WBG SCORECARD FY24-FY30 METHODOLOGY NOTE

WBG Results Indicator

The purpose of this note is to help ensure the rigor, transparency, and reproducibility of the WBG results indicators included in the new WBG Scorecard FY24-FY30, as well as their alignment with the WBG's vision. Technical teams were asked to provide a sufficiently detailed methodology so that anyone who reads this note can understand its rationale, theory of change, data sources, and method of calculation.

Definitions included in this template are aligned to the WBG Scorecard paper endorsed by the Board on Dec 19, 2023. The methods notes are living documents and will be subject to updating and revision pending operational inputs and implementation lessons over time.

OVERVIEW	
INDICATOR NAME	**Percentage of countries in or at high risk of debt distress that implemented reforms towards debt sustainability**
SUB-INDICATORS	N/A
OUTCOME AREA	☐Protection for the Poorest ☐Healthier Lives ☐Green and blue planet and resilient populations ☐Sustainable food systems ☐Affordable, reliable, and sustainable energy for all ☐Digital services ☐More and Better Jobs ☐No Learning Poverty ☒Effective Macroeconomic and Fiscal Management ☐Inclusive and equitable water and sanitation services ☐Connected Communities ☐Digital connectivity ☐Gender equality and youth inclusion ☐Better Lives for People in Fragility, Conflict, and Violence ☐More private investments
SDG ALIGNMENT	**See https://sdgs.un.org/ for further details on SDGs:** ☐ 1. No Poverty ☐ 2. Zero Hunger ☐ 3. Good Health and Well-being ☐ 4. Quality Education ☐ 5. Gender Equality ☐ 6. Clean Water and Sanitation ☐ 7. Affordable and Clean Energy ☒ 8. Decent Work and Economic Growth ☐ 9. Industry Innovation and Infrastructure ☐ 10. Reduced Inequalities ☐ 11. Sustainable Cities and Communities ☒ 12. Responsible Consumption and Production ☐ 13. Climate Action ☐ 14. Life Below Water ☐ 15. Life on Land ☐ 16. Peace, Justice and Strong Institutions ☒ 17. Partnerships for the Goals List of specific UN targets (if applicable): • **SDG 17:** Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development • **SDG 17.4**: Assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate, and address the external debt of highly indebted poor countries to reduce debt distress.
DISAGGREGATION	☐Youth ☐Sex ☐Disability-inclusive ☒FCS ☒SS, SIDS and LDCs ☒IDA, IBRD, IFC and MIGA ☒Country income groups ☒Regions ☒WBG Joint Programming
ENGAGEMENT TYPE	**WORLD BANK** ☒IBRD ☒IDA ☒Trust Fund (TF) ☒Advisory Services and Analytics (ASA) ☒Treasury Products (including technical assistance) **IFC** ☐IFC Investment ☐IFC Upstream and Advisory Services **MIGA**

	☐MIGA Guarantee
ENGAGEMENT INSTRUMENT	**WORLD BANK** ☐IPFs ☒DPFs ☒PforR ☐Guarantees ☒TF: IDA ☒TF: IBRD ☐TF: RETF[1] ☐TF: GEF[2] ☐TF: MONT[3] ☐TF: SPF[4] ☒ASA: BB[5] ☒ASA: BETFs/EFOs[6] ☒ASA: RAS[7] **IFC** ☐Loans ☐Equity ☐Blended Finance ☐Syndications ☐Asset Management ☐Advisory Services ☐Trade and Commodity Finance ☐Treasury Client Solutions **MIGA** ☐Political Risk Insurance ☐Credit Enhancement ☐Trade Finance Guarantees
LEGACY INDICATOR NAME	☒WB Old Scorecard indicator: [IDA countries publishing annual and timely public debt reports (number)] ☐WBG Old Scorecard indicator: ☐N/A
RATIONALE	
DEFINITION	The *realized* result indicator is ratio of the number of countries in, or at high risk of, debt distress in year T that have implemented reforms toward debt sustainability in the same and previous year (i.e., T and T-1) to the total number of countries in or at high risk of debt distress in year T, expressed as a percentage. The *expected* result indicator is the ratio of the number of countries in, or at high risk of debt distress in year T that are expected to implement reforms in year *T and T+1,* to the total number of countries in high risk of debt distress or in debt distress in year *T*, expressed as a percentage. Countries in debt distress or at high risk of debt distress are defined as in the World Bank Group Client Context Indicators.[8] "Reforms towards debt sustainability" include policy actions related to a) fiscal sustainability; b) debt management; and c) debt transparency and reporting. Reforms are recorded through the following instruments, each subject to well-established ADM procedures: (i) Policy Performance Actions (PPAs) that are successfully completed (applicable to IDA countries); (ii) Prior Actions (PAs) or tranche release conditions in Board-approved Development Policy Operations (DPOs) on fiscal and debt management reforms (applicable to IBRD and IDA countries); (iii) Disbursement-linked indicators (DLIs) included in Program for Results (PforRs) or (iv) other fiscal and debt-related reforms (applicable to IBRD and IDA countries) implemented through technical assistance provided by the World Bank Group or through country dialogue and that lead to improvements in peer-reviewed Debt Management Performance Assessments (DeMPAs), the World Bank Debt Transparency Heatmap, or any other diagnostic tool developed by the Bank that provides an assessment of improvements in policies and institutions related to debt and fiscal management. In the case of (iv) above, reforms are further vetted by a streamlined *ad hoc* corporate review.

[1] RETF: Recipient Executed Trust Fund
[2] GEF: Global Environment Facility
[3] MONT: Montreal Protocol
[4] SPF: Special financing
[5] Bank's own administrative budget (BB).
[6] Donors (via Bank-executed Trust Funds (BETFs) or Externally Financed Outputs (EFOs).
[7] Clients (via Reimbursable Advisory Services (RAS).
[8] The risk of debt distress is assessed in Debt Sustainability Analyses (DSAs) Framework conducted by the World Bank and the IMF using the Debt Sustainability Framework for Low-Income Countries (LIC-DSF) or the Sovereign Risk and Debt Sustainability Framework for Market Access Countries (MAC SRDSF). In absence of the DSAs, the risk assessment will be assigned based on the Sovereign Credit Rating assigned by Credit Rating Agencies, or the presence of external debt arrears above one percent of GDP and Gross Financing Needs (GFNs) exceeding 15 percent of GDP in the previous year.

REPORTING TIMELINE	☒Results achieved[9] ☒Results expected[10]
DIRECT/INDIRECT	☒Direct[11] ☐Indirect[12]
ACTUALS/ MODEL-BASED	☒Actuals ☐Model-based
UNIT OF MEASURE	☐Number of people ☒Number of countries ☐USD ☐GW ☐Hectares ☐tCO2eq/year ☐Other: _______________ [Please specify]
THEORY OF CHANGE	**Please see Annex 1 for a visualization of the theory of change.** Debt Sustainability Analyses (DSAs) identify the liquidity and/or solvency issues facing countries. Countries in debt distress have experienced a default or are very likely to experience a similar event in the near future and often face an unsustainable debt situation. To address those vulnerabilities and minimize the risk of recurrence (or exit from an unsustainable debt situation that requires debt restructuring) countries need to adopt and implement policies and institutional reforms in the areas of fiscal sustainability, debt management and debt transparency. **Inputs:** The World Bank has a long track record of helping countries address their debt vulnerabilities through policy dialogue, lending, technical assistance and Advisory Services and Analytics. These activities are delivered as PPAs, PAs in DPOs, DLIs in PforRs, TF-funded TA and capacity building or analytical reports. **Activities**: The World Bank offers various forms of support to countries to help address their debt-related risks. These include: • Financing through DPOs and PforRs to support policy, institutional and legal reforms of countries including debt-related areas. • Advisory and analytical services on macro fiscal and debt issues to assist countries in making informed decisions. • TPPAs under Sustainable Development Finance Policy (SDFP) in eligible IDA countries since 2021 in the areas of debt transparency, debt management and fiscal sustainability. • The Debt Management Facility (DMF) Trust Fund which provides Technical Assistance (TA) and capacity building programs for 86 eligible countries to help them manage debt. The DMF offers TA and capacity building on tools, systems, strategies, legal and institutional frameworks, etc. **Outputs:** Through the WB-supported activities, countries are expected to enhance debt transparency, improve fiscal sustainability through prudent fiscal policies and debt management, and improve the capacity of debt management institutions. These reforms are plausibly attributable to WB activities. The focus on high risk/in debt distress countries increases the likelihood that the WB-supported reforms will be implemented because inaction would likely result in those countries losing output (and revenue) or exclusion from capital markets.

[9] New WBG Scorecard paper (Section G): it refers to *results that have occurred* at a given moment of the projects' results horizon. *Results achieved* can be based on actuals at the project level or can use model-based estimations at the portfolio level relying always on available project level data inputs.
[10] New WBG Scorecard paper (Section G): it refers to the *anticipated results* over the projects' results horizon. *Expected results* is based on the latest available estimations of future results, including model-based or other informed estimations.
[11] New WBG Scorecard paper (Annex I, Technical Criteria): it refers to outcomes with sufficient causal proximity to WBG interventions to allow for attribution of results.
[12] New WBG Scorecard paper (Annex I, Technical Criteria): it refers to outcomes where attribution is located further down the causal chain, relative to WBG interventions, and may be contingent on other exogenous factors.

	Outcomes: Reforms achieved due to WB activities (inputs) can be seen as intermediate outcomes towards reduced debt vulnerabilities. The successful implementation of these reforms reduces debt risks thanks to improved fiscal discipline, less reliance on unsustainable borrowing, better debt management practices, and greater transparency. Outcomes are only partially attributable to WB interventions because high risks of debt distress depend on many factors, including exogenous macroeconomic shocks as well as economic growth trajectories that can be only partially addressed by the implementation of the WB-supported activities.
OUTCOME TYPE/ SUBTYPE	**Outcome type/subtypes from the IEG taxonomies developed in Results and Performance of the World Bank Group Annual Review (RAP) 2021 mapped to the outcome(s) measured by the indicator.**[13] **WORLD BANK** E. Capacity of institutions to perform institutional functions enhanced K. Accountability, transparency, or governance enhanced
INCLUSION CRITERIA	The list of WB intervention through its instruments- DPO, PforR, SDFP, TA may include the following reform areas:[14] **Fiscal sustainability** • Strengthening revenue collection through a combination of tax policy and revenue administration measures. • Improvement in efficiency and effectiveness of public spending. • Adoption of fiscal rules. • Measures to ensure effective and prudent use of collateral and liens in sovereign borrowing. • Identification, management, and mitigation of fiscal risks of SOEs or PPPs. **Debt management** • Adopting legal reforms to improve debt management. • Adopting reforms to strengthen accountability and transparency around borrowing decisions. • Adopting measures to improve government cash management, guarantee management, and risk management. • Adopting reforms to enhance debt management strategies and policies. • Adopting policies to improve the functioning of domestic debt markets and deepen access to international capital markets. • Adopting regulations on issuance of guarantees to mitigate fiscal risks. • Adopting a non-concessional borrowing ceiling. • Adopting measures to address accumulation of arrears and their clearance. **Measures to improve debt transparency and debt reporting** • Publication of timely and comprehensive public debt reports. • Preparation and publication of State-Owned Enterprises (SOE) fiscal risk statement. • Publication of annual borrowing plans. The connection between the TA provided by the World Bank and the implementation of policies and institutional reforms is strengthened by the decision making and monitoring frameworks adopted for: • The implementation of PPAs in eligible IDA countries since 2021. • The inclusion of prior actions taken by countries in relation to debt issues through DPOs and PforRs.

[13] Independent Evaluation Group: RAP 2021.
[14] Although growth-enhancing reforms without negative fiscal consequences are also critical for debt sustainability and may eventually be added, at this time they are not clearly characterized in PPAs and DPO typology.

	• The provision of tailored technical assistance and training through the Debt Management Facility (targeting 84 eligible countries since 2008) and the Government Debt and Risk Management Program (targeting 13 middle income countries).
ADVANTAGES	DSAs and sovereign risk ratings are available at least once a year and are forward-looking, identifying the build-up of debt vulnerabilities. There is a strong relationship between credit ratings and debt distress ensuring a broad assessment of debt risks across different methodologies. The indicator focuses on interventions in countries with high debt vulnerability, aiming to enhance their capacity to manage debt vulnerabilities. In addition, the indicator provides broad country coverage by including both IDA and IBRD countries. Maintaining or regaining fiscal sustainability and efficient debt management help countries meet their development objectives and address risks from global challenges, including climate change and pandemics. The proposed indicator closely tracks the impact of World Bank activities on the capacity of countries to manage their debt vulnerabilities. The focus on reforms that are implemented because of WB policies (e.g., IDA's Sustainable Development Finance Policy, DPOs, PforRs, or technical assistance) facilitates the plausible attribution of reforms to the WB, whereas unpacking changes to risk ratings would be a more challenging task.
LIMITATIONS	Various factors can influence the debt sustainability of a country, including exogenous shocks from natural disasters, volatility in commodity or food prices, changed global economic conditions (world growth has a positive impact on debt sustainability, especially in export dependent LICs), and global financial conditions. These factors have the potential to overshadow the impact of debt-related reforms on the country's burden indicators and lead to an increase or decrease of countries in high risk/in debt distress. The indicator provides conservative estimates because it is likely that some relevant reforms will not be captured. These may be provided in the form of TA outside of the SDFP, not implemented as DPO prior actions, or as part of systematically tracked TA activities financed by the DMF and Government Debt and Risk Management Program (GDRM) Trust Funds (TFs). Reforms, even if partially implemented, may not be counted because of the lack of an appropriate monitoring framework that would ensure their satisfactory implementation. The number of such overlooked reforms is expected to be small, mainly related to IBRD countries not eligible for TFs financing.
DATA AND CALCULATION	
INTERNAL DATA SOURCE(S)	☒World Bank's Operations Portal (PADs, PDs, ISRs, and ICRs) ☒World Bank's Operations Portal (Lending and Portfolio) ☐IFC Operational Portal (iDesk/iPortal) ☐IFC AIMM System ☐MIGA DEIS ☐MIGA Portfolio Records ☒Other: Debt Management Monitors, PPAs implementation reports, DSA database[15]
METHOD OF CALCULATION (CORE)	The initial step involves identifying countries that are either at high risk of or in debt distress in the fiscal year being reported. The identification relies on the Client Context indicator, "Countries at high risk of or in debt distress," whose methodology is summarized below. The indicator accounts for the number of countries that are eligible to borrow at IDA, Blend, and IBRD terms that are either at high risk of or in debt distress in the reference fiscal year of the WBG Scorecard (year T):

[15] Source: World Bank Debt and Fiscal Risks Toolkit

- **For countries with a LIC DSA** prepared within the fiscal year *T*, the overall rating (on total public debt) in the DSAs is used.[16] DSAs include an assessment of the risk of external and overall debt distress based on four categories: low risk; moderate risk; high risk, and in debt distress (when a distress event, like arrears or the debt restructuring process, has occurred, or is considered imminent).
- **For countries with a DSA using the IMF SR-DSF** for Market Access Countries (MACs) prepared and disclosed within the fiscal year *T*, the overall final assessment of the risk of sovereign stress will be used. These DSAs include an assessment of the risk of sovereign stress on total public debt based on three categories: low; moderate; and high.[17]
- **For countries where a DSA is not available**, the lowest sovereign credit rating by a major credit rating agency (S&P, Moody's, or Fitch) in year *T* is used, with ratings corresponding to substantial risk (CCC+/Caa1/CCC) or below as a proxy for high risk; and a sovereign rating of "in default" (below CCC-/Caa3/CC) as a proxy for in debt distress.
- **For countries without a DSA and no sovereign credit rating** by any of the three major agencies, the risk rating will be assigned according to the level of Gross Financing Needs (GFNs) and the presence of external arrears:
    - Countries will be considered in high risk of debt distress if external arrears are less than one percent of GDP and GFNs are above 15 percent of GDP.[18]
    - Countries will be considered in debt distress if external arrears are above one percent of GDP.[19]

For those countries identified as in or at high risk of debt distress in year *T* according to the method above, the achieved results indicator identifies countries that implemented reforms towards debt sustainability in year *T and T-1*. These reforms are measured as follows:

- **Successfully implemented PPAs** (as per the agreed formulation of PPA and determined by the SDFP Committee followed by senior management clearance) for year *T* from PPA implementation reports in year *T* included in the annual SDFP Board Update. This will exclude PPAs implemented with a delay in the following year and PPAs for which a waiver is granted, as in the case of non-concessional borrowing.
- **Prior Actions in DPOs approved** by the WB Board in year *T,* following a decision meeting in which the implementation of PAs is collectively assessed as satisfactory, with the concurrence of the WB Legal Department and relevant information maintained in the World Bank Operations Portal.
- **Disbursement-Linked Indicators of Program for Results (PforR) operations** approved by management in year *T*, following the appropriate Bank process for the approvals of disbursements related to the achievement of verified results in year *T* specified as disbursement-linked indicators.
- For IDA countries for which there are no reforms assessed by either of the previous criteria, **reforms** through technical assistance provided by the Global Macro and Debt Unit and other World Bank Group Units associated with improvements on (i) the Debt Transparency Heatmap score or (ii) Debt Management Performance Assessment (DeMPA) Scores, or (iii) other World Bank tools for measuring performance in debt or fiscal management in year *T,* based on reforms implemented in *T,* as vetted by a review of debt management experts of the Global Macro and Debt Unit[20] and further vetted by an *ad hoc* corporate review. This category is included for completeness but expected not to capture a significant number of reforms as most reforms, including from TA, are implemented as part of policy reforms supported by PPAs, DPOs and DLIs.

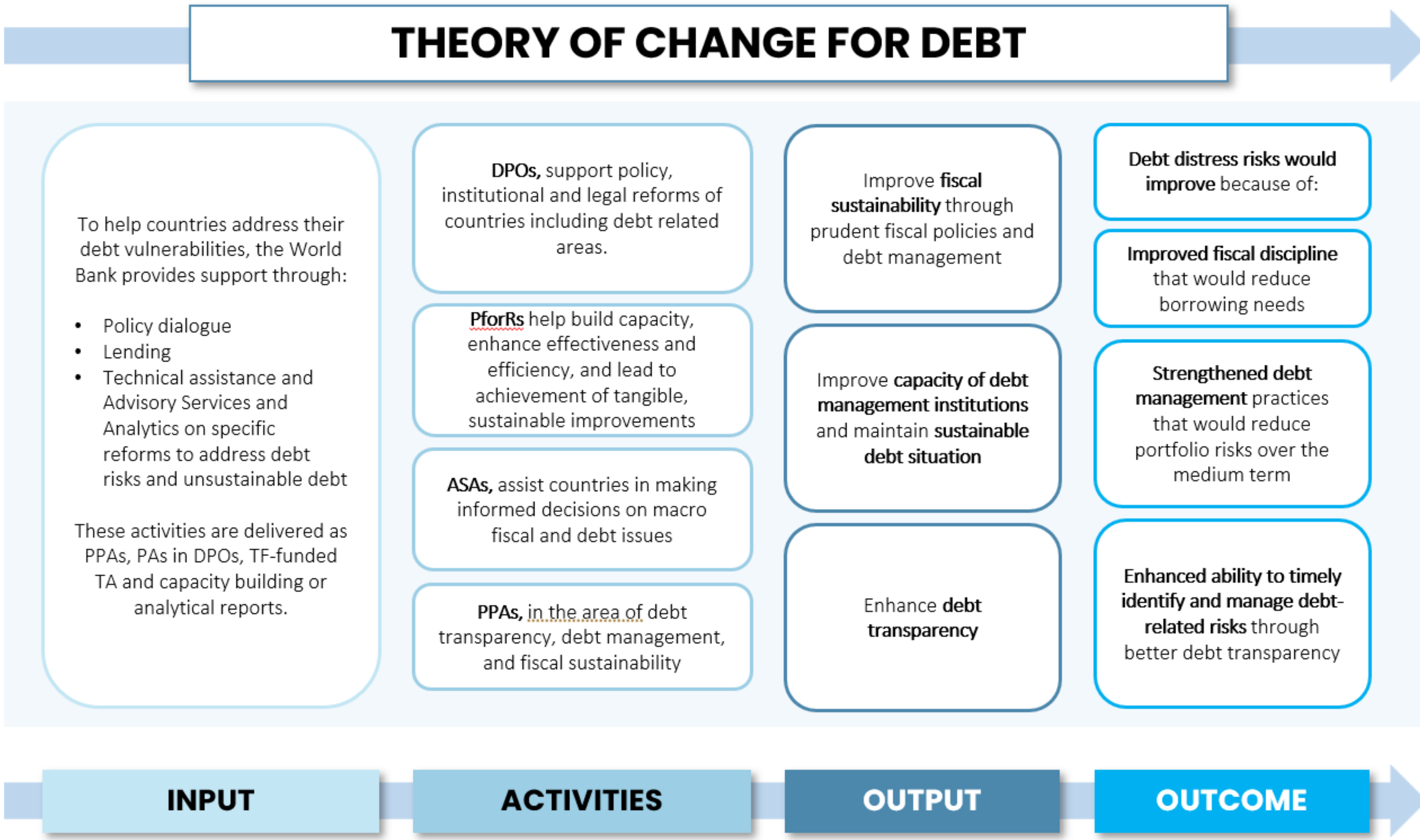
[16] Prepared LIC DSAs are those that have been distributed to the World Bank and IMF Boards.
[17] The previous DSA framework for market access countries (MAC DSA) does not include a probabilistic risk framework and cannot be used to assign a risk of debt distress.
[18] One percent of GDP is the standard "de minimis" threshold applied in the LIC DSF and in official debt restructuring agreements of the Paris Club group of creditors.
[19] In countries with a LIC DSA, an in debt distress rating may result from the accumulation of domestic arrears, in countries without a LIC DSA, domestic arrears are not systematically tracked and due to data availability, only external arrears will be used.
[20] Source: Debt Transparency Report

	For the expected result indicator, in countries that implemented reforms in year T, the identification of expected reforms in year T+1 is as follows: • **Agreed PPAs in year *T to be implemented in year T+1*** as approved by the SDFP committee. PPAs have historically a 95 percent rate of successful implementation. • **Indicative Triggers (ITs) supporting relevant reforms included in programmatic DPO series with first/second DPO approved in or before year T and expected to be approved in year T+1.** It is presumed that the PAs of not yet approved second/third DPO in the series will remain in the same area of the ITs which have been approved following a decision meeting. Similarly, tranche release conditions in the case of a tranche operation approved prior to T+1, where the tranche release condition corresponds to a reform towards debt and fiscal sustainability and is expected in T+1, would also be included. • **Disbursement-Linked Indicators of Program for Results (PforR) operations** approved by management in year *T* and with target date in year *T+1*. This assumes that the DLI will be considered successfully achieved. • **Fiscal and debt-related reforms expected to be implemented according to staff judgment** through technical assistance provided by the Global Macro and Debt Unit and other World Bank Group Units based on a programmatic engagement. A written justification will accompany any expected reform included through this category. This category is included for completeness, but not expected to result in a significant number of reforms as most planned reforms, including those from TA, are expected to support implementation of agreed PPAs, ITs and DLIs. The indicator is then calculated as this subset of countries at high-risk or in debt distress (i.e., those that implemented reforms in time T *and* for which expected reforms in T+1 have been identified) as a percentage of all countries at high risk or in debt distress in year T. In both the core and disaggregated indicators, a percentage of “zero” means that the WBG has not implemented reforms in a number of countries assessed at high risk of or in debt distress that is greater than zero. The notation “N/A” will be used if there are no countries assessed at high risk of or in debt distress.
METHOD OF CALCULATION (DISAGGREGATION)	• **FCS**: Results are aggregated according to the most recent FCS list.[21] • **Small States (SS), Small Island Developing States (SIDS), and Least Developed Countries (LDCs):** Results are aggregated according to the most recent list of SS,[22] SIDS,[23] and LDCs.[24] • **IDA/IBRD**: Project data are used to aggregate results by institution. • **Region:** Project data are used to aggregate results by WBG region.[25] • **Country income group**: Results are aggregated according to the income level list.[26]
PRINCIPLES TO AVOID DOUBLE COUNTING	As the indicator reports on the number of countries (as opposed to beneficiaries) double counting principles will not apply.
QUALITY ASSURANCE PROCESS	PAs or tranche release conditions included in the DPO will be subject to the WB review of the operation, including verification by the Legal Department that the prior actions have been implemented. Final approval of the operation, depending on the level of the review, is provided by the Regional VP or the Managing Director of Operations (MDO), with the concurrence of the technical department involved.

[21] WB: Classification of Fragile and Conflict-Affected Situations
[22] https://www.worldbank.org/en/country/smallstates/overview.
[23] UN List of SIDS: List of SIDS
[24] UN List of LCDs: List of LDCs
[25] WBG regions are Africa West, Africa East, East Asia & Pacific, Europe & Central Asia, Latin America & the Caribbean, Middle East & North Africa, and South Asia.
[26] WB Data: WB Country and Lending Groups

	The reforms implemented through PPAs under SDFP framework undergo a thorough review process conducted by corporate units and the SDFP Committee. The results of this review are then cleared by the Equitable Growth, Finance, and Institutions VP, Development Finance VP, Operations Policy & Country Services, Chief Risk Officer, and Legal, with final approval granted by the MDO. Reforms that are Disbursement-linked Indicators of PforRs are vetted through credible disbursement-linked indicator verification protocols subject to corporate review and Board approval. Technical Assistance programs provided through DMF and GDRM, including the Debt Transparency Heatmap and DeMPA assessments, pass through internal technical review process. Activities are tracked annually through the Debt Management Monitor, publicly available on the DMF website. A limited number of TA and associated reforms to IBRD-only eligible countries may be provided outside of the activities financed through TFs (DMF and GDRM), DPOs and PPAs. Those activities are implemented by debt management experts of EFI and will be equally vetted through a review process by WBG technical experts. These activities will be counted only if there is conclusive evidence that the TA has resulted in a clearly identified reform similar to those supported through WB operations and PPAs, as vetted through an ad hoc corporate review.
VERSION	Version 1. Revised March 28, 2024

Annex 1: Theory of Change



[Footnotes:] List of activities is not exhaustive. Outcomes are only partially attributable to WBG interventions, because high risk of debt distress depends on many factors, including exogenous macroeconomic shocks that can be only partially address by the implementation of the WBG-supported activities.