

COUNTRY INSTITUTIONAL AND POLICY EVALUATION (CIPE)

**BASIC PROCEDURES AND
ASSESSMENT QUESTIONNAIRE**

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I. Background

- 1.1 The Country Institutional and Policy Evaluation (CIPE) assesses the quality of a country's present institutional and policy framework. "Quality" refers to how conducive that framework is to fostering poverty reduction, sustainable growth, and the effective use of development assistance. Per below, the CIPE scores are used as inputs to the process of allocating concessional resources.
- 1.2 Since the early 2000s, multilateral development banks and other international financial agencies have made increased efforts to harmonize their systems for the allocation of concessional assistance and harmonize the terms on which assistance is provided. The general approach followed by MDBs has been to use a performance-based allocation (PBA) system to allocate the volume of concessional resources and a debt sustainability analysis to determine the financial terms or degree of concessionality on which concessional resources will be provided.
- 1.3 The International Development Association (IDA) was the first MDB to introduce a performance-based allocation system. The regional MDBs adopted PBAs in the 1999-2002 period. Two additional international financial institutions – the International Fund for Agricultural Development (IFAD) and the Global Environment Facility (GEF) – adopted PBAs in 2003 and 2006 respectively. The PBA allocation formulas for concessional resources in the MDBs and IFIs differ in the weight attached to each variable but nearly all comprise a "needs" variable, which takes into account population size and per capita GNI, and a "performance" variable. In turn, the performance variable has comprised an evaluation of portfolio performance (specific to each institution) and an assessment of policies and institutions at the country level.
- 1.4 Since 2004, MDBs and IFIs have harmonized around the World Bank's Country Policy and Institutions (CPIA).¹ In 2004 the World Bank assembled an External Panel to review the CPIA scores and methodology.² The Panel concluded that the CPIA criteria focused on the right set of issues and produce robust results, but it also found unnecessary overlap in some of the criteria and outlined steps to address some methodological and process issues. The Panel broadly supported the CPIA practice of rating implemented rather than intended policy actions, and it strongly favored disclosure of the scores for IDA-eligible countries. Following up on the Panel recommendations, some criteria were deleted, and others were combined and streamlined resulting in the present 16 criteria. The contents of each criterion were reviewed and the rating levels 1 and 6 of the rating scale were explicitly defined.
- 1.5 **2002 Introduction.** The criteria and methodology for calculating the IDB CIPE were originally introduced in 2002, when the IDB adopted a PBA system for allocating concessional resources.³

¹ An independent panel that reviewed the CPIA recommended harmonization in order to reduce the burden on country counterparts and staffs of the institutions and in view of the small value added in having similar, highly-correlated methodologies among MDBs ("Country Policy and Institutional Assessment: An External Panel Review", April, 2004).

² *Panel of Experts Review of Country Policy and Institutional Assessments (CPIA)* – Revised Terms of Reference (OM2004-0003/2), February 10, 2004.

³ Strategic Planning and Budget Department (June 2002) "Proposal for a performance-based allocation of FSO resources. New revised version." (GN-1856-31).

CIPE criteria were grouped in four major policy clusters or categories, each of which has a specific weight in the total CIPE score: 1) Economic Management (15%); 2) Structural Policies (20%); 3) Policies for Social Inclusion/Equity (35%); and 4) Public Sector Management and Institutions (30%). The four policy clusters and weights were unchanged from 2002-2020. However, the original CIPE had only 10 variables (GN-1856-31).⁴

- 1.6 **2007 Reform of the PBA Framework.** On March 15, 2007, the Board of Governors approved the Debt Sustainability and Enhanced Performance-Based Allocation framework (DSF/EPBA) for allocating concessional resources (GN-2442). The EPBA mechanism for concessional resources has two major elements: (i) needs and economic strength, comprised of population and GNI per capita; and (ii) country performance, estimated as the weighted average of the quality of the country's institutional and policy framework (70%), as measured by the CIPE, and portfolio performance (30%). Nevertheless, this reform did not alter the CIPE itself.
- 1.7 **2010 Revision and Harmonization of Criteria.** In 2010, the CIPE was significantly reformed by: (i) harmonizing criteria with IDA's (CPIA); and (ii) introducing quantitative indicators (GN-2442-32), as recommended by the Office of Evaluation and Oversight (OVE) [documents RE-279 and RE-376]. IDA's CPIA criteria were adopted as the base for the CIPE, in order to harmonize assessments with other multilateral development banks (MDBs). Harmonization with the CPIA criteria, which are also grouped in the same 4 major policy clusters as the CIPE, brought important advantages. First, the CPIA includes more disaggregated and more complete criteria than the 2002 CIPE, which increases the precision of the assessment. Furthermore, and in addition to the efficiency gains implied by adopting criteria that have been reviewed and updated⁵, harmonizing with other MDBs is consistent with the Managing for Development Results Framework (MfDR) objective of minimizing duplication in multilateral assessment approaches.⁶ Nonetheless, the 16 CPIA criteria and the detailed rating guide or questions associated with each were reviewed and, in several cases, tailored to developmental conditions in Latin America and the Caribbean.⁷
- 1.8 **Introduction of quantitative indicators.** The 2010 reform of the CIPE also partially addressed OVE's recommendations regarding the use of quantitative indicators to increase objectivity in the assessment. Recognizing that an approach based only on indicators has limitations in gauging policies and institutions, the CIPE revision maintained the qualitative approach as the main basis of the assessment, but introduced quantitative indicators with a specific weight (25%) when calculating the score of the criteria for which sound quantitative indicators have been identified.

⁴ This contrasted with 20 variables for the CPIA of IDA and the African Development Bank and 19 variables of the CPIA of the Asian Development Bank (GN-1856-31).

⁵ In 2004, an independent panel reviewed the criteria and methodology used in the CPIA. The panel felt that the CPIA criteria were focused on the right set of issues but that there was unnecessary overlap and an arbitrary set of weights. The CPIA was revised and updated in light of the recommendations made by the panel.

⁶ In 2005, the Asian Development Bank and African Development Bank adopted IDA's CPIA criteria and questionnaire as the base of their own assessments. Nonetheless, each Bank gives a different weight to the policy clusters. In 2014, the African Development Bank introduced an additional, fifth cluster dedicated to infrastructure.

⁷ The most important modification was that the CIPE variable equivalent of the CPIA gender equality variable includes indigenous peoples and people of African descent issues as well as gender equality.

- 1.9 One of the main advantages of using such indicators is that they are specifically constructed to facilitate international comparisons or to study a single country's development over time.⁸ Nevertheless, using and constructing hard-data indicators for assessing policies and institutions is not straightforward as it involves both theoretical and methodological assumptions that need to be assessed to avoid problems such as endogeneity. Furthermore, limitations can arise due to data availability, especially for low-income countries with relatively small populations, and since many quantitative indicators reflect outcomes that are influenced by elements outside the country's control. Consequently, only existing, widely used, composite quantitative indices were adopted as quantitative indicators.
- 1.10 A total of 11 quantitative indicators for 9 of the 16 CIPE variables were introduced in 2010. For those variables without a specific quantitative indicator identified, outcome indicators and other hard data indicators should be used to inform the assessment and the determination of the overall criterion score but will not have a specific weight on the score.
- 1.11 The above reforms were applied starting in the concessional allocation for 2011-2012. As a result of these major changes in the structure and content of the CIPE (especially the expansion from 10 to 16 criteria), the CIPE ratings from 2010 onwards are not strictly comparable with CIPE ratings from the previous decade.
- 1.12 **2012 Update.** In 2011 the CPIA was reviewed to take into consideration the recommendations of an [evaluation](#) carried out by the World Bank's Independent Evaluation Group (IEG) in 2010 as well as a updated review of relevant literature.⁹ The review maintained the fundamental CPIA framework and most of the changes introduced in the questionnaire were aimed at reducing the overlap among criteria or to ensure the consistent treatment of a topic across the different rating levels of a particular criterion. For the 2012 CIPE, the questionnaire was updated in accordance with the revision of the CPIA questionnaire, but all the other characteristics specific to the CIPE were maintained, including the region-specific adjustments. Additionally, the questionnaire and indicator for the CIPE Variable 8, related to Gender and minorities inclusion, were fully revised in order to reflect consistency with the respective Bank policies.¹⁰ A new survey/questionnaire and

⁸ Using indexes has other advantages: (i) Data are collected in a standardized way and are subjected to numerous tests for robustness; (ii) the construction has a sound conceptual framework and is subject to multivariate analysis prior to the aggregation of the individual indicators; (iii) review tools are used for imputation of missing information, for weighting and aggregation, and methods for assessing the strength of the index are used through uncertainty and sensitivity analysis; and (iv) publications are made with the same standards so comparability is reliable.

⁹ The IEG evaluation concluded that the content of the CPIA was largely relevant for growth and poverty reduction in the sense that its components mapped well with the determinants found in the literature; that the ratings were generally reliable and correlate well with similar indicators; and accounting for the stage of development is problematic and leads to increased staff discretion. The evaluation also found that there was room to streamline and revise some of the criteria and made some specific suggestions such as broadening the trade criterion, revisiting the financial sector criterion taking into account the lessons of the recent financial crisis, adding an assessment on disadvantaged socioeconomic groups, and strengthening the linkages among criteria. The evaluation made four recommendations: (i) disclose the ratings for IBRD countries; (ii) remove accounting for the stage of development in the rating exercise; (iii) consider not producing an overall CPIA index while continuing to produce and publish separate CPIA components; and (iv) undertake a thorough review of the adequacy of each criterion, including a review of experience and the literature, and revise as necessary, based on the findings of the evaluation.

¹⁰ This criterion has been the criterion that has diverged most with the CPIA. Nevertheless, the CIPE's incorporation of a dimension for inclusion of indigenous peoples and people of African descent is consistent with the

associated Excel scoresheet was introduced for Variable 7 (Environmental Sustainability). The above reforms were applied starting in the concessional allocation for 2013-2014.

- 1.13 **From 2012-2018** (4 biennial allocation cycles), the fundamental structure and content of the CIPE did not change, and updates introduced only minor editorial modifications and one change to a quantitative indicator. For the 2018 CIPE, the quantitative indicator used for Variable 7: “Policies and Institutions for Environmental Sustainability” in the CIPE was changed.¹¹ The quantitative indicator initially selected in 2010 and used for the concessional allocations of 2011-2012, 2013-2014, 2015-2016, and 2017-2018, was the Environmental Sustainability pillar (ESP) of the Travel and Tourism Competitiveness Index, prepared by the World Economic Forum (WEF). In 2018, an alternative quantitative indicator – the [Environmental Performance Index \(EPI\)](#) – which had hitherto served as one of the guideposts in the CIPE questionnaire, replaced the WEF ESP. The EPI is produced jointly by Yale University and Columbia University in collaboration with the World Economic Forum. By 2018, the EPI had come to be regarded as a technically superior indicator for the purposes of the CIPE. Moreover, data availability of the ESP had started to become a problem after 2015.
- 1.14 **For the 2020 CIPE**, there has been one minor change in structure and content. The “Programs and Nutrition services” dimension of Variable 10 “Building Human Resources”, which accounted for 20% of the variable score, has been removed.¹² The weight of both education and health and nutrition services will increase from 40% to 50% of the variable. This will ensure complete harmonization with the WB CPIA on the “Building Human Resources” criterion.
- 1.15 In addition, in 2020 three quantitative indicators that were included from 2010-2018 have been dropped. These three variables: 1) the Financial Market Development Index; 2) the Health and Primary Education Index; and 3) the Higher Education and Training Index; were all prepared by the World Economic Forum (WEF) as part of its Global Competitiveness Reports. In “[The Global Competitiveness Report 2018](#)”, published October 2018, the WEF changed its [methodology](#), with the introduction of the new Global Competitiveness Index 4.0. As a result of the changes in methodology, the WEF has not produced the aforementioned indicators since its Global Competitiveness Report 2017-2018. Rather than replace these quantitative indicators with other indicators, the indicators have been allowed to lapse so that two more criteria (Variable 5. Financial Sector and Variable 10. Building Human Resources) will become completely harmonized with the CPIA.

recommendations of the IEG 2010 evaluation. The evaluation noted that: “Concerns related to other socioeconomic groups that are discriminated against (due to race, caste, ethnic group) are not included. Yet evidence indicates that poverty can have a strong ethnic dimension in some countries (Bodewig and Sethi 2005). This implies that tackling social exclusion of such groups is important not only for reducing poverty, but also for raising growth for the country as a whole.”

¹¹ This quantitative indicator has a weight of 25% in the environmental sustainability variable and 1.25% in the overall CIPE score. The qualitative criteria for the environmental sustainability are completely harmonized with the CPIA variable.

¹² This dimension was originally introduced to the CIPE in 2010 in lieu of the “HIV, tuberculosis and Malaria related issues” dimension in the CPIA, since it was considered that malnutrition issues were of greater importance for LAC countries. The WB subsequently eliminated that third dimension of “HIV, tuberculosis and Malaria” and incorporated such issues in the “Health and nutrition” dimension.

1.16 The 2020 CIPE questionnaire is harmonized with the “CPIA Criteria 2019”¹³. Table 1 presents the updated CIPE criteria, and the identified and selected quantitative indicator for each criterion.

Table 1: 2020 CIPE Criteria and Quantitative Indicators

Major Category	Variables or Criteria	Quantitative Indicator
A. Economic management 15%	1. Monetary and Exchange Rate Policies	
	2. Fiscal Policy	
	3. Debt Policy and Management	
B. Structural policies 20%	4. Trade	The logistic performance index
	5. Financial Sector	
	6. Business Regulatory Environment	Starting a Business (50%)
		Regulatory Quality (RQ) index (50%)
7. Policies and institutions for environmental sustainability	Environmental Performance Index	
C. Social inclusion/equity policies 35%	8. Gender equality, indigenous peoples and people of African descent	The Gender Inequality Index
	9. Equity of Public Resource Use	
	10. Building human resources	
	11. Social Protection and Labor	
D. Public sector management and institutions 30%	12. Property rights and rule-based governance	Rule of Law (RL) index
	13. Quality of budgetary, procurement, and financial management	
	14. Efficiency of revenue mobilization	
	15. Quality of public administration	Government Effectiveness (GE) index
	16. Transparency, accountability and corruption in the public sector	Control of Corruption (CC) index

¹³ World Bank, Operations Policy and Country Services, “CPIA Criteria 2019”, September 1, 2019.

II. Basic Procedures

- 2.1 **Preparation and Review.** For each of the countries, country teams propose ratings for each criterion, accompanied by written justifications. The proposed ratings and the write-ups are vetted by the respective Regional Economic Advisor, and then submitted to VPC/VPC. The proposed ratings are then reviewed by an inter-departmental panel, consisting of VPC/VPC, SPD and RES, and assessed against the CIPE criteria, the written justifications, previous CIPE scores, WB CPIA scores and available external indicators. A key concern of the Review Panel is comparability across countries. The review process is iterative until arriving at a consensus between the Country Department and the Review Panel.
- 2.2 **Country Scores.** Country scores should reflect a variety of indicators and observations based on country knowledge originated in the Bank, analytic work, policy dialogue, and work done by other development partners. Important elements in this process are the Country Strategy, economic analyses, sector notes and studies, Project Completion Reports, evaluation reports, and other available reports. When determining country scores, the following considerations should be taken into account:
- **Quality of policies and institutions.** The CIPE assesses the quality of a country's policy and institutional framework – that is the extent to which that framework supports sustainable growth, poverty reduction, and the effective use of development assistance.
 - **Policies and institutions versus outcomes.** The criteria focus on policies and institutional arrangements, the key elements that are within the country's control, rather than on actual outcomes (for example, growth rates) that are influenced by factors outside the country's control. Good policies and institutions are expected to lead, over time, to favorable growth and poverty reduction outcomes, notwithstanding possible yearly fluctuations due to external factors.
 - **Scoring against the criteria.** Countries should be rated on their current status in relation to the criteria. The proposed ratings should focus on the level of performance assessed against the criteria, rather than the degree of improvement since the last CIPE assessment.
 - **Policy actions and implementation.** Countries are rated on the basis of their current or implemented policies, and not on intentions for future change, unless these changes are virtually in place. In some situations, steps such as passage of specific legislation can represent a breakthrough that merits consideration in the ratings. However, the manner in which such actions are factored into the ratings should be carefully assessed, because the impact of the legislation depends on its implementation.
- 2.3 **Rating scale for the qualitative assessment.** For each criterion, countries are rated on a scale of 1 (low) to 6 (high). A 1 rating corresponds to a very weak performance, and a 6 rating to a very strong performance. Intermediate scores of 1.5, 2.5, 3.5, 4.5 and 5.5 may also be given. The total score for each policy cluster reflects the average of all the criteria in that category. To obtain the criterion's overall score, staff should fill the CIPE scoring template, which will automatically calculate the weighted scores.

- 2.4 **Score and weight of quantitative indicators.** To derive the score implied by each quantitative indicator, the original index scores are rescaled to 1 to 6, in order to be consistent with the CIPE rating scale.¹⁴ The total score of each criterion for which there are indicators is calculated as the weighted average of: (i) the score stemming from the qualitative assessment, based on the questionnaire (75%); and (ii) the score implied by the quantitative indicator (25%). If a criterion has more than one dimension, and there are only quantitative indicators for one dimension, the weighted average between the qualitative assessment and the quantitative indicator applies only to the dimension, but not the whole criterion.
- 2.5 **CIPE material.** The CIPE material includes this detailed rating guide or questionnaire for each criterion, including guideposts and links to various external sources of related information to assist country teams in determining country scores and in ranking countries. The material also includes an Excel scoring template that automatically calculates the total score of each criterion and category based on the qualitative ratings and the scores of the quantitative indicators. For the 2020 CIPE exercise, the scores of all the quantitative indicators for each country have been calculated and are already incorporated in the template.
- 2.6 **Written justifications.** Proposed ratings should be accompanied by a write-up, in English or Spanish, using the format provided in the CIPE toolkit, to provide the rationale for the proposed rating for each of the 16 criteria. The country write ups should provide: (i) a justification of the proposed scores that directly address the dimensions of each of the CIPE criteria; (ii) the relevant background information to support the scores; and (iii) the basis for the increase/decrease of a specific score. When a criterion contains more than one dimension, the write-up should provide a separate rationale for each of them, together with each dimension’s proposed score. Write ups should not exceed two pages per criterion. Long write-ups do not necessarily imply a more substantive discussion of the country developments that are relevant to the assessment.
- 2.7 **Evaluation Process.** The CIPE evaluation process is described in the Table 2.

Table 2: CIPE evaluation process

TASK	OBJECTIVE	DESCRIPTION	RESPONSIBLE
1. Start of the Evaluation process	Provision of material to start the evaluation	VPC/VPC sends the CIPE material for the evaluation to Country Departments. The material includes a detailed rating guide including guideposts and links to various sources of information related to each criterion, and an Excel template for the calculation of scores with all the quantitative indicators already incorporated.	VPC/VPC
2. Evaluation and preliminary	Completion of the evaluation and preliminary ratings for each CIPE criterion,	Country Economists lead the evaluation, in consultation with sector specialists when relevant, and prepare the documentation with preliminary ratings for each CIPE criterion. A written justification should be provided for each	COUNTRY DEPARTMENTS

¹⁴ The scores are rescaled using this formula:

$$Index\ Score_t = \left\{ \frac{[(S_{jk} - Ex_{inf}^{CIPE}) * (Ex_{sup}^{CIPE} - Ex_{inf}^{CIPE})]}{[Ex_{sup}^k - Ex_{inf}^k]} \right\} + Ex_{inf}^{CIPE} \quad \text{where } S_{jk} = \text{Score of country } j \text{ on indicator } k$$

ratings by Countries	accompanied by written justifications	criterion, including all relevant information and material supporting these scores. REAs review and approve the preliminary ratings, prior to submission to VPC/VPC.	
3. Distribution of evaluations and preliminary ratings	Official delivery of evaluations and proposed ratings from VPC to RES and SPD	VPC/VPC reviews documentation per country to ensure that all relevant information for the review process is included and sends the complete package to RES and SPD for subsequent review.	VPC/VPC
4. Review and Validation Process	VPC/VPC, SPD and RES review all material to ensure consistency and homogeneity in ratings; proposing adjustments to ratings, if relevant.	Proposed ratings and written justifications are reviewed and assessed jointly by the Review Panel. The Review Panel either accepts proposed scores or indicates disagreement with a proposed score and the basis for such disagreement. Disagreement is resolved either by strengthening the justification for the proposed score or adjustment to a consensus score. This may be an iterative process.	VPC/VPC, SPD, RES
5. Presentation and utilization of final CIPE scores	CIPE scores are incorporated in allocation calculations (EPBA formula).	The CIPE results are submitted, as part of the overall resource allocation proposal, to Senior Management and the Board of Executive Directors.	VPC/VPC

2.8 The evaluation process entails a dynamic activity where other IDB departments and sector specialists may be consulted at any stage. Once the evaluations are formally validated, the resulting score should represent an institutional evaluation of the country's performance.

2.9 **Involvement of countries and disclosure.** Authorities and technical staff of eligible countries can be consulted during the process on the substantive aspects of the evaluation, without making references to specific ratings. The final, validated score for each variable may be shared with the corresponding authorities of each country in order to provide information on the areas considered weak or strong, and to contribute to efforts for improving them. The Bank will publish the variable, cluster, and total CIPE score for each country as part of the concessional allocation proposal document (sub-variable scores will not be disclosed).

III. Assessment Questionnaire

3.1 The detailed contents of the 16 criteria of the CIPE, and instructions for applying them, are presented below. For the quantitative indicators, the questionnaire provides links to all relevant information, but the respective scores have already been calculated and incorporated in the CIPE template.

COUNTRY INSTITUTIONAL PERFORMANCE EVALUATION

Questionnaire 2020

1. Monetary and Exchange Rate Policies

This criterion assesses the quality of monetary/exchange rate policies in a coherent macroeconomic policy framework. The objective is to evaluate whether the monetary/exchange rate policy framework is consistent with economic stability and sustained medium-term growth. This criterion covers the extent to which monetary/exchange rate policy framework (a) maintains short- and medium-term internal and external balances, and is consistent with price stability objectives; and (b) offers flexibility to deal with internal and external shocks. Demand management through fiscal policy is addressed in Variable 2.

The relevant monetary authority could be the central bank, but also a financial sector supervisory or regulatory authority. The exchange rate regime should be discussed. When a country has limited or no room to engage in an independent monetary policy, e.g., due to a pegged exchange rate regime and high degree of capital mobility, financial sector policies (including reserve requirements, liquidity ratios, capital requirements, and other policies that deal with credit to the private sector) become more important and should be analyzed. This analysis should be informed by the assessment of Variable 5 (Financial Sector). Given the close links among the criteria in this cluster and to ensure the consistency of the scores, the assessments for each criterion should be informed by the assessments for the other criteria and reviewed simultaneously.

In assessing the quality of the policy and institutional framework outcome indicators should be used to inform the determination of the score.

- 1 For a prolonged period of time, the monetary/exchange rate policy framework has generated imbalances and raised the risk of (or led to) balance of payments crises; has generated price instability; and has exacerbated internal or external shocks.
- 2 Most of the time, the monetary/exchange rate policy framework has been inconsistent with external balance; has been inconsistent with price stability; and has been inadequate to mitigate the effects of internal or external shocks. 3
- 3 Through the monetary/exchange rate policy framework, the authorities make sporadic or partial attempts to reduce external imbalance and to pursue price stability (but in many cases the policies pursued are not fully consistent); and the policy framework is sometimes able to mitigate the effects of internal or external shocks.
- 4 The monetary/exchange rate policy framework pursues external balance; pursues price stability (however, policy inconsistencies or slippages sometimes undermine the achievement of these objectives); and most of the time is able to mitigate the effect of internal or external shocks.
- 5 The monetary/exchange rate policy framework clearly pursues external balance and clearly targets price stability (most of the time the policies are fully consistent); and rapid and flexible policy response mitigates the effects of internal or external shocks.
- 6 For a prolonged period of time, the monetary/exchange rate policy framework has maintained external balance; has maintained price stability (and the policies are fully consistent); and has built adequate safeguards against internal or external shocks.

Guideposts:

- IMF Article IV Consultation and other relevant reports
- [Development Data Platform - World Bank Database](#)

2. Fiscal Policy

This criterion assesses the quality of the fiscal policy in its stabilization and allocation functions. The stabilization function deals with achieving macroeconomic policy objectives in conjunction with coherent monetary and exchange rate policies—smoothing business cycle fluctuations, accommodating shocks. The allocation function is concerned with the appropriate provision of public goods. The criterion pays attention to public expenditure composition, including for example the provision of public infrastructure and agriculture related public goods and services that support medium-term growth. Fiscal sustainability is assessed in Variable 3 (Debt Policy and Management).

In the event of internal or external shocks (e.g., natural disaster, commodity price shock), the assessment should focus on the quality of the response to the shock, rather than merely on the fiscal outcome resulting from the shock. In countries where public finances are heavily dependent on natural resources revenues, the assessment should cover non-resource fiscal indicators, e.g., non-oil fiscal balance, rather than merely the overall indicators. Management of natural resources revenues should be covered, and when a large public resource fund exists, its management should be analyzed in the context of overall fiscal policy. The assessment of Variable 16(d) and more broadly of financial management (Variable 13) should be used to inform the assessment of country performance under this criterion. Given the close links among the criteria in this cluster and to ensure the consistency of the scores, the assessments for each criterion should be informed by the assessments for the other criteria and reviewed simultaneously.

- 1 For a prolonged period of time fiscal policy has contributed to macroeconomic imbalances (high inflation, crowding out of private investment, and unsustainable current account deficits). Fiscal policy has been inflexible to absorb shocks through public expenditures and revenue. Provision of public goods, especially infrastructure, has been greatly insufficient to support medium-term growth.
- 2 Fiscal balance is likely to lead (or is already leading) to macroeconomic imbalances. Public expenditure and revenue have been rigid to adapt to shocks; and the provision of public goods, especially infrastructure, is inconsistent with medium-term growth.
- 3 Macroeconomic imbalances have been addressed sporadically through fiscal policy but not maintained consistently, or have been implemented through ad-hoc or temporary measures (i.e., unrealistic wage cuts, or cuts in public investment with high long-term returns). Policy response to shocks is often delayed, but is marginally effective in absorbing shocks. The provision of public goods, especially infrastructure, in some areas is insufficient to support medium-term growth.
- 4 Fiscal policy is consistent with macroeconomic stability, but there are occasional slippages. Policy response to shocks is reasonably rapid and relatively effective. The quality of public goods provision is in many areas sufficient to support growth most of the time.
- 5 Fiscal policies are consistent with macroeconomic stability. Fiscal response to shocks is rapid and effective. Provision of public goods is adequate to support growth.
- 6 For an extended period of time (e.g., average business cycle of about 5-8 years), fiscal policy has been supporting macroeconomic stability. Public expenditure and revenue have adjusted to shocks; provision of public goods has been adequate to support medium-term growth.

Guideposts:

- IMF Article IV Consultation; other relevant reports.

- [Development Data Platform - World Bank Database](#)

3. Debt Policy and Management

This criterion assesses whether the country's debt management strategy is conducive to ensure medium-term debt sustainability and minimize budgetary risks. The criterion covers: (a) the extent to which external and domestic debt is contracted with a view to achieving/maintaining debt sustainability; and (b) the effectiveness of debt management functions (including the degree of coordination between debt management and other macroeconomic policies, the effectiveness of the debt management unit, the existence of a debt management strategy and of a legal framework for borrowing).

The assessment of debt/fiscal sustainability in low-income countries (LICs) should be informed by the latest Debt Sustainability Analysis (DSA), if available, as well as other public sector debt/fiscal indicators. Regarding the treatment of Multilateral Debt Relief Initiative (MDRI), it should be noted that MDRI should not be used as a rationale for proposing higher country scores, given that is an external action which is related to country performance already incorporated in the CIPE scores. The effectiveness of debt management can be informed by available reports, e.g., PEFA and other technical assistance reports. The overall score is the average of the scores for the two components. Given the close links among the criteria in this cluster and to ensure the consistency of the scores, the assessments for each criterion should be informed by the assessments for the other criteria and reviewed simultaneously.

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

- | |
|---|
| <p>1</p> <p>a. Government is in external and/or domestic debt distress. For LICs, external debt and external debt-service ratios are in significant and/or sustained breach of the LIC-DSF's debt thresholds. The country has recently engaged or in the near future will likely engage in debt restructuring negotiations; external arrears exist or are impending. Public and publicly guaranteed domestic debt is significantly large. Government may be facing difficulties in making domestic debt service payments. For MICs, public debt burden indicators are high and are expected to rise. For both LICs and MICs, contingent liabilities are large and significantly increase debt vulnerability.</p> <p>b. There are major inconsistencies and little coordination between debt management and other macroeconomic policies. Systems for recording and monitoring debt are inadequate, analytic capacity is very weak, and no unified debt management unit exists. The entities do not exchange debt information nor coordinate their respective activities. Data regarding central government domestic and external debt stocks and debt flows are not accurate and/or published. There is no clear financing strategy and borrowing operations are reactive. The legal framework for borrowing is not defined. Borrowing purposes and the objectives for debt management are not specified or defined in legislation or elsewhere.</p> |
| <p>2</p> <p>a. Government faces a high risk of external and/or domestic debt distress. For LICs, the DSA baseline scenario indicates a protracted breach of the external thresholds, but the country does not currently face any payment difficulties. Public and publicly guaranteed domestic debt levels are high and are expected to rise. For MICs, public debt burden indicators are high and appear stable, but are highly sensitive to adverse shocks. For both LICs and MICs, contingent liabilities are large and increase debt vulnerability.</p> |

- b. Some coordination exists between debt management and other macroeconomic policies although sometimes major conflicts may exist. A debt management unit may exist, but there is little coordination among entities responsible for contracting debt. There is a lack of adequate systems for accurately and reliably recording and monitoring debt. Debt data are made available on a sporadic basis and analytical capacity is weak. Financing strategies are prepared on an informal basis but not clearly linked to the composition of debt. The legal framework for borrowing is partially defined. Borrowing purposes and objectives for debt management are not specified or defined in legislation or elsewhere.
- 3** a. Government faces a moderately high risk of external and/or domestic debt distress. For LICs, the baseline scenario does not breach any external debt thresholds, but alternative or stress-test scenarios result in a significant rise in one or more of the debt burden indicators over the projection period, significantly and/or protractedly breaching one or more of the external debt thresholds. Levels of public and publicly guaranteed domestic debt are moderately high but are not expected to rise significantly. For MICs, debt burden indicators are high and stable, or moderate but increasing moderately. For both LICs and MICs, contingent liabilities exist but do not appear to increase debt vulnerability.
- b. Most of the time there is adequate coordination between debt management and other macroeconomic policies. A debt management unit exists and debt recording systems are adequate, but analytic capacity could be bolstered, and coordination and information sharing between different agencies responsible for contracting debt could be improved. Public debt data are produced, but it may be difficult to obtain an overall picture of its composition. Annual government borrowing plans are produced, but may lack specificity, and are not set in a medium-term debt management strategy. The legal framework for public borrowing is clearly defined. Borrowing purposes and objectives for debt management are specified, although they may not be defined in legislation.
- 4** a. Government faces a moderate risk of external and/or domestic debt distress. For LICs, the baseline scenario does not indicate a breach of the external debt thresholds, but alternative or stress-test scenarios result in a rise in one of the debt burden indicators over the projection period and a breach of the external debt threshold. Levels of public and publicly guaranteed domestic debt are moderate and are not expected to rise. For MICs, debt burden indicators are high and decreasing, moderate and stable, or low but increasing moderately. For both LICs and MICs, risks associated with contingent liabilities appear to be manageable.
- b. There is good coordination between debt management and macroeconomic policies. A debt management unit exists, and there is some coordination and information sharing between different agencies responsible for contracting debt. Debt recording systems are adequate and reliable, and analytic capacity is satisfactory. Data on public debt are produced, but it may be difficult to obtain a detailed picture of its composition by stocks and flows in terms of creditor, instrument, currency, and interest rate basis. Annual borrowing plans for government financing are produced, but they may lack specificity and may not be set in a regularly updated medium-term debt management strategy. The legal framework for public borrowing is clearly defined. Borrowing purposes and objectives for debt management are made public but may not be specified in legislation.

- 5 a. Government faces a moderately low risk of external and/or domestic debt distress. For LICs, all external debt burden indicators are well below the thresholds, but one stress test breaches the threshold by a small margin and the breach is not protracted. Levels of public and publicly guaranteed domestic debt are moderately low and are not expected to rise significantly in the future. For MICs, debt burden indicators are moderate and decreasing. For both LICs and MICs, risks associated with contingent liabilities are low and appear to be manageable.
- b. There is strong coordination between debt management and macroeconomic policies. The debt management unit is well established, and coordination and information sharing between different agencies responsible for contracting debt is adequate. The unit is supported by efficient and reliable systems and has good analytic capacity, as indicated by regular analytic work. Regular, comprehensive, and accurate statistics on central government domestic and external debt stocks and flows are produced and are publicly available. Government annually produces a debt management strategy defining how the composition of the debt is projected to evolve over the medium term. The legal framework for public borrowing is clearly defined. Borrowing purposes and objectives for debt management are made public and may be defined in legislation.
- 6 a. Government faces a low risk of external and/or domestic debt distress. For LICs, all external debt burden indicators are well below the thresholds. Stress-testing and alternative scenarios do not result in indicators breaching any thresholds. Levels of public and publicly guaranteed domestic debt are low and are not expected to rise. For MICs, debt burden indicators are low and stable. For both LICs and MICs, risks associated with contingent liabilities appear to be manageable.
- b. There is very strong coordination between debt management and macroeconomic policies. A debt management unit is well established, and there is good coordination and regular and frequent information sharing between different agencies responsible for contracting debt, which are supported by efficient and reliable systems and have strong analytic capacity. Regular, comprehensive, and accurate statistics are produced and published. Government annually produces a debt management strategy that defines how the composition of debt is projected to evolve over the medium term, based on a thorough analysis of risk and cost while taking into account the constraints that the government faces. The legal framework for public borrowing is clearly defined and includes borrowing purposes, objectives for debt management, and the requirement to develop a debt management strategy.

Guideposts:

- IMF Article IV Consultation; other relevant IMF reports.
- [Joint External Debt Hub](#)
- [Global Development Finance](#)

4. Trade

This criterion assesses how the policy framework fosters global integration in goods and services. Two areas are covered. The first is the trade regime focusing on the impact of trade taxes, the degree of transparency and predictability of the trade regime, the role of non-tariff barriers (NTBs) and the consultation process for non-tariff measures (NTMs) and the degree of restrictiveness of the policies covering trade in services which play an important role in determining the level of competitiveness and the potential for export diversification. The second area covered in the criterion is trade facilitation. It assesses the predictability and transparency of the trade facilitation framework, the degree of reliance of border agencies on risk management and modern technologies to expedite trade while performing their duties ranging from revenue collection to health and safety concerns, and the restrictiveness of the regulations affecting logistic service providers. The overall score is the average of the two components: (a) trade regime (50%) and (b) trade facilitation (50%).

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

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| <p>1 a. Extremely restrictive trade regime with widespread and discretionary use of the most trade-restrictive NTBs (e.g., import prohibitions and quantitative restrictions); no consultation for NTMs; very high and strongly variable taxation of imports or exports (e.g., average Most Favored Nation (MFN) tariffs plus all other taxes collected at the border above 20%, with peaks above 50%) of several manufactured goods; several monopolies on import and export; highly restrictive regime for service trade (e.g., Services Trade Restrictiveness Index (STRI) between 80 and 100); no trade statistics of any sort collected or published.</p> <p>b. No clear national or agency-specific trade facilitation strategy in place. No consultation between traders and border management agencies. No performance standards or clearance times. Lack of transparency in information on trade-clearing procedures and formalities. Limited avenues for independent appeal. Endemic corruption in border agencies. 100% customs physical inspection. Long delays in the clearance of goods. Reliance on paper-based procedures: no IT support in Customs. No foreign transport service providers are allowed into the country.</p> <p>2 a. Very discretionary and discriminatory trade regime with widespread and discretionary use of highly trade-restrictive NTBs (e.g., quantitative restrictions); no consultation for NTMs; high and variable taxation of imports or exports (e.g., average MFN tariffs plus all other taxes collected at the border above 15%), with discretionary and nontransparent exemptions; haphazard application of special import regimes, and refunds (e.g., duty drawbacks) rarely made; several changes in export regulations each year; severe limitations on service trade with high level of discretion (e.g., STRI between 60 and 80); very limited data transparency (e.g., through collection and publication of statistics).</p> <p>b. Some trade facilitation strategy at national or agency level, some one-way dialogue with stakeholders. Some ad hoc data available on clearance times. Difficult to obtain latest and complete information on trade-clearing procedures and formalities. Appeal mechanism established but difficult to access. Widespread corruption in border management agencies, but visible attempts to address the issues. Heavy reliance on physical inspection of goods, but some risk-based selectivity (e.g., over 75% Customs physical inspection). Frequent delays and unreliability in the clearance of goods. Customs declarations submitted in paper form but processing supported by IT system in Customs. Limited access to foreign transport service providers (e.g., freight for both domestic and transit movement is allocated by quota system).</p> |
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- 3** a. Substantial barriers; somewhat discretionary and discriminatory trade regime with widespread and discretionary use of NTBs (e.g. discriminatory standards, licenses, & permits); limited review/consultation process for NTMs; moderately high and variable taxation of imports or exports (e.g., average MFN plus all other taxes collected at the border between 15-20%) and reasonably transparent special import regimes; frequent use of anti-dumping regulations (e.g. over 10 new measures in the year); substantial restrictions on service trade (e.g. STRI between 40 and 60); limited transparency (trade data not published).
- b. Some trade facilitation strategy at national or agency level, some consultation with other stakeholders. Some performance standards and ad hoc clearance times. Information on trade-clearing procedures and formalities is published. Appeal mechanisms established and accessible. Frequent allegations of corruption in border management agencies but improved reputation. Risk management employed moderately (e.g., < 50% Customs physical inspection). Slow processing of goods. Customs declarations electronically submitted, but processing always needs manual transactions (e.g., manual signature, duty payment). Transit quotas are used in licensing transport services. Some access to foreign transport service providers (e.g., foreign registered trucks are not allowed to pick up cargo in the country).
- 4** a. Moderate barriers and limited transparency in the trade regime, with moderate use of NTBs; some review process for NTMs; moderate taxation of imports or exports (e.g., average MFN tariffs plus all other taxes collected at the border between 10 and 15%) with limited variability, few special import regimes, and reliable application of refunds; substantial use of anti-dumping regulations (e.g., between 5 and 10 new measures in the year); moderate barriers to service trade (e.g., STRI between 25 and 40); regular collection and publication of trade statistics.
- b. Trade facilitation strategies at national and agency level, but with limited consistency. Formal processes of consultation with stakeholders. Performance standards established. Information on trade-clearing procedures and formalities is published and accessible. The hierarchy of regulatory framework is clear. Appeal mechanisms established and accessible. Limited allegations of corruption in border management agencies. Risk management employed extensively (e.g., < 30 % Customs physical inspection). Slow and slightly predictable processing of goods, but efforts to improve it acknowledged. Customs IT system in place for declaration and clearance (other border agencies may not use IT system). Moderate access to foreign transport service providers (e.g., transit permits are liberalized bilaterally, with a single country approval).
- 5** a. Low barriers and transparent trade regime with limited use of NTBs; formal review process for NTMs, low taxation of imports or exports (e.g., average MFN tariffs plus all other taxes collected at the border between 5-10%) with little variability; very few and limited special import regimes; moderate use of anti-dumping regulations (between 2 and 5 new measures in the year); few restrictions on service trade (e.g., STRI between 10 and 25); trade data beyond regular statistics is made available for policy analysis.
- b. Clear and consistent trade facilitation strategies at national and agency levels. Formal processes for consultation and cooperation with stakeholders. Performance standards established and monitored and data on clearance times publicly available. Information on trade-clearing procedures and formalities is published and accessible via the Internet. The hierarchy of regulatory framework and the links are clear. Appeal mechanisms are established and accessible. Few instances of corruption in border management agencies. Risk management used extensively (e.g., < 20 % Customs physical inspection). Speedy and predictable processing of goods (e.g., some facilitated procedures for traders with good compliance records). IT system used by Customs and other key border management agencies, with some inter-connectivity. Largely open access to foreign transport service providers (e.g., transit transport services are fully liberalized within an economic grouping and transit routes are not specified on the permit).

- 6 a. Fully open trade regime with exceptional use of NTBs; systematic review process for NTMs; very low and uniform taxation of imports or exports (e.g., average MFN tariffs plus all other taxes collected at the border below 5%); no special import regimes; very limited or no use of anti-dumping regulations (no more than 2 new measures in the year); largely liberalized service trade (e.g., STRI between 0 and 10); full transparency on all issues; detailed statistics collected and shared.
- b. Clear and consistent trade facilitation strategies at national and agency levels. Formal processes for consultation and cooperation with stakeholders, and some coordination with key trading partners. Performance standards are established and monitored, most publicly available. Information on trade-clearing procedures and formalities is published and accessible online via one central portal. The hierarchy of regulatory framework and the links are clear. Appeal mechanisms are established, accessible, and quickly functioning. Strong reputation for integrity in border management agencies. Risk management used thoroughly (e.g., < 10 % Customs physical inspection; some joint risk management between agencies). Speedy and highly predictable processing of goods (e.g., facilitated procedures available to operators with good compliance records who can satisfy established criteria). Effective electronic single-window system in place. Some cross-border data exchange. Very open access to foreign transport service providers (e.g., some cabotage operations are allowed).

Guideposts:

- WTO Tariff data homepage; and WTO World Tariff Profiles Reports: http://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm
- Tariff dispersion from tariff schedules in WITS: <http://wits.worldbank.org/>
- Non-Tariff Measures (NTMs): <http://wits.worldbank.org/wits/>
- WTO Trade Policy Review (where current) http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm
- [The Global Competitiveness Report](#): Prevalence of trade barriers, Burden of customs procedures
- [Doing Business](#): Trading across Borders
- [World Trade Indicators](#)
- FIAS Administrative Barriers Reports (where current)

5. Financial Sector

This criterion assesses the policies and regulations that affect financial sector development. Three dimensions are covered: (a) financial stability; (b) the sector's efficiency, depth, and resource mobilization strength; and (c) access to financial services. The first dimension assesses the financial sector's vulnerability to shocks, its soundness, and funding methods, the degree of adherence to international principles, e.g., Basel Core Principles, and the quality of risk management and supervision. In countries where non-bank financial institutions play an important economic role they should also be covered. Monetary policy issues are covered in the economic management cluster.

The second dimension assesses financial sector depth, resource mobilization, efficiency, and diversity (e.g., extent to which banks, markets, and non-bank financial institutions are developed). This includes an analysis of competition, prices (e.g., interest rates), and costs. For markets the analysis covers the number of issuers, (free-float) capitalization, (concentration of) liquidity, and the extent to which markets facilitate price discovery. Also covered are the extent to which the legal, regulatory, and infrastructure frameworks enhance depth, efficiency, and diversity. This includes factors such as bank entry and exit policies, contracting and enforcement, credit reporting, accounting and auditing, corporate governance, interest rate policies, and directed lending.

The third dimension covers the access of households and small and medium-size firms to financial services (savings, credit, payments, insurance, etc.). It assesses how factors such as the quality of payment systems, collateral registry, and the legal and regulatory framework, including collateral and bankruptcy laws and their enforcement are conducive to improving access. For all three dimensions both quantitative and qualitative information should be used to assess country performance and these indicators should not be analyzed in isolation but rather as a set to determine the overall rating.¹⁵

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

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|---|
| <p>1 a. Systemically important components of the financial sector are very vulnerable to shocks. Levels of (potential) losses and capital at risk, possibly compounded by unsustainable funding patterns, are very high. Credit might grow at an unsustainably high rate. Quality of risk management of financial institutions is very poor. Very weak supervisory capacities to assess, contain, and resolve institutional and systemic risk is exemplified by lack of adherence to international principles (e.g., Basel Core Principles and International Association of Insurance Supervisors' Principles).</p> <p>b. Size and diversity of financial markets are very underdeveloped. Financial institutions operate very inefficiently, and savings mobilization and sustainable levels of intermediation to the private sector are very low. Capital markets and non-bank financial institutions are very underdeveloped. Very burdensome legal, regulatory, and infrastructural frameworks inhibit financial sector efficiency, diversity, and depth.</p> |
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¹⁵ For example, many banking systems with low intermediation levels have high capital adequacy ratios (because banks do not lend, the system is stable and banks are well-capitalized). If capital adequacy ratios are used as an indicator of soundness, these systems would get a high score for financial stability and a low score for financial sector depth. However, the high score for financial stability is likely to be a consequence of the low score for financial sector depth. The stability of this system has not been tested at higher levels of financial intermediation. Such a system should probably get a low score overall, not an average score.

- c. Very small shares of households and small and medium enterprises (SMEs) have access to formal sector financial services. Legal, regulatory and infrastructural frameworks are very burdensome for enhancing the outreach and diversity of financial services. Microfinance is very inefficient. Payment and clearance systems are very underdeveloped.
- 2**
- a. Systemically important components of the financial sector are very vulnerable to shocks in the medium term. Levels of (potential) losses and capital at risk, possibly compounded by unsustainable funding patterns, are high. Credit might grow at an unsustainably high rate. Quality of risk management of financial institutions is poor. Supervisory capacities to assess, contain, and resolve institutional and systemic risk is weak. Adherence to international principles is limited.
 - b. Size and diversity of financial markets are underdeveloped. Financial institutions operate inefficiently, and savings mobilization and sustainable levels of intermediation to the private sector are low. Capital markets and non-bank financial institutions are underdeveloped. Legal, regulatory, and infrastructural frameworks are burdensome for increasing financial sector efficiency, diversity, and depth.
 - c. Small shares of households and SMEs have access to formal sector financial services. Legal, regulatory, and infrastructural frameworks are too burdensome to enhance the outreach and diversity of financial services. Microfinance is inefficient. Payment and clearance systems are underdeveloped.
- 3**
- a. Systemically important components of the financial sector are vulnerable to shocks in the medium term. Levels of (potential) losses, capital at risk, and unsustainable funding patterns are moderately high. Credit growth might become unsustainable. Quality of risk management of financial institutions is poor, but improving. Weak, but improving, supervisory capacities to assess, contain, and resolve institutional and systemic risk. Adherence to international principles is limited, but improving.
 - b. Size and diversity of financial markets are underdeveloped, but improving. Financial institutions operate inefficiently and savings mobilization and sustainable levels of intermediation to the private sector are low, but improving. Capital markets and non-bank financial institutions are underdeveloped, but improving. Legal, regulatory, and infrastructural frameworks are still moderately burdensome for increasing financial sector efficiency, diversity, and depth.
 - c. Small, but growing, shares of households and SMEs have access to formal sector financial services. Legal, regulatory, and infrastructural frameworks are moderately burdensome for enhancing the outreach and diversity of financial services. Microfinance is moderately inefficient. Payment and clearance systems are underdeveloped but functioning.
- 4**
- a. Systemically important components of the financial sector are to some extent vulnerable to shocks in the medium term. Levels of (potential) losses, capital at risk, and unsustainable funding patterns are moderate. Credit growth is sustainable. Quality of risk management of financial institutions is adequate. Moderate supervisory capacities to assess, contain, and resolve institutional and systemic risk. General adherence to international principles.
 - b. Size and diversity of financial markets are moderate. Financial institutions operate moderately efficiently, and savings mobilization and sustainable levels of intermediation to the private sector are moderate. Capital markets and non-bank financial institutions are moderately developed. Legal, regulatory, and infrastructural frameworks are moderately supportive for increasing financial sector efficiency, diversity, and depth.
 - c. Moderate shares of households and SMEs have access to formal sector financial services. Legal, regulatory, and infrastructural frameworks are moderately supportive for enhancing the outreach and diversity of financial services. Microfinance is moderately efficient. Payment and clearance systems are moderately developed.

- 5 a. Systemically important components of the financial sector are resilient to shocks. Levels of (potential) losses, capital at risk, and unsustainable funding patterns are low. Credit growth is sustainable. Generally satisfactory quality of risk management of financial institutions and of supervisory capacities to assess, contain, and resolve institutional and systemic risk. Consistent adherence to international principles.
- b. Size and diversity of financial markets are high. Financial institutions operate efficiently, and savings mobilization and sustainable levels of intermediation to the private sector are moderately high. Capital markets and non-bank financial institutions are developed. Legal, regulatory, and infrastructural frameworks are supportive for increasing financial sector efficiency, diversity, and depth.
- c. Sizeable shares of households and SMEs have access to formal sector financial services. Legal, regulatory, and infrastructural frameworks are largely supportive for enhancing the outreach and diversity of financial services. Microfinance is efficient. Payment and clearance systems are well developed.
- 6 a. Systemically important components of the financial sector are very resilient to shocks. Levels of (potential) losses, capital at risk, and unsustainable funding patterns are very low. Credit growth is sustainable. Good quality of financial institutions' risk management and of the supervisory capacity to assess, contain, and resolve institutional and systemic risk. Consistent adherence to international principles, following best practices.
- b. Size and diversity of financial markets are very high. Financial institutions operate very efficiently, and savings mobilization and sustainable levels of intermediation to the private sector are very high. Capital markets and non-bank financial institutions are very developed. Legal, regulatory, and infrastructural frameworks are very supportive for increasing financial sector efficiency, diversity, and depth.
- c. Large majority of households and SMEs have access to formal sector financial services. Legal, regulatory, and infrastructural frameworks are very supportive for enhancing the outreach and

Guideposts:

- [IMF Financial Statistics](#)
- Available Financial Sector Assessment Programs (FSAP) Documents, including data from Basel Core Principle reviews
- [Global Financial Inclusion Database \(Global Findex\)](#)
- World Development Indicators

6. Business Regulatory Environment

This criterion assesses the extent to which the legal, regulatory, and policy environment helps or hinders private business in investing, creating jobs, and becoming more productive. The emphasis is on direct regulations of business activity and regulation of goods and factor markets. Three sub-components are measured: (a) regulations affecting entry, exit, and competition; (b) regulations of ongoing business operations; and (c) regulations of factor markets (labor and land). Several other areas that are pertinent to the business environment are covered in other criteria. Macroeconomic aspects are covered in the macroeconomic cluster; and trade factors are assessed in Variable 4. Issues related to access to credit are assessed in Variable 5 and on broad issues concerning the legal framework on property and contract rights, and the functioning of the judicial system are covered in Variable 12. Several other aspects of the labor markets are covered in Variable 11. To obtain an overall score for this criterion, its three components should be considered separately and equally weighted.

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

- 1 a. Extensive bans on, or complex licensing of, investment. Procedures to enter and exit are extremely difficult and costly. No legal framework to address anti-competitive conduct by firms in naturally-competitive markets. Public sector entities are required to purchase only from state firms.
 - b. Extremely burdensome operational licensing, permits, inspections, and other compliance systems, including taxes and customs. Goods markets are highly restricted, e.g. through extensive state ownership in competitive sectors, widespread price controls, or the state makes administrative allocation/decisions about production. No, or weak requirements on ownership and financial disclosure, few or no shareholder protections; those that exist are not enforced.
 - c. Extensive labor market controls and rigidity of labor regulation. Private land ownership is illegal or severely curtailed. Very few businesses have formal title or use rights to land. Process to register property extremely costly.
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- 2 a. Many bans on, or complex licensing of, investment. Procedures to enter and exit economic activities are very costly. Very limited legal framework to address anti-competitive conduct by firms in naturally-competitive markets. Public entities are required to purchase many goods and services only from state firms.
 - b. Burdensome operational licensing, permits, inspections and other compliance systems, including taxes and customs. A market for goods exists, but there is significant state intervention, e.g. a significant presence of regulated parastatals in product markets and/or significant subsidies on major commodities. Weak regulations on ownership and financial disclosure, few shareholder protections; those that exist are not effectively enforced.
 - c. Very rigid employment regulations and other labor institutions that significantly depress formal employment. Private land ownership curtailed by restrictive land use rights and distortions from property market controls. Many businesses do not have formal title or use rights to land. Process to register property is very costly.

- 3 a. Few bans on investment, but there are complex licensing requirements for many activities. Procedures to enter and exit many economic activities are costly. Legal framework to address anti-competitive conduct by firms exists, but there is no effective enforcement. Public sector entities are not formally required to purchase exclusively from state firms, but there is widespread implicit pressure to do so.
- b. Operational licensing, permits, inspections and other compliance systems, including those related to taxes and customs, are moderately burdensome in some sectors. A market for goods exists, but there is some state intervention through controls and/or subsidies/taxes. Inadequate regulations on ownership and financial disclosure; those that exist are sometimes not enforced effectively.
- c. Rigid employment regulations and other labor institutions depress formal employment. Private land ownership permitted with very few restrictions or distortions from property market controls, but in practice some businesses do not have formal title or use rights to land. Process to register property is costly.
- 4 a. Licensing requirements for most activities eliminated or streamlined, but remain problematic in some cases. Few barriers to entry and exit for most activities, but barriers remain for some. Good legal framework to address anti-competitive conduct by firms exists, and enforcement is often, but not always, effective. Public entities are free to procure from any source, but there is occasional interference.
- b. Operational licensing, permits, compliance and inspection requirements, including those related to taxes and customs, impose few burdens on business. Little direct state intervention in goods markets through controls and/or subsidies, but there some market imperfections are not addressed, e.g. high concentration ratios in industries enjoying some trade protection or producing non-tradable goods. No significant parastatals in product markets. Corporate governance laws generally encourage disclosure and protect shareholder rights, although enforcement requires improvement.
- c. Employment law is reasonably flexible, but there are some labor market institutions that depress formal employment in some sectors. No legal/institutional barriers to land ownership, but land markets could be distorted by significant monopolistic elements. Registering property is reasonably easy.
- 5 a. Very few bans or investment licensing requirements. Few barriers to entry and exit of business. Good legal framework to address anti-competitive conduct by firms exists and is generally enforced. All public sector entities are free to procure from any source.
- b. Operational licensing, permits, inspections and other compliance requirements, including those related to taxes and customs, impose only minimal burdens on business. State intervention in the goods market is generally limited to regulation and/or legislation to smooth out market imperfections. Corporate governance laws encourage ownership and financial disclosure and protect shareholder rights and are generally enforced.
- c. Employment law provides for flexibility in hiring and firing. State intervention in the labor and land markets is limited to regulation and/or legislation to smooth out market imperfections. Procedures to register property are simple and low-cost.

- 6 a. Almost no bans or investment licensing requirements. Regulations facilitate efficient entry and exit of business. Good legal framework to address anti-competitive conduct by firms exists and is consistently enforced. All public sector entities are free to procure from any source.
- b. Streamlined industry licensing, permits, and inspections requirements facilitate business activity. State intervention in the goods market is limited to regulation and/or legislation to smooth out market imperfections. Corporate governance laws encourage disclosure and protect shareholder rights and are enforced effectively.
- c. Employment law provides a high degree of flexibility for hiring and firing decisions. Other labor market institutions facilitate doing business. State intervention in the labor and land markets is limited to regulation and/or legislation to smooth out market imperfections. Procedures to register property are simple, low cost, and fast.

Quantitative Indicators:

- **Starting a Business (50%)** – Doing Business Index -World Bank and International Finance Corporation (IFC): <http://www.doingbusiness.org/>
- **Regulatory Quality (RQ) index (50%)** - Worldwide Governance Indicators - World Bank Institute¹⁶ www.govindicators.org

Guideposts:

- [Business Environment Snapshots](#)
- Investment Climate Assessments (for available countries): <https://www.wbginvestmentclimate.org/>
- Other Doing Business indicators: <http://www.doingbusiness.org/> (Procedures, time, cost to start a business; Time, cost and recovery rate on insolvency; Procedures, time and cost to register property; Corporate governance disclosure index; Procedures, time and cost of business licensing)
- Global Competitiveness Report <http://www.weforum.org/>
- Enterprise surveys: www.enterprisesurveys.org

¹⁶ The WGI are produced by Daniel Kaufmann, Brookings Institution, Aart Kraay, World Bank Development Economics Research Group, Massimo Mastruzzi, World Bank Institute.

7. Policies and Institutions for Environmental Sustainability

This criterion assesses the extent to which environmental policies and institutions foster the protection and sustainable use of natural resources and the management of pollution. The criterion covers cross-cutting issues that relate to the policy making process and assesses policies and institutions at a sectoral level, as environment issues cut across many economic sectors and each sector has its specific set of issues. The assessment is divided into two parts that cover the institutional context (Part A) and the environmental themes (Part B). The institutional context in Part A spans five cross-cutting issues: access to information, public participation, the quality and effectiveness of the EA system, cross-sectoral coordination, and accountability. Part B covers nine environmental themes focusing on policy, implementation and enforcement. The nine environmental themes are: air pollution, water pollution, waste, freshwater resources, marine and coastal resources, ecosystem and biodiversity, commercial renewable resources, non-renewable resources, and climate change.

The overall country score should be obtained by filling out the **Environment Score Survey**. The survey provides guidance on how to conduct the assessment of the different topics and themes covered in parts A and B, and how to determine the overall score for this criterion. Also included are text boxes that should be used to provide the justification for the specific scores and that will help the preparation of the write-up for this criterion. Environment is a cross-cutting theme and to complete the survey country teams should consult the appropriate sector experts. The following box only provides broad guidance to the scoring.

- Fill out the Environment Score Survey¹⁷ to arrive at the overall score.

- 1 Environmental information is not collected. The public is not consulted. Environmental Assessment (EA) legislation is lacking. Sector ministries do not incorporate environmental concerns. There is no grievance and/or judicial system to handle environment concerns. No consideration of climate change impacts on development. Regulations and policies are lacking.
- 2 Environmental information is infrequently collected and is not published. The public is consulted on very few issues. EA system exists but is ineffective. Consideration of environmental issues in sector ministries is minimal. There is no grievance and/or judicial system to handle environment concerns. National climate change adaptation strategy has been prepared in last five years and cost-effective mitigation measures are being explored. Regulations and policies are partial, inadequate or inappropriate. Implementation and enforcement are ineffective. For natural resources, control of access to resources is ineffective. For commercial natural resources, government is unable to capture rents from operators/commodities.
- 3 Data is infrequently collected, and public information is limited. The public is consulted on very few issues, but process is informal and not regulated or applied consistently. EA system exists, but capacity and quality is low. Sector ministries have basic knowledge of environmental issues. An ineffective grievance and/or judicial system exists. Building on national climate change plans, vulnerable sectors are starting to consider climate risks in plans and projects. Regulations and policies are in place but important gaps exist. Implementation and enforcement are weak. For natural resources, control of access to resources is weak. For commercial natural resources, government is ineffective in capturing rents from operators/commodities.

¹⁷ The survey was designed by the World Bank for its CPIA process.

- 4 Data is collected with some regularity, and very limited public information is available. The public is consulted on issues directly relevant to the specific group but record of this process influencing final decision is poor or mixed. EA is applied regularly in selected areas but gaps exist. Sector ministries have limited capacity to deal with environmental issues and no inter-ministerial coordination takes place. An ineffective grievance and/or judicial system exist. Building on national climate change plans, vulnerable sectors weakly incorporate climate risks in plans and projects. Regulation and policies cover most issues. Implementation and enforcement are effective in limited areas. For natural resources, control of access to resources is effective in limited areas. For commercial natural resources, government is weakly effective in capturing rents from operators/commodities.
- 5 Data is collected with some regularity, and some public information is available. The public is consulted on most directly and indirectly relevant issues, including issues of national importance, but record of results influencing final decision is mixed. EA is applied but limited findings are acted upon. Sector ministries have some capacity to deal with environmental issues and some inter-ministerial coordination takes place. There is a grievance and/or judicial system, with limited effectiveness. Building on national climate change plans, vulnerable sectors incorporate climate risks in plans and projects. Regulations and policies are comprehensive. Implementation and enforcement are effective in some areas. For natural resources, control of access to resources is effective in some areas. For commercial natural resources, government is effective in capturing rents from some operators/commodities.
- 6 Data is collected regularly, and public information is widely available. The public is consulted on most environmental issues, and there is a good record of results influencing final decisions. EA is effective and findings are acted upon. Environmental concerns are integrated in sector policies and inter-ministerial coordination is effective. The grievance and/or judicial system effectively resolve complaints. Building on national climate change plans, vulnerable sectors incorporate climate risks in plans and projects, and cost-effective mitigation measures are being implemented. Regulations and policies are comprehensive. Implementation and enforcement are effective. For natural resources, control of access to resources is effective. For natural resources, control of access to resources is effective. For commercial natural resources, government is effective in capturing rents from operators/commodities.

Indicator

- **Environmental Performance Indicator**, Yale University <http://epi.yale.edu/>

Guideposts:

- Environmental Sustainability Index - World Economic Forum <http://www.weforum.org>
- Environmental Indicators, World Bank <http://data.worldbank.org/topic/environment>

8. Gender equality, indigenous peoples¹⁸ and people of African descent¹⁹

This variable assesses the extent to which the country has created laws, policies, institutions and practices that promote equal access for males, females, indigenous peoples, and people of African descent to socio-economic resources and opportunities. Has the country acted to ensure that women, indigenous peoples and people of African descent have equal access in such areas as productive resources and economic opportunities; human capital development and public resource use; participation in policy dialogue; and status and protection under the law? The questionnaire is divided in two sections:

A. Gender

This item assesses women's disadvantage and the extent to which the country has created laws, policies, and programs to promote gender equality in three dimensions: (a) Reproductive health; (b) Empowerment; and (c) Labor market.

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

- 1 a. There have been no recent efforts to develop laws or policies to improve delivery care, family planning services or reduce adolescent fertility.
 - b. Laws and policies do not contemplate quotas to increase women's participation in national parliaments or congresses, and there have been no recent efforts to make laws more supportive of gender equality in the ownership of land or assets.
 - c. Legislation does not mandate equal pay for equal work, and the enforcement of anti-discrimination legislation for women is absent.

- 2 a. Same as 1a., except that there have been recent efforts to develop laws or policies to improve delivery care, family planning services or reduce adolescent fertility.
 - b. Same as 1b., except that there have been recent efforts to develop laws or policies that consider quotas to increase women's participation in parliaments or congresses, yet there have been no recent efforts to make laws more supportive of gender equality in the ownership of land or assets.
 - c. Same as 1c., except that there have been recent efforts to consider equal pay for equal work legislation, yet the enforcement of anti-gender discrimination laws is weak.

¹⁸ The Operational Policy on Indigenous Peoples (OP-765) and the Strategy for Indigenous Development (GN-2387-5) (2006) seek to enhance the IDB's contribution to the development with identity of indigenous peoples by setting targets and specific priority areas for Bank action. Indigenous peoples as defined in the IDB Policy and Strategy meet the following three criteria: (a) represent descendants of populations inhabiting the region at the time of the conquest or colonization, (b) irrespective of legal status or current residence they retain some or all of their own social, economic, political, linguistic and cultural institutions and practices; and (c) recognize themselves as belonging to indigenous or pre-colonial peoples or cultures. The Policy and Strategy also follow guidance on the definition of indigenous peoples found in the International Labor Organization's (ILO) 1989 Convention 169 Concerning Indigenous and Tribal Peoples in Independent Countries.

¹⁹ The IDB makes specific reference to people of African Descent in the Action Plan to Combat Social Exclusion due to Race and Ethnic Background (2001-2002, 2002-2003), and the Strategy document – Social Policy for Equity and Productivity (2011). The United Nations has provided specific emphasis on People of African Descent from the Americas in the implementation of the Durban Programme of Action, Working Group of Experts on People of African Descent, and commemoration of the International Year for People of African Descent. In 2012, the OAS passed a Resolution in Recognition and Promotion of the Rights of People of African Descent in the Americas, AG/RES. 2708 (XLII-O/12). International frameworks often consider African descendants in the context of racial discrimination and minority rights

- 3
 - a. Policies and laws provide for access to pre-natal care and delivery, and access to family planning services but there are no mechanisms for enforcement.
 - b. Same as 2.b., except that there have been recent (within the last five years) efforts to develop laws or policies that consider quotas to increase women's participation in national government, and there have been recent (within the last five years) efforts to make laws more supportive of gender equality in the ownership of land or assets.
 - c. Same as 2.c., except that formal policies and laws are being considered for equal pay for equal work, and the enforcement of anti-gender discrimination laws is improving.
- 4
 - a., b., and c. same as 3, except that there are also mechanisms to enforce these laws (e.g., in the form of planned or existing programs to achieve gender equality, or institutions or agencies to guide the achievement of gender equality).
- 5
 - a. Policies and laws that specifically address access to delivery care and family planning services are broadly enforced. However, there are no institutions or agencies actively working to increase delivery care, family planning services, or to ensure that adolescent fertility rate remains low.
 - b. Quota laws and policies are broadly used to increase women's participation in national parliaments or congresses, and there have been efforts to make laws more supportive of gender equality in the ownership of land or assets. However, there are no specific institutions to promote greater gender equality in these two areas.
 - c. Policies and laws that address gender discrimination in the labor market are broadly enforced. However, there are no institutions to promote greater gender equality in this area.
- 6
 - a. Policies and laws that specifically address gender equality in all these areas are consistently and effectively enforced, and there are active programs and institutions to promote gender equality or prevent an increase in gender inequalities.

Quantitative Indicator

- **Gender Inequality Index** (UNDP) <http://hdr.undp.org/en/statistics/gii/>

Guideposts:

- Human Development Reports – United Nations <http://hdr.undp.org/en/>
- Periodic UN reports including reports from the Commission on the Status of Women, the Progress of the World's Women Report, and World Survey on the Role of Women in Development <http://www.unwomen.org/>
- Gender Equity Index (GEI) - Social Watch Social Watch www.socialwatch.org
- See IFC's Women in Business Program website, <http://www.ifc.org/gem> ;
- <http://www.ucw-project.org/>
- <http://unstats.un.org/unsd/demographic/gender/wistat/sysreq.htm>

B. Race and Ethnicity

This item assesses the current status and perception of indigenous peoples and people of African descent in three dimensions: (a) Human capital development (educational attainment and access to health services); (b) Productive and economic resources (access to assets and employment); (c) Status and protection under the law (perceived protection of basic rights). The Gender and Diversity (GDI) department of the Bank created The Racial Inequality Score (RIS) indicators (below) to provide guidance for the assessment related to the perceptions of indigenous peoples and people of African descent. This also considers the extent to which the country has created laws, policies, institutions, and programs that promote equal access for these groups in the three dimensions listed above.

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

- 1 a. There have been no recent (within the last five years) efforts to make laws or policies more inclusive to enhance human capital development in the areas of education or health for racial or ethnic populations.
- b. There have been no recent (within the last five years) efforts from the government to address access to assets, employment opportunities or the enforcement of anti-discrimination legislation. Specifically, the government has no strategy or program to address disparities by race or ethnicity.
- c. Laws and policies deny equal economic rights and opportunities to indigenous peoples and people of African descent.
- 2 a. Same as 1a., except that there have been recent (within the last five years) efforts to make laws or policies more inclusive to improve educational attainment and access to health services for racial and ethnic populations.
- b. Same as 1b., except that there have been recent (within the last five years) efforts to make laws or policies more inclusive of racial and ethnic equality in access to assets, employment opportunities or the enforcement of anti-discrimination legislation.
- c. Same as 1c., except that there have been recent (within the last five years) efforts to abolish laws that deny economic rights and opportunities.
- 3 a. Policies and laws provide for equal access to education and health care but there are no mechanisms for enforcement.
- b. Laws and policies exist to promote improved access to assets, employment opportunities or the enforcement of anti-discrimination legislation for indigenous peoples and people of African descent but are limited in scope.
- c. Formal policies and laws providing equal status under the law for indigenous peoples and people of African descent exist, but enforcement is extremely weak.
- 4 a, b, and c. same as 3, except that there are also mechanisms to enforce the laws (e.g., in the form of programs to achieve racial and ethnic equality, or institutions or agencies to guide the achievement of equality).

- 5 a. Policies and laws that specifically address access to education and health are broadly enforced. However, there are no institutions actively working to promote greater educational opportunities or ensure access to health services among indigenous peoples and people of African descent.
 - b. Policies and laws that specifically address racial equality in access to assets, economic opportunities and anti-discrimination are broadly enforced for indigenous peoples and people of African descent. However, there are no programs or institutions actively working to promote both greater racial and ethnic equality in access to assets and employment opportunities.
 - c. Policies and laws that address discrimination are broadly enforced. However, there are no institutions actively working to promote greater equality for indigenous peoples and people of African descent.
- 6 Policies and laws that specifically address racial equality in educational attainment, access to health services, and protection under the law are consistently and effectively enforced, and there are programs and institutions actively working to broadly promote equality or prevent discrimination.

Guideposts:

- Reports from the Working Group of Experts on People of African Descent, OAS Reports on the Recognition and Promotion of the Rights of People of African Descent in the Americas.

9. Equity of Public Resource Use

This criterion assesses the extent to which the pattern of public expenditures and revenue collection affects the poor and is consistent with national poverty reduction priorities. This variable has three components: (a) the expenditure component consists of two subcomponents, one focusing on measurement issues and the other with priorities and strategies, especially those related to the poor and to vulnerable groups. The first covers the extent to which poverty measurement, monitoring, and evaluation instruments exist; and the degree to which poverty-related information is made available to the public; (b) the second assesses the extent to which vulnerable groups are identified, priorities are spelled out and budgets are aligned with those priorities; and sub-national allocation of public spending takes into account sub-national levels of poverty. The assessment of the revenue collection, the third component of the criterion, covers the incidence of major taxes, e.g., whether they are progressive or regressive,²⁰ the extent to which progressive changes have been incorporated in the revenue system, the degree of alignment between revenue collection and poverty reduction priorities. The three sub-components are equally weighted to obtain the overall score.

Note: As a criterion with multiple components, a rating for each component should be provided in the write-up along with its justification.

- 1 a. No adequate poverty measurement tools are available. The composition and incidence of expenditures are neither tracked nor evaluated. Existing data on poverty are not publicly available.
 - b. There are no mechanisms to clearly identify poor and vulnerable groups. No strategy and programs exist to assist these groups, and no efforts are being pursued to reach them. Public expenditures are not aligned with poverty reduction priorities. Sub-national allocation of public spending is not responsive to poverty levels.
 - c. The overall incidence of tax revenues is very regressive and does not reflect national poverty reduction priorities. No changes were introduced during the last year to address these issues.
- 2 a. Some poverty measurement tools exist, but they are not used regularly and the information gathered is not very reliable. Only a general tracking of expenditures is available (e.g., recurrent and investment, and expenditures by ministry). Little or no information on poverty is publicly available.
 - b. There is very limited identification of poor and vulnerable groups and of their key relevant characteristics (e.g., income, consumption, ethnicity, age, human capital, location). A strategy is under preparation to assist poor and vulnerable groups and to address inequities in their access to services (e.g., energy, water and sanitation, health, education, transport) and to productive resources. There are no targeted programs to assist these groups, and efforts to reach these segments of the population are very limited. Public expenditures are only marginally aligned with poverty reduction priorities. Sub-national allocation of public spending is only marginally sensitive to poverty levels.
 - c. The overall incidence of tax revenues is largely regressive and does not reflect national poverty reduction priorities. Only small steps were taken during the last year to address these issues.

²⁰ A regressive tax redistributes income from the poor to rich, taking a greater percentage of a lower income than of a higher income. In contrast, a progressive tax redistributes income from the rich to the poor. Under a progressive tax the average rate of the (income) tax increases as income increases.

- 3** a. Some poverty measurement tools exist and are regularly used, but there are gaps in coverage and the reliability of the information provided is not always clear. Mechanisms to track spending exist, but there are gaps in coverage. Few mechanisms are in place to monitor program implementation or evaluate programs. Poverty-related information is only partially available to the public.
- b. The poor and vulnerable groups are not fully identified, and there is only incomplete information about their main characteristics. A strategy is in place to assist the identified poor and vulnerable groups and address inequities in their access to services and to productive resources, but there are important implementation gaps. A few programs are in place to assist the identified groups, but these programs are not adequately targeted. Initiatives are being sporadically pursued to reach these segments of the population and increase their participation in public programs (as beneficiaries and/or in their design and implementation). Public expenditures are unevenly aligned with poverty reduction priorities, but efforts are ongoing to improve alignment. Rules are in place to assign public spending according to sub-national poverty levels, but implementation is uneven.
- c. The overall incidence of tax revenues is somewhat regressive. During the last year, some initiatives have been taken to correct this and to ensure consistency with national poverty reduction priorities.
- 4** a. Some poverty measurement tools are used regularly and generate broadly reliable data. Public expenditures aligned to poverty reduction are adequately tracked. Mechanisms are in place to monitor the implementation of these programs and measure their results, but the information provided and the feedback to subsequent expenditure allocations are uneven. Most of the existing poverty information is publicly available.
- b. The poor and vulnerable groups are generally identified and their key characteristics known. A strategy is in place to address the needs of these groups, but it is not fully implemented. Some targeted programs are being implemented to increase poor and vulnerable groups' access to services and productive resources. Several initiatives are ongoing to reach poor and vulnerable groups, increase their participation in programs, and improve their integration in society. Public expenditures are mostly aligned to poverty reduction goals. Sub-national allocation of spending takes poverty levels into consideration.
- c. Some egregious regressive revenue sources remain, but initiatives are under way to correct them and ensure that revenue generation is consistent with national poverty reduction priorities. Progressive changes in revenue collection were approved and partially implemented during the last year.
- 5** a. Poverty measurement tools are used regularly, and the information collected is reliable. Tracking of spending levels by category is in place. Mechanisms are in place to monitor the implementation of these programs and measure their results. Poverty-related information is generally available to the public.
- b. The poor and vulnerable groups are identified and their characteristics known. A comprehensive strategy is being implemented to address the needs of these groups, including equitable access to services and to productive resources. Several programs are being implemented to assist the identified groups through a range of targeted interventions. Initiatives are being actively pursued to reach these groups, increase their participation in programs, and strengthen their integration in society. Public expenditures are essentially aligned to poverty reduction priorities. Sub-national allocation of spending is in general consistent with poverty reduction goals.
- c. There are few, if any, egregious regressive taxes. Revenue generation is generally aligned with national poverty reduction priorities. Progressive changes in revenue collection were implemented during the last year.

- 6 a. Poverty measurement tools are frequently used and provide highly reliable data. Tracking of spending levels by category is in place. Program implementation is carefully monitored. Evaluation analyses are undertaken for key programs, and their results are used to strengthen them and inform the design of other social programs. Poverty-related information is consistently made available to the public.
- b. The poor and vulnerable groups, and their relevant characteristics, are clearly identified. A comprehensive strategy, with well-defined and targeted interventions to assist the identified groups, is under full implementation. A wide range of consistent efforts is ongoing to ensure that poor and vulnerable groups are covered and are integrated in society. Public expenditures are fully aligned with poverty reduction priorities. Poverty is a key criterion used to allocate spending at sub-national levels.
- c. There are no egregious regressive revenue sources. Revenue generation is aligned with national poverty reduction priorities. Any changes in revenue collection implemented during last year were progressive.

Guideposts:

- Available Public Expenditure Reviews, poverty analyses, country economic reports, or any other relevant analytical work prepared by the Bank, the government, other donors and development partners.

10. Building Human Resources

The breadth and quality of a country's human capital is a key determinant of its economic growth and social development, including global attainment of the Millennium Development Goals (MDGs), over half of which relate to human development (HD) outcomes. This criterion assesses the national policies and public and private sector service delivery that affect access to and quality of health and education related services. The criterion has two components: (a) health, including population and reproductive health, and nutrition as well as the prevention and treatment of communicable diseases such as HIV/AIDS, tuberculosis, and malaria; and (b) education, training and literacy programs, and early child development (ECD) programs, including both formal and non-formal programs (which may combine education, health, and nutrition interventions) aimed at children aged 0-6.

Each of these major areas of human development should be rated separately. In most cases, government performance is stronger in some program areas than in others (e.g., basic health services vs. nutrition, HIV/AIDS vs. malaria, or primary education vs. tertiary). The scores for the respective sub-components should reflect a judgment about the relative importance of each underlying policy/program area for the country's overall development.²¹ For the purposes of determining the final score, the two sub-scores should be equally weighted.

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

1. a. Health policies (reproductive and child health, TB, malaria, HIV and other high-priority public health programs) and program implementation (prevention and treatment services) are non-existent, or may exist but are grossly inadequate to provide a vast majority of the population access to a minimum package of basic health services. Government stewardship is nonexistent. Public funding does not achieve intended objectives, and there is little protection against the financial burdens of illness with high out of pocket expenditures being incurred by all. Country health data are weak.
- b. Education strategy and policies are nonexistent or inadequate to address education needs. Education statistics are absent or unusable. There is no assessment of student learning at the system level and little or no effort to use data on student learning outcomes or teacher performance in policymaking or sector management. Most schools need rehabilitation. Education spending is inadequate and largely reliant on donors, and its allocation is inefficient. Most teachers have little formal training. There is no parental participation, and financial, pedagogical, and personnel accountability is absent from education policy.

²¹ Some aspects to consider are whether or not the country has policies/strategies to address financing, resource generation, human resources for health, surveillance, pharmaceutical and supplies management, public-private partnerships, multi-sectoral action for health. Depending on the country context, key public health priorities may include but are not limited to: TB; malaria; HIV; reproductive and child health; nutrition; and non-communicable diseases. These are only suggested lists and the country team will need to make the determination based on country context and relevance.

2. a. Health policies are weak and do little to address essential health services and function. There is weak execution by the government of its stewardship function, and the country's regulatory environment is poor. Program coverage for reproductive and child health, nutrition, TB, malaria, HIV and other high-priority public health programs is low, and most poor people are not receiving these basic health services. Public funding is limited and not well-targeted, and few have financial protection against health care costs with high out of pocket expenditures being incurred by most of the population. Systems to track program coverage are weak, and limited epidemiological information exists on key public health priorities.
- b. Education strategy and policies are not well defined. Basic education statistics on internal efficiency are produced irregularly, and the quality of the data is questionable. Assessment of student learning at the system level is sporadic and unsystematic. Most schools need rehabilitation. Sector spending is inadequate and remains inefficient. The system is highly centralized. Teacher pay increases are based on seniority and location. There is limited parental participation in school activities, and schools are only accountable to central or regional authorities for personal misconduct.
3. a. A national health strategy or equivalent exists, but policies lack several key elements relevant to the country context. Government stewardship and regulation are only partly appropriate. Programs provide for some essential preventive and curative interventions, including for TB, malaria, HIV, and other communicable diseases where relevant. Programs to prevent and treat malnutrition exist, but implementation may be weak. The majority of the population is receiving basic health services, though high inequities in access to quality care exist. Public funding targets some of the key public health priorities, and financial protection exists, but the poor are not well-targeted, and out of pocket expenditures remain high for the poor and other disadvantaged groups. Systems for tracking program coverage are patchy, and program coverage is moderate. Population-based data are available but are not of high quality/fully representative or are more than five years old.
- b. An education strategy is in place, but policy needs reform in some key areas. Basic statistics on internal efficiency are of acceptable quality and are published annually. Student learning is assessed every 3-5 years at the system level in at least one grade, but results may not be comparable over time and made public. A majority of schools need rehabilitation. Total expenditures are inadequate and inefficient, and the system is reliant on donors for capital investments. Teacher pay increases are based on seniority, location, and formal education. Parents participate in fund-raising and nonacademic activities. Financial and human resources accountability is handled at the central or regional level.
4. a. A national health strategy or equivalent exists, and policies contain many of the key elements relevant to the country context. The government executes its stewardship function at the central level and some lower levels, and the regulatory environment is largely appropriate. Majority of the population receive appropriate basic health services including reproductive and child health, nutrition, TB, malaria, HIV albeit of variable quality, but some inequities in access exist. Public funding targets many of the key public health priorities. Financial protection exists, and basic protection is provided by health or social insurance policies, though the majority of the poor may not be well-targeted. Surveillance and systems to track program coverage exist, though they may need to be strengthened. A Demographic and Health Survey (DHS) or other population-based survey has been completed in the last five years, and periodic assessments of health facilities to assess performance are undertaken.

- b. Education policy is fairly adequate, and the education strategy is used for long-term planning. An integrated information system is in place, and policy and issue-relevant data of good quality are collected and available to policymakers. Student learning is assessed at regular multiyear intervals, and data are comparable over time and made public. Total expenditures are almost adequate, but they are inefficient. Teachers are evaluated regularly. In-service training is widely available. Teacher pay increases are based on seniority, location, formal education, and additional training. The school budget is based on enrollment and salaries, and equity-enhancing policies are implemented. Schools are able to use discretionary funds. Parents are involved in school operations on a volunteer basis and may receive reports on the academic and financial performance of the school.
5. a. A national health strategy or equivalent is well defined and prioritized, and policies and programs are costed and cover most elements relevant to the country context. There is appropriate stewardship at both central and many lower levels of government, and regulation is largely implemented. Preventive and curative health services, including for TB, malaria, HIV (where relevant) and other communicable diseases, have good coverage, and there are few inequities in access to most health services of good quality. Also, HIV prevention targets the specific factors driving the epidemic. Public funding (fiscal or mandatory payroll) forms the majority of health financing, is well targeted at priority public health programs, and generally achieves intended objectives. Appropriate health or social insurance policies provide good coverage, including for the poor. Periodic assessments of health facilities to assess performance are undertaken. Surveillance systems and systems to track program coverage function well and show improvements in service delivery. A DHS or other population-based survey has been completed in the last five years and is often used for planning.
- b. Education policy and the education strategy are integrated into a national development strategy. Education statistics of good quality are used to plan and to monitor sector performance. Student learning is assessed systemwide at regular intervals, and the data are comparable over time, made public, and used to guide policy. Teachers and directors are evaluated regularly, and their performance may be used to affect their school assignment. Expenditures are adequate, but additional funding may be needed to improve infrastructure quality in poor areas. Budgeting is transparent and program-based. Budget may be directly transferred to schools, with parents participating in some decisions. Schools regularly report financial and academic results to parents.
6. a. A national strategy or equivalent is comprehensive, and policies and programs are well costed and cover all elements relevant to the country context. There is appropriate government stewardship and there are appropriate legal, regulatory and policy levers at both central and lower levels to provide effective enforcement and satisfactory oversight of health system performance. Universal access to and utilization of preventive and curative health services of high quality, including for TB, malaria, and HIV (where relevant), has been achieved. Also, HIV prevention targets the specific factors driving the epidemic and is effective in reducing HIV incidence or keeping it low. Health financing is primarily through public funding (fiscal or mandatory payroll). Public funding is well targeted at priority public health programs. Appropriate health or social insurance policies provide good coverage, where good safety nets for the poor also exist. Periodic assessments of health facilities to assess performance are regularly undertaken. Surveillance and systems to track program coverage function well and show service delivery is consistently high. A DHS or other population-based survey is carried out every five years and is always used for planning.

6. b. Education policy and strategy have a significant impact on the country's development strategy. Information is fed back to schools and communities. Students are assessed regularly at the system level, data are of excellent quality and are comparable over time, and assessment results are public and used regularly by policymakers. Teacher pay increases are based on formal education, seniority, and location, and may include incentives for performance. Expenditures are adequate and efficiently allocated. A significant portion of school budgets is transferred directly to schools, to be administered by parents, school boards, and/or school directors. Hiring and firing decisions may be made at the school level. Schools regularly publicize academic and financial performance, and the information is publicly available.

Guideposts

- EDSTATS: <http://go.worldbank.org/ITABCOGIV1>
- Education attainment: <http://www.worldbank.org/research/projects/edattain/edattain.htm>
- Health, Nutrition and Population Data and Statistics: <http://datatopics.worldbank.org/hnp/>
- Tool for assessing the quality of public health services: <http://www1.worldbank.org/publicsector/bnpp/Preventhealth.htm>
- WHO Statistical Information System (WHOSIS): <http://www3.who.int/whosis/menu.cfm>
- WHO Global Database on Child Growth and Malnutrition: <http://www.who.int/nutgrowthdb/en/>
- HMN Assessing the National Health Information System: An Assessment Tool: <http://www.who.int/healthmetrics/tools/hisassessment/en/index.html>
- WHO Assessing National Medicines Regulatory Systems: http://www.who.int/medicines/areas/quality_safety/regulation_legislation/assessment/en/index.html
- WHO/Health Action International Database with Studies on Essential Drug Prices and Availability: <http://www.haiweb.org/medicineprices/>
- WHO Assessing Financing, Education, Management and Policy Context for Strategic Planning of Human Resources for Health: <http://www.who.int/hrh/resources/financing/en/index.html> (see page 54)
- UNICEF: <http://www.childinfo.org/>
- UNAIDS: <http://www.unaids.org>
- US Bureau of the Census (HIV/AIDS database): <http://www.census.gov/ipc/www/hivaidsd.html>

11. Social Protection and Labor

The criterion assesses social protection (SP) and labor policies, namely those engaged in risk **prevention** by supporting savings and risk pooling through social insurance, **protection** against destitution through redistributive safety net programs and **promotion** of human capital development and income generation, including labor market programs. It also assesses the functioning of an SP system, including its effectiveness in a crisis and in providing arrangements and incentives to help beneficiaries to move from protection, to promotion and prevention, including through interactions with private, informal means of SP. The criterion covers: (a) the overall SP system; (b) social safety net programs; (c) labor markets programs and policies, namely those aiming to promote employment creation and productivity growth while protecting core labor standards and ensuring adequate working conditions; (d) local service delivery and civil society participation in community development programs; and (e) pension and old age savings programs. The assessments should cover policy and program design as well as implementation effectiveness. Country performance is likely to be stronger in some areas than in others and the assessments should take into account country specific country conditions, notably the size of the economy. To determine a country's overall rating, the five areas will be given equal weight.

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

- 1 a. The government has neither a social protection strategy nor clear policies for prevention, protection and promotion. Some social risk management arrangements and publicly funded social assistance programs may exist, but are geared towards formal sector workers and/or are donor driven and/or may be distortive.
- b. Social assistance (SA) programs to assist the poor and vulnerable cope with risk and ensure adequate living standards are almost non-existent, and very limited in scope. No local capacity exists to adapt SA programs to changing population needs. Programs have little or no targeting, and are not related to individual needs. There is no coordination of SA programs and no monitoring.
- c. The government has not adopted ILO core labor standards or passed confirming legislation. Rigid regulations on hiring and dismissal procedures severely reduce formal sector employment creation. There are no meaningful labor market programs, including severance pay, unemployment benefits, or employment services.
- d. Government policies impede engagement of communities and civil society in development planning and local service delivery as well as their involvement in consultation processes on development initiatives. Programs impede or do not support community and civil society participation in project planning, implementation and monitoring.
- e. Pension and old-age savings systems are regressive, consume an unsustainable share of public resources, and do not provide adequate income security even to the few who are covered.

- 2 a. The government has poverty reduction among its declared objectives but has not yet formulated an SP strategy. Coordination among programs is absent, and the existing programs are typically contradictory or distortive.
- b. Some SA programs have been developed, but they are mostly small government programs and/or NGO/donor-driven programs. Coverage of SA programs is limited with little effort to adapt them to changing population needs. Minimal targeting exists but there is no correlation between benefits and individual needs. There is no coordination of SA programs. Some performance monitoring exists but evaluations are episodic.
- c. The government has ratified Convention 182 on the Worst Forms of Child Labor and/or passed conforming legislation but has not made progress in its implementation and other core labor standards have not been adopted. Labor market regulations discourage job creation in the formal sector. Regulations on hiring and firing fail to protect a large proportion of the formal workforce. There are no unemployment benefits. Employment services may exist, but receive very limited resources, are not well-known, and do not function effectively.
- d. No government policies exist to encourage engagement of communities and civil society in development planning and local service delivery. Consultation processes for development initiatives either don't exist or are not significant and there is low or no access to information. None or very few programs support community and civil society participation in project planning, implementation and monitoring.
- e. Pension and old age savings schemes are limited to only a small segment of the working population. They provide minimal adequate old age support.
- 3 a. The government has clearly formulated an objective of reducing poverty and may have begun formulating an SP strategy. Some existing programs are integrated into social assistance, social insurance or labor market program schemes, but there is little coordination across them.
- b. SA programs cover the main vulnerable groups, but there is fragmentation across programs and overall program coverage is modest. SA programs can shift to meet changing needs, but targeting methods are inefficient. Benefits accrue to those in need, but generosity is still low. There is some attempt to coordinate SA programs, but coordination is still weak. Monitoring is able to track the number; types of beneficiaries and budgets but gaps remain. Evaluations are available for some programs, but they are not applied strategically.
- c. The government has ratified ILO Convention 182 and passed conforming legislation. The government is beginning to make progress on its implementation. Only a few of the other ILO core conventions have been ratified and have confirming legislation. Regulations on hiring and dismissal procedures moderately reduce employment creation in the formal sector. Severance pay regulations exist, but there is no other unemployment benefit system. Employment services and other active labor market programs exist, but receive limited resources, are poorly designed, and there are no proper monitoring and evaluation systems.
- d. The government recognizes the importance of community and civil society involvement in development planning, and local service delivery. Some consultation processes occur but their effectiveness is limited and access to information is low to moderate. Some isolated programs support community and civil society participation in project planning, implementation and service delivery and monitoring and evaluation with very limited effectiveness.
- e. Pensions and old age savings systems afford some level of income security to some portion of the population, mostly formal sector workers. However, programs may distort the efficient operation of labor markets by providing incentives for early withdrawal from the labor force.

- 4 a.** The government has an overall strategy for SP and a set of programs that deliver some elements of prevention, protection and promotion for large groups of the population. All existing programs are integrated into social assistance, social insurance or labor market policy schemes but the overall social protection system is not fully coordinated.
- b. SA programs have substantial coverage, but coordination is still being developed. SA programs evolve to some extent to meet population needs. Targeting minimizes errors, benefits accrue to those in need, and generosity is reasonable. Some policy action has been taken to coordinate SA programs and improve effectiveness. Good monitoring tracks the number; types of beneficiaries and budgets. Well-designed audits prevent large misuses of funds.
- c. The government has ratified ILO Convention 182 and/or passed conforming legislation and has made progress in its implementation. The government has also made progress in ratifying the other ILO core conventions. Labor market regulations are broadly appropriate for an increasing number of workers. Unemployment benefit systems are in place but have low coverage, weak linkages to employment services and incentive problems may exist. Public employment services and other active labor market programs face design problems, but there are on-going efforts to assess their performance and introduce reforms.
- d. The government has policies that support community and civil society involvement in development planning and local service delivery. There is moderate availability of information, as well as access to somewhat effective and transparent consultation processes. A number of programs support community and civil society participation in project planning, implementation and monitoring with uneven effectiveness.
- e. Pensions and old age savings systems cover most formal sector workers, provide some access for the informal sector and afford adequate income security. Long-term (multi-generational) fiscal sustainability is not fully assured and effective strategies for extending old age and disability protection broadly to workers outside the formal sector have not been developed.
- 5 a.** The government has an overall strategy for SP and a well-designed set of programs exists. Programs are fully coordinated within and across the prevention, protection and promotion functions; however, coordination mechanisms are not fully institutionalized.
- b. SA interventions are coordinated, but there is no full use of graduation strategies and mechanisms to ensure transitions of beneficiaries. Efficient design gives all eligible people a feasible chance of entry in programs. SA programs are responsive to changes in population demand or needs, including scaling up in response to crisis. Targeting is efficient and generosity adequate. The government develops a plan to improve implementation of SA programs; however, coordination mechanisms are not fully institutionalized. Good monitoring tracks the number; types of beneficiaries and budgets. Well-designed audits prevent large misuses of funds.
- c. The government has ratified international conventions on, and passed legislation that conforms with, core labor standards. It is effectively implementing ILO Convention 182. Labor market regulations are well-designed. Unemployment benefit systems don't yet cover the majority of the labor force but are well designed and are linked to well-established employment services. Public employment services and other active labor market programs are being revamped and there are proper monitoring and evaluation systems in place, but the portfolio of programs remains rigid and sometimes disconnected from the demands of different population groups.
- d. The government has a clear policy for community and civil society involvement in development planning and local service delivery. Largely effective consultation processes are transparent and there is good access to information. Most relevant government programs support effective community and citizen participation in project planning, implementation and monitoring.
- e. Pensions and old age savings systems provide income security to a high share of the population inside and a growing share outside of the formal sector. Program administration in most areas is efficient, and benefit levels are consistent with long-term financial sustainability.

- 6 a. SP programs support a balanced, institutionalized well-coordinated strategy across prevention, protection and promotion. Existing programs are fully coordinated within and across the prevention, protection and promotion functions. Coordination mechanisms are fully institutionalized.
- b. SA interventions are well coordinated. Efficient design gives all eligible people a feasible chance of entry in programs. SA programs are responsive to changes in population demand or needs, including scaling up in response to crisis. Targeting is efficient, but constantly revised to improve effectiveness, and generosity adequate. SA programs coordination mechanisms are fully institutionalized. Good monitoring tracks the number and type of beneficiaries and budgets. Well-designed audits prevent large misuses of funds.
- c. The government has ratified international conventions on, and passed legislation conforming with, all core labor standards. Labor market regulations are well designed. Unemployment benefit systems cover a majority of the labor force, are well designed, and are tightly integrated with employment services. The country has streamlined public employment services and there is a coherent policy for other active labor market programs that address the needs of different segments of the labor force, including during downturns.
- d. Government policies and programs encourage and support involvement of communities and civil society in development planning and local service delivery. There are effective, transparent, and institutionalized consultation processes and good access to information. Development programs effectively support community and civil society participation in project planning, implementation, and monitoring. These institutional arrangements are consolidated and sustained.
- e. A diversified, well-supervised, and appropriate combination of pension and savings programs. provide affordable, adequate, sustainable, and robust income security to most of the potentially vulnerable groups with minimal distortions in the operation of labor markets.

Guideposts

- All ratification information: <http://www.ilo.org/ilolex/english/newratframeE.htm>
- The United States Department of Labor Annual Report on the Worst Forms of Child Labor: <http://www.dol.gov/ilab/media/reports/iclp/main.htm>
- On systems coverage: ILO <https://www.ilo.org/dyn/sesame/IFPSES.SSDBMenu>
- The US government: <http://www.ssa.gov/policy/docs/progdsc/ssptw/>

12. Property Rights and Rule-based Governance

This criterion assesses the extent to which economic activity is facilitated by an effective legal system and rule-based governance structure in which property and contract rights are reliably respected and enforced. Each of three dimensions should be rated separately: (a) legal framework for secure property and contract rights, including predictability and impartiality of laws and regulations; (b) quality of the legal and judicial system, as measured by independence, accessibility, legitimacy, efficiency, transparency, and integrity of the courts and other relevant dispute resolution mechanisms; and (c) crime and violence as an impediment to economic activity and citizen security. For the overall rating, these three dimensions will receive equal weighting.

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

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| <p>1 a. Formal property rights are hardly recognized, and informal rights are seldom enforced. Formal contractual arrangements are little used. Manipulation of property and contract rights by government officials or other elites is endemic. Laws and regulations change unpredictably, for example through frequent and unpublished executive decrees.</p> <p>b. The judiciary is an arm of the executive, and favoritism pervades judicial appointments, while judicial positions are bought and sold. Corruption in the judicial system is endemic, and case assignments and judicial rulings are bought and sold. Courts and other formal dispute resolution mechanisms are inaccessible to most citizens and firms. Judges do not have to account for their decisions.</p> <p>c. The state is unable or unwilling to protect the lives and property of most of its citizens. High-level government officials are complicit in organized crime, which accounts for a major share of economic activity. Crimes are rarely reported to the police, who are often a source of crime and violence against citizens.</p> <p>2 a. Property rights are not well defined. Enforcement of contracts and recognition of property rights depend largely on informal mechanisms. Property and contract rights are subject to manipulation by government officials or other elites. Laws and regulations are changed unpredictably and without public consultation, and are rarely available to the public.</p> <p>b. The judiciary is not independent of the executive and legislature. Merit plays little or no role in judicial appointments. Decisions are regularly influenced by bribes and tend to favor top officials or other powerful interests. Rulings counter to elites' interests are rarely enforced. Courts and other formal dispute resolution mechanisms are inaccessible or prohibitively costly to most citizens and firms. Judicial decisions are not publicly available.</p> <p>c. The state is ineffectual in protecting a significant portion of its citizens and their property against crime and violence. Law-enforcement officers are involved in organized crime, which accounts for a significant share of economic activity. A majority of victims do not bother reporting crimes to the police, who are sometimes a source of crime and violence.</p> <p>3 a. The law protects property rights in theory, but in fact registries and other institutions required to make this protection effective function poorly, making the protection of private property uncertain. Contract enforcement through formal mechanisms is costly and unreliable. Laws and regulations are not changed arbitrarily, but may not be publicly available.</p> <p>b. Judges and prosecutors are sometimes subject to political interference, and laws are sometimes selectively applied (e.g., against the political opposition). Merit plays some role in judicial appointments. Legal claims against government officials or other elites are commonly prosecuted, but rulings against them are not always enforced. Courts are costly and time-consuming to use, even for small claims. Delays are common. Bribes are known to occur occasionally in the system. Judicial decisions are sometimes publicly available.</p> |
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- 3 c. The state is somewhat effective in limiting violence and crime against citizens and their property. The state actively attempts to combat organized crime, which accounts for a relatively small share of economic activity. A majority of victims report crimes to the police, and citizens generally do not view the police as a source of crime and violence.
- 4 a. Property rights are protected in practice as well as in law. Contracts are enforced, but the process may be lengthy and expensive. Laws and regulations are not changed arbitrarily, and are publicly available.
- b. Judicial decisions are rarely subject to political interference. Judges are appointed through transparent and merit-based processes. Legal claims against top officials and other elites are commonly prosecuted, and rulings against them are usually enforced. Bribe-seeking by judges or clerks is rare. Courts may be costly and time-consuming to use, even for small claims. Judicial decisions are publicly available.
- c. The state is able to protect the lives and property of most citizens from crime and violence most of the time. The state actively attempts to combat organized crime, which accounts for only a small share of economic activity. Most victims report crimes to the police, who are viewed as reasonably honest and effective.
- 5 a. All property rights are transparent and well protected. Contract enforcement is reliable, predictable, and not overly expensive. Laws and regulations affecting businesses and individuals are determined through transparent political or administrative processes, and are publicly announced.
- b. The judiciary is de facto independent of the executive and legislature. Court processes are not overly costly or time consuming, especially for pursuing small claims. Bribe-seeking is extremely rare and reliably sanctioned when it does occur. Application of laws and regulations is impartial and predictable.
- c. The state effectively protects citizens and their property from crime and violence. Organized crime accounts a very small share of economic activity. When serious crimes occur, they are invariably reported to the police and investigated.
- 6 Criteria for “5” on all three sub-ratings are fully met. There are no warning signs of possible deterioration, and there is widespread expectation of continued strong or improving performance.

Quantitative Indicator

- ***Rule of Law (RL) index*** - Worldwide Governance Indicators - World Bank Institute²²
www.govindicators.org

Guideposts

- [Economic Freedom of the World Report](#) – Indicator 2 on Legal Structure and Security of Property Rights
- World Economic Forum, Global Competitiveness Index, police services, property rights, http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf
- World Justice Project 2020 Rule of Law Index: <https://worldjusticeproject.org/our-work/research-and-data/wjp-rule-law-index-2020>
- World Bank Enterprise Surveys – Courts as a major obstacle to business operations (listed under “corruption” topic)
- Doing Business, “Enforcing Contracts,” <http://www.doingbusiness.org/>

²² The WGI are produced by Daniel Kaufmann, Brookings Institution, Aart Kraay, World Bank Development Economics Research Group, Massimo Mastruzzi, World Bank Institute.

13. Quality of Budgetary, Procurement and Financial Management Information

The following criteria are to be used in assessing the extent to which there is/are: (a) a comprehensive and credible budget, linked to policy priorities; (b) effective procurement management systems to help ensure cost efficiency, transparency and competitiveness; (c) effective financial management (FM) systems to ensure that the budget is implemented as intended, in a controlled and predictable way; and (d) timely and accurate accounting and fiscal reporting, including timely audit of public accounts and effective arrangements for follow up. Each of these dimensions should be rated separately. For an overall rating, each of these four dimensions will receive equal weighting.

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

- 1 a. If there is a budget, it is not a meaningful instrument, nor an indicator of policies or tool for allocation of public resources. No forward estimates of fiscal aggregates are undertaken. No consistent budget classification system is used. Majority (e.g. more than 50 percent) of public resources from all sources do not flow through the budget.
- b. Public procurement lacks planning or it does not correspond to the investment objectives. There is no way to positively relate public procurement with the long-term investment objectives. There is no implementing legislation or regulations for public procurement. Public procurement is not consistent with market practices.
- c. Expenditures across broad budget categories have little or no relationship to the amounts budgeted. There is practically no monitoring of public expenditures. Payment arrears cannot be determined
- d. No regular, in-year fiscal reports are produced. Public accounts are seldom prepared, or are more than five years out of date. There is no independent audit of annual financial statements and no audit reports are prepared.
- 2 a. There is no discernible link with government policies or priorities. Forward estimates of fiscal aggregates are prepared but are not used in the annual budget formulation. The budget formulation and execution is based on a different classification (e.g. not GFS compatible or with administrative break-down only). The level of unreported extra-budgetary expenditure (other than donor funded projects) constitutes a significant portion (e.g. more than 10%) of total expenditure.
- b. Public procurement has planning; however it corresponds to less than 30% of total executed procurements. More than 30% of public procurements is linked to the government's investment objectives. Implementation legislation exists for procurement; however, it is not fully regulated. Public procurement often uses market practices.
- c. In two or all of the last three years the actual expenditure deviated from budgeted expenditure by a significant amount (e.g. equivalent to more than 15% of budgeted expenditure). Clear, comprehensive control rules/procedures are lacking in important areas. The core set of rules are not complied with on a routine and widespread basis due to direct breach of rules or unjustified routine use of simplified/emergency procedures. Payments arrears are a significant portion of total expenditures (e.g. exceed 10%).
- d. Quarterly reports are either not prepared or are often issued with significant delay (e.g. more than 8 weeks); data are too inaccurate to be of any real use. A consolidated government statement is not prepared annually, or essential information is missing from the financial statements or the financial records are too poor to enable audit. When statements are prepared they are not submitted for external audit within 15 months of the end of the fiscal year. Audit reports are submitted to the legislature after a significant delay (e.g. more than 12 months) from the end of the period covered. There is little evidence of follow up on audit findings. The public has no or very limited access to budget documents.

- 3 a. Policies or priorities are explicit, but are not linked to the budget. Forecasts of fiscal aggregates on the basis of main categories of economic classification are prepared for at least two years on a rolling annual basis. The budget formulation and execution is based on administrative and economic classification using GFS standards or a standard that can produce consistent documentation. The level of unreported extra-budgetary expenditure (other than donor funded projects) constitutes a large portion (e.g. 5-10%) of total expenditure.
- b. At least 70% of public procurement processes have followed a plan before being executed. The procurement planning is linked with the government's investment objectives in at least 70% of the processes. There exist laws and regulations for public procurement. Public procurements are consistent with market practices.
- c. In no more than one of the last three years has the actual expenditure deviated from budgeted expenditure by a large amount (e.g. more than 15% of budgeted expenditure). Internal controls consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures may be excessive, and controls may be deficient in some minor areas. Rules are complied with in a significant majority of transactions, but the use of simplified/emergency procedures in unjustified situations is an important concern. The stock of arrears represents a large portion of (e.g. 2-10%) total expenditure; and there is no evidence that it has been reduced significantly in the last two years.
- d. Reports are prepared quarterly, issued with long delays (e.g. less than 8 weeks) after the end of quarter and there are some concerns about the accuracy of information. Although this may not be highlighted in the reports, it does not fundamentally undermine their basic usefulness. A consolidated government statement is prepared annually and submitted for external audit with large delays (e.g. less than 15 months) from the end of the fiscal year. Information on revenue, expenditure, and bank balances may not always be complete, but the omissions are not significant. Audit reports are submitted to the legislature with large delays (e.g. less than 12 months) after the end of the year. A formal response is prepared, though delayed or not very thorough, but there is little evidence of any follow up on audit findings. The public has access to annual budget documents.
- 4 a. Policies and priorities are broadly reflected in the budget. Forecasts of fiscal aggregates on the basis of main categories of economic or functional classification are prepared for at least two years on a rolling annual basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are clear and differences are explained. The budget formulation and execution is based on administrative, economic and functional classification using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. The level of unreported extra-budgetary expenditure (other than donor funded projects) constitutes between 1 and 5% of total expenditure.
- b. With few exceptions, all procurement processes are planned prior to their execution. The public procurement plan is fully linked with the investment objectives. The regulatory framework is consistent, fully executable, accountable, and functional. Public procurement is consistent with market practices and promotes transparency and competitiveness.
- c. In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 10 % of budgeted expenditure. Internal control rules and procedures incorporate a comprehensive set of controls, which are widely understood, but may in some areas be excessive (e.g. through duplication in approvals) creating inefficiencies and unnecessary delays. Compliance with rules is fairly high, but simplified /emergency procedures are used occasionally without adequate justification. The stock of arrears constitutes some portion of (e.g. 2-10%) total expenditure; and there is evidence that it has been reduced significantly (e.g. more than 25%) in the last two years.

- 4 d. Reports are prepared quarterly, issued with some delays (e.g. less than 6 weeks) from the end of quarter and there are some concerns about accuracy, but data issues are generally highlighted in the reports and do not compromise overall consistency/usefulness. A consolidated government statement is prepared annually and includes, with few exceptions, full information on revenue, expenditure and financial assets/liabilities. The statement is submitted for external audit with some delays (e.g. less than 10 months) after the end of the fiscal year. Audit reports are submitted to the legislature with some delays (e.g., less than 8 months) after the end of the year. A formal response is prepared in a timely manner, but there is little evidence of systematic follow up on audit findings. The public has access to annual budget documentation and year end reports with some delay.
- 5 a. Policies and priorities are linked to the budget. Forecasts of fiscal aggregates on the basis of main categories of economic and functional classification are prepared for three years on a rolling annual basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are clear and differences are explained. The budget formulation and execution are based on administrative, economic and sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. The level of unreported extra-budgetary expenditure (other than donor funded projects) is insignificant (e.g. below 1% of total expenditure).
- b. Public procurement planning is reliable and establishes mechanisms for follow-up and updates. Procurement planning is performed based on investment objectives. The regulatory framework complies with best practices, and the country has a public entity in-charge of regulations and implementation. Public procurement follows market practices and promotes transparency, competitiveness and the use of evaluation methods.
- c. In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by a small amount (e.g. 5%). Internal control rules and procedures are relevant and incorporate a comprehensive and generally cost-effective set of controls, which are widely understood. Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant. The stock of arrears is low (e.g., below 2% of total expenditure).
- d. Reports are prepared at least quarterly, issued within 4 weeks of end of period and there are no material concerns regarding data. A consolidated government statement is prepared annually, which includes full information on revenue, expenditure and financial assets/liabilities, and it is submitted for external audit without delay (e.g. within 6 months of the end of the fiscal year). Audit reports are submitted to the legislature without delays (e.g. within 4 months of the end of the year). There is clear evidence of effective and timely follow up on audit findings. The public has access to annual budget documentation and year end reports without delays.
6. Criteria for "5" on all four sub-ratings are fully met. In addition:
- a. Budget supporting documents are submitted to the legislature, with the annual budget, with information on macroeconomic assumptions, estimates of budgetary impact of major revenue and expenditure policy changes, and comparisons to previous budget outturns or estimated outturns.
- b. The public procurement planning process is evaluated and improved on regular basis
- c. Funds available to spending agencies or ministries are highly predictable within the budget year. In-year adjustments are infrequent, follow pre-specified guidelines, and are consistent with stated priorities.
- d. The public has inexpensive access to annual budget documentation, in-year and year-end reports, and external audit reports.

Guideposts

- Public Expenditure & Financial Accountability (PEFA), when available
- Country Financial Accountability Assessment (CFAA), when available
- Country Procurement Assessment Reports (CPAR), when available
- IMF Code of Good Practices on Fiscal Transparency—Declaration on Principles at <http://www.imf.org/external/np/fad/trans/code.htm>

14. Efficiency of Revenue Mobilization

This criterion assesses the overall pattern of revenue mobilization, not only the tax structure as it exists on paper, but revenue from all sources as they are actually collected. Separate sub-ratings should be provided for: (a) tax policy; and (b) tax administration. For the overall rating, these two dimensions will receive equal weighting.

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

- 1 a. Tax base is extremely narrow with many open-ended exemptions. Most tax revenues are collected from foreign trade and other distortionary taxes. Little or no revenue is collected from income taxes. Tax policy is manipulated by top officials for the benefit of narrow interests. There are high, multiple, and widely ranged import tariffs, which change frequently or are applied in a highly discretionary manner.
b. Tax administration is extremely weak, with very low collection rates. Complex tax laws and tax administration regulations encourage noncompliance and allow excessive discretionary power to tax officials. Tax administration is organized by type of tax, and business processes have not been reviewed and reformed. Computerization is absent or limited to very basic functions. Collection and compliance costs are excessive, and many taxpayers are required to meet multiple times with tax officials in almost all tax administration functions, i.e, registration, accounting, tax payment, audit, and tax appeals. Corruption is endemic among tax and customs officials.
- 2 a. The tax structure is poorly designed, with a narrow base and many open-ended exemptions. Taxes on foreign trade, turnover taxes, and other distortionary taxes are the dominant source of revenue. There are high and multiple import tariffs. Both company and personal income taxes have high rates on a very narrow base and generate little revenue.
b. Tax administration is weak, with low collection rates and high compliance and collection costs. Capacity is weak, and computerization is limited to basic functions; no information exchange exists. Complex laws and administrative regulations increase compliance costs and evasion. Tax laws are not enforced uniformly, and tax obligations are negotiable rather than rule-based. Bribe-paying is common. Appeals and other dispute resolution mechanisms have not been developed. A taxpayer service function does not exist or is in rudimentary form.

- 3** a. Taxes on trade are a major source of revenue; turnover and other distortionary taxes and levies remain. Consumption-based taxes (e.g., a VAT) are planned, or in limited use. Import tariffs are moderate, but there are too many rates. The income tax base is narrow, and the rate structure is only partly rationalized. Exemptions are moderate.
- b. Tax administration is weak, but tax laws are not inordinately complex, and discriminatory enforcement is the exception rather than the rule. Information systems are functioning (e.g., unique taxpayer identification numbers are used). Corruption exists, but there are efforts to improve integrity as well as capacity. Collection and compliance costs are nevertheless somewhat excessive, and collection rates are relatively low.
- 4** a. A significant amount of revenue is being generated by low-distortion taxes such as retail sales/VAT and property taxes. VAT has not been fully operational to include activities at the retail stage. Nontrivial amounts of revenue are generated from company and personal income taxes. The tax base is broad, and exemptions are moderate and made time-bound, especially for promotion schemes. Trade taxes have few and low rates.
- b. Tax laws are stable and clear, facilitating fair and nondiscriminatory enforcement by tax officials and better compliance by taxpayers. Tax administration is solid, the cost of revenue generation has been reduced, and there are relatively few cases of corruption and political interference. Eligibility for preferential rates and exemptions is largely transparent, and tax laws are (with occasional exceptions) enforced uniformly. Collection rates are high. A taxpayer service and information program, and a tax appeals mechanism, are functional.
- 5** a. Most revenues are generated by low-distortion taxes such as sales/VAT and property taxes. Import tariffs are low and relatively uniform, and export rebate or duty drawback is functional. There is a single statutory corporate tax rate comparable to the maximum personal income tax rate. The tax base for major taxes is broad and free of arbitrary exemptions.
- b. Tax laws are stable, certain, and clear. Tax administration is effective, and entirely rule-based. Administrative and compliance costs are low, and collection rates high. Risk-based auditing with a transparent set of selection criteria is the norm and is performed uniformly according to formal, well-established guidelines. A tax appeals mechanism functions effectively and fairly. Taxpayer compliance is facilitated by easy access to user-friendly information on tax liabilities and procedures.
- 6** Criteria for “5” on both sub-ratings are fully met. There are no warning signs of possible deterioration, and there is widespread expectation of continued strong or improving performance.

Guideposts:

- WDI Table 5.6 on Tax Policies: WDI 2012 Tables
- Actionable Governance Indicators: <http://go.worldbank.org/BN5GB74IV0>
- USAID/Collecting Taxes Data System
http://www.fiscalreform.net/index.php?option=com_content&task=view&id=759&Itemid=134

15. Quality of Public Administration

This criterion covers the core administration defined as the civilian central government (and sub-national governments, to the extent that their size or policy responsibilities are significant) excluding health and education personnel, and police. The criterion assesses the functioning of the core administration in three areas: (a) managing its own operations; (b) ensuring quality in policy implementation and regulatory management; and (c) coordinating the larger public sector Human Resources Management regime outside the core administration (de-concentrated and arms-length bodies and subsidiary governments).²³ To obtain the overall score all three components of this criterion will receive equal weight.

To the extent that sub-national governments play an important role in these areas they should be covered in the assessment of the relevant sub-dimension and national and sub-national governments should be appropriately weighted to determine the sub-score. There can be significant variations in capacity and functioning between sub-national governments. To reach a single aggregate judgment across disparate governments, it is important that the primary focus be on the central/federal government. The score is then amended (up or down) by considering whether shortcomings in some sub-national governments reflect systemic weaknesses in government systems or are merely examples of inevitable variation within subnational governments.

The delivery of health and education services is covered in Building Human Resources (Variable 10), and the financial sector regulatory framework is covered in the Financial Sector criterion (Variable 5).

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

- 1 a. The core administration demonstrates little internal management capacity: major personnel actions, such as recruitment and selection, promotions, and dismissals rarely reflect merit and performance; terms of employment, and pay are insufficiently attractive to ensure that the public administration can compete effectively for any scarce skill sets it requires without resorting to externally financed top-ups for favored positions; the public sector pay regime is unable to motivate effort within the public service.
- b. The core administration demonstrates little capacity to ensure quality in policy and regulatory management: Cabinet decisions, presidential or ministerial policy announcements are often dropped or otherwise not implemented, or explicitly reneged on or reversed during the term of a government; the institutional responsibilities for data collection, analysis and reporting in the sectors are weak or unclear; and the bodies with responsibility for sector regulation (infrastructure, transport, etc.) are not regarded as independent in practice and have weak regulatory quality management arrangements in place.
- c. The core administration demonstrates little capacity to coordinate the broader public sector HRM regime outside of the core public sector: (i) merit is rarely the predominant factor in obtaining appointments or promotion; and (ii) the aggregate public sector wage bill is not fiscally sustainable.

²³ To the extent that sub-national governments play an important role in these areas they should be covered in the assessment of the relevant sub-dimension and national and sub-national governments should be appropriately weighted to determine the sub-score. There can be significant variations in capacity and functioning between sub-national governments. To reach a single aggregate judgment across disparate governments it is important that the primary focus be on the central/federal government and that the score is then amended (up or down) by considering whether shortcomings in some sub-national governments reflect systemic weaknesses in government systems or are merely examples of inevitable variation within sub-national governments.

- 2 a. The core administration demonstrates weak internal management capacity: major personnel actions, such as recruitment and selection, promotions, and dismissals generally do not reflect merit and performance; terms of employment, and pay are insufficiently attractive to ensure that the public administration can compete effectively for any scarce skill sets it requires; the public sector pay regime is often unable to motivate effort within the public service.
 - b. The core administration demonstrates weak capacity to ensure quality in policy and regulatory management: Cabinet decisions, presidential or ministerial policy announcements are sometimes dropped or otherwise not implemented; the institutional responsibilities for data collection, analysis and reporting in the sectors are often weak or unclear; and the bodies with responsibility for sector regulation (infrastructure, transport, etc.) are often not regarded as independent in practice and few have adequate regulatory quality management arrangements in place.
 - c. The core administration demonstrates weak capacity to coordinate the broader public sector HRM regime outside of the core public sector: (i) merit is generally not the predominant factor in obtaining appointments or promotion; and (ii) the aggregate public sector wage bill is at risk of unsustainability.
- 3 a. The core administration demonstrates modest internal management capacity: major personnel actions, such as recruitment and selection, promotions, and dismissals sometimes reflect merit and performance; terms of employment, and pay are barely sufficiently attractive to ensure that the public administration can compete reasonably effectively for any scarce skill sets it requires; the public sector pay regime is sometimes unable to motivate effort within the public service.
 - b. The core administration demonstrates modest capacity to ensure quality in policy and regulatory management: Cabinet decisions, presidential or ministerial policy announcements are occasionally dropped or otherwise not implemented; the institutional responsibilities for data collection, analysis and reporting in the sectors are occasionally weak or unclear; and the bodies with responsibility for sector regulation (infrastructure, transport, etc.) are occasionally not regarded as independent in practice and few have adequate regulatory quality management arrangements in place.
 - c. The core administration demonstrates modest capacity to coordinate the broader public sector HRM regime: (i) merit is the predominant factor in obtaining appointments or promotion in many entities; and (ii) the aggregate public sector wage bill is at some risk of unsustainability.
- 4 a. The core administration demonstrates moderate internal management capacity: major personnel actions, such as recruitment and selection, promotions, and dismissals generally reflect merit and performance; terms of employment, and pay are sufficiently attractive to ensure that the public administration can compete reasonably effectively for any scarce skill sets it requires; the public sector pay regime is occasionally unable to motivate effort within the public service.
 - b. The core administration demonstrates moderate capacity to ensure quality in policy and regulatory management: Cabinet decisions, presidential or ministerial policy announcements are rarely dropped or otherwise not implemented ; the institutional responsibilities for data collection, analysis and reporting in the sectors are occasionally weak or unclear; and the bodies with responsibility for sector regulation (infrastructure, transport, etc.) are occasionally not regarded as independent in practice and most have adequate regulatory quality management arrangements in place.
 - c. The core administration demonstrates moderate capacity to coordinate the broader public sector HRM regime: (i) merit is the predominant factor in obtaining appointments or promotion in most entities; and (ii) the aggregate public sector wage bill is at risk of unsustainability.

- 5 a. The core administration demonstrates adequate internal management capacity: major personnel actions, such as recruitment and selection, promotions, and dismissals always reflect merit and performance; terms of employment, and pay are sufficiently attractive to ensure that the public administration can compete effectively for any scarce skill sets it requires; the public sector pay regime is able to motivate effort within the public service
- b. The core administration demonstrates strong capacity to ensure quality in policy and regulatory management: Cabinet decisions, presidential or ministerial policy announcements are almost never dropped or otherwise not implemented; institutional responsibilities for data collection, analysis and reporting in the sectors are clear; and the bodies with responsibility for sector regulation are regarded as independent in practice with adequate regulatory quality management arrangements in place.
- c. The core administration demonstrates adequate capacity to coordinate the broader public sector HRM regime outside of the core public sector: (i) merit is the predominant factor in obtaining appointments or promotion in all entities; and (ii) the aggregate public sector wage bill is at no risk of unsustainability.
- 6 Criteria for “5” on all three sub-ratings are fully met. There are no warning signs of possible deterioration, and there is widespread expectation of continued strong or improving performance.

Quantitative Indicator

- **Government Effectiveness (GE) index** - Worldwide Governance Indicators - World Bank Institute
www.govindicators.org

16. Transparency, Accountability, and Corruption in the Public Sector

This criterion assesses the extent to which the executive, legislators, and other high-level officials can be held accountable for their use of funds, administrative decisions, and results obtained. Accountability is generally enhanced by transparency in decision-making, access to relevant and timely information, public and media scrutiny, and by institutional checks (e.g., inspector general, ombudsman, or independent audit) on the authority of the chief executive. The criterion covers four dimensions: (a) the accountability of the executive and other top officials to effective oversight institutions; (b) access of civil society to timely and reliable information on public affairs and public policies, including fiscal information (on public expenditures, revenues, and large contract awards); (c) state capture by narrow vested interests; and (d) integrity in the management of public resources, including aid and natural resource revenues. Each of four dimensions should be rated separately and national and sub-national government's issues appropriately discussed. For the overall rating, these four dimensions will receive equal weighting.

Note: As a criterion with multi-dimensions, a rating for each dimension should be provided in the write-up along with its justification.

- 1 a. There are no checks and balances on executive power, and the general public has no influence over the executive's policies and decisions. Seats in the legislature and cabinet-level positions are often bought and sold. The chief executive is unconstrained in using public funds to maintain its hold on power. Efforts to combat high-level corruption are nonexistent or exclusively target opposition figures. Citizens are unable to bring claims against the state.
 - b. Government decision-making is secretive. If a budget exists, it is not made public. The public is prevented from participating in or learning about decisions and their implications. Media content reflects only the government's views, and the government attempts to deny citizens access to information from abroad.
 - c. Boundaries between the public and private sectors are weak or nonexistent. The state has been captured by narrow interests (economic, political, ethnic, and/or military). Decisions by top government officials routinely favor firms owned or controlled by them or their political allies.
 - d. Public funds (including natural resource revenues) are diverted to private uses with impunity by high-level officials. Land and mineral concessions are routinely awarded in exchange for sizable payments to senior officials. Public procurement is nontransparent and noncompetitive, and contract awards are heavily influenced by bribes or by politics and personalities.
- 2 a. There are only ineffective checks and balances on executive power. There is no meaningful regulation or oversight of political financing, and criminal or other illegitimate elements can buy political influence. Incumbents use their positions to create an overwhelming financial advantage over challengers in competition for public office. Anticorruption efforts are not serious, and almost exclusively target the political opposition. Mechanisms exist for citizens to bring claims against the state, but they are ineffective.
 - b. Decision-making is not transparent, and government withholds information needed by the public and civil society organizations to judge its performance. Only minimal information on public spending and revenues is made public. The media are not independent of government or powerful business interests, and journalists are often the targets of violence and intimidation. The government monitors and censors Internet sites belonging to independent news organizations, the political opposition, or human rights groups.

- 2 c. Boundaries between the public and private sectors are poorly defined, and conflicts of interest abound. Laws and policies are biased toward narrow private interests. Implementation of laws and policies is distorted by corruption.
- d. Public funds are often diverted to private use, or other unintended uses, by high-level officials with only a low probability of being sanctioned. Land and mineral concessions are often awarded in exchange for sizable payments to senior officials. Bribery and collusion between bidders are very common in public contracting, and value for money plays little role in contract awards.
- 3 a. Checks and balances on executive power are somewhat effective. External accountability mechanisms may exist, but they have inadequate resources or authority. Regulation of political financing is poorly enforced, usually to the benefit of incumbents. Anticorruption efforts tend to focus on the political opposition. Citizens are sometimes able to bring claims against the state, and legitimate claims are sometimes successful.
- b. Decision-making is generally not transparent, and public dissemination of information on government policies and outcomes is a low priority. Some key budget documents are not publicly available. Official restrictions on the media, as well as violence against and harassment of journalists, limit the media's potential for information-gathering and scrutiny.
- c. Boundaries between the public and private sectors are moderately well defined, but violations are frequent and often not investigated or sanctioned. Elected and other high-level public officials often have private interests that conflict with their professional duties. Conflict of interest and asset disclosure rules do not apply to high-level officials or are enforced only selectively.
- d. Public funds are sometimes diverted to unintended uses by high-level officials, but the prospect of sanctions has some deterrent effect. Bribery and collusion between bidders are common in public contracting, and value for money is often a minor consideration in contract awards.
- 4 a. Checks and balances are largely effective in preventing the abuse of executive power. Political financing is not fully transparent. Anticorruption activities do not selectively target opposition figures. Citizens are regularly able to bring claims against the state, and legitimate claims are generally successful.
- b. Decision-making is generally transparent. The government actively attempts to distribute relevant information to the public, although capacity may be a constraint. Extensive information on public spending and revenues is released. Significant parts of the media operate outside the influence of government or powerful business interests, and media publicity provides some deterrent against unethical behavior.
- c. Boundaries between the public and private sectors are well defined, limiting the degree to which special interests can influence policymaking through illicit and nontransparent means. Conflict of interest and asset disclosure rules and the prospect of sanctions significantly limit the extent to which public officials shape policies to further their own private interests
- d. Public funds are infrequently diverted to unintended uses by high-level officials. Most public contracts are open to competition, and bribery and collusion between bidders do not commonly influence awards.

- 5 a. Checks and balances effectively constrain executive power. Political financing is transparent, effectively precluding access to criminal and other illegitimate interests. Any credible allegations of corruption against high-level officials are investigated thoroughly and impartially. Citizens are free to bring claims against the state, and legitimate claims are predictably successful.
 - b. The reasons for decisions, and their results and costs, are clear and communicated to the general public. Budget documents, including budget proposals, are released fully and in a timely manner. Citizens can obtain government documents at nominal cost. Any state-owned and private media are equally independent of government influence and fulfill critical oversight roles.
 - c. Conflict of interest and asset disclosure rules are observed and enforced for top government officials, who are not immune from prosecution under the law for malfeasance.
 - d. Public funds are rarely diverted to unintended uses by high-level officials, and violations are thoroughly investigated and sanctioned. Public contracts are awarded through an open, competitive process on the basis of objective criteria that achieve value for money, and decisions can be inexpensively appealed through an impartial complaints mechanism.
- 6 Criteria for “5” on all three sub-ratings are fully met. There are no warning signs of possible deterioration, and there is widespread expectation of continued strong or improving performance.

Quantitative Indicator

- **Control of Corruption (CC) index** - Worldwide Governance Indicators - World Bank Institute
www.govindicators.org

Guideposts:

- IMF Code of Good Practices on Fiscal Transparency—Declaration on Principles at <http://www.imf.org/external/np/fad/trans/code.htm>
- Actionable Governance Indicators: <http://go.worldbank.org/BN5GB74IV0>