

FY07 Data Notes

Political Rights: In previous years, Freedom House published a 1-7 scale (where 7 is “least free” and 1 is “most free”) for Political Rights. This year, Freedom House has released data using a 0-40 scale for Political Rights (where 0 is “least free” and 40 is “most free”). The Political Rights indicator is based on a 10 question checklist grouped into the three subcategories: Electoral Process (3 questions), Political Pluralism and Participation (4 questions), and Functioning of Government (3 questions). Points are awarded to each question on a scale of 0 to 4, where 0 points represents the fewest rights and 4 represents the most rights. The only exception to the addition of 0 to 4 points per checklist item is Additional Discretionary Question B in the Political Rights Checklist, for which 1 to 4 points are *subtracted* depending on the severity of the situation. The highest number of points that can be awarded to the Political Rights checklist is 40 (or a total of up to 4 points for each of the 10 questions). Freedom House has released these re-scaled data for the period 2002-2005. Table 1 illustrates how the 1-7 scale used in previous years corresponds to the new 0-40 scale.

Table 1: Political Rights

New Scale	Old Scale
36-40	1
30-35	2
24-29	3
18-23	4
12-17	5
6-11	6
0-5	7

Civil Liberties: In previous years, Freedom House published a 1-7 scale (where 7 is “least free” and 1 is “most free”) for Civil Liberties. This year Freedom House has released data using a 0-60 scale (where 0 is “least free” and 60 is “most free”) for Civil Liberties. The Civil Liberties indicator is based on a 15 question checklist grouped into four subcategories: Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3 questions), Rule of Law (4 questions), and Personal Autonomy and Individual Rights (4 questions). Points are awarded to each question on a scale of 0 to 4, where 0 points represents the fewest liberties and 4 represents the most liberties. The highest number of points that can be awarded to the Civil Liberties checklist is 60 (or a total of up to 4 points for each of the 15 questions). Freedom House has released these re-scaled data for the period 2002-2005. Table 2 illustrates how the 1-7 scale used in previous years corresponds to the new 0-60 scale.

Table 2: Civil Liberties

New Scale	Old Scale
53-60	1
44-52	2
35-43	3
26-34	4
17-25	5
8-16	6

In prior years, the years displayed on the x-axis of the MCA Country Scorecards corresponded to the year of the Freedom House publication. For example, data from the *Freedom in the World 2005* publication was treated as “2005” data. This led to a significant amount of confusion since the *Freedom in the World* publications evaluate country performance in the previous year. To address this issue, MCC has adjusted the years on the x-axis of the MCA Country Scorecards to correspond to the period of time covered by the *Freedom in the World* publication. For instance, data from *Freedom in the World 2006* will now be treated as 2005 data.

Control of Corruption, Government Effectiveness, Rule of Law, Voice & Accountability, and Regulatory Quality

For ease of interpretation, MCC has adjusted all World Bank Institute indicator medians to zero. Country scores are calculated by taking the difference between actual scores and the median. For example, the unadjusted median for Low Income Countries (LIC) on Voice & Accountability median is -.7139. In order to set the median at zero, we simply add .7139 to each country’s score. Therefore, Armenia’s Voice and Accountability score, which was originally -.6431, has been adjusted to .0708.

Unlike previous years, all World Bank Institute governance indicators are now updated on an annual basis. The World Bank Institute has also made minor backward revisions to their historical data.

Health Expenditure: MCC relies exclusively on the World Health Organization for data on public health expenditure as a percentage of Gross Domestic Product (GDP). The WHO estimates general government health expenditure (GGHE) – the sum of outlays by government entities to purchase health care services and goods – in million national currency units (million NCU) and in current prices. GDP data are primarily drawn from the United Nations National Accounts statistics. Countries receive an FY07 score only if 2004 expenditure data were available to the WHO.¹

Primary Education Expenditure: MCC relies on the United Nations Educational, Scientific and Cultural Organization (UNESCO) as its primary source, and self-reported data from national governments as its secondary source.² Due to gaps in the historical time-series data, countries only receive an FY07 score if a value was reported by UNESCO or the government between 2003 and 2006. UNESCO data are available only for 2003 and 2004 and are always treated as the preferred source of information. If UNESCO data are not available for a particular country, MCC relies on the most recent data reported by national governments. In its data request to Candidate Countries, MCC requested inclusion of all government expenditures, including sub-national expenditures (both current and capital) and the consolidated public sector (i.e. state-owned enterprises and semi-autonomous institutions), but exclusion of donor funds unless it is

¹ 2004 is currently the most recent year available from the World Health Organization.

² Efforts are currently underway at UNESCO to improve country coverage, and MCC plans to discontinue use of self-reported country data as coverage expands.

not possible to disaggregate them. All data were requested in current local currency (not a constant base year, or US dollars).

Immunization Rates: MCC uses the simple average of the 2005 DPT3 coverage rate and the 2005 Measles coverage rate to calculate FY07 country scores. If a country is missing data for either DPT3 or Measles, it does not receive an index value. The same rule is applied to historical data.

Girls' Primary Education Completion Rates: MCC draws on the United Nations Educational, Scientific and Cultural Organization (UNESCO) as its exclusive source of data. To receive an FY07 score, countries must have either a 2003 or 2004 UNESCO value. MCC uses the most recent year available.³

Data limitations preclude adjusting the girls' primary education completion rate for students who drop out during the final year of primary school. Therefore, UNESCO's estimates should be taken as an upper-bound estimate of the actual female primary completion rate. The numerator may also include late entrants and over-age children who have repeated one or more grades of primary school but are now graduating as well as children who entered school early. The denominator is the number of female children of official graduation age, which can also cause the primary completion rate to exceed 100 percent.

Fiscal Policy: This indicator is measured as a three-year average of the annual fiscal balance (government revenues minus government expenditures) as a share of GDP. U.S. Embassies typically collect such data through a Candidate Country's Ministry of Finance. In calculating the fiscal balance, donor funds are included in total expenditures and both revenues and expenditures include the consolidated public sector (i.e. state-owned enterprises and semi-autonomous institutions). If general government balance data were not available, MCC relied on central government balance data. All of these data were then cross-checked with IMF sources – in particular, the World Economic Outlook (WEO) – to ensure their accuracy.

Inflation: MCC relies exclusively on the IMF's World Economic Outlook (WEO) database for inflation data. WEO inflation data reflect annual percentage change averages for the year, not end-of-period data.

Trade Policy: In response to a request from MCC, The Heritage Foundation has re-scaled the trade policy component of its *Index of Economic Freedom* to provide greater differentiation among countries. The new scale ranges from 0 to 100, where 0 represents the highest level of protectionism and 100 represents the lowest level of protectionism.

The equation used to convert tariff rates and non-tariff barriers into this 0-100 percent scale is presented below:

$$\text{Trade Policy}_i = (\text{Tariff}_{\max} - \text{Tariff}_i) / (\text{Tariff}_{\max} - \text{Tariff}_{\min}) - \text{NTB}_i$$

Trade Policy_{*i*} represents the trade freedom in country *i*, Tariff_{max} and Tariff_{min} represent the upper and lower bounds (50 and zero percent respectively), and Tariff_{*i*} represents the weighted average

³ As better data have become available, UNESCO has made backward revisions to its historical data.

tariff rate in country *i*. The result is multiplied by 100 to convert it to a percentage. If applicable to country *i*, an NTB penalty of 20 percentage points is then subtracted from the base score.

Natural Resource Management: In creating this index, Columbia University's Center for International Earth Science Information Network and the Yale Center for Environmental Law and Policy relied on 2006 eco-region protection data, 2005 child mortality data, 2004 water data, and 2004 sanitation data. Country scores are reported on the MCA Country Scorecards as 2006 data.

Land Rights and Access: This index draws on 2004 "Access to Land" data from the International Fund for Agricultural Development (IFAD) and 2006 data from the International Finance Corporation (IFC) on the time and cost of property registration. Country scores are reported on the MCA Country Scorecards as 2006 data.

Countries that received a "no practice" score on the IFC's Time to Register Property indicator were assigned the maximum observed value (i.e. the worst possible score) plus one additional day. Countries that received a "no practice" score on the IFC's Cost of Registering Property indicator were assigned the maximum observed value (i.e. the worst possible score) plus one additional percentage point of the property value.⁴

Since each of the three sub-components of this index have different scales, MCC created a common scale for each of the indicators through a process of "normalization." Each indicator was transformed used a simple formula:

$$\text{Country X's Normalized score} = \frac{\text{Maximum observed value} - \text{Country X's raw score}}{\text{Maximum observed value} - \text{Minimum observed value}}$$

So, for example, to calculate Namibia's normalized score on the IFC Days to Register Property indicator, we would first subtract the maximum observed value (684) from Namibia's raw score (23). We would then divide the difference between those two numbers (661) by the difference between the maximum observed value (684) and the minimum observed value (1). This yields a normalized "days to register property" score of .9677.⁵ After each of the three sub-components was transformed into a common scale, MCC calculated the Land Rights and Access Index using the following formula:

$$\text{Land Rights and Access} = .5(\text{IFAD}) + .25(\text{IFC Time to Register Property}) + .25(\text{IFC Cost of Registering Property})$$

⁴ As described in the *Doing Business in 2007* report, "[w]hen an economy has no laws or regulations covering a specific area – for example bankruptcy – it receives a 'no practice' mark. Similarly, if regulation exists but is never used in practice, or if a competing regulation prohibits such practice, the economy receives a 'no practice' mark. This puts it at the bottom of the ranking" (World Bank 2006: 74).

⁵ Due to the fact that high scores on the IFC indicators represent *low* levels of performance and high scores on the IFAD indicator represents *high* levels of performance, it was also necessary to invert either the IFAD normalized scale or the IFC normalized scales. MCC chose to invert the IFAD scale by subtracting each country's normalized value from 1. So, Namibia's original normalized IFAD score was .6875 [(5.2-3)/(5.2-2)] and its inverted normalized IFAD score was .3125 (1-.6875).

So, for example, Namibia's normalized IFAD score (.3125) is given a 50% weight, its IFC Time to Register Property score is given a 25% weight (.9677), and its IFC Cost of Registering Property score (.6529) is given a 25% weight. This yields a Land Rights and Access index value of .5614.