Development through data?
A case study on the World Bank’s performance indicators and their impact on development in the Global South

MARIA ANGELICA PRADA URIBE
Research Fellow, International Law Program, Universidad de Los Andes, Bogotá, Colombia.
maria.pradauribe@gmail.com

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A case study on the World Bank’s performance indicators and their impact on development in the Global South

Maria Angelica Prada Uribe

Maria Angelica Prada is a Research Fellow and Coordinator of the International Law Master at Universidad de los Andes, which she is currently pursuing. She has been a teaching assistant for the Legislation and Public Policy, Public International Law, International Economic Law and Comparative Law courses. She is currently a Researcher for the first component of the “Global Administrative Law Network” Project, funded by the International Development Research Centre. She has also worked as an intern at the International Legal Office of the Colombian Ministry of Commerce.
Abstract

The use of indicators in development cooperation has increased as a result of two main phenomena, the constant obsession to determine aid effectiveness and the establishment of quantifiable goals such as the Millennium Development Goals. More recently development indicators have been used to measure States’ performance in order to determine the distribution of aid, thus addressing simultaneously the problems of aid effectiveness and aid allocation. By using indicators the donor community has managed to give an aura of objectivity and transparency to its decisions and to the model of development that is expected to be implemented by States in the South. However, in reality indicators are concealing the determined development common sense promoted by the donor, which is neither true nor objective since development knowledge remains contested.

As previous scholarship has noted, indicators have two effects, a knowledge effect and a governance effect. A close analysis of the genealogy of the International Development Association’s (IDA) Performance Based Allocation System reveals these effects, as a purportedly objective knowledge of development is produced by the indicator, and this knowledge influences the policies and regulations of receiving States. The structure and content of the indicator also has the effect of laying blame for underdevelopment on the receiving State. As this paper argues, the IDA’s indicator mainly embodies a particular brand of development theory, an economic theory from a hegemonic worldview, and incorporates other social, human and governance concerns.

Keywords: Indicators, Development Field, Frames of Reference, Development Common Sense, Knowledge Effect, Governance Effect, IDA’ Performance Based Allocation System
1. Introduction

The notion of development has roots which can be traced back to European colonial policy; however, it was not until the 20th of January 1949, when US President Harry Truman presented his Point Four Program, that the era of development began. From its origins development has meant the existence of a scale of progression from one state to another, therefore it has become the perfect field for the production of indicators which are able to measure and compare the degree of progress of development, due to their ability to simplify complex social phenomena into numerical data.

For more than 60 decades foreign aid, in the form of lending support, has been an important instrument in the quest for development. Development through foreign assistance, also known as development cooperation, has been a process of trial and error, in which the developing world has been the Guinea pig. Development cooperation has faced several decades of large unpopularity due to its inability to bring development and to solve poverty in the South. However, the idea of development has survived despite constant failures and criticism, partly due to its promise of social progress and better living standards for the poor. As recognized by Sundhya Pahuja, “development offers a narrative of salvation”.

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Therefore, it is no wonder that recent years have witnessed an increase in Official Development Assistant (“ODA”) under the slogan of “halving poverty by doubling aid”.6

As a result of universal discontent with the aid system due to its inability to solve poverty after more than 50 years, development cooperation suffers an “ineffectiveness complex”. The increased use of indicators is the logical response to this complex, since they can set standards against which the success in development performance can be measured. Indicators have been defined by Davis, Kingsbury and Merry as:

>a named collection of rank-ordered data that purports to represent the past or projected performance of different units. The data are generated through a process that simplifies raw data about a complex social phenomenon. The data, in this simplified and processed form, are capable of being used to compare particular units of analysis (such as countries, institutions, or corporations), synchronically or over time, and to evaluate their performance by reference to one or more standards.7

The increased demand for development indicators in ODA has two main causes. The first is the perceived need of establishing quantifiable goals for development cooperation; the most important quantifiable goals in this field are the 2000 Millennium Development Goals (MDGs), which require over 60 indicators in order to be measured.8 The second cause is the abovementioned ineffectiveness complex. Therefore, there are three primary uses for development indicators:

a) measuring aid effectiveness towards the achievement of development goals;
b) measuring States’ performance in attaining the established development standards;
c) and establishing selection criteria for the allocation of aid.

The “ineffectiveness complex” has led international donors to seek strategies to guarantee the effective use of aid. Most strategies dealt with the establishment of some sort of conditionality9 and the measurement of effectiveness after the aid was granted. Only recently has the pursuit of effectiveness also reached the level of aid allocation. Historically, the decision to allocate aid was understood to be a prerogative of each donor, who would take into consideration its own interest and, in fewer cases, the recipient’s needs. Two new circumstances have led some international donors to search for more objective and transparent methods of aid allocation. In the first place, donor agencies have been criticized for providing aid to States that violate human rights.10 In the second place, a great number of scholars claim that the main reason for ineffectiveness is faulty aid allocation. An influential study by Burnside and Dollar claims, through regression analysis,

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that aid can be more effective in incrementing economic growth if allocated to those countries with the best policies.\footnote{11}

Despite the fact that theoretical and empirical literature remains contested on this matter, some donor institutions started using selectivity as a means for enhancing effectiveness. An early approach to performance indicators is the Performance Based Allocation System, which has been used by the World Bank’s International Development Association (IDA) since the late 1970s and has continuously evolved over time.\footnote{12} This model has also been followed by the African Development Bank,\footnote{13} the Asian Development Bank\footnote{14} and other donor institutions such as the US Millennium Challenge Corporation.\footnote{15}

This paper will critically examine the Performance Based Allocation System and argue that the real importance of indicators as a technology of global governances lies in their capacity to produce both a knowledge effect and a governance effect. Development indicators are presented as objective and scientific proxies of the level of development of a State. Since, in reality, the notion of development remains contested, indicators conceal a specific common sense of what constitutes development. This is what we call the knowledge effect, the capacity of indicators to spread a determined knowledge of development as a universal truth, even though the very notion of development still remains contested.

Indicators have a normative effect in the promotion of development knowledge, because they produce the standards against which a society’s development ought to be measured. Indicators thus produce a governance effect. States in the global south have an incentive to accommodate their policies and performance in order to receive a good ranking in the indicators. Development indicators have yet another effect on governance: they implicitly allocate responsibility for failure in the development process.

The knowledge and governance effects can be identified by analysing the Performance Based Allocation System, which consists of a composite index of several indicators comprising 16 criteria for development. By choosing these specific 16 criteria, IDA is consciously leaving behind other elements that may be relevant for development, thus promoting a specific “development common sense” over contesting ones. This choice in turn sends a message to the receiving States, who have an incentive to accommodate their performance to the 16 criteria in order to achieve a better ranking and, therefore, to receive more aid.


\footnote{15} Op Cit. M. Dennis (2008), pp. 1,6.
The objective of this paper is not to discourage the use of development indicators for monitoring aid effectiveness or allocating aid. It only seeks to highlight that since the use of indicators can be a powerful exercise of public authority beyond the State, it is important to observe their ability to conceal the ideological biases and political decisions that lie behind their production. Given that aid allocation has remained mostly an arbitrary exercise of discretion on the part of donor countries and institutions, a shift towards the use of indicators for aid allocation might be a positive step towards higher rates of accountability and transparency. However, the use of indicators can be problematic in several ways, some of which will be explained along this paper. Therefore, it is important to explore other possible mechanisms for accountability and decision making.

In order to demonstrate the existence and function of the knowledge and governance effect produced by the IDA’s performance indicator, this paper has the following structure. Part 2 shows that development is not a neutral concept but a contested notion. Part 3 describes the knowledge and governance effects produced by indicators. In particular, it shows that the knowledge effect is linked with the governance effect, in that the production of knowledge is the seed for the formulation of new policy by the targets of development indicators, the aid-receiving States. Part 4 applies the above theoretical framework to the IDA’s performance indicator.

2. The Struggle for Determining the Development Common Sense

The story of the use of indicators in development cooperation is a small part of a larger struggle for determining the development common sense. The simple description of indicators as objective and transparent tools misses what lies behind their use. It disguises the subjective choices that have to be made to determine the standards of development against which States’ performance will be measured. The production of development knowledge takes place in a space that will be referred to as the development field or the field of development cooperation. The development field is a transnational space where national, international and regional actors interact and struggle to determine an ideal model of delivering development to a society that is labelled as underdeveloped. These actors are: i) donor institutions and countries, ii) receiving States, iii) developing country elites, iv) social movements from the South, v) non-governmental organizations; and vi) development experts.

Historically the production of knowledge in the development field has been dominated by the Bretton Woods Institutions, the World Bank and the International Monetary Fund, which in turn have been largely controlled by the U.S. and other developed States in the North due to its voting structure. More recently, other States, such as Japan, and professionals from other parts of the world, have participated in the shaping of the meaning of development. The rise of new actors, especially of a non-western origin, may guarantee that the development common sense remains contested and that new approaches continue to be promoted by actors in the periphery.

Interaction between development actors is not always one of contestation. They often cooperate through networks, such as the World Bank’s Global Development Network,¹⁸ to facilitate the production and dissemination of development knowledge. Cooperation efforts may lead to the creation of national or transnational epistemic communities that share discourses and promote common worldviews and regimes of truth.¹⁹ A clear example of a transnational epistemic community is the Washington Consensus, which promotes a neoliberal common knowledge of development, relying mainly on economic indicators for its measure. The field of development cooperation is based on the construction of realities by epistemic communities or individual actors. As Richard Rottenburg puts it, development is -in principle- an issue of representation.²⁰ Dominant actors, such as the World Bank and other development institutions, have legitimized their process of representation as a reliable proxy for complex realities through the specialization of the field and the creation of development expertise.

The focus on expert knowledge has given way to the use of quantified knowledge, with methods such as statistics, econometrics or indicators. This is, in a sense, an artificial way to construct realities.²¹ Since expertise and research are used to legitimize knowledge, contesting views of development also have to be articulated through the lens of expertise in order to gain validity. Therefore, the struggle within the field of development cooperation has turned into one of representing realities through the dissemination of expert knowledge. The increased demand for expert knowledge has in turn also increased the demand for indicators, since they are perceived as objective and scientific. This is the reason why Mahbub Ul Haq, special advisor for the UNDP, sought to contest economic notions of development through the use of an indicator, the Human Development Index. It is no wonder that when his friend Amartya Sen doubted of the utility of such index, he answered that “we need a measure (...) of the same level of vulgarity as the GNP -- just one number -- but a measure that is not as blind to social aspects of human lives as the GNP is”.²²

Thus, one important way in which expert knowledge has been disseminated in the development field is the production and use of indicators by the different development actors. Nikhil Dutta’s categories²³ are useful to gain a better understanding of the relation that those actors have among themselves and with the development indicators. Dutta distinguishes between “indicator users”, “indicator generators” and “indicator targets”.²⁴ The term “indicator users” refers to those who rely on indicators for making decisions or

²⁴ Ibid., p. 13.
substantiating claims, “indicator generators” are entities that produce the indicator, and “indicator targets” are those whom indicators measure.\footnote{Ibid., p. 13.}

3. Why Indicators Matter: The Knowledge and Governance Effects

The quest for a solution to poverty and a path to development has directed all attention towards outcomes, leaving aside important questions regarding the legitimacy of development knowledge, the allocation of resources among development actors and their accountability. Even though the study of development indicators will not fully answer all these questions, it will shed some light on some of these important issues. Sally Merry has identified two effects of the increased use of indicators: the knowledge effect and the governance effect.\footnote{S. Merry, “Measuring the World. Indicators, Human Rights, and Global Governance,” 52 Current Anthropology (2011), p. 84.} These effects occur because of the use of indicators as a technology of governance at a distance,\footnote{Op Cit. K. Davis et al (2012), p. 81.} which allows “indicator generators” and “indicator users” to influence the conduct of “indicator targets”, despite their geographical separation. In the development field, these effects are not independent from each other; the knowledge effect can largely influence the outcome of the governance effect. Development indicators are important because they determine the development common sense that will guide not only the allocation of aid but also the transformation nations must undertake to reach accepted levels of development.

3.1. The Knowledge Effect

The knowledge effect manifests itself in several ways such as: i) shaping the notion of development that receiving States in the South are expected to follow; and ii) the creation of identities that divide the world into dichotomies such as developed and underdeveloped. These two effects are a consequence of the ability of indicators to create categories and standards against which States’ level of development can be measured and compared with other more or less successful States. Indicators disseminate specific types of development knowledge and strengthen the power of actors that can rely on expert knowledge to assert their claims.

Three frames of reference can be identified among the large number of worldviews that have been promoted in the development field: an \textit{economics-based approach}, an \textit{institutions-based approach} and a \textit{rights-based approach}. The \textit{economics-based approach} has prevailed among most actors in the development field; it focuses on economic relations, economic policies and economic models for development. The \textit{institutions–based} frame of reference sees development from the standpoint of political and legal theory, promoting the idea that the improvement of a State’s institutions is either the only way to achieve development or its main objective. The \textit{rights-based approach} to development encompasses those theories which focus on social and human concerns as the main objectives of development. These frames are not self-contained, on the contrary, in most
cases development knowledge is created through dialogue among contesting theories of development.

A frame of reference does not represent a shared set of principles or a common group of likeminded theories; it only provides a common language, set of meanings and methodological approaches, which serve as basis for the identification of problems and solutions. These tools allow each framework to harbour contesting development theories, which may be promoted by epistemic communities with hegemonic, counter-hegemonic or otherwise “change of paradigm” claims. The notion of hegemonic worldviews should be understood in the Gramscian sense of the word: the domination of a specific, historically-determined, worldview through the insertion of its beliefs and practices as natural, universal and rational into the commonsense, in this case the development common sense. Until now hegemonic worldviews have been based on a western understanding of development, which promotes values and practices largely based on the experience of “progress” in the North. Hegemonic worldviews, such as the Washington consensus, have been primarily endorsed by donor institutions and development experts in the North.

Counter-hegemonic worldviews, as the word indicates, contest the development knowledge promoted by hegemonic theories by presenting new understanding of the power relations that underlie the field of development cooperation. They have been promoted primarily by actors such as NGOs and development experts from the South. For example, the Latin-American structuralist theories argued that underdevelopment in the region was a consequence of structural differences in the evolution of different economies. Despite their contesting character, both hegemonic and counter-hegemonic claims advocate State-centred worldviews. On the contrary, a “change of paradigm worldview” rejects mainstream development agendas. Instead it promotes the empowerment of social agents, rejecting the imposition of universal models of development and advocating particularistic approaches.

28 A. Gramsci, Selections from the prison notebooks (International Publisher, New York, 2003).
Table 1: Development Theories within Worldviews and Frames Of Reference

<table>
<thead>
<tr>
<th>FRAMES OF REFERENCE</th>
<th>THEORIES</th>
<th>Change of paradigm</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Hegemonic</td>
<td>Counter-hegemonic</td>
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<tr>
<td>State centred</td>
<td>Modernization theorists</td>
<td>Dependency Theories</td>
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<td></td>
<td>The Washington Consensus</td>
<td>The New International Economic Order (NIEO)</td>
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<td></td>
<td>Post-Washington Consensus or the New Development Agenda</td>
<td>Structuralist theories</td>
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<td></td>
<td></td>
<td>William Easterly’s Searchers’ Approach</td>
</tr>
<tr>
<td>Economic-based</td>
<td>Good governance approach</td>
<td>Law and development</td>
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<td>approach</td>
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<td>Institutions-based</td>
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<td>approach</td>
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<tr>
<td>Rights-based</td>
<td>Basic needs approach</td>
<td>Amartya Sen’s Capacities as Development</td>
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<tr>
<td>approach.</td>
<td>Millennium Development Goals</td>
<td>Human Development Approach</td>
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<td>Post-development theories</td>
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<td>Feminist approaches to development</td>
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</tbody>
</table>

The importance of indicators in the dissemination of knowledge begins at the early stages of their production: the moment when the indicator is named and brought into existence. As stated by Kevin Davis et al, calling an indicator by a name such as “corruption index” or “rule of law index” asserts a claim that such phenomena exist and can be measured with numbers. An indicator generates knowledge, in the first place, by producing new categories, such as “human development” in 1990, or empowering old ones such as GNP. By doing so, indicators submerge complex social phenomena and local particularities into universal categories. The promotion of a determined theory of development over another can be identified by analysing the categories produced by the indicator to measure the performance of States.

Indicators create not only realities, but also identities, since by promoting a determined development discourse they also promote its embedded categories. The establishment of identities divides the development actors into a hierarchical order, and the place of a State in the hierarchy depends on its achievement of the standards set by the specific indicator. During the post-war period, for example, modernization theories used economic indicators which distinguished between developed and underdeveloped nations. The categorization of indicator targets attributes a moral high ground to States that comply with the development standards, and therefore emulate the ideal-type of a developed society. The production of

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32 Ibid., pp. 75-76.
contesting indicators can position the same State in different stages of development, which is why a State will probably advocate a theory of development that will portray it in a good light.

The role of knowledge in the development field has been recognized by several actors. The World Bank has led the production of development knowledge by promoting knowledge as a public good, based on the assumption that the use of research and statistics makes it non-political and objective. This approach has been pursued through mechanisms such as the annual compilation of the “World Development Indicators”. It obscures the reality that development is also a discourse creating space, ruled by the hegemonic common sense, in which only certain things can be said and imagined. Indicators are the perfect tool to spread knowledge as a public good with their ability to create knowledge by simplifying complex phenomena and to conceal the interpretations and context behind the numbers. Indicators can be used as a tool to maintain hegemonic theories but can also serve as contesting tools for counter-hegemonic and “change of paradigm” approaches. However, due to their origins in western sciences, indicators are more likely to be used by hegemonic theories and in fewer cases by counter-hegemonic or “change of paradigm” approaches.

3.2. The Governance Effect

The governance effect depends on the type of knowledge promoted by the use of development indicators. Indicators send a message to receiving States regarding the development model that they should follow, and States have an incentive to accommodate to such signals. Thus, indicators have a regulatory effect on the conduct of “indicator targets”. This effect has been reinforced by Performance Indicators, which determine aid allocation on the basis of compliance with certain development standards. Indicators not only disseminate a specific development common sense but also encourage “indicator targets” to incorporate that common sense into their development policies.

This conclusion has been confirmed by a study showing that the Performance Indicators used by the US Millennium Challenge Corporation influenced the conduct of receiving States, who improved their governance environment accordingly. Similarly the U.S. State Department’s Trafficking in Persons Report claims that those same indicators fostered national anti-trafficking legislation. As a result of their regulatory effect, performance based indicators have been referred to as ex-post conditionality, which means that they have the effect of conditioning aid to a good assessment in past performance.

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34 Op Cit. D. Stone (2003), p. 44.
Development indicators are also used to allocate responsibility in the development field. They generally send the message that development is the responsibility of receiving States. The measurement of development in terms of, for example, “GNP”, “corruption” or “basic needs”, places the main burden of responsibility for development in the action (or inaction) of States. The allocation of responsibility in the developing States obscures the fact that the development field is shaped by a great variety of actors, predominantly by the donor States and institutions, but also by the civil society. This reinforces one of the main problems in the field of development cooperation, the lack of accountability of development actors, specially development agencies and donors.\textsuperscript{40}

In many cases the responsible parties for failure are the donors who impose policy conditionality with an imperfect knowledge of the local environment.\textsuperscript{41} Indicators could be used to shift the burden of responsibility, but the use of indicators for this purpose has been scarce. In some cases, indicators are used to support or contest the effectiveness of development programs. The World Bank has created a Corporate Score Card, which allows donor and receiving States to assess and measure the Bank’s overall performance.\textsuperscript{42} But even in those cases the shift of responsibility is not clear; although the donor agencies may be pressured to modify some of their goals and policies, these mechanisms have not had a decisive impact on the use of development indicators.

The reasons why indicators have not been used to shift the burden of responsibility is twofold. In the first place, the lack of organized contestation or regulation of the use and production of indicators more often than not helps to perpetuate the State-centred bias of development. In the second place, mechanisms of participation are inadequate, and do not allow civil society and the States in the south to have a say in the production and use of development indicators. The donor community has tried to solve the problem of participation by introducing the idea of ownership. However, most mechanisms of ownership, such as the Poverty Reduction Strategy Paper in the World Bank, provide a limited space for participation, since receiving governments are expected to choose development policies and goals from a set of pre-established objectives that respond to the hegemonic theory promoted by the donor institution. For example, countries negotiating a Poverty Reduction Strategy Paper are expected to choose policies that would help to achieve the MDGs.\textsuperscript{43}

4. A Case Study: The World Bank’s Performance Based Allocation System

The struggle for the common sense of development can be traced within the genealogy of a certain indicator. Just as the rings in a tree trunk mirror past changes in the surrounding ecology, the changes in an indicator’s components mirror the changes in the development

\textsuperscript{40} Op Cit. W. Easterly (2006), p. 15.
\textsuperscript{42} For more information visit: <corporatescorecard.worldbank.org/home.html?cmdk=23109237>, visited on 30 March 2012.
theory of both “indicator generators” and “indicator users”. The Performance Based Allocation System of IDA is a good example of this. The changes in its components from 1977 until today show how the economic frame of reference that dominated the development field has been driven to incorporate institutional and rights-based concerns to the definition of development. These changes in the development knowledge influence the indicators’ governance effect, since receiving States will try to accommodate to the changing common sense of development in order to receive a higher portion of IDA’s resources.

4.1. Genealogy of the Indicator

The International Development Association (IDA), founded in 1966, is one of the two major institutions that integrate the World Bank. IDA uses concessional lending to help the Least Developed Countries to repay their loans. Only the poorest countries can access IDA’s loans. 81 countries are currently eligible to receive IDA’s resources. The eligibility for IDA financing depends of two factors: (i) relative poverty defined as GNI per capita below an established threshold; and (ii) lack of creditworthiness to borrow on IBRD and market terms and therefore a need for concessional resources to finance the country's development program. In 1977 IDA started using a country assessment to guide the allocation of its resources, this mechanism of assessment was originally called Country Performance Rating (CPR). In 1998, the CPR became a part of a larger index known as the Country Policy and Institutional Assessment (CPIA). The objective of CPIA is to measure the extent to which a country’s policy and institutional framework supports sustainable growth and poverty reduction, thus measuring development effectiveness.

The Performance Based Allocation System is revised every three years during the periodic replenishment. Donor member countries, also known as IDA Deputies, conduct the replenishment and produce a final report outlining the conditions on which they will provide financial support. The report has to be approved by IDA’s Executive Directors and its Board of Governors, but it has not been their practice to reject or amend the report.

50 Op Cit. IDA 16 (2010), p. 3.
52 Ibid, p. 4.
53 Ibid.
During the 1980s IDA’s indicators shifted their emphasis from economic performance, such as growth and saving rates, to a concern with policy inputs.\(^\text{54}\) During the early 1980s the four criteria taken into account to allocate aid reflected a preference for a macroeconomic approach to development, which was advanced by the developmentalist school after the post-war period.\(^\text{55}\) In 1993 the World Bank’s Annual Report on Portfolio Performance (ARPP) was added to the CPR, and was given a weight of 20 per cent.\(^\text{56}\) The ARPP scores measure a percentage of IDA projects at risk in the country, and these percentages are translated into 1-to-6 scores.\(^\text{57}\) The greatest change occurred in 1998, when the rating became the Country Policy and Institutional Assessment (CPIA), a set of 20 criteria that the Bank considered necessary for growth.

**Figure 1: Country Performance Rating before 2007**

The Country Performance Rating was rebuilt to encompass the ARPP and the CPIA. The former continued having a weight of 20 per cent and the latter was given a weight of 80 per cent. In the CPIA each one of the 20 criteria was assigned equal weight and the scale was changed from 1-to-5 to 1-to-6.\(^\text{58}\) In 2001 the CPR became more complex when the “governance factor” was added to the formula. The governance factor is calculated by dividing the governance cluster (average of the rating of the 6 governance criteria) of the CPIA by 3.5, and then raising it by an exponent of 1.5. The result is that the rating for those

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\(^{58}\) Ibid., p. 5.
governance scores above 3.5 is increased, while the rating for those below 3.5 is decreased.\textsuperscript{59}

From 1998 to 2005, during the IDA 14\textsuperscript{th} Replenishment, the criteria that made part of the CPIA were modified several times, until they became the 16 criteria that are still being used today (Figure 2). The content of each one of these criteria is described in the Country Policy and Institutional Assessment Questionnaire, and the rating of each criterion is determined by experts of the World Bank through the analysis of information acquired by the Bank or provided by the receiving States. These experts are also encouraged to take into account World Development indicators that measure similar phenomena when determining the score that will be given to each criterion. For example when rating the Business regulatory environment criterion, experts are encouraged to take into account the World Bank’s Doing Business Indicator.\textsuperscript{60}

\begin{figure}
\centering
\caption{CPIA criteria after 2005$^{61}$}
\begin{tabular}{|c|c|}
\hline
Clusters & Criteria \\
\hline
A. Economic Management & 1. Macroeconomic Management \\
 & 2. Fiscal Policy \\
 & 3. Debt Policy \\
\hline
B. Structural Policies & 4. Trade \\
 & 5. Financial Sector \\
 & 6. Business Regulatory Environment \\
\hline
C. Policies for Social Inclusion/Equity & 7. Gender Equality \\
 & 8. Equity of Public Resource Use \\
 & 9. Building Human Resources \\
 & 10. Social Protection and Labour \\
 & 11. Policies and Institutions for Environmental Sustainability \\
\hline
D. Public Sector Management and Institutions & 12. Property Rights and Rule-based Governance \\
 & 13. Quality of Budgetary and Financial Management \\
 & 14. Efficiency of Revenue Mobilization \\
 & 15. Quality of Public Administration \\
 & 16. Transparency, Accountability, and Corruption in the Public Sector \\
\hline
\end{tabular}
\end{figure}

After 2005 the Performance Based Allocation system was simplified during the IDA’s 15th replenishment.\textsuperscript{62} The "Governance Factor" was eliminated. However, to maintain the predominance of good governance in the indicator, CPR was divided into different

\textsuperscript{61} Op Cit. IDA 16 (2010).
percentages. Clusters A to C received 24 per cent, while cluster D, focusing on governance, was given 68 per cent. Performance continues to be reviewed against each one of the 16 specific criteria, and it is translated into a score from 1 (unsatisfactory) to 6 (good). Furthermore, the Portfolio Performance Rating percentage was reduced from 20 to 8 per cent. Due to criticism that IDA did not take countries’ needs into account, two elements were added after 1998: population and GNI. However the CPIA remains the dominant factor and the countries' needs are merely a moderating factor.\textsuperscript{63}

**Figure 3: IDA’S Performance Based Allocation System after 2007**

\[
\text{CPR} = (0.24 \times \text{CPIA}_{A-C} + 0.68 \times \text{CPIA}_D + 0.08 \times \text{PPR})
\]

\[
\text{PBA} = f (\text{CPR}^3, \text{Pop}, \text{GNIpc}^{0.125})
\]

Pop is population and GNI is gross national income per capital.


**4.2. The Knowledge and Governance Effects**

IDA has advocated the use of a Performance Based Allocation system because it departs from arbitrary, politically driven, allocation, and provides a check on excessive aid allocation to poorly performing countries.\textsuperscript{64} The CPIA is seen as an accurate indicator of the quality of development policies and institutions in a country.\textsuperscript{65} The logic underlying the use of performance indicators to allocate development aid, as has already been seen, is that they guarantee objectivity and transparency in the decision of the development donors. They are seen as objective because their use is supported by econometric studies, such as


\textsuperscript{65} Ibid., p. 3.
the one presented by Burnside and Dollar, which claims that aid is more effective in countries with a good policy performance.\(^{66}\)

Nevertheless, CPR tacitly promotes a determined development knowledge that spreads a set of standards against which a society ought to be measured. Some authors have argued that the focus on good governance promoted by IDA shows that the economic orthodoxy of the Washington Consensus is being revisited.\(^{67}\) In other words, IDA promotes development based on an institutional frame of reference over an economic based approach. However, “the index entirely focuses on measuring the degree of government involvement in production, distribution or consumption of goods and services, and displays a blatant anti-interventionist bias and a particular concern for the regulatory environment affecting foreign firms”.\(^{68}\) The CPIA criteria include two clusters (A and B) dedicated to measure the economic policies of a State, emphasizing the need for adequate macroeconomic policies and institutions. Although it is true that the governance cluster has a higher percentage and, thus, a major influence in aid allocation, it is important to analyse each one of the criteria that shape this cluster.

The governance rating includes five criteria: i) Property Rights and Rule-based Governance; ii) Quality of Budgetary and Financial Management; iii) Efficiency of Revenue Mobilization; iv) Quality of Public Administration; and v) Transparency, Accountability, and Corruption in the Public Sector. Most of these criteria emphasize the need for improving the countries’ economic institutions and environment. The property rights and rule-based governance criterion assesses the extent to which private economic activity is facilitated.\(^{69}\) The quality of budgetary and financial management measures whether the country has a comprehensive and credible budget linked to policy priorities, effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way, and timely and accurate accounting and fiscal reporting.\(^{70}\) The efficiency of revenue mobilization takes into account the overall pattern of revenue mobilization.\(^{71}\) These first three criteria measure governance regarding economic relations, policy and institutions, therefore, only the last two criteria of quality of public administration, and transparency, accountability and corruption in the public sector reflect the shift towards an institutions-based approach.

The macro-economic and structural policies criteria that integrate CPIA have been called the “economic core” of the indicator.\(^{72}\) However, the predominance of an economics-based approach does not outshine the fact that contesting theories of development have permeated the notion of development that is being promoted by IDA. The Policies for Social Inclusion/Equity cluster shows a clear inclusion of human and social concerns, which in other epochs remained manifestations of counter-hegemonic rights based approaches that

\(^{70}\) Op Cit. IDA (2010), p. 33.  
\(^{71}\) Ibid., p. 35.  
were merely taken into account. This confirms that CPIA has mostly reflected the views and paradigms of hegemonic theories, and that those theories may occasionally bridge with counter-hegemonic epistemic communities in order to expand the notion of development by incorporating new objectives. Nowadays, rights-based approaches have become part of the hegemonic theories, partly as a result of the influence exercised by the MDGs.

The use of CPIA suggests that in each country, regardless of their specificities, it is the same kind of policies (defined as good policies) which promotes growth and increases aid effectiveness. These policies are mostly micro and macroeconomic, although they also value some improvements in national institutions and social and human conditions. The CPIA is an example of an eclectic mix of ideas, given the aggregation of several indicators that promote a contesting common sense of development. Thus, the CPIA could be identified with the Post-Washington Consensus epistemic community, which is currently being promoted by several donor institutions. The CPIA also shows how indicators may not be an adequate mechanism to promote more complex forms of development, since the more elements are added to the idea of development the more complex and inexact becomes the indicator. Therefore, indicators have some constrains when representing complex social phenomena into numerical data.

The Performance Based Allocation system used by IDA helps shape new identities among the international community. The dichotomy of “developed” and “developing” is problematized by including a division among the latter. IDA has distinguished between the “Low-income Countries”, “Blend Countries” and IBRD borrowers. This classification divides the States in the South, creating hierarchies and stratifications among the developing States, but also in some cases the possibility to sustain affirmative actions. Low-income Countries are IDA eligible, and therefore, they are entitled to a special treatment due to their vulnerability. However, within the CPIA fragile States are less favoured due to their inability to achieve IDA’s standards, and the restricted influence in the indicator played by the needs variable.

The dissemination of the Post-Washington Consensus common sense through the use of IDA’s performance indicator sends a message to the IDA eligible States to accommodate to the 16 criteria in order to be allocated higher amounts of resources. This regulatory effect can be seen in the use of Poverty Reduction Strategic Papers. In theory the PRSPs are a mechanism to enhance ownership by the receiving States, since they are encouraged to establish the policies and goals that should be promoted through the development programs. However, it has been proved that the CPIA serves as a “beacon indicating areas on which the PRSP should be focused”, therefore effectively regulating the receiving States’ development policies.

The underlying logic of the CPIA allocates the responsibility for development on the receiving States, because it is their economic, institutional and political performance what

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will determine the effectiveness of aid. That is the reason why donor countries have seen the distribution of IDA’s resources through the Performance Based Allocation as a reward for the States that demonstrate a commitment to good governance and the achievement of poverty reduction and economic growth. In other words, bad governance is punished with less aid, and it is the country’s responsibility to improve its performance in order to avoid wasting the donor’s resources. The blame for the policy failure has been placed too readily on recipient governments and institutions due to the existence of poor policy environments. However, the donor community should take a fair share of the responsibility for the poor relationships that have evolved over the last decades.

4.3. Contestation and Regulation

The secretiveness that surrounded the CPIA prompted many criticisms against the World Bank, which led the Bank to start the process of disclosing all IDA information as part of its 2002 Disclosure Policy. CPR ratings for IDA countries were being disclosed on a quintile basis without providing the final numerical ratings or explaining the measurement process. Starting in IDA14, the numerical rating for each the CPIA and CPR criteria have been fully disclosed. The World Bank has expressed its intention to increase the transparency of the CPIA and to ensure ownership on the part of the receiving States. However, to this day the receiving States have not been able to influence the elements that underlie the CPIA formula. On the contrary IDA donors have constantly pressured for changes and adjustment to the formula and the indicators.

Only until the IDA13 replenishment in 2003 was a group of Borrower Representatives appointed with the rights to attend and speak at all Deputies Meetings, except those in which burden sharing was discussed. However, their influence remained limited compared to the leverage of the donor member States. IDA has tried to allow contestation through the use of the Result Measurement System, which is used to measure IDA's success in promoting development in the receiving States. This system is an example of indicators used to shift the burden of responsibility from the nations in the South to the donor community. However, the Result Measurement System only provides a space to discuss the results of the institutions, and not the use of the Performance Based Allocation System.

Therefore, contestation and regulation of this indicator is primarily exercised by the donor member States and not by the receiving States, which could explain the lack of a broader dialogue between the mainstream development theories and contesting epistemic

80 Ibid., p. 7.
communities, especially those from the South promoting "change of paradigm" approaches. The absence of contestation and regulation in the production and use of the performance indicators enhances the knowledge and governance effect discussed above. Real ownership can only be achieved through more democratic mechanisms not only in the establishment of development policies, but also in the prior process of determining the development common sense that will underlie those policies.

5. Conclusion

Development indicators constitute a technology of global governance because of their knowledge and their governance effects. The knowledge effect is determined by the underlying development theory promoted by both “indicator users” and “indicator generators”. Theories of development are articulated through economic, institutional or rights-based frames of reference, which provide the common language, set of meanings and methodological approaches used to determine the problems and goals of development. Within each frame of reference, development theories may be promoted by hegemonic, counter-hegemonic, and “change of paradigm” epistemic communities, which compete to determine the prevailing vision of development.

Once the knowledge promoted by the development indicator is established, it becomes easier to unveil its production of standards and identities. Development indicators can have a wide range of effects on global governance, including the regulatory effect and the allocation of responsibilities. Through the regulatory effect, “indicator users” can influence the performance of “indicator targets” by sending signals of the kind of society that is expected from them. Development indicators also allocate responsibility for failure in the receiving States, leaving the donor community unaccountable.

The Performance Based Allocation System used by IDA exemplifies the importance of indicators as a technology of global governance. It shows how the changes and continuities in an indicator reflect changes in the knowledge promoted by the donor agency, and how decades of dialogue with contesting development theories have allowed aspects of competing theories into the indicator. The promotion of this type of knowledge sends a message that economic policies and institutions remain the principal means of development, although social, human and institutional advances are also important to guarantee economic growth and reduce poverty. Because IDA’s indicator is used to allocate aid, eligible States have an incentive to accommodate to the notion of development that is being promoted by the donor agency.

The main issue with performance based indicators is their assignment of full responsibility for the failure or success of the development process in the receiving States, notwithstanding that those States do not have a say in the determination of the development model that they are supposed to follow. This burden can be shifted if receiving States are allowed to participate in the determination of the development model and the indicator that will measure its failure or success.

It is necessary to promote spaces for the participation of all affected actors, not only State or international actors, in the production of development indicators. Such space should be
based on the principles of transparency, reason giving, and accountability. Participation in
the production of indicators could promote a dialogue among contesting worldviews, which
could lead to the creation of more democratic and inclusive theories of development.
Indicators could then be used, not only to measure State performance, but also to guarantee
the accountability of the donor States and institutions in the process of development that
affects so many human beings.