minimal level of governance was lacking.

9. In response to Deputies' suggestions, a governance discount on the overall rating was introduced in IDA12. It is based on the country's performance with respect to seven governance criteria: six are part of the CPIA<sup>6</sup>, one part of the ARPP and concerns the procurement process. The criteria are rated on a scale from 1 (low) to 6 (high). If three or more of these seven governance criteria are rated 2.0 or lower, a governance discount of one third is applied to the country's overall IDA Performance Rating. Since the allocation formula more or less squares the performance rating, the allocation impact of the discount is even greater, reducing the country allocation by some 50%.

10. At the time of the IDA replenishment meeting in Paris Deputies expressed satisfaction that the governance discount mechanism had achieved a number of objectives: (i) signaling concerns about weak governance; (ii) making governance a key focus of country dialogue and policy reform; and (iii) sharply reducing the allocation of funds in cases of weak governance, where there was a significant risk that IDA resources would not be effectively used. As a result the ratio of average per capita allocations to countries in the top and bottom quintile was nearly doubled, from 2.3 when the original rating is used, to 4.2 when the governance discount is applied.

11. At the same time, a number of Deputies saw some drawbacks in the governance discount mechanism. First, the focus on weak governance seemed to give the mechanism a punitive slant. Second, in the case of a country with a rating close to the level that would trigger the governance discount, a small deterioration, e.g., a drop in one criterion from 2.5 to 2.0 could result in a halving of its allocation. Since the governance indicators still inevitably involve judgment, the basis for such a large change in allocation could be questioned, and rating distortions could be difficult to control.

12. In response to these views expressed in Paris a broad range of alternative mechanisms was explored, that would incorporate one or more of the following features: (i) provide as strong a signal effect regarding the importance of governance as the governance discount; (ii) apply this signal to countries at all levels of governance performance; and (iii) avoid the "discontinuity" effect at a particular level of governance. For illustration purposes, the 2000 IDA allocation exercise figures have been used to simulate the effect of the options on the allocations to each of the performance quintiles.

13. One option aims to address an additional concern expressed by some Deputies - that the governance discount was not affecting all countries with weak governance. It was thus suggested to cast the net wider, while at the same time making the discount somewhat less harsh. In this *modified governance discount* option a discount of 1/4 rather than 1/3 would apply if at least three of the seven governance criteria were rated 2.5 or less (instead of 2.0 or less). Chart 1 below presents the simulated impact on the per capita per annum allocations for the quintiles if this option had applied in 2000. It shows that the lower discount would result in somewhat higher allocations to the lowest quintile (resulting a reduction in the ratio of allocations to the top

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<sup>6</sup> Criteria # 4, 16-20, see Annex B.

and bottom quintiles from 4.2 to 3.7). At the same time, the discount taking effect at a higher governance score would result in a reduced allocation to the second lowest quintile.

14. Two other alternatives were identified that appear to merit further consideration. The first is the *bipolar* option. It is symmetrical in that it includes, in addition to a discount for countries with weak governance, a premium for countries with good governance. The premium would increase the rating by one third for countries where at least three of the seven governance variables scored 5.0 or higher. Chart 1 shows little actual impact on the top quintile, since in 2000 very few countries would have qualified for the premium<sup>7</sup>. This may change over time, since, as the 5.0 rating has been defined in a more realistic manner, high ratings should become less rare. The potential premium would provide a special incentive towards good governance. The bipolar option does not, however, resolve the problem that very small rating changes can result in very large allocation changes. In fact, this “discontinuity” problem now appears in two places: at the lower end and higher end of the governance performance ratings. Moreover it does not provide an incentive towards good governance to countries in the middle three quintiles where the majority of countries find themselves.

15. A second option involves using a *governance factor* which is derived from a country’s average rating for the seven governance criteria, by dividing this by 3.5 (the mid point of the range), and applying an exponential of 1.5 to this ratio:

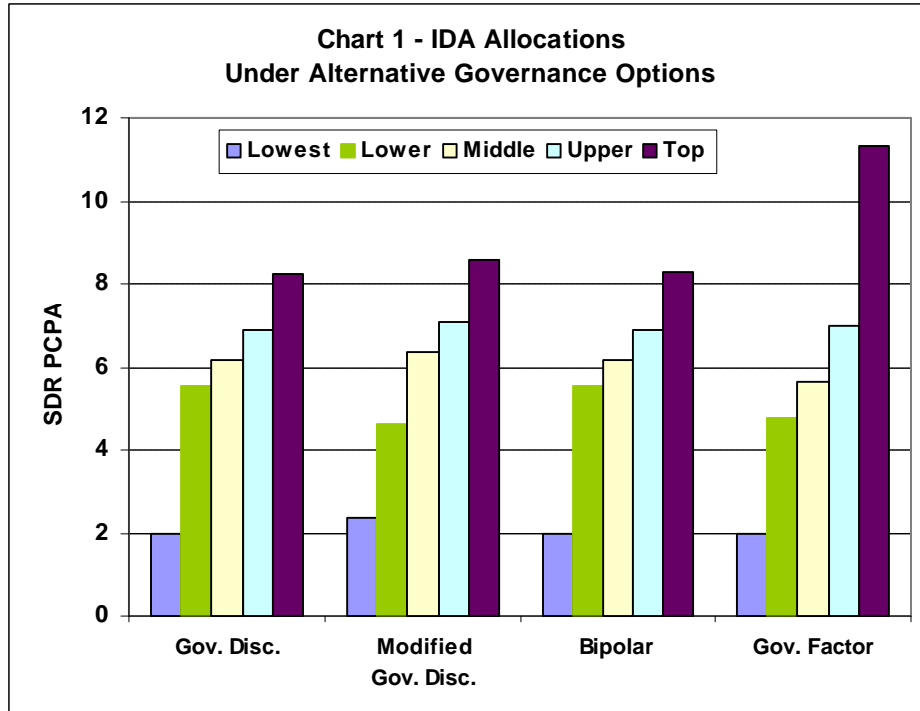
$$\text{governance factor} = (\text{governance rating} / 3.5)^{1.5}$$

The overall rating is multiplied by this factor, resulting in an increase or decrease of the rating, depending on the degree to which the country’s governance rating is satisfactory (above 3.5) or unsatisfactory (below 3.5). Unlike the two governance discount options or the bipolar option, this approach affects the rating – and thus allocation – for *all* IDA countries, providing an extra incentive for improving governance at whatever level of governance the country finds itself. In particular, it includes an incentive to improve governance in the middle of the rating range where the majority of the countries find themselves. Its application to the ratings of these countries will also mitigate the tendency towards bunching around the middle rating. Given the continuous nature of this approach, it avoids the discontinuity problem that is inherent to the governance discount and bipolar options. And like the bipolar approach, it avoids an exclusive focus on weak governance. Using the figures of IDA’s 2000 allocation exercise, the quintiles’ average allocations (per capita per annum) are summarized for each of the options in Chart 1 below<sup>8</sup>. It shows that the governance factor option results in a similarly reduced allocation to the bottom quintile, while substantially increasing the allocation to the top quintile and moderately increasing that of the upper quintile. As a result the allocation dispersion would be increased, with the ratio of the top to bottom quintiles rising from 4.2 with the governance discount to 5.8.

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<sup>7</sup> An alternative simulation that used the 4.0 level to activate the premium resulted in many countries in the top quintile qualifying for the premium, so the impact on the top quintile’s average allocation was somewhat excessive.

<sup>8</sup> The quintile groupings vary little with the four alternative approaches of stressing governance. Thus the variations in average allocations to each of the quintiles largely reflect the rating/allocation impact of these alternative approaches.



16. In conclusion, it appears that the governance factor could be a promising alternative to the governance discount approach. It is similarly effective in signaling the concern about weak governance – reducing the allocation sharply and thereby addressing fiduciary concerns - but provides in addition an incentive for improved governance at all levels of performance. Moreover, it increases the differentiation of allocation across the board, substantially raising the allocation ratio between the top and the bottom quintile, while at the same time avoiding rating discontinuities. The table below provides an overview of the comparative strengths and weaknesses of the various options.

Alternative Options to the Governance Discount Approach				
	Governance Discount	Moderated Gov. Disc.	Bipolar	Governance Factor
Signaling and fiduciary effect of sharply lower allocation in case of weak governance	✓	✓	✓	✓
Signaling effect of sharply higher allocation in case of strong governance			✓	✓
Good governance incentive across the board				✓
Discontinuity avoided				✓
Increased dispersion				✓

## **Simplifying the Allocation Formula**

17. The IDA12 allocation formula applied an exponent of 1.75 for performance ratings below 3.0 (moderately unsatisfactory) and an exponent of 2.0 for performance ratings above 3.0. This was intended to further increase the difference between the allocations to countries with unsatisfactory performance as compared to those that performed better. This break in the formula did however create a discontinuity in the relationship between performance and allocation which could cause rating distortions: an improvement of just 3% in performance from 2.9 to 3.0 (that normally would result in an about 6% higher allocation) would result in an over 40% increase in allocation.

18. Since improvements have been made in the CPIA which should increase the dispersion of the performance ratings and thus the allocations, this may provide the opportunity to eliminate the break in the formula. This would also help create a tighter relationship between a country's performance rating and CAS lending scenarios. Thus it is proposed to use the exponential of 2 throughout the range of the IDA country performance rating (PR):

$$\text{Allocation/Cap.} = f [ \text{PR}^{2.0}, \text{GNP/Cap.}^{-0.125} ]$$

19. The question has been raised as to whether weighing a country's poverty at 1/16<sup>th</sup> that of performance may not be too low (during IDA9 and IDA10 it was at 1/8<sup>th</sup>). In view of the increasingly strong evidence supporting policy performance as the basis for steering aid flows towards their most effective use for poverty reduction, it is proposed that for IDA13 the weight not be shifted.

## **Handling Blend Countries, Post-Conflict Situations and Natural Disasters**

20. As described above, the allocation formula uses the IDA country performance rating as the primary determinant of the country's allocation norm, which normally becomes the country's three year base case allocation. A number of other factors have been identified by IDA Deputies as potentially meriting special consideration. They concern countries that fall in one of three categories: (i) blend countries; (ii) eligible post-conflict countries; and (iii) countries that have suffered from major natural disasters.

21. The rationale for amending the allocation norm is different in each case. In the case of *blend* countries the allocation is capped at below the IDA-only norm in view of the country's access (or potential access) to market-based funding<sup>9</sup>. Over the past year, the average allocation of the four large blends – India, Indonesia, Nigeria, and Pakistan - was just below SDR1 per capita per annum. It has been generally agreed that *post-conflict* countries need to be assessed by a set of criteria that take into account their special circumstances. Under appropriate conditions, they may be allocated, for a limited period, amounts higher than those that would result from their regular CPIA assessment. To systematically assess whether such conditions

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<sup>9</sup> IBRD's policies and lending to blend countries, including the possibility of hardening IDA terms to those countries, are dealt with in a paper entitled *Issues related to IBRD Lending to Blend Countries* which has been prepared for discussion at the October replenishment meeting.

exist a special methodology has been developed<sup>10</sup>. During the 2000 allocation exercise this methodology was tried out on a pilot basis. At that time five countries were found to be eligible (Bosnia-Herzegovina, Congo Republic, Eritrea, Guinea Bissau, and Sierra Leone), resulting in allocations that averaged about SDR13 per capita per annum. Allocations may be likewise temporarily increased beyond the norm in the case of countries that have suffered severe *natural disasters*. Honduras and Nicaragua after hurricane Mitch are recent examples where allocations were temporarily increased over the SDR10 per capita per annum level<sup>11</sup>.

22. Moreover the allocation methodology provides an additional benefit to small states. All countries receive an allocation of SDR3 million in addition to the formula-based amount, since a minimum level of funding is seen to be needed for an effective intervention. This factor obviously is especially significant in smaller countries, which as a result receive higher per capita per annum allocations, typically in excess of SDR10.

23. Chart 2 presents a scatter diagram of the allocations to the 45 IDA countries which during the LSR 2000 exercise were receiving regular allocations<sup>12</sup>. It shows for the normal country cases a clear exponential relationship between the countries' performance ratings and their IDA allocations. Still, there remains some dispersion around this curve. Some regional factors come into play here. They include higher allocation to the Europe and Central Asia (ECA) economies in transition - this special consideration is gradually being phased out. The continuing severe needs of the Africa region (reflected in the IDA12 'target' of 50% for Africa) have also tended to put upward pressure on its allocation<sup>13</sup>. Notwithstanding these regional factors, the correlation between performance and allocations for these 45 countries is high, with a correlation coefficient of 0.85. If the countries that are provided allocations under the exceptions spelled out in paras 20-22 above are included in the calculation, then the correlation coefficient weakens considerably, in part because it weighs all countries equally (whether they be small islands or large countries).

24. In last year's exercise a large majority of funds - about 75% - was allocated on the basis of performance. In addition, some 22% was allocated to the capped blend countries, while about 2% was allocated to eligible post-conflict countries and 1% to small states.

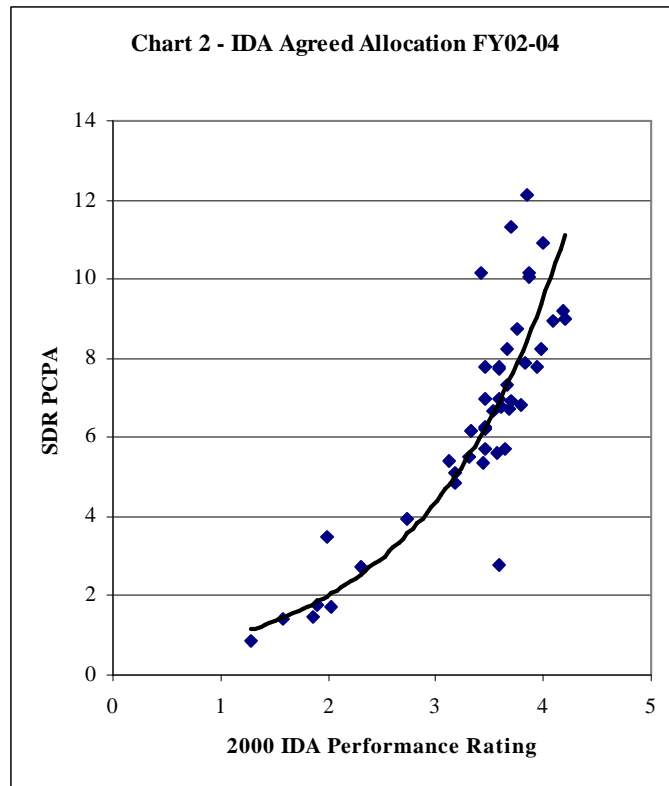
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<sup>10</sup> See the paper prepared for the Addis Ababa replenishment meeting *Adapting IDA's Performance-Based Allocations to Post-Conflict Countries*, May 2001. An update on this topic will be included as an annex to the IDA13 report. It summarizes the guidelines for adapting the PBA process to eligible post-conflict countries, amended in light of the comments made at the Addis meeting.

<sup>11</sup> During LSR 2000 the allocation increase to Honduras and Nicaragua in the aftermath of Hurricane Mitch was limited since FY02 was the last year for which they were eligible for a special allocation.

<sup>12</sup> Countries excluded are: (i) 4 large blends; (ii) 5 eligible post-conflict countries; and (iii) 17 countries with a population of less than 1.5 million.

<sup>13</sup> At the time of the 2000 allocation exercise Management's strategy to increase IDA's effectiveness in Africa involved a particular focus on ten well performing countries, which increased the region's allocation by nearly one tenth.



### **Strengthening the Link between Performance-based Allocations and CAS/PRSP**

25. As the country's Poverty Reduction Strategy Paper (PRSP) becomes a full-fledged strategic document, the Country Assistance Strategy (CAS) will become IDA's business plan in support of the poverty reduction strategy. Thus the CAS will continue to play a central role guiding IDA's operations. Steps are under way to further tighten the link between the CPIA/ARPP and the PBA process on the one hand, and the CAS and PRSP on the other.

26. Barring the specific exceptions discussed above, the CAS base case three-year lending envelope is expected to reflect the most recent performance-based allocation norm. If there is a significant deviation from the norm, then this should be explained in the CAS. In addition to the base case, the CAS will show a high and low case lending scenario. The low case will become operative if the base case triggers have not been met. More ambitious, but realistic, triggers should rule the high case. The CAS triggers should be selected mindful of key weaknesses identified in the CPIA. They can also include policy implementation targets set forth in the PRSP, to the extent that they would be expected to significantly strengthen the country's policy and institutional performance. As for the size of the high case envelope, this will be guided by the implied potential for improvement in the CPIA. Experience shows that within the three-year CAS period it is difficult for a country to improve its overall rating by more than 15% (e.g., from 3.5-4.0). Thus one would not expect the high case scenario to exceed the base case by more than

about 30%<sup>14</sup>. On occasion, economic or political developments or major natural disasters will make a country's CAS trigger scenario irrelevant. In that case a new CAS will be produced before the end of the original CAS period.

27. IDA's annual allocations are made for a three year period. IDA country teams have certain discretion to front- or back-load the three-year allocation in line with country programming needs. Such variations in commitment are taken into account when determining the country allocations during the next two years. The subsequent year's three-year envelope will be based on the updated CPIA and ARPP, which should also reflect the extent to which the CAS triggers will have been met. In view of the possibility of a worsening performance (and an accordingly reduced subsequent three-year allocation envelope), frontloading will normally be expected not to exceed two-thirds of the three year envelope.

### 3. Conclusion

28. This paper summarizes a number of enhancements that are under way in the two key building blocks of IDA's country performance rating: the CPIA and the ARPP. It is expected that these changes will produce more accurate, differentiated, CPIA ratings and, at the same time, less volatile ARPP ratings. As a result, it is expected that the dispersion of the CPIA and ARPP ratings will become more similar, and therefore the effective weights of the CPIA and ARPP will be closer to the intended levels of 80% and 20%, respectively. The actual results will be reported in the forthcoming annual reports on the Performance Based Allocation system.

29. Deputies may wish to consider in particular the following Management recommendations concerning IDA's performance-based allocation system:

- (i) to replace the governance discount mechanism by that of the governance factor. The latter would similarly signal the importance of governance, while at the same time providing incentives towards good governance across the board, and avoiding rating discontinuities;
- (ii) to simplify the allocation formula, by eliminating the break in the exponential formula at the 3.0 performance level. This would increase the transparency of the system and allow for a tighter link between performance and allocation; and
- (iii) to otherwise leave the allocation formula unchanged, so that the relative weights of performance and per capita income remain 16 and 1.

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<sup>14</sup> The percentage increase in allocation is roughly double that of the performance rating due to the quadratic formula.

**IDA's Performance-based Allocation System  
Actions to Address Recommendations of the OED IDA Review**

1. *Establish a written record.* Starting with the CPIA 2001 exercise country raters are requested to provide a written record of the considerations underlying the ratings.
2. *Improve the design of the rating systems.* The *Country Policy and Institutional Assessment (CPIA)* continues to evolve, incorporating new research and on-the-ground insights gained by the Bank as well as its development partners. Enhancements implemented at the time of the 2001 exercise included<sup>15</sup>: (i) simplifying the criteria; if several components were left, explicit guidance was provided as for their relative weights; (ii) providing for each criterion definitions of all rating levels, thus increasing the objectivity of the ratings; (iii) sharpening the focus of a number of criteria, especially in those in the governance cluster concerning public expenditures (including non-development expenditures). Further refinements are expected in the coming years.
3. The *Annual Report on Portfolio Performance (ARPP)* ratings, which receive a 20% weight in the IDA country performance rating, are also being enhanced: (i) in 2001 an additional step was introduced to allow for correcting excessively high scores resulting from the closure of failed projects or a young portfolio; (ii) on a pilot basis, the 2001 exercise includes a rating of the quality of procurement *policy* compliance. This criterion is intended to replace the current procurement criterion (which focuses on the *timeliness* of procurement) as one of IDA's seven governance indicators.
4. *Rethink the governance discount.* In the context of the IDA13 replenishment discussions, a range of alternatives to the governance discount are being considered. The governance discount was introduced in IDA12 to highlight the importance of good governance to development, to motivate dialogue around this issue, and curtail lending in cases of egregious weakness. Subsequently some weaknesses of the mechanism have come to the fore. There was concern that a relatively small change in the rating of one criterion could have an extreme impact on the overall performance rating and thus the country's allocation. Others criticized the discount's exclusive concentration on the weak end of the scale. In response, two alternative options are being considered – the bipolar approach and the governance factor (for more details see above, paras 8-16).
5. *Relate the performance-based allocation system to the CAS and PRSP Processes.* As spelled out in paras 25-27, the link between the PBA system and the CAS is increasingly being tightened in terms of selection of the triggers and the base, low and high case lending scenarios. The triggers will address weaknesses identified in the CPIA, and the lending levels will reflect how much rating improvement (and thus lending allocation) would result from meeting these triggers. A tighter link is also being established between the CPIA and the PRSP process: the PRSP should be grounded in a broad participatory process, the quality of which is measured by

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<sup>15</sup> For more details, see also *Status Report of the World Bank Working Group on CPIA 2001*, July 9, 2001

criterion #4. An effectively implemented poverty reduction strategy will also be reflected in the rating of criterion #12, which measures the extent to which the raising and spending of public funds favors the poor.

6. *Increase disclosure.* As a first step, disclosure of the CPIA ratings was increased in 2000 by requiring IDA country teams to discuss the ratings, and their allocation implications, with their country counterparts. As the ratings process matures, this issue will be revisited.

**List of CPIA 2001Criteria**

- A. Economic Management
  - 1. Management of Inflation and Macroeconomic Imbalances
  - 2. Fiscal Policy
  - 3. Management of External Debt
  - 4. Management and Sustainability of the Development Program
  
- B. Structural Policies
  - 5. Trade Policy and Foreign Exchange Regime
  - 6. Financial Stability and Depth
  - 7. Banking Sector Efficiency and Resource Mobilization
  - 8. Competitive Environment for the Private Sector
  - 9. Factor and Product Markets
  - 10. Policies and Institutions for Environmental Sustainability
  
- C. Policies for Social Inclusion/Equity
  - 11. Gender
  - 12. Equity of Public Resource Use
  - 13. Building Human Resources
  - 14. Social Protection and Labor
  - 15. Monitoring and Analysis of Poverty Outcomes and Impacts
  
- D. Public Sector Management and Institutions
  - 16. Property Rights and Rule-based Governance
  - 17. Quality of Budgetary and Financial Management
  - 18. Efficiency of Revenue Mobilization
  - 19. Quality of Public Administration
  - 20. Transparency, Accountability & Corruption in the Public Sector