

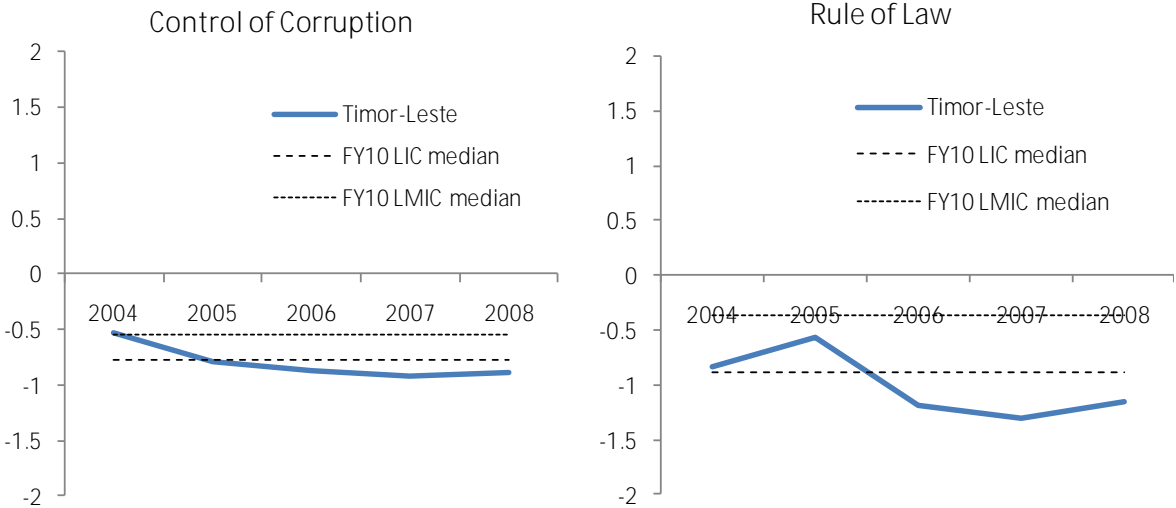
The Impact of LIC to LMIC Graduation on Timor-Leste's FY10 Scorecard

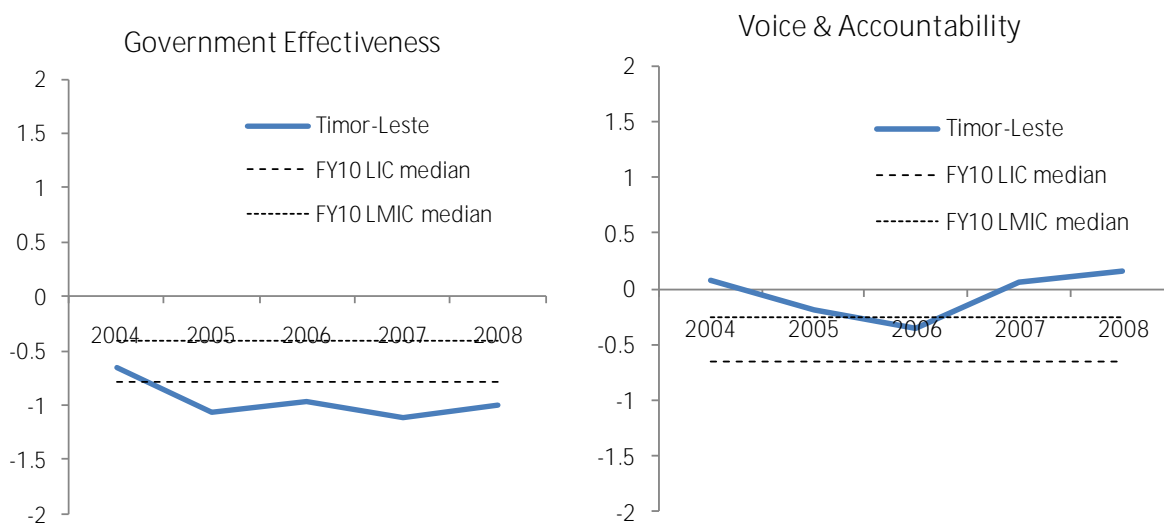
From MCC, 5 November 2009

MCC's scorecards contain 3 main pieces of information about each indicator: 1) the country's absolute score, 2) the country's percentile rank, relative to its income level peers, and 3) a 5-year time-series of data in order to present information on trends.

Absolute score: For most indicators, the absolute score, as reflected on the scorecard, does not depend on which income group the country is in. For example, the Immunization Rates score is the same whether a country is an LIC or an LMIC. The five World Bank Institute indicators (Control of Corruption, Government Effectiveness, Rule of Law, Voice and Accountability, and Regulatory Quality) are an exception to this. For these five indicators, MCC adjusts the median for LIC and LMIC countries to zero each year for each group by taking the difference between the actual scores and the median score for each income group. This is done for **expositional clarity and ease of interpretation only; it does not impact countries' relative rankings.** In Timor-Leste's case, its raw Control of Corruption score last year was 0.918, the LIC median score was 0.778; hence a scorecard score of 0.14 (0.918 - 0.778). This year, Timor-Leste's raw Control of Corruption score is 0.894 and the LMIC median score is 0.545, so its scorecard score is -0.35 (0.894 - 0.545).

For more information, please see our Data Notes: <http://www.mcc.gov/mcc/bm.doc/score-fy09-datanotes.pdf> (the FY10 version will be posted along with the scorecards but will be largely the same). Detailed information on Timor-Leste's Control of Corruption score can be found on the World Bank Institute web site at: http://info.worldbank.org/governance/wqi/sc_country.asp. Below are graphs of the four Ruling Justly indicators from the World Bank Institute that show Timor-Leste's raw score in comparison to both this year's LIC median and this year's LMIC median, as well as changes in Timor-Leste's score over the past 5 years.





Percentile rank: **A country's percentile rank depends on which income group it is in.** The indicator scores of the LMIC group are, on average, higher than those of the LIC group, so when a country graduates from LIC to LMIC, it faces these higher standards, and its relative performance often declines. In Timor-Leste's case, **though it performs in the 21st percentile in its new LMIC group this year, it's score falls between the countries at the 40th and 42nd percentile in the LIC group.** It also would have surpassed the LIC median score on Girls' Primary Completion rates, due to improved performance on that indicator.

Time series: **A country's time series data will appear the same, regardless of whether the country is an LIC or an LMIC.** This information is used by MCC and the Board to determine whether any performance trends are nascent or apparent over the last few years. For instance, **Timor-Leste's Immunization Rates data present a clear upward trend over the last four years.**

MCC is keenly aware of the performance implications that graduation from one income category to another can have on countries. As such, MCC outlined an approach to graduation in its FY10 Selection Criteria and Methodology Report (<http://www.mcc.gov/mcc/bm.doc/mcc-report-fy2010-selection-criteria-and-methodology.pdf>). As our report states, in addition to the standard scorecard, MCC will also provide the Board with supplemental information that shows how a country that graduates to LMIC performs in comparison to the current pool of LICs.