Guide to the MCC Scorecard Indicators for Fiscal Year 2023

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MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

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INTRODUCTION

The Millennium Challenge Corporation (MCC) is an independent U.S. Government agency with the mission to reduce poverty in developing countries through sustainable economic growth.

Each year, the MCC Board of Directors (Board) selects countries as eligible for MCC assistance. The selection process begins with the Board identifying candidate countries to consider; which, by law, are all countries with per capita incomes below the World Bank's threshold between lower middle income countries and upper middle income countries that are not prohibited from receiving assistance by federal law. For a candidate country to then be selected as eligible to receive assistance, it must demonstrate a commitment to just and democratic governance, investing in its people, and economic freedom as measured by independent policy indicators. These indicators inform the Board of candidate countries' broad policy framework for encouraging poverty reduction through economic growth.

These indicators are compiled into country scorecards. This is a guide to understanding and interpreting the indicators used on the country scorecards by MCC in Fiscal Year 2023. It provides an overview of the policies measured by the indicators, the relationship that these policies have to economic growth and poverty reduction, the methodologies used by the various indicator institutions to measure policy performance, descriptions of the underlying source(s) of data, and the contact information of the indicator institutions. This document also provides the specific information for how MCC constructs the final indicators from these sources. The scorecards produced using these indicators are available at: *https://www.mcc.gov/who-we-fund/scorecards.*

For general questions about the application of these indicators, please contact MCC's Selection, Eligibility, and Policy Performance Division at *DevelopmentPolicy@mcc.gov.*

INDICATORS—WHAT THEY MEASURE

The MCC scorecards measure performance on the policy criteria mandated in MCC's authorizing legislation. By using information collected from independent third-party sources, MCC's country selection process allows for an objective, comparable analysis across candidate countries.
MCC favors indicators that:

1. are developed by an independent third party,

2. use an analytically-rigorous methodology and objective, high-quality data,

3. are publicly available,

4. have broad country-coverage among MCC candidate countries,

5. are comparable across countries,

6. have a clear theoretical or empirical link to economic growth and poverty reduction,

7. are policy-linked, i.e. measure factors that governments can influence, and

8. have appropriate consistency in results from year to year.

Ruling Justly

These indicators measure just and democratic governance, including a country's demonstrated commitment to promoting political pluralism, equality, and the rule of law; respecting human and civil rights; protecting private property rights; encouraging transparency and accountability of government; and combating corruption.

- *Political Rights*– Independent experts rate countries on: the prevalence of free and fair elections of officials with real power; the ability of citizens to form political parties that may compete fairly in elections; freedom from domination by the military, foreign powers, totalitarian parties, religious hierarchies and economic oligarchies; and the political rights of minority groups, among other things. *Source: Freedom House*

- *Civil Liberties* – Independent experts rate countries on: freedom of expression; association and organizational rights; rule of law and human rights; and personal autonomy and economic rights, among other things. *Source: Freedom House*

- *Control of Corruption*– An index of surveys and expert assessments that rate countries on: "grand corruption" in the political arena; the frequency of petty corruption; the effects of corruption on the business environment; and the tendency of elites to engage in "state capture," among other things. *Source: World Bank/Brookings Institution's Worldwide Governance Indicators*

- *Government Effectiveness* – An index of surveys and expert assessments that rate countries on: the quality of public service provision; civil servants' competency and independence from political pressures; and the government's ability to plan and implement sound policies, among other things. *Source: World Bank/Brookings Institution's Worldwide Governance Indicators*

- *Rule of Law* – An index of surveys and expert assessments that rate countries on: the extent to which the public has confidence in and abides by the rules of society; the incidence and impact of violent and nonviolent crime; the effectiveness, independence, and predictability of the judiciary; the protection of property rights; and the enforceability of contracts, among other things. *Source: World Bank/Brookings Institution's Worldwide Governance Indicators*

- *Freedom of Information* – Measures the legal and practical steps taken by a government to enable or allow information to move freely through society; this includes measures of press freedom, national freedom of information laws, and the extent to which a country is shutting down the internet or social media. *Source: Access Now / Centre for Law and Democracy / Reporters Without Borders*

Investing in People

These indicators measure investments in the promotion of broad-based primary education, strengthened capacity to provide quality public health, the reduction of child mortality, and the sustainable management of natural resources.

- *Immunization Rates* – The average of DPT3 and measles immunization coverage rates for the most recent year available. *Source: WHO and the United Nations Children's Fund (UNICEF)*

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- *Health Expenditures* – Total expenditures on health by government at all levels divided by gross domestic product (GDP). *Source: The World Health Organization (WHO)*

- *Primary Education Expenditures* – Total expenditures on primary education by government at all levels divided by GDP. *Source: The United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute of Statistics and National Governments*

- *Girls' Primary Education Completion Rate* – The number of female students enrolled in the last grade of primary education minus repeaters divided by the population in the relevant age cohort (gross intake ratio in the last grade of primary). *Source: UNESCO Institute of Statistics and National Governments*

- *Girls' Secondary Education Enrollment Rate* – The number of female pupils enrolled in lower secondary school, regardless of age, expressed as a percentage of the population of females in the theoretical age group for lower secondary education. Countries with a GNI per capita between $2,046 and $4,255 will be assessed on this indicator instead of Girls Primary Completion Rates. *Source: UNESCO Institute of Statistics and National Governments*

- *Child Health* – An index made up of three indicators: access to improved water, access to improved sanitation, and child (ages 1-4) mortality. *Source: The Center for International Earth Science Information Network and the Yale Center for Environmental Law and Policy*

- *Natural Resource Protection* – Assesses a country government's commitment to preserving biodiversity and natural habitats, responsibly managing ecosystems and fisheries, and engaging in sustainable agriculture. *Source: Yale Center for Environmental Law and Policy and The Center for International Earth Science Information Network*

Encouraging Economic Freedom

These indicators measure the extent to which a government encourages economic freedom, including a demonstrated commitment to economic policies that: encourage individuals and firms to participate in global trade and international capital markets, promote private sector growth and strengthen market forces in the economy.

- *Regulatory Quality* – An index of surveys and expert assessments that rate countries on: the burden of regulations on business; price controls; the government's role in the economy; and foreign investment regulation, among other areas. *Source: World Bank/Brookings Institution's Worldwide Governance Indicators*

- *Land Rights and Access* – An index that rates countries on the extent to which the institutional, legal, and market framework provides secure land tenure and equitable access to land in rural areas and the extent to which men and women have the right to private property in practice and in law. Pass: Score must be above the median score for the income group. *Source: The International Fund for Agricultural Development and Varieties of Democracy Index*

- *Access to Credit* – An index that ranks countries based on access and use of formal and informal financial services as measured by the number of bank branches and ATMs per 100,000 adults and the share of adults that have an account at a formal or informal financial institution. Pass:

Score must be above the median score for the income group. *Source: Financial Development Index (International Monetary Fund) and Findex (World Bank)*

- *Employment Opportunity* – Measures a country government's commitment to ending slavery and forced labor, preventing employment discrimination, and protecting the rights of workers and people with disabilities. *Sources: Varieties of Democracy Institute and WORLD Policy Analysis Center (UCLA).*

- *Trade Policy* – A measure of a country's openness to international trade based on weighted average tariff rates and non-tariff barriers to trade. *Source: The Heritage Foundation's Index of Economic Freedom*

- *Inflation* – The most recent average annual change in consumer prices. *Source: The International Monetary Fund's (IMF) World Economic Outlook Database*

- *Fiscal Policy* – General government net lending/borrowing as a percent of GDP, averaged over a three-year period. Net lending/borrowing is calculated as revenue minus total expenditure. *Source: The IMF's World Economic Outlook Database*

- *Gender in the Economy* – An index that measures the extent to which laws provide men and women equal capacity to generate income or participate in the economy, including factors such as the capacity to access institutions, get a job, register a business, sign a contract, open a bank account, choose where to live, to travel freely, property rights protections, protections against domestic violence, and child marriage, among others. Pass: Score must be above the median score for the income group. *Source: Women, Business, and the Law (World Bank) and the WORLD Policy Analysis Center (UCLA)*

DETERMINING MCC CANDIDACY

For Fiscal Year 2023 (FY23), 81 countries meet the income parameters for MCC candidacy (with 66 being candidates and 15 meeting the income parameters but that are statutorily prohibited from receiving assistance). MCC creates scorecards for all 81 countries that meet the income parameters. A country is determined to be an MCC candidate if its per capita income falls within predetermined parameters set by Congress and it is not subject to certain restriction on U.S. foreign assistance. Those parameters are that the country must be classified as either low income or lower middle income by the World Bank (which means it is estimated to have a Gross National Income (GNI) per capita (Atlas Method) less than the World Bank's lower middle income country threshold of $4,255 in FY23, as published in the World Bank's July release of income data. See the *FY23 Candidate Country Report* for additional information.

SETTING THE SCORECARD INCOME GROUPS

For FY23, MCC is continuing to use the historical ceiling for eligibility as set by the World Bank's International Development Association (IDA) (often referred to as the 'Historical IDA Threshold') to divide the 81 countries into two income groups for the purpose of comparative analysis on the scorecard policy performance indicators. These two income groups are: 1) countries whose GNI per capita is less than or equal to $2,045 in FY23 and 2) those countries whose GNI per capita falls between $2,046 and $4,255 in FY23. For additional information, see the *FY23 Selection Criteria and Methodology Report.*

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INDICATOR PERFORMANCE

A country is considered to "pass" a given indicator if it performs better than the median score in its income group or the absolute threshold (for certain indicators – see below). A country is considered to "pass" the scorecard if it: (i) "passes" at least ten of the 20 indicators; (ii) "passes" the *Control of Corruption* indicator; and, (iii) "passes" either the *Civil Liberties or Political Rights* indicator. For technical specifics regarding how these medians are calculated see the *Note on Calculating Medians* at the end of this document. Indicators with absolute thresholds in lieu of a median include:

a. *Inflation,* on which a country's inflation rate must be *under* a fixed ceiling of 15 percent;

b. Immunization Rates, on which a country must have immunization coverage *above* 90% or the median, whichever is lower;

c. Political Rights, on which countries must score *above* 17; and

d. Civil Liberties, on which countries must score *above* 25.

The Board also takes into consideration whether a country performs substantially worse in any category (*Ruling Justly, Investing in People,* or *Economic Freedom)* than it does on the overall scorecard. While the indicator methodology is the predominant basis for determining which countries will be eligible for MCA assistance, the Board also considers supplemental information and takes into account factors such as time lags and gaps in the data used to determine indicator scores.

EXAMPLE SCORECARD:

For reference, this is an example of a scorecard from FY22 and a guide for reading each of the indicators.
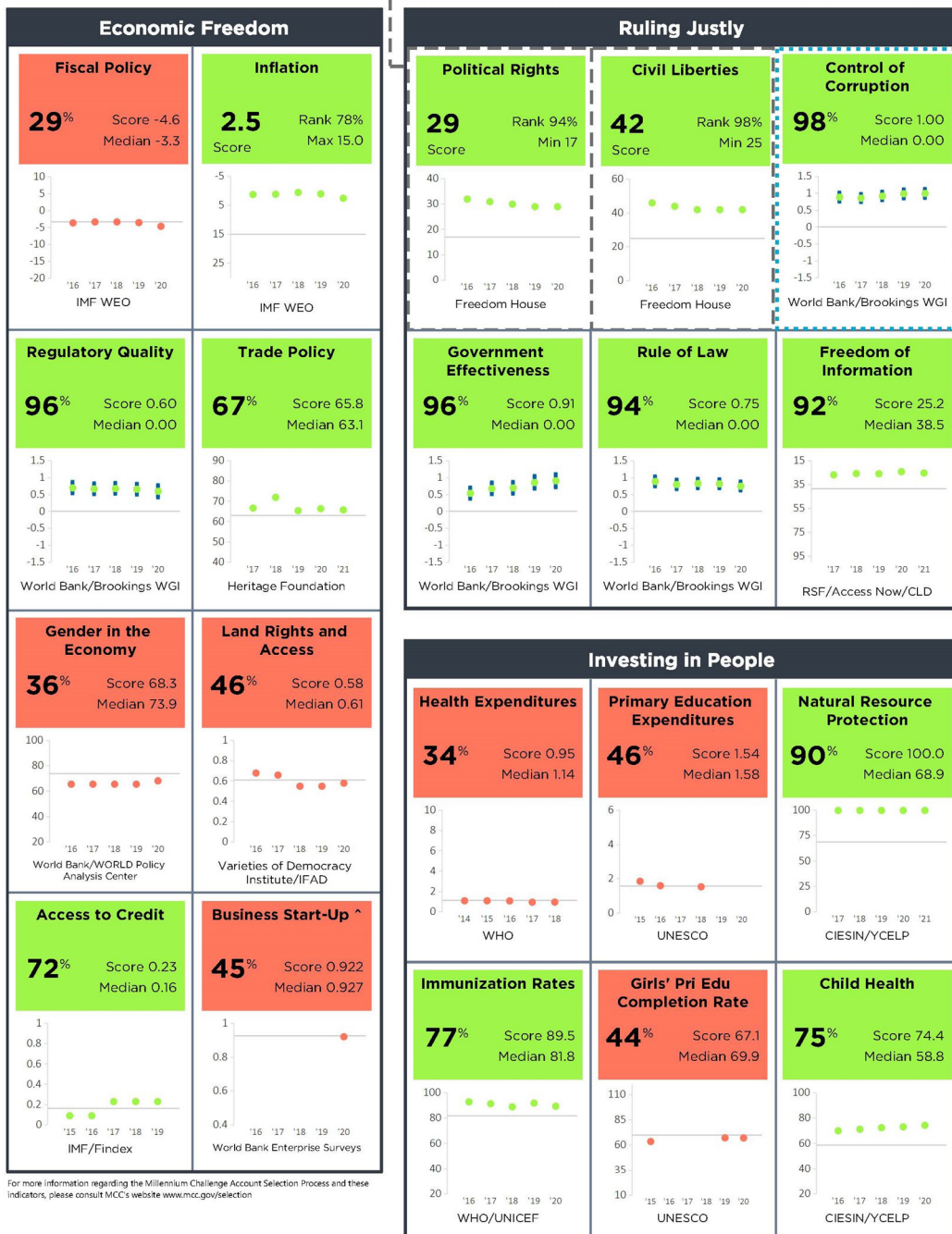
Senegal FY22

Population 16,744,000
GNI/Cap $1,430
Category GNI/Cap ≤ $1,965
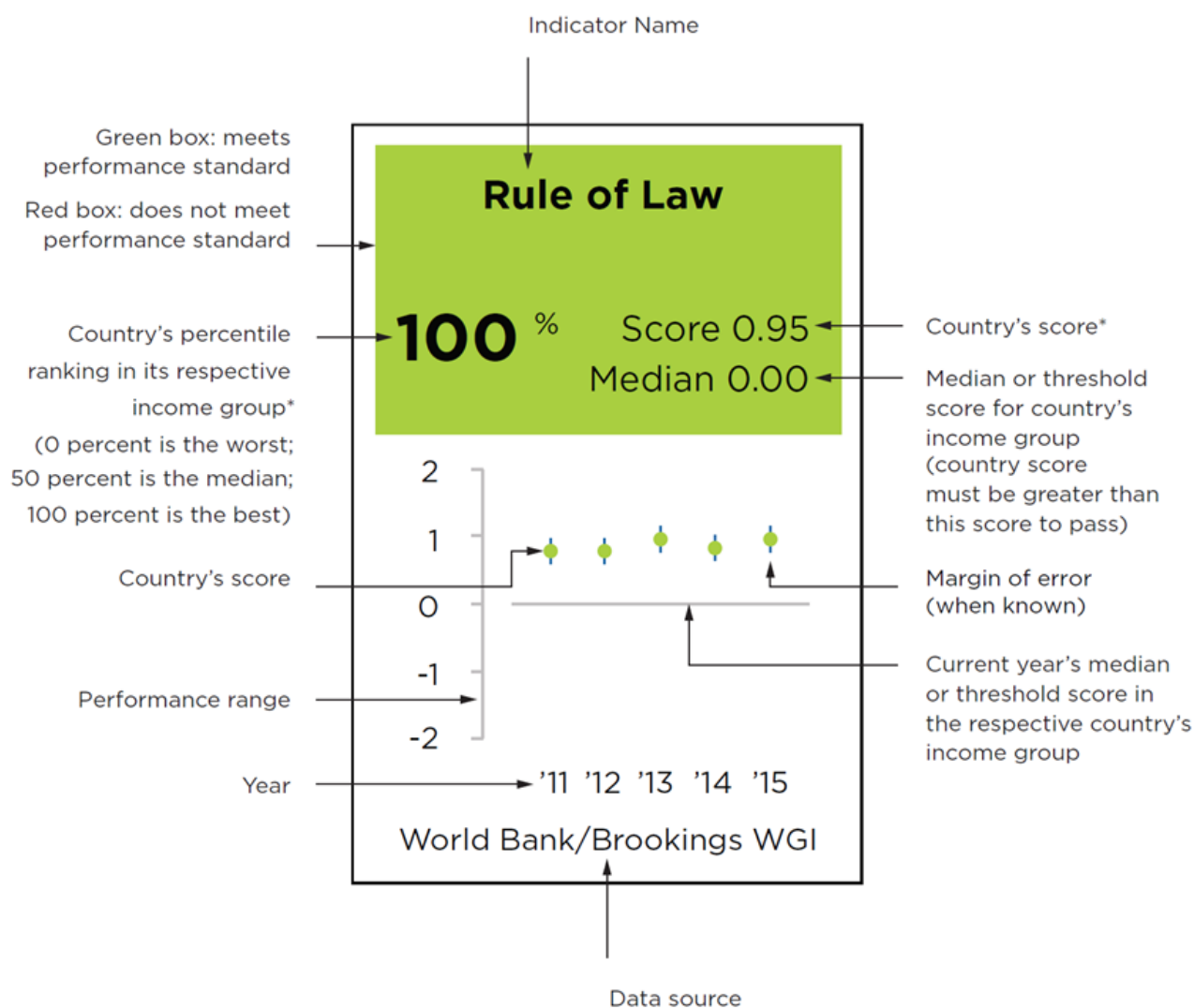
Half Scorecard Passed ✓
Control of Corruption ✓
Democratic Rights ✓

Economic Freedom

Fiscal Policy
29% Score -4.6
Median -3.3
IMF WEO

Inflation
2.5 Score Rank 78%
Max 15.0
IMF WEO

Regulatory Quality
96% Score 0.60
Median 0.00
World Bank/Brookings WGI

Trade Policy
67% Score 65.8
Median 63.1
Heritage Foundation

Gender in the Economy
36% Score 68.3
Median 73.9
World Bank/WORLD Policy Analysis Center

Land Rights and Access
46% Score 0.58
Median 0.61
Varieties of Democracy Institute/IFAD

Access to Credit
72% Score 0.23
Median 0.16
IMF/Findex

Business Start-Up ^
45% Score 0.922
Median 0.927
World Bank Enterprise Surveys

For more information regarding the Millennium Challenge Account Selection Process and these indicators, please consult MCC's website www.mcc.gov/selection

Ruling Justly

Political Rights
29 Score Rank 94%
Min 17
Freedom House

Civil Liberties
42 Score Rank 98%
Min 25
Freedom House

Control of Corruption
98% Score 1.00
Median 0.00
World Bank/Brookings WGI

Government Effectiveness
96% Score 0.91
Median 0.00
World Bank/Brookings WGI

Rule of Law
94% Score 0.75
Median 0.00
World Bank/Brookings WGI

Freedom of Information
92% Score 25.2
Median 38.5
RSF/Access Now/CLD

Investing in People

Health Expenditures
34% Score 0.95
Median 1.14
WHO

Primary Education Expenditures
46% Score 1.54
Median 1.58
UNESCO

Natural Resource Protection
90% Score 100.0
Median 68.9
CIESIN/YCELP

Immunization Rates
77% Score 89.5
Median 81.8
WHO/UNICEF

Girls' Pri Edu Completion Rate
44% Score 67.1
Median 69.9
UNESCO

Child Health
75% Score 74.4
Median 58.8
CIESIN/YCELP

^ Visit www.mcc.gov/db-fy22 to learn how MCC is responding to the cancellation of the Doing Business Report and considerations for Business Start-Up this year.

Reading the Scores—A Reference Guide

Every year each MCC candidate country receives a scorecard assessing performance in three policy categories: *Ruling Justly*, *Investing in People*, and *Encouraging Economic Freedom*.

Indicator Name

Green box: meets performance standard

Red box: does not meet performance standard

Country's percentile ranking in its respective income group* (0 percent is the worst; 50 percent is the median; 100 percent is the best)

Country's score

Performance range

Year

Rule of Law

100 %   Score 0.95
            Median 0.00

2
1
0
-1
-2

'11 '12 '13 '14 '15

World Bank/Brookings WGI

Country's score*

Median or threshold score for country's income group (country score must be greater than this score to pass)

Margin of error (when known)

Current year's median or threshold score in the respective country's income group

Data source

For the Political Rights, Civil Liberties, Inflation, and Immunization Rates (when the median is over 90% immunized) indicators, the score and percent ranking are reversed due to those indicators operating on a minimum or maximum-score system rather than a median based system.

RULING JUSTLY CATEGORY

The six indicators in this category measure just and democratic governance by assessing, among other things, a country's demonstrated commitment to promote political pluralism, equality, and the rule of law; respect human and civil rights, including the rights of people with disabilities; protect private property rights; encourage transparency and accountability of government; and combat corruption.

This indicator measures country performance on the quality of the electoral process, political pluralism and participation, government corruption and transparency, and fair political treatment of ethnic groups. Countries are rated on the following factors:

- free and fair executive and legislative elections; fair polling; honest tabulation of ballots;

- fair electoral laws; equal campaigning opportunities;

- the right to organize in different political parties and political groupings; the openness of the political system to the rise and fall of competing political parties and groupings;

- the existence of a significant opposition vote; the existence of a de facto opposition power, and a realistic possibility for the opposition to increase its support or gain power through elections;

- the participation of cultural, ethnic, religious, or other minority groups in political life;

- freedom from domination by the military, foreign powers, totalitarian parties, religious hierarchies, economic oligarchies, or any other powerful group in making personal political choices; and

- the openness, transparency, and accountability of the government to its constituents between elections; freedom from pervasive government corruption; government policies that reflect the will of the people.

Relationship to Growth and Poverty Reduction

Although the relationship between democracy and economic growth is complex, research suggests that the institutional structures of democracy can promote growth by increasing policy stability, cultivating higher rates of human capital accumulation, reducing levels of income inequality and corruption, and encouraging higher rates of investment.[1] The links between political rights and poverty reduction are similarly complicated, but there is evidence that democratic institutions are better at reducing economic volatility and provide a more consistent approach to poverty reduction than do autocratic regimes.[2] Research also links the incentive structure of democratic institutions with outcomes favorable for the poor.[3]

Source

Freedom House, *http://www.freedomhouse.org*. Questions regarding this indicator may be directed to *info@freedomhouse.org* or +1 (212) 514-8040.

Indicator Institution Methodology

The Political Rights indicator is based on a team of expert analysts and scholars evaluating countries using a ten 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 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). There is also an additional, discretionary, political rights question which can subtract up to 4 points from a country's score. The full list of questions included in Freedom House's methodology may be found at: *https://freedomhouse.org/reports/freedom-world/freedom-world-research-methodology.*

In consultation with Freedom House, MCC considers countries with scores above 17 to be passing this indicator.

MCC Methodology

Freedom House publishes a 1-7 scale (where 7 is "least free" and 1 is "most free") for Political Rights. Since its *Freedom in the World 2006* report, Freedom House has also released data using a 0-40 scale for Political Rights (where 0 is "least free" and 40 is "most free"). Table 1 illustrates how the 1-7 scale used prior to Fiscal Year 2007 (FY07) corresponds to the new 0-40 scale.

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

MCC adjusts the years on the x-axis of the Country Scorecards to correspond to the period of time covered by the Freedom in the World publication. For instance, FY23 Political Rights data come from Freedom in the World 2022 and are labeled as 2021 data on the scorecard (the year Freedom House is reporting on in its 2022 report.)

CIVIL LIBERTIES INDICATOR

This indicator measures country performance on freedom of expression and belief, associational and organizational rights, rule of law and human rights, personal autonomy, individual and economic rights, and the independence of the judiciary.

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Countries are rated on the following factors:

- freedom of cultural expression, religious institutions and expression, and academia;

- freedom of assembly and demonstration, of political organization and professional organization, and collective bargaining;

- independence of the media and the judiciary;

- freedom from economic exploitation;

- protection from police terror, unjustified imprisonment, exile, and torture;

- the existence of rule of law, personal property rights, and equal treatment under the law;

- freedom from indoctrination and excessive dependency on the state;

- equality of opportunity;

- freedom to choose where to travel, reside, and work;

- freedom to select a marriage partner and determine whether or how many children to have; and

- the existence of a legal framework to grant asylum or refugee status in accordance with international and regional conventions and system for refugee protection.

Relationship to Growth and Poverty Reduction:

Studies show that an expansion of civil liberties can promote economic growth by reducing social conflict, removing legal impediments to participation in the economy, encouraging adherence to the rule of law, enhancing protection of property rights, increasing economic rates of return on government projects, and reducing the risk of project failure.[4] Additional research has shown that civil liberties have a positive effect on domestic investment and productivity, increase the success of investments by international actors, enhance economic freedoms, and can bolster growth through the freedom of mobility for individuals.[5]

Source

Freedom House, *http://www./freedomhouse.org*. Questions regarding this indicator may be directed to *info@freedomhouse.org* or +1 (212) 514-8040.

Indicator Institution Methodology

A team of expert analysts and scholars evaluate countries on a 60-point scale – with 60 representing "most free" and 0 representing "least free." 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). The full list of questions included in Freedom House's methodology may be found at: _https://freedomhouse.org/reports/freedom-world/freedom-world-research-methodology_.

In consultation with Freedom House, MCC considers countries with scores above 25 to be passing this indicator.

MCC Methodology

Freedom House publishes a 1-7 scale (where 7 is "least free" and 1 is "most free") for Civil Liberties. Since its _Freedom in the World 2006_ report, Freedom House has also released data using a 0-60 scale (where 0 is "least free" and 60 is "most free") for Civil Liberties. Table 2 illustrates how the 1-7 scale used prior to FY07 corresponds to the new 0-60 scale.

New Scale	Old Scale
53-60	1
44-52	2
35-43	3
26-34	4
17-25	5
8-16	6
0-7	7

MCC adjusts the years on the x-axis of the Country Scorecards to correspond to the period of time covered by the _Freedom in the World_ publication. For instance, FY23 Civil Liberties data come from _Freedom in the World 2022_ and are labeled as 2021 data on the scorecard (the year Freedom House is reporting on in its 2022 report).

CONTROL OF CORRUPTION INDICATOR

This indicator measures the extent to which public power is exercised for private grain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. It also measures the strength and effectiveness of a country's policy and institutional framework to prevent and combat corruption.

Countries are evaluated on the following factors:

- The prevalence of grand corruption and petty corruption at all levels of government;

- The effect of corruption on the "attractiveness" of a country as a place to do business;

- The frequency of "irregular payments" associated with import and export permits, public contracts, public utilities, tax assessments, and judicial decisions;

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- Nepotism, cronyism and patronage in the civil service;

- The estimated cost of bribery as a share of a company's annual sales;

- The perceived involvement of elected officials, border officials, tax officials, judges, and magistrates in corruption;

- The strength and effectiveness of a government's anti-corruption laws, policies, and institutions;

- Public trust in the financial honesty of politicians;

- The extent to which:

  - processes are put in place for accountability and transparency in decision-making and disclosure of information at the local level;

  - government authorities monitor the prevalence of corruption and implement sanctions transparently;

  - conflict of interest and ethics rules for public servants are observed and enforced;

  - the income and asset declarations of public officials are subject to verification and open to public and media scrutiny;

  - senior government officials are immune from prosecution under the law for malfeasance;

  - the government provides victims of corruption with adequate mechanisms to pursue their rights;

  - the tax administrator implements effective internal audit systems to ensure the accountability of tax collection;

  - the executive budget-making process is comprehensive and transparent and subject to meaningful legislative review and scrutiny;

  - the government ensures transparency, open-bidding, and effective competition in the awarding of government contracts;

  - there are legal and functional protections for whistleblowers, anti-corruption activists, and investigators;

  - allegations of corruption at the national and local level are thoroughly investigated and prosecuted without prejudice;

  - government is free from excessive bureaucratic regulations, registration requirements, and/or other controls that increase opportunities for corruption;

  - citizens have a legal right to information about government operations and can obtain government documents at a nominal cost.

Relationship to Growth and Poverty Reduction

Corruption hinders economic growth by increasing costs, lowering productivity, discouraging investment, reducing confidence in public institutions, limiting the development of small and medium-sized enterprises, weakening systems of public financial management, and undermining investments in health and education.[6] Corruption can also increase poverty by slowing economic growth, skewing government expenditure in favor of the rich and well-connected, concentrating public investment in unproductive projects, promoting a more regressive tax system, siphoning funds away from essential public services, adding a higher level of risk to the investment decisions of low-income individuals, and reinforcing patterns of unequal asset ownership, thereby limiting the ability of the poor to borrow and increase their income.[7]

Source

Worldwide Governance Indicators (WGI) from the World Bank/Brookings Institution, *http://info.worldbank.org/governance/wgi/*. Questions regarding this indicator may be directed to *wgi@worldbank.org* or +1 (202) 473-4557.

Indicator Institution Methodology

The indicator is an index combining a subset of 22 different assessments and surveys, depending on availability, each of which receives a different weight, depending on its estimated precision and country coverage. The Control of Corruption indicator draws on data, as applicable, from the *Country Policy and Institutional Assessments* of the World Bank, the African Development Bank and the Asian Development Bank, the *Afrobarometer* Survey, the World Bank's *Business Environment and Enterprise Performance Survey*, the Bertelsmann Foundation's *Bertelsmann Transformation Index*, Global Insight's *Business Conditions and Risk Indicators*, the Economist Intelligence Unit's *Country Risk Service*, The University of Gothenburg's *European Quality of Government Index*, Transparency International's *Global Corruption Barometer* survey, the World Economic Forum's *Global Competitiveness Report*, Global Integrity's *African Integrity Index (previously known as the Global Integrity Index)*, the Gallup *World Poll*, Freedom House's *Nation in Transit*, the International Fund for Agricultural Development's *Rural Sector Performance Assessments*, the *Latinobarometro* Survey, Political Economic Risk Consultancy's *Corruption in Asia*, Political Risk Service's *International Country Risk Guide*, Vanderbilt University *Americas Barometer* Survey, the Institute for Management and Development's *World Competitiveness Yearbook*, Varieties of Democracy's *Corruption Index*, and the World Justice Project's *Rule of Law Index*.

MCC Methodology

MCC Normalized Score = WGI Score - median score

For ease of interpretation, MCC has adjusted the median for each of the two scorecard income pools to zero for all of the Worldwide Governance Indicators. Country scores are calculated by taking the difference between actual scores and the median. For example, in FY22 the unadjusted median for the scorecard category of countries with a Gross National Income (GNI) per capita between $1,966 and $4,095 on Control of Corruption was -0.46 (note, in FY23, the GNI per capita range for this scorecard category is

$2,046 to $4,255). In order to set the median at zero, MCC simply adds 0.46 to each country's score (the same thing as subtracting a negative 0.46). Therefore, as an example, Angola's FY22 Control of Corruption score, which was originally -0.93, was adjusted to -0.47.

The FY23 scores come from the 2022 update of the Worldwide Governance Indicators dataset and largely reflect performance in calendar year 2021. Since the release of the 2006 update of the Worldwide Governance Indicators, the indicators are updated annually. Each year, the World Bank and Brookings Institution also make minor backward revisions to the historical data. Prior to 2006, the World Bank released data every two years (1996, 1998, 2000, 2002 and 2004). With the 2006 release, the World Bank moved to an annual reporting cycle and provided additional historical data for 2003 and 2005.

GOVERNMENT EFFECTIVENESS INDICATOR

This indicator measures the quality of public services, the quality of the civil service and its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies.

Countries are evaluated on the following factors:

- competence of civil service; effective implementation of government decisions; and public service vulnerability to political pressure;

- ability to manage political alternations without drastic policy changes or interruptions in government services;

- flexibility, learning, and innovation within the political leadership; ability to coordinate conflicting objectives into coherent policies;

- the efficiency of revenue mobilization and budget management;

- the quality of transportation infrastructure, telecommunications, electricity supply, public health care provision, and public schools; the availability of online government services;

- policy consistency; the extent to which government commitments are honored by new governments;

- prevalence of red tape; the degree to which bureaucratic delays hinder business activity;

- existence of a taxpayer service and information program, and an efficient and effective appeals mechanism;

- the extent to which:

    - effective coordination mechanisms ensure policy consistency across departmental boundaries, and administrative structures are organized along functional lines with little duplication;

    - the business processes of government agencies are regularly reviewed to ensure efficiency of decision making and implementation;

- political leadership sets and maintains strategic priorities and the government effectively implements reforms;

- hiring and promotion within the government is based on merit and performance, and ethical standards prevail;

- the government wage bill is sustainable and does not crowd out spending required for public services; pay and benefit levels do not deter talented people from entering the public sector; flexibility (that is not abused) exists to pay more attractive wages in hard-to-fill positions;

- government revenues are generated by low-distortion taxes; import tariffs are low and relatively uniform, export rebate or duty drawbacks are functional; the tax base is broad and free of arbitrary exemptions; tax administration is effective and rule-based; and tax administration and compliance costs are low;

- policies and priorities are linked to the budget; multi-year expenditure projections are integrated into the budget formulation process, and reflect explicit costing of the implications of new policy initiatives; the budget is formulated through systematic consultations with spending ministries and the legislature, adhering to a fixed budget calendar; the budget classification system is comprehensive and consistent with international standards; and off-budget expenditures are kept to a minimum and handled transparently;

- the budget is implemented as planned, and actual expenditures deviate only slightly from planned levels;

- budget monitoring occurs throughout the year based on well-functioning management information systems; reconciliation of banking and fiscal records is practiced comprehensively, properly, and in a timely way;

- in-year fiscal reports and public accounts are prepared promptly and regularly and provide full and accurate data; the extent to which accounts are audited in a timely, professional and comprehensive manner, and appropriate action is taken on budget reports and audit findings.

Relationship to Growth and Poverty Reduction

Countries with more effective governments tend to achieve higher levels of economic growth by obtaining better credit ratings and attracting more investment, offering higher quality public services and encouraging higher levels of human capital accumulation, putting foreign aid resources to better use, accelerating technological innovation, and increasing the productivity of government spending.[8] Efficiency in the delivery of public services also has a direct impact on poverty.[9] On average, countries with more effective governments have better educational systems and more efficient health care.[10] There is evidence that countries with independent, meritocratic bureaucracies do a better job of vaccinating children, protecting the most vulnerable members of society, reducing child mortality, and curbing environmental degradation.[11] Countries with a meritocratic civil service also tend to have lower levels of corruption.[12]

Source

Worldwide Governance Indicators (WGI) from the World Bank/Brookings Institution, *http://info.worldbank.org/governance/wgi/*. Questions regarding this indicator may be directed to *wgi@worldbank.org* or +1 (202) 473-4557.

Indicator Institution Methodology

The indicator is an index combining a subset of 16 different assessments and surveys, depending on availability, each of which receives a different weight, depending on its estimated precision and country coverage. The Government Effectiveness indicator draws on data, as applicable, from the *Country Policy and Institutional Assessments* of the World Bank, the African Development Bank and the Asian Development Bank, the *Afrobarometer Survey*, the World Bank's *Business Environment and Enterprise Performance Survey*, the Bertelsmann Foundation's *Bertelsmann Transformation Index*, Global Insight's *Business Conditions and Risk Indicators,* Global Integrity's *African Integrity Index (previously known as the Global Integrity Index),* the Economist Intelligence Unit's *Country Risk Service*, The University of Gothenburg's *European Quality of Government Index*, the World Economic Forum's *Global Competitiveness Report*, the Gallup *World Poll*, the International Fund for Agricultural Development's *Rural Sector Performance Assessments*, the *Latinobarometro* Survey, Political Risk Service's *International Country Risk Guide*, and the Institute for Management and Development's *World Competitiveness Yearbook*.

MCC Methodology

MCC Normalized Score = WGI Score - median score

For ease of interpretation, MCC has adjusted the median for each of the two scorecard income pools to zero for all of the Worldwide Governance Indicators. Country scores are calculated by taking the difference between actual scores and the median. For example, in FY22 the unadjusted median for the scorecard category of countries with a Gross National Income (GNI) per capita between $1,966 and $4,095 on Control of Corruption was -0.46 (note, in FY23, the GNI per capita range for this scorecard category is $2,046 to $4,255). In order to set the median at zero, MCC simply adds 0.46 to each country's score (the same thing as subtracting a negative 0.46). Therefore, as an example, Angola's FY22 Control of Corruption score, which was originally -0.93, was adjusted to -0.47.

The FY23 scores come from the 2022 update of the Worldwide Governance Indicators dataset and largely reflect performance in calendar year 2021. Since the release of the 2006 update of the Worldwide Governance Indicators, the indicators are updated annually. Each year, the World Bank and Brookings Institution also make minor backward revisions to the historical data. Prior to 2006, the World Bank released data every two years (1996, 1998, 2000, 2002 and 2004). With the 2006 release, the World Bank moved to an annual reporting cycle and provided additional historical data for 2003 and 2005.

RULE OF LAW INDICATOR

This indicator measures the extent to which individuals and firms have confidence in and abide by the rules of society; in particular, it measures the functioning and independence of the judiciary, including the

police, the protection of property rights, the quality of contract enforcement, as well as the likelihood of crime and violence.

Countries are evaluated on the following factors:

- public confidence in the police force and judicial system; popular observance of the law; a tradition of law and order; strength and impartiality of the legal system;

- prevalence of petty crime, violent crime, and organized crime; foreign kidnappings; economic impact of crime on local businesses; prevalence of human trafficking; government commitment to combating human trafficking;

- the extent to which a well-functioning and accountable police force protects citizens and their property from crime and violence; when serious crimes do occur, the extent to which they are reported to the police and investigated;

- security of private property rights; protection of intellectual property; the accuracy and integrity of the property registry; whether citizens are protected from arbitrary and/or unjust deprivation of property;

- the enforceability of private contracts and government contracts;

- the existence of an institutional, legal, and market framework for secure land tenure; equal access to land among men and women; effective management of common property resources; equitable user-rights over water resources for agriculture and local participation in the management of water resources;

- the prevalence of tax evasion and insider trading; size of the informal economy;

- independence, effectiveness, predictability, and integrity of the judiciary; compliance with court rulings; legal recourse for challenging government actions; ability to sue the government through independent and impartial courts; willingness of citizens to accept legal adjudication over physical and illegal measures; government compliance with judicial decisions, which are not subject to change except through established procedures for judicial review;

- the independence of prosecutors from political direction and control;

- the existence of effective and democratic civilian state control of the police, military, and internal security forces through the judicial, legislative, and executive branches; the police, military, and internal security services respect human rights and are held accountable for any abuses of power;

- impartiality and nondiscrimination in the administration of justice; citizens are given a fair, public, and timely hearing by a competent, independent, and impartial tribunal; citizens have the right to independent counsel and those charged with serious felonies are provided access to independent counsel when it is beyond their means; low-cost means are available for pursuing small claims; citizens can pursue claims against the state without fear of retaliation;

- protection of judges and magistrates from interference by the executive and legislative branches; judges are appointed, promoted, and dismissed in a fair and unbiased manner; judges are appro-

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priately trained to carry out justice in a fair and unbiased manner; members of the national-level judiciary must give reasons for their decisions; existence of a judicial ombudsman (or equivalent agency or mechanism) that can initiate investigations and impose penalties on offenders;

- law enforcement agencies are protected from political interference and have sufficient budgets to carry out their mandates; appointments to law enforcement agencies are made according to professional criteria; law enforcement officials are not immune from criminal proceedings;

- the existence of an independent reporting mechanism for citizens to complain about police actions; timeliness of government response to citizen complaints about police actions.

Relationship to Growth and Poverty Reduction

Judicial independence is strongly linked to growth as it promotes a stable investment environment.[13] On average, business environments characterized by consistent policies and credible rules, such as secure property rights and contract enforceability, create higher levels of investment and growth.[14] Secure property rights and contract enforceability also have a positive impact on poverty by granting citizens secure rights to their own assets.[15] Research shows that people who do not have the resources or the connections to protect their rights informally are usually in most need of formal protection through efficient legal systems.[16]

Source

Worldwide Governance Indicators (WGI) from the World Bank/Brookings Institution, http://info.worldbank.org/governance/wgi/. Questions regarding this indicator may be directed to wgi@worldbank.org or +1 (202) 473-4557.

Indicator Institution Methodology

The indicator is an index combining a subset of 22 different assessments and surveys, depending on availability, each of which receives a different weight, depending on its estimated precision and country coverage. The Rule of Law indicator draws on data, as applicable, from the *Country Policy and Institutional Assessments* of the World Bank, the African Development Bank and the Asian Development Bank, the *Afrobarometer Survey*, the World Bank's *Business Environment and Enterprise Performance Survey*, the Bertelsmann Foundation's *Bertelsmann Transformation Index*, Freedom House's *Nations in Transit* report, Global Insight's *Business Conditions and Risk Indicators*, the Economist Intelligence Unit's *Country Risk Service*, The University of Gothenburg's *European Quality of Government Index*, the World Economic Forum's *Global Competitiveness Report*, Global Integrity's *African Integrity Index (previously known as the Global Integrity Index)*, the Gallup *World Poll*, the Heritage Foundation's *Index of Economic Freedom*, the International Fund for Agricultural Development's *Rural Sector Performance Assessments*, the *Latinobarometro* Survey, Political Risk Service's *International Country Risk Guide*, the United States State Department's *Trafficking in Persons Report*, Vanderbilt University's *Americas Barometer*, Institute for Management and Development's *World Competitiveness Yearbook,* Varieties of Democracy's *Liberal Component Index*, and the World Justice Project's *Rule of Law Index.*

MCC Methodology

MCC Normalized Score = WGI Score - median score

For ease of interpretation, MCC has adjusted the median for each of the two scorecard income pools to zero for all of the Worldwide Governance Indicators. Country scores are calculated by taking the difference between actual scores and the median. For example, in FY22 the unadjusted median for the scorecard category of countries with a Gross National Income (GNI) per capita between $1,966 and $4,095 on Control of Corruption was -0.46 (note, in FY23, the GNI per capita range for this scorecard category is $2,046 to $4,255). In order to set the median at zero, MCC simply adds 0.46 to each country's score (the same thing as subtracting a negative 0.46). Therefore, as an example, Angola's FY22 Control of Corruption score, which was originally -0.93, was adjusted to -0.47.

The FY23 scores come from the 2022 update of the Worldwide Governance Indicators dataset and largely reflect performance in calendar year 2021. Since the release of the 2006 update of the Worldwide Governance Indicators, the indicators are updated annually. Each year, the World Bank and Brookings Institution also make minor backward revisions to the historical data. Prior to 2006, the World Bank released data every two years (1996, 1998, 2000, 2002 and 2004). With the 2006 release, the World Bank moved to an annual reporting cycle and provided additional historical data for 2003 and 2005.

FREEDOM OF INFORMATION INDICATOR

This indicator measures a government's commitment to enable or allow information to move freely in society. It is a composite index that includes a measure of press freedom; the status of national freedom of information laws; and a measure of internet filtering.

Relationship to Growth and Poverty Reduction

Governments play a role in information flows; they can restrict or facilitate information flows within countries or across borders. Many of the institutions (laws, regulations, codes of conduct) that governments design are created to manage the flow of information in an economy.[17] Countries with better information flows often have better quality governance and less corruption.[18] Higher transparency and access to information have been shown to increase investment inflows because they enhance an investor's knowledge of the behaviors and operations of institutions in a target economy; help reduce uncertainty about future changes in policies and administrative practices; contribute data and perspectives on how best an investment project can be initiated and managed; and allow for the increased coordination between social and political actors that typifies successful economic development.[19] The right of access to information within government institutions also strengthens democratic accountability, promotes political participation of all, reduces governmental abuses, and leads to more effective allocation of natural resources.[20] Access to information also empowers marginalized groups and those living in poverty by giving them the ability to more fully participate in society and providing them with knowledge that can be used for economic gain.[21] Internet shutdowns are harmful as they not only restrict the ability of civil society to engage in political participation and government oversight, but also restrict market access and cost economies billions of dollars each year.[22]

Sources and Indicator Institution Methodologies

    V. Reports without Borders' (RSF) World Press Freedom Index, *https://rsf.org/en/ranking/2020.* Questions regarding this indicator may be directed to *index@rsf.org* or +33 1 44 83 84 65

World Press Freedom Index methodology: RSF compiles its data by pooling experts' responses to 117 questions related to the political context, legal framework, economic situation, sociocultural context, and safety environment that face journalists in a country. This qualitative analysis is combined with quantitative data on abuses and acts of violence against journalists during the period evaluated.

    VI. Centre for Law and Democracy and Access Info's Right to Information Index, *http://www.rti-rating.org/*. Questions regarding this indicator may be directed to Toby Mendel at *toby@law-democracy.org* or +1 (902) 431-3688.

Right to Information Methodology: In this dataset, a freedom of information law is rated based on 61 indicators. RTI includes any country with a freedom of information law on the books.

    VII. Access Now's #KeepItOn Shutdown Tracker Optimization Project, *https://www.accessnow.org/keepiton/*. Questions regarding this indicator may be directed to Peter Micek at *peter@accessnow.org* or +1 (888) 414-0100.

Access Now Methodology: Countries are assigned one point for every day of internet or social media shutdown/throttling up to 9 days. Shutdowns listed as ongoing are assumed to last until the end of the year. Shutdowns that last less than one day are counted as one day. Shutdowns with no end date are assumed to only last one day. If no duration is listed, but a start and end date are listed, a duration is calculated. Non-government shutdowns and non-government throttlings are excluded.

MCC Methodology

MCC FOI Score = (Press) + (FOIA in place) - (Access Now)

This indicator uses a country's score on RSF's World Press Freedom Index (Press) as the base. In FY23, MCC uses RSF's 2022 World Press Freedom Index, which covers events in 2021. A country's base score may improve based on data from the Global Right to Information Rating. In FY23, MCC uses Centre for Law and Democracy / Access Info Europe's Global Right to Information Rating (RTI) from 2021. A country's score is improved by 4 points if they have a Freedom of Information law enacted. Data from Access Now is used to penalize some countries' base scores. A country's score is penalized 1 point for each day in the last calendar year (2020) of internet or social media shutdown/throttling, for a total penalty of up to 9 points. For FY23, MCC uses Access Now data from the 2021 #KeepItOn Shutdown Tracker Optimization Project report.

Note regarding construction of missing data: Prior to FY23, MCC utilized old data from Freedom House on Freedom of the Press to construct data for countries that were missing data from RSF. Starting in FY23, MCC will no longer use this methodology as RSF's methodology has changed and it is no longer comparable to the old Freedom House data. Countries that are missing RSF data will be considered missing and therefore fail this indicator.

INVESTING IN PEOPLE CATEGORY

The indicators in this category measure investments in people by assessing the extent to which governments are promoting broad-based primary education, strengthening capacity to provide quality public health, increasing child health, and promoting the protection of biodiversity.

IMMUNIZATION RATES INDICATOR

This indicator measures a government's commitment to providing essential public health services and reducing child mortality.

Relationship to Growth and Poverty Reduction

The Immunization Rates indicator is widely regarded as a good proxy for the overall strength of a government's public health system.[23] It is designed to measure the extent to which governments are investing in the health and well-being of their citizens. Immunization programs can impact economic growth through their broader impact on health.[24] Healthy workers are more economically productive and more likely to save and invest; healthy children are more likely to reach higher levels of educational attainment; and healthy parents are better able to invest in the health and education of their children.[25] Immunization programs also increase labor productivity among the poor, reduce spending to cope with illnesses, and lower mortality and morbidity among the main income-earners in poor families.[26]

Source

The World Health Organization (WHO) and the United Nations Children's Fund (UNICEF), _http://www.who.int/immunization_monitoring/data/_. Questions regarding this indicator may be directed to _vaccines@who.int_ or +41 22 791 2873.

Indicator Institution Methodology

MCC uses the simple average of the national diphtheria-pertussis-tetanus (DPT3) vaccination rate and the measles (MCV) vaccination rate. The DPT3 immunization rate is measured as the number of children that have received their third dose of the diphtheria, pertussis (whooping cough), and tetanus toxoid vaccine divided by the target population (the number of children surviving their first year of life.) The measles immunization rate is measured as the number of children that have received their first dose of a measles-containing vaccine divided by the same target population.

To estimate national immunization coverage, WHO and UNICEF draw on two sources of empirical data: reports of vaccinations performed by service providers (administrative data) and surveys containing items on children's vaccination history (coverage surveys). Surveys are frequently used in conjunction with administrative data; in some instances—where administrative data differ substantially from survey results—surveys constitute the sole source of information on immunization coverage levels. There are a number of reasons survey data may be used over administrative data; for instance, in some cases, lack of precise information on the size of the target population (the denominator) can make immunization

coverage difficult to estimate from administrative data alone. Estimates of the most likely true level of immunization coverage are based on the data available, consideration of potential biases, and contributions of local experts.

In consultation with the WHO, MCC considers countries which have immunization coverage above the median for their scorecard income pool to be passing this indicator. If the median is above 90% for an income pool in a year, countries in that income pool will be considered passing if they have immunization coverage above 90% (even if they score below the median).[27]

MCC Methodology

MCC Immunization Rate = [0.5 x DPT3] + [0.5 x MCV1]

MCC relies on official WHO/United Nations Children's Fund (UNICEF) estimates for all immunization data. MCC uses the simple average of the 2021 DPT3 coverage rate and the 2021 measles (MCV) coverage rate to calculate FY23 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. As better data become available, WHO/UNICEF make backward revisions to the historical data. In FY23, countries must have immunization rates (as defined above) greater than 90% or the median for their scorecard pool, whichever is lower, to pass this indicator.

HEALTH EXPENDITURES INDICATOR

This indicator measures the government's commitment to investing in the health and well-being of its people.

Relationship to Growth and Poverty Reduction

MCC generally strives to measure outcomes rather than inputs, but health outcomes can be very slow to adjust to policy changes. Therefore, the Health Expenditures indicator is used to gauge the extent to which governments are making investments in the health and well-being of their citizens.[28] A large body of literature links improved health *outcomes* to economic growth and poverty reduction.[29] While the link between expenditures and outcomes is never automatic in any country, it is generally positive when expenditures are managed and executed efficiently.[30] Research suggests that increased spending on health, when coupled with good policies and good governance, can promote growth, reduce poverty, and trigger declines in infant, child, and maternal mortality.[31]

Source

World Health Organization (WHO), *http://www.who.int/nha/en/*. Questions regarding this indicator may be directed to *nhaweb@who.int*.

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Indicator Institution Methodology

This indicator measures domestic general government health expenditure (GGHE-D) as a percentage of Gross Domestic Product (GDP). Domestic general government health expenditure includes outlays earmarked for health maintenance, restoration or enhancement of the health status of the population, paid for in cash or in kind by the following financing agents: central/federal, state/provincial/regional, and local/municipal authorities; extra-budgetary agencies, social security schemes; and parastatals. All are financed through domestic funds. GGHE-D includes only current expenditures made during the year (excluding investment expenditures such as capital transfers). The classification of the functions of government (COFOG) promoted by the United Nations, the International Monetary Fund (IMF), OECD and other institutions sets the boundaries for public outlays. Figures are originally estimated in million national currency units (million NCU) and in current prices. GDP data are primarily drawn from the United Nations National Accounts statistics.

MCC Methodology

This indicator measures public expenditure on health as a percent of gross domestic product (GDP). MCC relies on the World Health Organization (WHO) for data on public health expenditure. The WHO estimates domestic general government health expenditure (GGHE-D) — the sum of current 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.

Prior to FY19, MCC utilized a slightly different indicator, which was discontinued by the WHO. Because MCC started using a different indicator from the WHO in FY19, data from FY19 onward on MCC's scorecard are not comparable to data found on MCC scorecards prior to FY19.

The FY23 scores come from the 2022 update of the global health expenditure database and largely reflect performance in calendar year 2019.

PRIMARY EDUCATION EXPENDITURES INDICATOR

This indicator measures the government's commitment to investing in primary education.

Relationship to Growth and Poverty Reduction

While MCC generally strives to measure outcomes rather than inputs, educational outcome indicators can be very slow to adjust to policy changes, and adequate data on educational quality do not yet exist in a consistent manner across a large number of countries. Therefore, the Primary Education Expenditures indicator is used to gauge the extent to which governments are currently making investments in the education of their citizens. Research shows that, for given levels of quality, well-managed and well-executed government spending on primary education can improve educational attainment and increase economic growth.[32] There is also evidence that the returns to education to an economy as a whole are larger than the private returns.[33] Investments in basic education are also critical to poverty reduction. Research shows

that regions that begin with higher levels of education generally see a larger poverty impact of economic growth.[34]

Source

The United National Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics (UIS) is MCC's source of data, *http://www.uis.unesco.org.* UIS compiles primary education expenditure data from official responses to surveys and from reports provided by education authorities in each country. Questions regarding the UIS data may be directed to *survey@uis.unesco.org* or (514)-343-7752.

Indicator Institution Methodology

UIS attempts to measure total current and capital expenditure on primary education at every level of administration—central, regional, and local. UIS data generally include subsidies for private education, but not foreign aid for primary education. UIS data may also exclude spending by religious schools, which plays a significant role in many developing countries.

Government outlays on primary education include expenditures on services provided to individual pupils and students and expenditures on services provided on a collective basis. Primary education includes the administration, inspection, operation, or support of schools and other institutions providing primary education at ISCED-97 level 1. It also includes literacy programs for students too old for primary school. For FY23, MCC will use the most recent UNESCO data from 2016 or later.

MCC Methodology

MCC uses the most recent data point in the past six years (since 2016)[35]

This indicator measures public expenditure on primary education as a percent of GDP. MCC relies on the United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute of Statistics as its source. Specifically, MCC uses the indicator named "Government expenditure on primary education as a percentage of GDP (%)." For FY23, MCC first determines if a country has a value reported by UNESCO in 2016 or later. If so, the most recent data available within those years are used. If a country does not have UNESCO data at any point since 2016, it does not receive an FY23 score.

For UNESCO data, the GDP estimates used in the denominator are provided to UNESCO by the World Bank. As better data become available, UNESCO makes backward revisions to historical data.

GIRLS' PRIMARY EDUCATION COMPLETION RATE INDICATOR

This indicator measures a government's commitment to basic education for girls in terms of access, enrollment, and retention. MCC uses this indicator for countries with a GNI per capita below $2,045 only.

Relationship to Growth and Poverty Reduction

Universal basic education is an important determinant of economic growth and poverty reduction. Empirical research consistently shows a strong positive correlation between girls' primary education and accelerated economic growth, slower population growth, higher wages, increased agricultural yields and labor productivity, and greater returns to schooling as compared to men.[36] A large body of literature also shows that increasing a mother's schooling has a large effect on her child's health, schooling, and adult productivity, an effect that is more pronounced in poor households.[37] By one estimate, providing girls one extra year of education beyond the average can boost eventual wages by 10-20 percent.[38] The social benefits of female education are also demonstrated through lower fertility rates, higher immunization rates, decreased child and maternal mortality, reduced transmission of HIV, fewer cases of domestic violence, greater educational achievement by children, and increased female participation in government.[39]

Source

UNESCO's Institute for Statistics (UIS), *http://www.uis.unesco.org*. Questions regarding this indicator may be directed to *survey@uis.unesco.org* or +1 (514) 343-7752.

Indicator Institution Methodology

The Girls' Primary Education Completion Rate indicator is measured as the gross intake ratio into the last grade of primary, a proxy for primary completion. This is measured as the total number of female students enrolled in the last grade of primary (regardless of age), minus the number of female students repeating the last grade of primary, divided by the total female population of the standard entrance age of the last grade of primary. The primary completion rate reflects the primary cycle as defined by the International Standard Classification of Education (ISCED), ranging from three or four years of primary education (in a very small number of countries) to five or six years (in most countries), to seven years (in a small number of countries). For the countries that changed their primary cycle, the most recent ISCED primary cycle is applied consistently to the whole series. For FY23, MCC will use the most recent UNESCO data since 2016.

This indicator was selected since 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. Because the numerator may 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, it is possible for the primary completion rate to exceed 100 percent.

MCC Methodology

MCC uses the most recent data point in the past six years (since 2016)[40]

MCC draws upon data from UNESCO's Institute of Statistics as its exclusive source of data for this indicator. Specifically, MCC uses the indicator named "Gross intake ratio to the last grade of primary education, female (%)." To receive an FY23 score, countries must have a UNESCO value in 2016 or later. MCC uses

the most recent year available, that is, MCC uses the most recent data from the past six years. If a country does not have UNESCO data at any point from 2016 or later, it does not receive an FY23 score. As better data become available, UNESCO makes backward revisions to its historical data.

GIRLS' SECONDARY EDUCATION ENROLMENT RATIO INDICATOR

This indicator measures a government's commitment to secondary education for girls in terms of access, enrollment, and retention. MCC uses this indicator for countries with a GNI per capita between $2,046 and $4,255 only.

Relationship to Growth and Poverty Reduction

Access to continued education beyond the primary level solidifies the benefits associated with girls' primary education. Secondary education for girls ensures they receive both the benefits of primary education and the additional benefits linked to further education. Empirical research consistently shows a strong positive correlation between girls' secondary education and faster economic growth, higher wages for women, slower population growth, and increased labor productivity.[41] According to one estimate, a 1 percent increase in proportion of women enrolled in secondary school will generate a 0.3 percent growth in annual per-capita income.[42] A large body of literature also shows that increasing a mother's schooling has large effect on her children's health, schooling, and adult productivity.[43] The social benefits of female education are also demonstrated through postponed marriage and pregnancy, lower fertility rates, decreased child and maternal mortality, reduced transmission of HIV, and greater educational achievement by children.[44]

Source

UNESCO's Institute for Statistics (UIS), *http://www.uis.unesco.org*. Questions regarding this indicator may be directed to *survey@uis.unesco.org* or +1 (514) 343-7752.

Indicator Institution Methodology

The Girls' Secondary Education Enrolment Ratio indicator measures the number of female pupils enrolled in lower secondary school (regardless of age), expressed as a percentage of the total female population of the standard age of enrolment for lower secondary education. Lower secondary school is defined as a program typically designed to complete the development of basic skills and knowledge which began at the primary level. In many countries, the educational aim is to lay the foundation for lifelong learning and individual development. The programs at this level are usually on a subject-oriented pattern, requiring specialized teachers for each subject area. The end of this level often coincides with the end of compulsory education. For FY23, MCC will use the most recent UNESCO data from 2016 or later.

MCC Methodology

MCC uses the most recent data point in the past six years

MCC draws upon data from UNESCO's Institute of Statistics as its exclusive source of data. Specifically, MCC uses the indicator named "Gross enrolment ratio, lower secondary, female (%)." To receive an FY23 score, countries must have a UNESCO value on "gross enrolment ratio, lower secondary (female)" from 2016 or later. MCC uses the most recent year available that is, MCC uses the most recent data from the past six years. If a country does not have UNESCO data at any point from 2016 or later, it does not receive an FY23 score. As better data become available, UNESCO makes backward revisions to its historical data.

The Girls' Secondary Education Enrollment Ratio indicator measures the number of female pupils enrolled in lower secondary school (regardless of age), expressed as a percentage of the total female population of the standard age of enrolment for lower secondary education. Lower secondary school is defined as a program typically designed to complete the development of basic skills and knowledge which began at the primary level. Because the numerator may include late entrants and over-age children, as well as children who entered school early, it is possible for the secondary enrollment rate to exceed 100 percent.

CHILD HEALTH INDICATOR

This composite indicator measures a government's commitment to child health as measured by child mortality, the sound management of water resources and water systems, and proper sewage disposal and sanitary control.

Relationship to Growth and Poverty Reduction

Improving child health leads to a more productive and healthier workforce both presently and in the future. Inadequate water and sanitation is the second leading cause of child mortality; it kills more young children than AIDS, malaria, and measles combined.[45] Improved sanitation and increased access to water have numerous economic benefits, including productivity savings in the form of fewer missed days of work or school due to illness from unclean water; the economic contribution of the lives saved from diarrheal disease; decreasing treatment expenditures for diarrheal disease at both the individual and government levels and time savings related to searching for facilities and water collection that would increase time for income-earning work.[46] Vulnerable groups, such as women, children, handicapped individuals and the very poor, are particularly affected by inadequate sanitation and water quality, meaning that improvement in these areas would help these groups the most.[47] In children in particular, improved sanitation and water quality have been found to improve learning outcomes due to alleviating the burden of illness and helminthes (parasites) on cognitive development.[48]

Source

Columbia University's Center for International Earth Science Information Network (CIESIN) and the Yale Center for Environmental Law and Policy (YCELP), *https://www.ciesin.columbia.edu/data/nrpi-chi-2022/*Questions regarding this indicator may be directed to *ciesin.info@ciesin.columbia.edu* or +1 (845) 365-8988.

Indicator Institution Methodology

This index is calculated as the average of three, equally weighted indicators:

- Access to Improved Sanitation: Produced by the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF), this indicator measures the percentage of the population with access to facilities that hygienically separate human excreta from human, animal, and insect contact. Facilities such as sewers or septic tanks, pour-flush latrines and simple pit or ventilated improved pit latrines are assumed to be adequate, provided that they are not public and not shared with other households.

- Access to Improved Water: Produced by WHO and UNICEF, this indicator measures the percentage of the population with access to at least 20 liters of water per person per day from an "improved" source (household connections, public standpipes, boreholes, protected dug wells, protected springs, and rainwater collection) within one kilometer of the user's dwelling and with collection times of no more than 30 minutes.

- Child Mortality (Ages 1-4): Produced by the United Nations Inter-agency Group for Child Mortality Estimation (IGME), this indicator measures the probability of dying between ages 1 and 4.

MCC Methodology

CIESIN/YCELP's Child Health Score = [0.33 x Child Mortality] + [0.33 x Access to Water] + [0.33 x Access to Sanitation]

In creating the index used for the FY23 data, Columbia University's Center for International Earth Science Information Network (CIESIN) and the Yale Center for Environmental Law and Policy (YCELP) relied on the most recent child mortality data ages 1-4 (4q1), water access data, and sanitation access data. If no updates from the most recent year were available, previous data were applied. Each of the three components (child mortality, access to water, and access to sanitation) is equally weighted (33.3%) in the overall index. Country scores are reported as 2019 data on the FY22 MCC Country Scorecards. As better data become available, CIESIN and YCELP make backward revisions to historical data. In FY20, CIESIN changed its source of Child Mortality data from the UN Population Division's World Population Prospects (WPP data) to the United Nations Inter-agency Group for Child Mortality Estimation (IGME data) since IGME updates its data more frequently than WPP. As such, some variation in Child Health data before FY20 could be attributed to the new underlying data source.

NATURAL RESOURCE PROTECTION

This indicator assesses a country government's commitment to preserving biodiversity and natural habitats, responsibly managing ecosystems and fisheries, and engaging in sustainable agriculture.

Relationship to Growth and Poverty Reduction

Environmental protection of biomes and the biodiversity and ecosystems within those biomes supports long-term economic growth by providing essential ecosystem goods and services such as natural capital,

fertile soil, climate regulation, clean air and water, renewable energy, and genetic diversity.[49] Additionally, appropriate and sustainable management of non-protected ecosystems and the natural resources within those ecosystems promotes agricultural and non-agricultural productivity.[50] Some research suggests that economic growth will be increasingly difficult to sustain as the current population compromises or decimates the biomes that provide the natural resources that are essential to future development or sustenance.[51] Those in poverty, particularly subsistence farmers and those in rural areas, are most likely to be exposed to and affected by environmental degradation and biodiversity loss because they rely so directly on ecosystem services for their food security and livelihood.[52]

Source

The Environmental Performance Index (EPI) from the Yale Center for Environmental Law and Policy (YCELP), and Columbia University's Center for International Earth Science Information Network (CIESIN) *https://epi.yale.edu/*. Questions about this indicator should be directed to *epi@yale.edu*.

Indicator Institution Methodology

MCC uses four components of this indicator, which are focused on Biodiversity and Habitat, Ecosystem Services, Fisheries, and Agriculture. The Biodiversity and Habitat component measures the share of terrestrial and marine areas that are protected, as well as the protection of rare species and their habitats. The Ecosystem Services component measures annual loss of tree cover, wetlands, and grasslands. The Agriculture component measures the sustainable use of nitrogen and pesticides in farming. The Fisheries component measures the sustainability of fishing practices, including the share of fish caught from overfished populations, and the use of harmful fishing practices such as trawling.

MCC Methodology

MCC combines these four components using EPI's weighting methodology. EPI assigns each component a specific weight. To compute the overall score, MCC multiplies the score for each component by the weight for that component, adds them together, and divides by the total weight. If a country is missing data for a particular indicator, the weight for that indicator is included in neither the numerator nor the denominator of the fraction. This is most common in landlocked countries which have no fisheries scores.

MCC's Natural Resource Protection Indicator = [(Agriculture Score x Agriculture Weight) + (Fisheries Score x Fisheries Weight) + (Biodiversity and Habitat Score x Biodiversity and Habitat Weight) + (Ecosystem Services Score x Ecosystem Services Weight)] ÷ [Agriculture Weight + Fisheries Weight + Biodiversity and Habitat Weight + Ecosystem Services Weight]

For example, using the old data from the 2020 EPI, the weights for these components would be as follows: Agriculture: 0.05, Fisheries: 0.1, Ecosystem Services: 0.1, and Biodiversity and Habitat: 0.25. This means that a country with all four areas measured, such as Cameroon would have their score calculated as follows. Cameroon had the following component scores: Agriculture: 40.4, Fisheries: 10.5, Ecosystem Services: 31.5, and Biodiversity and Habitat: 48.6. The numerator for this calculation is the weighted sum

of the four scores i.e. (40.4 x 0.05) + (10.5 x 0.1) + (31.5 x 0.1) + (48.6 x 0.25) = 18.37. The denominator is just the sum of the weights (0.05 + 0.1 + 0.1 + 0.25) = 0.5. Which means Cameroon would have scored 36.74 (18.37 ÷ 0.5). On the other hand, if Cameroon did not have fishing data for that year, fishing would not be included either in the numerator or the denominator making the score without fisheries data 43.3 (17.32 ÷ 0.4).

ENCOURAGING ECONOMIC FREEDOM CATEGORY

The eight indicators in this category measure the extent to which a government encourages economic freedom by assessing, among other things, a country's demonstrated commitment to economic policies that: encourage individuals and firms to participate in global trade and international capital markets, promote private sector growth, protect private property rights, and strengthen market forces in the economy.

REGULATORY QUALITY INDICATOR

This indicator measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
Countries are evaluated on the following factors:

- prevalence of regulations and administrative requirements that impose a burden on business; ease of starting and closing a new business; ease of registering property;

- government intervention in the economy; the extent to which government subsidies keep uncompetitive industries alive;

- labor market policies; employment law provides for flexibility in hiring and firing; wage and price controls;

- the complexity and efficiency of the tax system; pro-investment tax policies;

- trade policy; the height of tariffs barriers; the number of tariff bands; the stability of tariff rates; the extent to which non-tariff barriers are used; the transparency and predictability of the trade regime;

- investment attractiveness; prevalence of bans or investment licensing requirements; financial regulations on foreign investment and capital; legal restrictions on ownership of business and equity by non-residents; foreign currency regulations; general uncertainty about regulation costs; legal regulation of financial institutions; the extent to which exchange rate policy hinders firm competitiveness;

- extensiveness of legal rules and effectiveness of legal regulations in the banking and securities sectors; costs of uncertain rules, laws, or government policies;

- the strength of the banking system; existence of barriers to entry in the banking sector; ease of access to capital markets; protection of domestic banks from foreign competition; whether interest rates are heavily-regulated; transfer costs associated with exporting capital;

- participation of the private sector in infrastructure projects; dominance of state-owned enterprises; openness of public sector contracts to foreign investors; the extent of market competition; effectiveness of competition and anti-trust policies and legislation;

- the existence of a policy, legal, and institutional framework that supports the development of a commercially-based, market-driven rural finance sector that is efficient, equitable, and accessible to low-income populations in rural areas;

- the adoption of an appropriate policy, legal, and regulatory framework to support the emergence and development of an efficient private rural business sector; the establishment of simple, fast and transparent procedures for establishing private agri-businesses;

- the existence of a policy, legal, and institutional framework that supports the development and liberalization of commercially-based agricultural markets (for inputs and produce) that operate in a liberalized and private sector-led, functionally efficient and equitable manner, and that are accessible to small farmers; and

- the extent to which:

    - corporate governance laws encourage ownership and financial disclosure and protect shareholder rights, and are generally enforced;

    - state intervention in the goods and land market is generally limited to regulation and/or legislation to smooth out market imperfections;

    - the customs service is free of corruption, operates transparently, relies on risk management, processes duty collections, and refunds promptly; and

    - trade laws, regulations, and guidelines are published, simplified, and rationalized.

Relationship to Growth and Poverty Reduction

Improved regulatory quality can promote economic growth by creating effective and efficient incentives for the private sector. Conversely, burdensome regulations have a negative impact on economic performance through economic waste and decreased productivity.[53] Researchers at the International Finance Corporation argue that "improving from the worst … to the best … quartile of business regulations implies a 2.3 percentage point increase in average annual growth."[54] Good regulatory policies help the poor by creating opportunities for entrepreneurship, reducing opportunities for corruption, increasing the quality of public services, and improving the functioning of the housing, service, and labor markets on which they rely.[55]

Source

Worldwide Governance Indicators (WGI) from the World Bank/Brookings Institution, http://info.worldbank.org/governance/wgi/. Questions regarding this indicator may be directed to wgi@worldbank.org or +1 (202) 473-4557.

Indicator Institution Methodology

This indicator is an index combining a subset of 12 different assessments and surveys, depending on availability, each of which receives a different weight, depending on its estimated precision and country coverage. The Regulatory Quality indicator draws on data, as applicable, from the *Country Policy and Institutional Assessments* of the World Bank, the African Development Bank and the Asian Development Bank, the World Bank's *Business Environment and Enterprise Performance Survey*, Bertelsmann Foundation's *Bertelsmann Transformation Index*, Global Insight's *Business Conditions and Risk*

Indicators, the Economist Intelligence Unit's *Country Risk Service*, the World Economic Forum's *Global Competitiveness Report*, the Heritage Foundation's *Index of Economic Freedom*, the International Fund for Agricultural Development's *Rural Sector Performance Assessments*, Political Risk Service's *International Country Risk Guide*, the Institute for Management and Development's *World Competitiveness Yearbook*, and the World Justice Project's *Rule of Law Index*.

MCC Methodology

MCC Normalized Score = WGI Score - median score

For ease of interpretation, MCC has adjusted the median for each of the two scorecard income pools to zero for all of the Worldwide Governance Indicators. Country scores are calculated by taking the difference between actual scores and the median. For example, in FY22 the unadjusted median for the scorecard category of countries with a Gross National Income (GNI) per capita between $1,966 and $4,095 on Control of Corruption was -0.46 (note, in FY23, the GNI per capita range for this scorecard category is $2,046 to $4,255). In order to set the median at zero, MCC simply adds 0.46 to each country's score (the same thing as subtracting a negative 0.46). Therefore, as an example, Angola's FY22 Control of Corruption score, which was originally -0.93, was adjusted to -0.47.

The FY23 scores come from the 2022 update of the Worldwide Governance Indicators dataset and largely reflect performance in calendar year 2021. Since the release of the 2006 update of the Worldwide Governance Indicators, the indicators are updated annually. Each year, the World Bank and Brookings Institution also make minor backward revisions to the historical data. Prior to 2006, the World Bank released data every two years (1996, 1998, 2000, 2002 and 2004). With the 2006 release, the World Bank moved to an annual reporting cycle and provided additional historical data for 2003 and 2005.

LAND RIGHTS AND ACCESS INDICATOR

This indicator evaluates whether and to what extent governments are investing in secure land tenure and property rights.

Relationship to Growth and Poverty Reduction

Secure land tenure plays a central role in the economic growth process by giving people long-term incentives to invest and save their income, enhancing access to essential public services, allowing for more productive use of time and money than protecting land rights, facilitating use of land as collateral for loans, and contributing to social stability and local governance.[56] Improvements in tenure security also favor growth that is "pro-poor" because the benefits generally accrue to those who have not possessed such rights in the past and those who are affected most by high property registration costs.[57] Land policy reform can be particularly meaningful for women: research shows that when women have secure access to land and are able to exercise control over land assets, their ability to earn income is enhanced, household spending on healthcare, nutritious foods, and children's education increases, and human capital accumulation occurs at a faster rate. Women's ability to inherit and possess control rights to land also serves as

a crucial social safety net.[58] Beyond land, property rights generally contribute to economic growth and poverty reduction.[59]

Sources

International Fund for Agricultural Development (IFAD), *http://www.ifad.org*, and V-Dem, *https://www.v-dem.net/en/*. Questions regarding the IFAD indicator may be directed to +39 06 545 92377. Questions regarding the Varieties of Democracy indicator may be directed to address *contact@v-dem.net.*

Indicator Institution Methodology

This composite indicator is calculated as the weighted average of three indicators. Access to Land is weighted 50% and Days and Cost to Register Property are each weighted 25%.

- Access to Land: Produced by IFAD, this indicator assesses the extent to which the institutional, legal, and market framework provides secure land tenure and equitable access to land in rural areas. It is made up of four subcomponents: (1) the effectiveness of the land tenure system; (2) the effectiveness of land markets; (3) the equitable management of communal lands; and (4) the existence of gender-based impediments to access. IFAD's operational staff base their assessments on a questionnaire and guideposts identifying the basis of each scoring level, available at *https://webapps.ifad.org/members/gc/42/docs/GC-42-L-6.pdf* or *https://webapps.ifad.org/members/eb/125/docs/EB-2018-125-R-4-Add-1.pdf*. Past datasets can be found in the documents of IFAD's governing council *https://webapps.ifad.org/members/gc*.

- *Property Rights (v2xcl-prpty):* Produced by the Varieties of Democracy Institute (V-Dem), this index measures the rights to acquire, possess, inherit, and sell private property, including land. It measures both de jure limits on legal property rights, but also de facto limits that may come in the form of customary law, religious law, common practice, or social norms. This indicator is assessed separately for men and women, and then averaged together. V-Dem gathers these data by surveying experts and aggregating their answers into a single index. More information on V-Dem's methodology can be found here *https://www.v-dem.net/en/our-work/methods/*.

MCC Aggregation Methodology

MCC's Land Rights and Access Score = [0.5 x Normalized IFAD] + [0.5 x (Normalized V-Dem)]

This index draws on 2018 "Access to Land" data from the International Fund for Agricultural Development (IFAD) and 2020 data from V-Dem on Property rights (v2xcl-prpty). Country scores are reported on the Scorecards as 2020 data. When IFAD data from the current year is missing, normalized data from V-Dem is used. When V-Dem is missing data, the indicator is considered missing, and a country will receive an N/A for this indicator on the scorecard.

Since each of the two sub-components of this index have different scales, MCC created a common scale for each of the indicators by normalizing them. Please see equations below. Both scales are inverted so that a higher score corresponds to better performance.

MCC Methodology to Normalize IFAD and V-Dem Data:

- *Normalized IFAD = 1 – ((Maximum observed value - Country X's raw score) ÷ (Maximum observed value -Minimum observed value))*

- *Normalized Property Rights = 1 – ((Maximum observed value - Country X's raw score) ÷ (Maximum observed value -Minimum observed value))*

For example, to calculate a given country X's score, MCC first finds the maximum and minimum value for that year. MCC then subtracts country X's score from the maximum to get the numerator and subtract the minimum from the maximum to get the denominator. MCC divides the numerator by the denominator to get the inverted normalized value. Next, MCC subtracts this quotient from 1, to get the normalized value for a country. Finally, MCC averages the normalized values for each source together. If IFAD is missing, the normalized V-Dem score is used, but if V-Dem is missing the indicator is considered missing and assigned an "N/A" because V-Dem has higher country coverage and more recent data.

In FY22 MCC revised its methodology for this indicator to expand the populations and concepts covered and to focus more on broad-based property rights. As a result, the scores from FY22 are not comparable to scores from FY21 and earlier. For more information about how MCC is making these business climate indicators more inclusive, visit: https://www.mcc.gov/blog/entry/blog-101921-financial-inclusion.

ACCESS TO CREDIT INDICATOR

This indicator measures the depth of available credit information and the effectiveness of collateral and bankruptcy laws in facilitating lending.

Relationship to Growth and Poverty Reduction

The ability to access affordable credit is a critical element of private sector led growth, particularly for small businesses that often lack the initial capital needed to grow and expand and also for agricultural households, where expenditures on inputs precede the returns from harvest; it also increases a business or household's ability to bear and cope with risk.[60] Financial inclusion and access to both formal and informal financial instruments are crucial for rural and poor populations to be able to manage uncertain and uneven incomes and alleviate the costs of poverty while promoting inclusive growth.[61] Improving credit access for small business and poor populations can have a substantial impact on agricultural development, poverty reduction, and broad-based economic growth.[62]

Sources

International Monetary Fund, Financial Development Index
https://data.imf.org/?sk=F8032E80-B36C-43B1-AC26-493C5B1CD33B and the World Bank Findex

Database https://globalfindex.worldbank.org/. Questions regarding the IMF data may be directed to JMarzluf@imf.org. Questions regarding the Findex data may be directed to lklapper@worldbank.org.

Indicator Institution Methodology

The Access to Credit composite indicator is calculated by taking the simple average of two indicators from the IMF and Findex, which have been normalized and ranked on equivalent scales:

- *Financial Institution Access (IMF):* MCC uses the Financial Institution Access indicator from the IMF's Financial Development Index. This indicator has two sub indicators: the number of bank branches per 100,000 adults from the World Bank's FinStats, and the number of ATMs per 100,000 adults from the IMF's Financial Access Surveys.

- *Share of adults with an account (Findex):* From the World Bank's Findex Database, MCC uses the share of the population (adults 15+) with an account. This survey counts both formal and informal accounts, including mobile money.

MCC Methodology

MCC's Access to Credit Score = [0.5 x Normalized IMF] + [0.5 x (Normalized Findex)]

This index draws on 2017 data from the Findex database and 2019 data from the IMF. Country scores are reported on the Scorecards as 2019 data. When one indicator is missing data, the other is used. Since each of the two sub-components of this index have different scales, MCC created a common scale for each of the indicators by normalizing them. Please see equations below. Both scales are then inverted so that a higher score corresponds to better performance.

MCC Methodology to Normalize IMF and Findex Data:

- *Normalized IMF = 1 – ((Maximum observed value - Country X's raw score) ÷ (Maximum observed value -Minimum observed value))*

- *Normalized Findex = 1 – ((Maximum observed value - Country X's raw score) ÷ (Maximum observed value -Minimum observed value))*

For example, to calculate a given country X's score, MCC first finds the maximum and minimum value for that year. MCC then subtracts country X's score from the maximum to get the numerator and subtracts the minimum from the maximum to get the denominator. MCC divides the numerator by the denominator to get the inverted normalized value. Next, MCC subtracts this quotient from 1, to get the normalized value for a country. Finally, MCC averages the normalized values for each source together. If either score is missing, the other is used, but if both scores are missing, the country is given an "N/A".

In FY22 MCC revised its methodology for this indicator to expand the populations and concepts covered and to focus more on financial inclusion. As a result, the scores from FY22 are not comparable to scores from FY21 and earlier. For more information about how MCC is making these business climate indicators more inclusive, visit: https://www.mcc.gov/blog/entry/blog-101921-financial-inclusion.

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EMPLOYMENT OPPORTUNITY INDICATOR

This indicator measures a country government's commitment to ending slavery and forced labor, preventing employment discrimination, and protecting the rights of workers and people with disabilities.

Relationship to Growth and Poverty Reduction

This indicator encourages governments to invest in policies that drive economic growth and poverty reduction by supporting policies that ensure everyone has an equal opportunity to earn a fair wage in four areas: employment discrimination, disability rights, forced labor, and the ability of civil society organizations (CSOs) to start-up and shutdown.[63] Broadly, employment discrimination increases poverty through denied employment and social exclusion, while equality of employment opportunities can drive economic growth and social inclusion.[64] The inclusion of people with disabilities in the economy and employment opportunities is key to robust and inclusive economic growth.[65] This is particular critical in developing countries, as people with disabilities make up a disproportionate share of the global poor and supporting the rights of these groups is a crucial component of poverty reduction.[66] Forced labor impedes the ability of individuals to earn a fair wage and exacerbates poverty such as by keeping individuals in debt bondage, preventing them from being able to earn anything or ever become free.[67] CSOs are included because they are instrumental in ensuring that de jure employment protections and other laws are enforced.[68]

Sources and Indicator Institution Methodologies

UCLA's WORLD Policy Analysis Center's data on Disability Rights and Employment Discrimination. *https://www.worldpolicycenter.org/*. Questions regarding this portion of the indicator may be directed to Gonzalo Moreno *gmoreno@ph.ucla.edu.*

   IV.   *WORLD Policy Analysis Center Methodology:* WORLD regularly reviews the laws and constitutions of countries to determine whether certain rights are protected.

Disability Rights: From WORLD's disability dataset, MCC uses the following seven questions. These questions are coded as binary, where a legal right provides countries with one point, and anything less gives zero points. These questions are then averaged so that each country is given a sub-score for disability rights between 0 and 1 that represents the share of rights protected.

1. Does the constitution explicitly guarantee equality or non-discrimination for persons with disabilities? ("Guaranteed right" = 1, all else = 0)

2. Does the constitution explicitly require schools or educational institutions to be physically accessible? ("School accessibility explicitly guaranteed" = 1, all else = 0)

3. Does the constitution explicitly guarantee the right to work for adults with disabilities? ("Guaranteed right" or "Work rights generally guaranteed and disability discrimination prohibited" = 1, all else = 0)

4. Does the constitution explicitly guarantee adults with disabilities reasonable accommodation at work? ("Reasonable accommodation explicitly guaranteed" = 1, all else = 0)

5. Does the constitution explicitly require public places and/or public transportation to be physically accessible? ("Accessibility explicitly guaranteed in both public places and public transportation" or "Accessibility guaranteed in one area" = 1, all else = 0)

6. Is disability-based discrimination prohibited through the completion of secondary education? ("Discrimination broadly prohibited) = 1, all else = 0)

7. What is the guaranteed level of inclusion through the completion of secondary education for students with disabilities? ("Integration in mainstream schools and guaranteed support", "Integration in mainstream schools", and "Guaranteed, unclear level of integration" = 1, all else = 0)

Employment Discrimination: From the WORLD dataset on Employment Discrimination, MCC uses the following questions:

1. Is there at least some explicit legislative prohibition of workplace discrimination based on disability?

2. Is there at least some explicit legislative prohibition of workplace discrimination based on religion?

3. Is there at least some explicit legislative prohibition of workplace discrimination based on race/ethnicity?

4. Is there at least some explicit legislative prohibition of workplace discrimination based on gender identity?

5. Is there at least some explicit legislative prohibition of workplace discrimination based on political affiliation?

6. Is there at least some explicit legislative prohibition of workplace discrimination based on social class?

7. Is there at least some explicit legislative prohibition of workplace discrimination based on age?

8. Is there at least some explicit legislative prohibition of workplace discrimination based on marital status?

9. Is there at least some explicit legislative prohibition of workplace discrimination based on parenting status?

10. Is there at least some explicit legislative prohibition of workplace discrimination based on migrant status?

11. Is there at least some explicit legislative prohibition of workplace discrimination based on foreign national origin?

12. Is there at least some explicit legislative prohibition of workplace discrimination based on sexual orientation?

Each of these responses are coded into binary variables (1 for "yes" to any protection for each group in a question (UCLA codes a "5" in their data set as a "yes")and 0 for "no" or if only some of the groups in question are protected) and then averaged (i.e. all of the 1's are added together and then divided by 12).

This means that the resulting employment discrimination sub-indicator is the percentage of protected classes that are covered by some explicit legal provision prohibiting discrimination against them in a given country.

    V.   The Varieties of Democracy Institute's (V-Dem) data on Civil Society Organization Start-Up and Shutdown, and on the prevalence of forced labor for men and women. Questions regarding the Varieties of Democracy indicator may be directed to *contact@v-dem.net.*

V-Dem Methodology: V-dem surveys a wide range of experts annually, then aggregates their responses into a single score

Forced Labor: The forced labor sub-indicator (v2xcl_slave) is an average of the prevalence of forced labor and involuntary servitude for men and women. V-Dem defines forced labor as follows: "Involuntary servitude occurs when an adult is unable to quit a job s/he desires to leave — not by reason of economic necessity but rather by reason of employer's coercion. This includes labor camps but not work or service which forms part of normal civic obligations such as conscription or employment in command economies."

Civil Society Organizations: The civil society organization start-up and shutdown data are from the V-dem data on CSO Entry and Exit (v2cseeorgs). This sub-indicator measures the extent to which the government achieves control over entry and exit by civil society organizations (CSOs) into public life. CSOs include, but are not limited to, interest groups, labor unions, spiritual organizations if they are engaged in civic or political activities, social movements, professional associations, charities, and other non-governmental organizations.

MCC Methodology

MCC's Employment Opportunity Score = [0.25 x (Average Disability Rights)] + [0.25 x (Average Employment Rights)] + [0.25 x (Normalized Forced Labor)] + [0.25 x (Normalized CSO Entry and Exit)]

The Employment Opportunity indicator is calculated as an average of four sub-indicators: Disability Rights, Employment Rights, Forced Labor, and CSO Entry and Exit. First, each of these scores are normalized to a scale between 0 and 1, then the four components are averaged together. MCC uses one method to normalize the data for Disability Rights and Employment Rights and a second method to normalize the data for Forced Labor and CSO Entry and Exit. If any components are missing for a particular country the score is the average of the components that are not missing. If all components are missing the indicator is considered missing and a country will receive and N/A on the indicator. Score years are labeled based on the year of the V-Dem data used. For FY23 the scores are labeled as 2021.

The disability rights and employment rights sub-indicators are normalized by averaging the scores on each of the questions (i.e. the percentage of questions where rights are guaranteed in the law). So, if a country has protections for 3 of the 12 groups listed under employment discrimination, they will receive a score of 0.25 on this component. (3÷12 = 0.25; 3 is 25% of 12).

- Average Disability Rights = (Number of questions where there is a guaranteed right)/7

- Average Employment Rights = (Number of questions where there is an employment protection in law)/12

For example, if a country has a guaranteed constitutional right to non-discrimination for persons with disabilities, and a constitutionally guaranteed right to work for people with disabilities, but no other rights, they would have 2 out of 7 questions with a legal right. This means their score would be 2÷7 or 0.2857 on this component.

The V-Dem sub-indicators use a different method for normalization:

- *Normalized Forced Labor = 1 – ((Maximum observed value - Country X's raw score) ÷ (Maximum observed value -Minimum observed value))*

- *Normalized CSO Entry and Exit = 1 – ((Maximum observed value - Country X's raw score) ÷ (Maximum observed value -Minimum observed value))*

- For example, to calculate a given country X's score, MCC first finds the maximum and minimum value for that year across the entire sub-indicator. MCC then subtracts country X's score from the maximum to get the numerator and subtracts the minimum from the maximum to get the denominator. MCC divides the numerator by the denominator to get the inverted normalized value. Next, MCC subtracts this quotient from 1, to get the normalized value for a country. This process is done for both forced labor and CSO entry and exit.

In FY23 MCC revised its methodology for this indicator shift from a focus on Business Start-Up to Employment Opportunity. As a result, the scores from FY23 are not comparable to scores from FY22 and earlier. For more information about this change, visit: *www.mcc.gov/blog/entry/blog-101422-scorecard-indicator-employment*.

TRADE POLICY INDICATOR

This indicator measures a country's openness to international trade based on average tariff rates and non-tariff barriers to trade. Countries are rated on the following factors:

- Trade-weighted average tariff rate;

- Non-tariff barriers (NTBs) including, but not limited to: import licenses; trade quotas; production subsidies; anti-dumping, countervailing, and safeguard measures; government procurement procedures; local content requirements; excessive marking and labeling requirements; export assistance; export taxes and tax concessions; and corruption in the customs service.

Relationship to Growth and Poverty Reduction

Trade openness can help to accelerate long run economic growth by allowing for greater economic specialization, encouraging investment and increasing productivity.[69] Greater international competition can also force domestic firms to be more efficient and reduce rent seeking and corrupt activities.[70] One study

estimates that "open" economies on average register 2.2% higher economic growth than "closed" economies.[71] Although the relationship between trade openness and poverty reduction is complex, research suggests trade liberalization can improve the livelihoods and real incomes of the poor through the availability of lower-cost import items, increases in the relative wages of laborers, net increases in tariff revenues as a result of lower rates and higher volume, and insulation of the economy from negative exogenous shocks.[72]

Source

The Heritage Foundation, *https://www.heritage.org/index/trade-freedom*. Questions regarding this indicator may be directed to *Anthony.Kim@heritage.org* or +1 (202) 608-6261.

Methodology

This indicator relies on the Heritage Foundation's Trade Freedom score which is a component of their annual *Index of Economic Freedom.* The indicator 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:

$$Trade\ Policy_i = (Tariff_{max} - Tariff_i)/(Tariff_{max} - Tariff_{min}) - NTB_i$$

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 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 5, 10, 15, or 20 percentage points is then subtracted from the base score, depending on the pervasiveness of NTBs.

In general, the Heritage Foundation uses the most recent data from the World Trade Organization (WTO) on the Most Favored Nation (MFN) trade weighted average duty tariff (weighted by imports from the country's trading partners) from 2019 or later as the tariff score. In the absence of MFN trade weighted average duty tariff data from 2019 or later in the WTO database, the most recent World Bank data on MFN trade weighted tariff rates is used. In the absence of either of these data sources, a country's most recent MFN simple average duty tariff from the WTO is used. In cases where there is no recent data form the WTO, but there is a substantial difference between the World Bank's data and the WTO's data, older data from the WTO is used. In the very few cases where data on duties and customs revenues are not available, the authors rely on measures of international trade taxes. Data on tariffs and NTBs are obtained from the following sources: the World Bank's *World Development Indicators* and *Data on Trade and Import Barriers: Trends in Average Tariff Rates for Developing and Industrial Countries*; the World Trade Organization's *Trade Policy Reviews*; the Office of the U.S. Trade Representative's *National Trade Estimate Report on Foreign Trade Barriers*, the World Bank's *Doing Business* report, the U.S. Department of Commerce's *Country Commercial Guide*, the Economist Intelligence Unit's *Country Reports, Country Profiles, and Country Commerce* data, and "official government publications of each country."

INFLATION INDICATOR

This indicator measures the government's commitment to sound monetary policy.

Relationship to Growth and Poverty Reduction

Research shows that high levels of inflation are detrimental to long-run growth.[73] High inflation creates an environment of risk and uncertainty, drives down the rate of investment, and is often associated with distorted relative prices and tax incentives.[74] Inflation can also hinder financial market development and create incentives for corruption.[75] In addition, inflation often has a direct negative impact on the poor. When inflation is associated with swings in relative prices, it usually erodes real wages and distorts consumption decisions.[76]

Source

IMF World Economic Outlook (WEO) database, *http://www.imf.org/external/ns/cs.aspx?id=28*. Questions regarding this indicator may be directed to IMF country economists. See individual IMF country pages (*http://www.imf.org/external/country/index.htm*) for contact details.

Methodology

This indicator measures the most recent one-year change in consumer prices. The indicator reflects average annual percentage change for the year, not end-of-period data.

In keeping with economic research findings, MCC considers countries with inflation below 15% to be passing this indicator.

MCC relies exclusively on the IMF's WEO database for inflation data. WEO inflation data reflect annual percentage change averages for the year, not end-of-period data. FY23 data refer to the 2021 inflation rate. As better data become available, the IMF makes backward revisions to its historical data.

FISCAL POLICY INDICATOR

This indicator measures the government's commitment to prudent fiscal management and private sector growth.

Relationship to Growth and Poverty Reduction

Unsustainable fiscal deficits can impact economic growth by raising expectations of inflation or exchange rate depreciation.[77] Fiscal deficits driven by current expenditures decrease national savings and put upward pressure on real interest rates, which can lead to a crowding out of private sector activity.[78] In addition, fiscal deficits either force governments to increase tax rates, reducing the capital available for domestic investment, or to increase the stock of public debt.[79] High and growing levels of public debt have also led to financial and macroeconomic instability in many countries.[80] Taken together, these factors decrease labor productivity and wages, thereby increasing poverty.[81]

Source

The IMF's World Economic Outlook (WEO) database, h*ttp://www.imf.org/external/ns/cs.aspx?id=28*. Questions regarding this indicator may be directed to IMF country economists. See individual IMF country pages (*http://www.imf.org/external/country/index.htm*) for contact details.

Methodology

This indicator is general government net lending/borrowing as a percent of GDP, averaged over a three-year period. Net lending/borrowing is calculated as revenue minus total expenditure.

MCC's Fiscal Policy Score = (2019 + 2020 + 2021) / 3

MCC relies exclusively on the International Monetary Fund's (IMF) World Economic Outlook (WEO) database for Fiscal Policy data. The fiscal policy indicator measures general government net lending/ borrowing as a percent of GDP, averaged over a three-year period. Net lending / borrowing is calculated as revenue minus total expenditure. The FY23 score averages the annual data of 2019, 2020 and 2021. As better data become available, the IMF makes backward revisions to its historical data.
The IMF published the net lending/borrowing series for the first time in the 2010 WEO database.

GENDER IN THE ECONOMY INDICATOR

This indicator measures the government's commitment to promoting gender equality by providing women and men with the same legal ability to access legal and public institutions, own property, go to court, and get a job; and measures the extent to which the law provides girls and women legal protection from violence. It draws from two sources, the World Bank's Women Business and the Law (WBL) Index and data from UCLA's WORLD Policy Analysis Center data on Child Marriage and Customary Law.

Relationship to Growth and Poverty Reduction

This indicator draws on all eight areas of the *Women Business and the Law* (WBL) report including: Mobility, Workplace, Pay, Parenthood, Marriage, Entrepreneurship, Assets and Pensions. It also draws from UCLA's data on Child Marriage and Customary Law.

- *Mobility (WBL):* These questions explore women's legal access to physical mobility within a country. Studies show that legally sanctioned gender inequality has a significant negative impact on a country's economic growth, because it prevents a large portion the population from fully participating in the economy, thus lowering the average ability of the workforce.[82]

- *Workplace (WBL):* These questions explore specific barriers to women's opportunities in the workplace. Sexual harassment and violence in the workplace can undermine women's economic empowerment by preventing employment and blocking access to other financial resources.[83] Research shows that when women have access to employment, investment in children's health, nutrition, and education often increases, promoting higher levels of human capital.[84]

- *Pay (WBL):* These questions look at barriers to women's pay equality. Restrictions on working hours, sectors, and occupations limit the range of jobs that women can hold and this lead to occupational segregation and confinement of women to low-paying sectors and activities.[85] Many

jobs prohibited for women are in highly paid industries, which can have implications for their earning potential. Further, when women are excluded from "male" jobs in the formal sector, an overcrowding can occur in the "female" informal job sector. This leads to a depression of wages for an otherwise productive group of workers.[86] Increasing women's participation in the workforce alone is insufficient for increased economic growth.[87] Women need access to the same job and pay opportunities in order to have an impact on economic growth.[88]

• *Marriage (WBL):* These questions look at women's equality in marriage including questions on domestic violence, and child marriage. Research shows the earnings of women in formal wage work who are exposed to severe partner violence are significantly lower than women who do not experience such violence.[89]

• *Parenthood (WBL):* These questions look at the availability and equality of paid parental leave and the rights of pregnant women. Childcare and paid parental leave increase workforce participation and pay equality, leading to poverty reduction and increased economic growth.[90]

• *Entrepreneurship (WBL):* This area explores barriers to women's ability to start businesses. When one gender receives fewer legal rights, both the country's potential labor force and potential pool of entrepreneurs decreases. Women's ability to start businesses and create jobs is essential to increase economic growth and alleviate poverty.[91]

• *Assets (WBL):* This area analyzes women's ability to own, control, and inherit property. Owning and having an equal say in their use of property not only increases women's financial security; it is also associated with their increased bargaining power within the household.[92]

• *Pension (WBL):* This area examines questions of whether men and women have the same rights with respect to pensions, retirement, retirement age, and periods of absence from the workforce due to childcare. Pension equality has been shown to reduce poverty, particularly for older women.[93]

• *Child Marriage and Customary/Religious Law (WORLD Policy Analysis Center):* This area deals with women's constitutional rights, and the status of Child Marriage. Due to the typically large age differences between girls younger than 18 and their husbands, child brides lack bargaining power in the marriage and have less say over their activities and choices, including education and economic activity.[94] Child marriage—through reduced decision-making power, greater likelihood of school dropout and illiteracy, lower labor force participation and earnings, and less control over productive household assets—severely impedes the economic opportunities of young women.[95] For many women in rural areas, customary and religious law can override constitutional protections for equality and legal rights.[96] Where these laws can override constitutional protections, all of the other benefits to economic growth and poverty reduction provided by other concepts covered in this indicator are nullified.[97]

Source

Women Business and the Law initiative of the World Bank, *http://wbl.worldbank.org/.* Questions regarding this portion of the indicator may be directed to Tea Trumbic at *ttrumbic@worldbank.org.* *WORLD Policy*

Analysis Center of UCLA *https://www.worldpolicycenter.org/.* Questions regarding this portion of the indicator may be directed to Gonzalo Moreno *gmoreno@ph.ucla.edu.*

Indicator Institution Methodology

Both indicators are de jure measures, consisting in legal reviews of the questions assessed.

The WBL portion of this indicator utilizes the WBL index comprised of 35 questions from the *Women, Business, and the Law* initiative of the World Bank. These questions are divided into 8 categories, each of which receives a score based on the percentage of questions with no restrictions on women's rights (so a country where women have 3 of the 5 rights measured in a category, would score 60 for that category (because 3 is 60% of 5)). Finally, the scores for all 8 categories are averaged together to create the index.

The WORLD Policy Analysis Center portion of this indicator uses 5 questions from the WORLD Assessment areas on Constitutions and Child Marriage. Specifically:

1. What is the minimum age of marriage for girls? (any age under 18 is considered a restriction)

2. When all exceptions are taken into account, what is the minimum age of marriage for girls? (any age under 18 is considered a restriction)

3. Is there a gender disparity in the minimum legal age of marriage? (any disparity is considered a restriction)

4. What is the constitutional status of customary law? ("Customary law can prevail over some or all of the constitution" and "Customary law is a normative source or legislation cannot contradict customary law," are considered restrictions).

5. What is the constitutional status of religious law? ("Religious law can prevail over some or all of the constitution" and "Religious law is a normative source or legislation cannot contradict customary law," are considered restrictions).

MCC then uses the same methodology as WBL to aggregate these questions into a single indicator. For example, a country which only had restrictions for one of the 5 questions above would score 80 for the WORLD component of this indicator.

MCC Methodology

The WBL Index breaks its sub-indicators into eight phases of a working woman's life, each phase containing 4-5 sub-indicators, which are averaged to create the index. To aggregate these sub-indicators with the WORLD Policy Analysis sub-indicators, MCC creates a 'ninth' category focused on child marriage and constitutional protection, which is averaged with the original eight from WBL. This means the WORLD data is 11% of the new Gender in the Economy indicator and the WBL Index data comprises 89%. An illustrative example of this calculation is below.

MCC's Gender in the Economy Score = [(WBL Index Score x (8/9)) + (WORLD Childhood Score x (1/9))]

For example, if this index had been used in FY21 Afghanistan would have scored 38.125 on the WBL index. On the WORLD questions, Afghanistan has restrictions on all three of the child marriage questions (i.e. child marriage is permitted), but neither of the constitutional/religious law questions. This means that it lacks restrictions on 40% of this category for a score of 40. To find Afghanistan's Gender in the Economy score MCC averages the eight WBL categories with the ninth category from WORLD: (38.125 *(8/9))+ (40*(1/9)) = 38.3. This gives Afghanistan a final score of 38.3.

In FY22, MCC revised the Gender in the Economy indicator due to changes to WBL's methodology. WBL now produces a single aggregate score for every country rather than purely disaggregated data. This new indicator added issue areas such as pension equality and parental leave equality to the topics covered in MCC's indicator while dropping two areas previously covered by MCC's indicator: child marriage and whether customary law can override constitutional legal protections for women. After consulting with a range of experts on gender and development, MCC determined that it is critical to include measurement of these issues in the indicator. As a result, MCC revised the Gender in the Economy indicator in FY 2022 to supplement WBL's index with WORLD Policy data on child marriage and customary law, as described above. Due to the change in methodology, FY22 scores are not comparable to previous year's scores.

NOTES:

NOTE ON CALCULATING MEDIANS

In calculating medians for indicators, MCC does not include scores of countries which do not report data (earning an N/A score) for median or percentile rank calculations. For example, if there are 55 countries in the candidate pool and only 50 report data, MCC uses only the 50 which report data in calculating the median and percentile ranks. MCC calculates separate medians for each scorecard income pool. When percentile ranks are used to determine passage, if multiple countries are tied for the minimum, their percentile ranks are set to 0%. If multiple countries are tied for the median, their percentile ranks are set to 50%. When scores instead of percentiles are used to determine passage (as in the case of Political Rights, Civil Liberties, Inflation, and, when the median for a scorecard income pool is above 90% immunized, Immunization Rate) then the median is not forced to the 50th percentile, nor is the minimum forced to the 0th percentile.

OPEN DATA

Following the publication of the scorecards, MCC posts the data used to construct them to its Open Data Portal (*https://data.mcc.gov/*). These data serve to clarify any ambiguities in MCC's methodology and provide access to the data that informs the scorecards.

ENDNOTES

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